Annual Report

SAB MILLER

SABMiller plc Annual Report 2010

About SABMiller plc

SABMiller plc is one of the world's largest brewers with brewing interests and distribution agreements across six continents.

The group's wide portfolio of brands includes premium international beers such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch, as well as leading local brands such as Aguila, Castle, Miller Lite, Snow and Tyskie. We are also one of the world's largest bottlers of Coca-Cola products.

Front cover and above
First brewed in 1895 to quench the thirsts of hard-working gold prospectors in Johannesburg, Castle Lager has become South Africa's iconic beer and a symbol of the country's passion for sport.

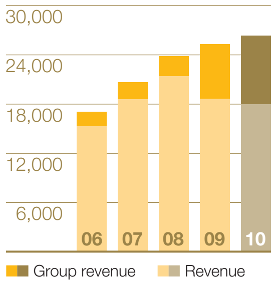
This report covers the financial year ended 31 March 2010. For more detailed information, please refer to our website at www.sabmiller.com.

This report is also available on our website as a downloadable pdf.

www.sabmiller.com/annualreport

Our performance

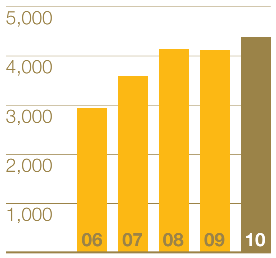
Group revenue[3]
US$m



Group revenue[3]
2010: US$26,350m **+4%**
2009: US$25,302m

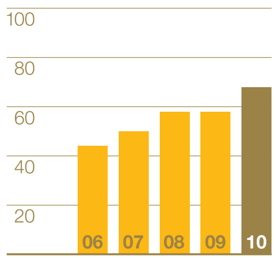
Revenue
2010: US$18,020m **–4%**
2009: US$18,703m

EBITA[4]
US$m



2010: US$4,381m **+6%**
2009: US$4,129m

Dividends per share[5]
US cents



2010: 68.0 US cents **+17%**
2009: 58.0 US cents

Profit before tax
2010: US$2,929m **–1%**
2009: US$2,958m

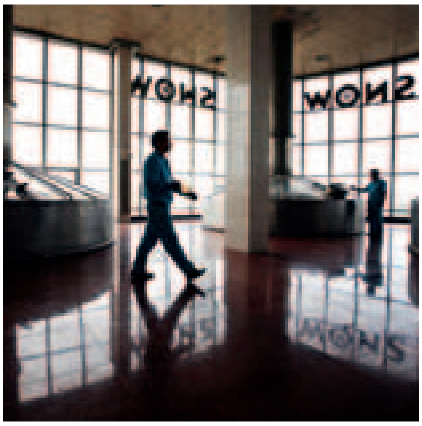
Adjusted earnings per share[6]
2010: 161.1 US cents **+17%**
2009: 137.5 US cents

Net debt[7]
2010: US$8,398m **–4%**
2009: US$8,709m

- Lager volumes of 213 million hectolitres (hl), in line with the prior year on an organic basis; share gains in many markets
- Group revenue up 4% and EBITA up 6% with margin growth of 30 basis points (bps) driven by robust pricing and cost efficiencies
- EBITA[1] increases in all regions except Asia:
  - Latin America delivers strong EBITA[1] growth of 17% through pricing and cost productivity
  - Solid pricing and cost management in Europe drive EBITA[1] growth of 4% despite lower volumes
  - Cost synergies deliver EBITA[1] growth of 7% in North America
  - Resilient lager volume growth in Africa underpins EBITA[1] growth of 4%
  - Asia EBITA[1] level as strong China growth is offset by constraints in India
  - South Africa Beverages EBITA[1] grows 2% despite increased market investment
- Adjusted EPS up 17% with operating performance enhanced by lower finance costs and a reduced tax rate
- Strong free cash flow[2] of US$2,010 million, with dividends per share[5] up 17%

1 EBITA growth is shown on an organic, constant currency basis.
2 As defined in the definitions section. See also note 27b to the consolidated financial statements.
3 Group revenue includes the attributable share of associates' and joint ventures' revenue of US$8,330 million (i.e. including MillerCoors' revenue) (2009: US$6,599 million).
4 Note 2 to the consolidated financial statements provides a reconciliation of operating profit to EBITA which is defined as operating profit before exceptional items and amortisation of intangible assets (excluding software) and includes the group's share of associates' and joint ventures' operating profit, on a similar basis. As described in the Chief Financial Officer's review, EBITA is used throughout this report.
5 2010 final dividend is subject to shareholder approval at the annual general meeting.
6 A reconciliation of adjusted earnings to the statutory measure of profit attributable to equity shareholders is provided in note 8 to the consolidated financial statements.
7 Net debt comprises gross debt (including borrowings, borrowings-related derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts). An analysis of net debt is provided in note 27c to the consolidated financial statements.

The group at a glance



Our group vision

To be the most admired company in the global beer industry

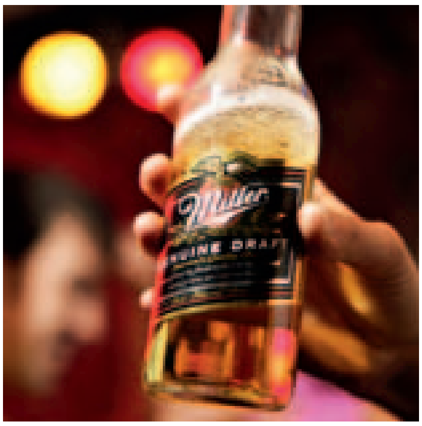
- Investment of choice
- Employer of choice
- Partner of choice

Our group mission

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

Our group values

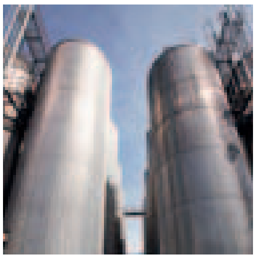
- Our people are our enduring advantage
- Accountability is clear and personal
- We work and win in teams
- We understand and respect our customers and consumers
- Our reputation is indivisible



Overview
Business review
Governance
Financial statements
Shareholder information

Our strategic priorities

SABMiller has four clear strategic priorities:



Creating a balanced and attractive global spread of businesses

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

For more information see page 14

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

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

For more information see page 16

Constantly raising the profitability of local businesses, sustainably

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

For more information see page 18

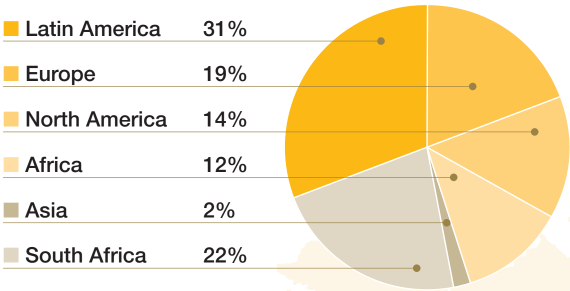
Leveraging our skills and global scale

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

For more information see page 20

The group at a glance continued

Contribution to group EBITA[1] 2010
%



SABMiller is a global operation covering 75 countries on six continents and employing over 70,000 people.

Our portfolio of businesses is divided into six regions and is well balanced between developed and emerging markets. Between them, our businesses produce over 200 different brands and sell 213 million hectolitres of lager a year.

North America

Overview

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

Key local brands

Blue Moon, Coors Banquet, Coors Light, Foster's, Henry Weinhard's, Icehouse, Keystone Light, Killian's, Leinenkugel's, MGD 64, Mickey's, Miller Chill, Miller Genuine Draft, Miller High Life, Miller Lite, Milwaukee's Best, Molson Canadian, Olde English, Sparks and Steel Reserve.

Further facts

MillerCoors operates eight major breweries, and as at 31 March 2010 had 8,500 employees.

For further information see our Operations review: page 29

Latin America

Overview

- Our primary brewing and beverage operations cover six countries across South and Central America. These are Colombia, Ecuador, El Salvador, Honduras, Panama and Peru.
- In each of these countries we are the number one brewer by market share.
- We bottle soft drinks for The Coca-Cola Company in El Salvador and Honduras, and for Pepsico International in Panama.
- Our regional office is located in Bogotá, Colombia.

Key local brands

Aguila, Atlas, Balboa, Barena, Club, Club Colombia, Costeña, Cristal, Cusqueña, Golden Light, Imperial, Pilsen, Pilsener, Pilsen Callao, Pilsen Trujillo, Poker, Pony Malta, Port Royal and Salva Vida.

Further facts

Total number of breweries[2]	17
Total number of bottling plants[2]	16
Total average number of employees[3]	24,979

For further information see our Operations review: page 26

Europe

Overview

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

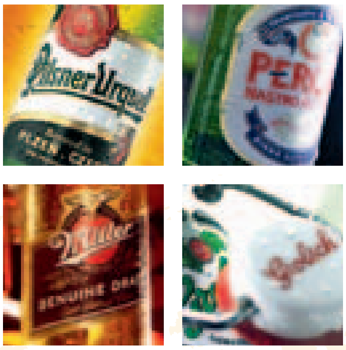
Key local brands

Arany Ászok, Dorada, Dreher, Gambrinus, Grolsch, Kozel, Lech, Peroni, Peroni Nastro Azzurro, Pilsner Urquell, Radegast Birell, Šariš, Timisoreana, Topvar, Tropical, Tyskie, Ursus, Zolotaya Bochka and Zubr.

Further facts

Total number of breweries[2]	22
Total average number of employees[3]	15,201

For further information see our Operations review: page 27



Our international premium brands – Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch

Brewing is essentially a local business: beer brands are typically rooted in local communities and have their own rich histories and heritage.

At SABMiller we respect and nurture these qualities while investing to improve the quality, choice and availability of local brand portfolios. At the same time, our international premium brands – **Pilsner Urquell**, **Peroni Nastro Azzurro**, **Miller Genuine Draft** and **Grolsch** – offer a premium drinking experience to consumers around the world.

Africa

Overview

- In Africa, our brewing and beverage operations cover 15 countries with a further 18 covered through a strategic alliance with the Castel group. We also have associated undertakings in Kenya and Zimbabwe.
- In most of these countries we are the number one brewer by market share.
- We bottle soft drinks for The Coca-Cola Company in 20 of our African markets, 13 of which are through our alliance with Castel.
- Our regional office is located in Johannesburg, South Africa.

Key local brands

2M, Ambo, Castle Lager, Castle Milk Stout, Chibuku, Club, Eagle, Kilimanjaro, Laurentina, Lion Lager, Maluti, Mosi, Ndovu, N'gola, Nile Special, Rwenzori, Safari, Sebebe, Source, Stone, St Louis, Voltic and White Bull.

Further facts

Total number of breweries[2]	30
Total number of bottling plants[2]	21
Total average number of employees[3]	12,182

For further information see our Operations review: page 30

South Africa

Overview

- The South African Breweries Limited is our original brewing company and South Africa's leading producer and distributor of alcoholic and non-alcoholic beverages.
- We also export our brands for distribution across Namibia.
- Our soft drinks division is South Africa's leading producer of products for The Coca-Cola Company.
- We also have hotel and gaming interests through Tsogo Sun, the largest hotel and gaming group in South Africa.
- Our regional office is located in Johannesburg, South Africa.

Key local brands

Appletiser, Brutal Fruit, Carling Black Label, Castle Lager, Castle Lite, Castle Milk Stout, Hansa Marzen Gold, Hansa Pilsener, Redd's, Sarita and Skelter's Straight.

Further facts

Total number of breweries[2]	7
Total number of bottling plants[2]	6
Total average number of employees[3]	12,885

For further information see our Operations review: page 32

Asia

Overview

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

Key local brands

Bluetongue, Foster's, Haywards, Indus Pride, Knock Out, Royal Challenge, Snow and Zorok.

Further facts

Total number of breweries[2]	12
Total average number of employees[3]	4,494

For further information see our Operations review: page 31

1 Excluding corporate costs.
2 The number of breweries and bottling plants relates to subsidiaries only (except MillerCoors).
3 See note 6 to the consolidated financial statements on page 91. The average number of employees relates to subsidiaries only (except MillerCoors).

Chairman's statement

In difficult conditions, we have drawn on our many advantages – not least our leading market positions, the strength of our local brands and the quality of our management – to produce very good results.

Dear Shareholder,

I am pleased to report a very good set of results, achieved in difficult conditions as the global economy struggled and consumer demand remained weak, particularly in our more developed markets.

As I said last year, beer is a fairly resilient product and our broad geographic footprint proved to be an advantage in that different countries were affected by the global economic crisis at different rates and to differing degrees. This year, in addition, we have benefited from management's ability to reduce costs and selectively increase prices in order to maximise revenues – capitalising here on our strong market positions and leading local brands.

Results and dividend

Total beverage volumes of 261 million hectolitres were in line with the prior year on an organic basis and lager volumes were level at 213 million hectolitres. We made share gains in many of our markets. Group revenue grew by 4%, driven by price increases in the prior and current years.

Earnings before interest, tax and amortisation (EBITA) grew 6% on both an organic, constant currency and a reported basis. EBITA margin on an organic, constant currency basis increased by 30 basis points (bps) to 16.7%. Cost efficiencies were offset by increases in depreciation, higher pay costs and, in some markets, increased investment in brand and customer management. Exceptional charges, primarily relating to our business capability programme, resulted in a fall of 1% in profit before tax to US$2,929 million.

Meyer Kahn
Chairman

Adjusted earnings were 22% ahead of the prior year. The increase reflects higher EBITA, lower finance costs, a lower effective tax rate and a fall in the minority share of profit, mainly due to the purchase of the 28.1% minority interest in our Polish subsidiary, Kompania Piwowarska, in May 2009 in exchange for the issue of 60 million ordinary shares. Adjusted earnings per share of 161.1 US cents were up 17% in the year.

The group generated free cash flow of US$2,010 million, an improvement of US$1,913 million compared with the prior year. This includes significant improvements in the management of working capital with a considerable contribution from the business capability initiatives mentioned below.

Capital expenditure for the period, including the purchase of intangible assets, was US$1,528 million – down US$619 million on the prior year after the completion of several major projects. Normalised EBITDA margin, including both dividends and revenue from MillerCoors, decreased by 40 bps to 20.2%.

Net debt decreased by US$311 million to US$8,398 million, reflecting the strong cash flow partly offset by adverse currency translation. The group's balance sheet was further strengthened with the gearing ratio falling significantly to 41%.

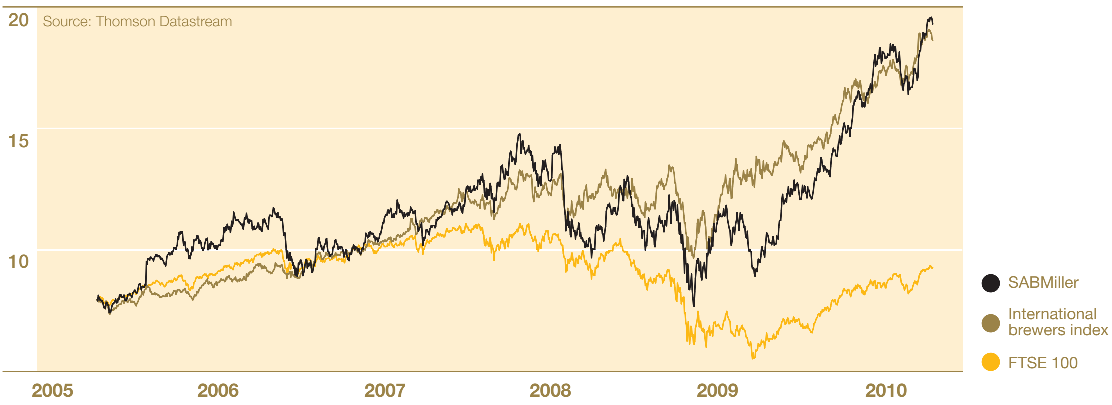
The board has recommended a final dividend of 51 US cents per share to be paid to shareholders on 13 August 2010. This brings the total dividend for the year to 68 US cents, an increase of 10 cents (17%) over the prior year.

Our assets

The strength of our balance sheet gives us a major advantage in relation to our competitors. That said, it does not reflect all the assets of the business. One might also mention the strength of our local brands, the quality of our management, our skills at managing business partnerships and a key asset that is often undervalued – our reputation.

It's the group's reputation – the sum of all our strengths – that ensures the trust of our stakeholders and gives us our licence to trade. For this reason, it's fundamental to our group vision 'to be the most admired company in the global beer industry'. We saw solid progress in this respect when Fortune Magazine published its 2010 list of the world's most admired companies in March this year. From seventh position in 2009, the Fortune survey now ranks us third in the worldwide beverage sector. While we're obviously pleased with this result, we remain determined to maintain this high ranking.

Share price 1 April 2005 to 31 March 2010 (£ sterling)



Investment

The economic pressures of the past year have not deflected us from our strategy. Rather, they have underlined its value as we seek to gain maximum returns from our global business portfolio.

Although our capital investment was lower this year than last, we've continued selectively to add new brewing capacity as emerging economies resume their growth, lifting demand for our products, and as more consumers move from informal home brews to commercial brands. It has therefore been a busy year for brewery acquisitions and new construction. In China, for example, CR Snow has bought three more breweries and built a further four. In Africa in the past year, we invested in four new breweries and one soft drinks plant while two existing breweries were expanded and upgraded. Where we see opportunities on the African continent, we continue to enter new markets and to acquire businesses producing non-alcoholic beverages where these fit well with our existing business.

As we invest to meet future demand, it's pleasing to see past investments producing good returns. Our Chinese joint venture, CR Snow, has started to reap the cost synergies of earlier acquisitions in China and is now gaining economies of scale in procurement, operations and routes to market. Almost five years on from our merger with Bavaria, the businesses in Colombia, Peru, Ecuador and Panama have generated an attractive return on the group's initial investment of US$7.8 billion announced in 2005. EBITA from our Latin American business has grown at a compound annual rate of 16% over this period with margins rising by 320 bps. Since the MillerCoors joint venture began operations in North America on 1 July 2008, it has delivered total synergies of US$326 million with a further US$83 million in cost savings in areas such as production, procurement, marketing and administration. MillerCoors remains on track to achieve US$750 million in total synergies and other cost savings by the end of the 2012 calendar year.

The group has embarked on a major business capability programme to simplify processes and reduce costs, so giving local management more time to focus on market-facing initiatives. Back-office activities including finance, human resources and procurement will be streamlined through global information processes and applications while front-office processes such as sales, distribution and supply chain management will benefit from common regional platforms. The programme is on track to be completed by 2014, by which time we expect ongoing cost benefits of US$300 million a year. In the current financial year, we have recognised US$342 million of exceptional costs relating to the programme.

Operational highlights

Lager volumes in **Latin America** increased by 3% as economic conditions showed signs of easing and we gained or held share in the majority of our markets. EBITA grew very strongly at 18% on a reported basis and 17% on an organic, constant currency basis as a result of pricing benefits, positive sales mix and cost productivity improvements.

In **Europe**, lager volumes declined by 5% on an organic basis as beer markets contracted in difficult economic conditions and governments in a number of key markets imposed heavy increases in excise. Nonetheless, through cost efficiencies and robust pricing, EBITA grew by 4% on an organic, constant currency basis. Reported EBITA declined by 8% as central European currencies weakened.

Reported within the **North America** segment, MillerCoors delivered *pro forma*[1] EBITA growth of 13% despite a sluggish US beer market impacted by continued adverse economic conditions. MillerCoors' domestic sales to wholesalers and retailers on a *pro forma* basis, were both down 2%, but revenue per hectolitre grew by 3%.

Most of our markets in **Africa** continued to grow, albeit more slowly than in recent years. Lager volumes grew 6%, helped by strong performances in Mozambique, Zambia and Uganda, and soft drinks volumes by 4% on an organic basis. While EBITA grew by 4% on an organic, constant currency basis, reported EBITA was held back by currency weaknesses and increased by 1%.

In **Asia**, lager volumes increased organically by 7% across the region and by 10% in China. India saw a 14% fall in volumes due to regulatory issues and higher taxes. EBITA on an organic, constant currency basis was level, while reported EBITA, which includes initial losses in recent Chinese acquisitions, fell 12%.

In **South Africa**, where the market grew marginally, lager volumes were 1% below the prior year. Soft drinks volumes also declined by 1% as a result of the weak economic environment and unfavourable weather in the peak summer trading period. Constant currency EBITA grew 2%, although margin declined slightly as pricing benefits and fixed cost productivity were eroded by rising input costs and higher expenditure on marketing. Thanks to the strength of the rand against the US dollar, reported EBITA grew by 16%.

1 MillerCoors' *pro forma* is defined on page 29 note 3.

Chairman's statement continued

Rewarding our stakeholders

Our strong performance, along with some recovery in global stock markets, has supported another rise in our share price. Over the 12 months to 31 March 2010, our market capitalisation has grown from US$22,415 million to US$46,381 million, a rise of 107% compared with a 44% rise for the FTSE 100.

Our growth around the world rewards not only the shareholders of SABMiller plc but also those of our subsidiaries which are listed on local stock exchanges. Shares in our Zambian Breweries plc subsidiary, for example, have produced a compound annual growth rate of 21% in constant currency since they were listed on the national stock exchange in September 1998, and have grown 40% in the last 12 months. Subsidiaries in countries such as Tanzania have also grown substantially, to the benefit of local investors.

In another move to reward smaller stakeholders, we announced in December 2009 that 8.45% of the shares in our South African subsidiary, The South African Breweries Ltd (SAB), would be placed under black ownership as part of our commitment to Broad-Based Black Economic Empowerment in South Africa. The so-called Zenzele transaction will create some 40,000 new shareholders among SAB employees and qualifying retailers – two groups that play a central role in the country's long-term success. The deal has also created a charitable foundation which will hold 18% of the shares to be issued under the transaction and will use the dividend income for the benefit of the wider South African community.

We have always argued that the best contribution we can make to the societies in which we operate is to run successful businesses. Last year, an independent study into SABMiller's operations in Uganda and Honduras revealed that for every person we employ directly in Uganda, a further 100 farmers and other workers depend on us for at least part of their livelihood. In the more developed Honduran economy, the figure is 33. Where appropriate, we also contribute by sourcing raw materials from small-scale, local suppliers and working with them to develop the quality and type of materials we need. Some 28,500 smallholders are currently involved in programmes of this kind in Africa, India and Latin America. In these and other ways, we seek to encourage enterprise development in our value chains and to stimulate the local economy.

As a responsible beer company, we have always been passionate about discouraging irresponsible drinking. To embed this ethos even more firmly into the business and to make it a bigger part of everything we do, we're currently training all our employees to promote responsible consumption in the workplace, at home and in the community. So far, more than 75% of our employees have undergone this training.

Corporate governance

We believe that effective corporate governance depends on the quality of the board and on members' understanding of their role and responsibilities. We are fortunate at SABMiller in having board directors of the highest calibre, four of whom have served for all or most of the period since the company's London listing in 1999.

One principle of the Combined Code governing UK-listed companies is that the board should include an appropriate balance of independent non-executive directors. The Code identifies directors' length of tenure as one factor a board should consider when deciding whether directors should be deemed independent. We strongly believe the Code's nine-year cut-off point is arbitrary and does not place sufficient weight on experience gained by a director while on the board. It is our firm view that a rigid application of this criterion, as advocated by some commentators, would not be in the interests of SABMiller or its shareholders.

One board member who will be stepping down at this year's annual general meeting is Lord Fellowes, our Senior Independent Director and Chairman of our Corporate Accountability and Risk Assurance Committee (CARAC). Robert Fellowes has been a diligent and committed director for the past 11 years. We will miss his enormous contribution and we wish him well in his retirement. His role as Senior Independent Director will be taken by John Manser, while Dr Dambisa Moyo will take his place as Chair of CARAC.

During the year we were pleased to welcome Howard Willard to the board as a non-executive director under the terms of our agreement with our largest shareholder, Altria Group, Inc.

On 1 May 2010 we welcomed Mark Armour as an independent non-executive director and a member of the audit and remuneration committees. Previously a partner at Price Waterhouse, Mark has been Chief Financial Officer of Reed Elsevier Group plc since 1996 and brings a wealth of experience in financial and accounting matters. His appointment is another step in the continuing renewal of the SABMiller board.

With members representing five continents, the SABMiller board has been recognised as one of the most internationally diverse in the FTSE 100. Its quality is matched by that of our executive team, exemplified when our Chief Executive, Graham Mackay, was named Business Leader of the Year by an independent group of CEOs at the CNBC European Business Leaders Awards 2010. The award cites his 'outstanding leadership and performance' and we congratulate him on this well-deserved recognition.

I would also like to pay tribute to our executives, managers and staff whose skills and commitment have brought us through a difficult year and helped to secure such impressive results. We are also grateful to our business partners and to you, our shareholders, for your continuing support.

Outlook

Although the economic environment began to improve for some of our emerging market businesses in the latter part of the financial year under review, a broader recovery in consumer spending is not expected before the second half of the current financial year. Price increases will be taken selectively, predominantly in the second half, and we expect raw material input costs for the year to be level with, or marginally down on, the prior year. We will continue to implement our cost productivity initiatives while increasing investment in our brands.

The group's brand equities and its financial position remain strong and we are well positioned to take advantage of any improvement in trading conditions.

Meyer Kahn
Chairman

Global beer market trends

The global beer market[1]

At the turn of the century, the top 10 brewers accounted for just over one-third of global beer sales volumes. The past decade has seen a rapid consolidation, resulting in the top four brewers – Anheuser-Busch InBev, SABMiller, Heineken and Carlsberg – accounting for almost 50% of beer sales volumes and up to 75% of the global profit pool[2]. Consolidation has continued in the past 12 months with further transactions in Mexico and China. As the pace of consolidation slows in the future, organic volume growth is expected to come from developing markets along with value creation opportunities in developed markets.

Alcohol trends

Category trends show a dichotomy between developing and developed beer markets. With incomes rising in emerging markets, consumers have shifted from informal, often commoditised, unregulated forms of alcohol to aspirational, attractively branded and safer beer products. The period from 1999 to 2008 saw commercially produced beer increasing its share of total alcohol consumption in emerging markets by over 800 bps from 32.8% in 1999 to 41.2% in 2008 on a pure alcohol basis. The same period saw a moderate decline in developed markets to 35.2% in 2008.

The economic crisis caused an overall downturn in 2009 – one that was further exacerbated by government fiscal pressures leading to increases in beer excise and other taxation in order to raise funds. The consequent consumer price increases have constrained beer volume growth while favouring unregulated forms of alcohol.

As the global economy improves, rising incomes continue to be a significant factor in developing beer markets as the category grows at the expense of illicit, high-alcohol spirits. In Africa, Latin America and Asia in particular, the rise in consumption is closely correlated to population and income growth[3].

Beer growth trends

Over the past five years the beer category has maintained a compound average growth rate (CAGR) of 3.5% globally. However, this reflects two very different pictures in emerging and developed markets with emerging markets growing at an average rate of 6.8% while developed markets declined by 3.4%. The largest contributors to this growth have been China (now the world's largest beer market), Africa and Eastern Europe.

Given the economic pressures, total global beer consumption grew by less than 1% in 2009. That said, strong growth trends continued in some key emerging markets. China recorded an increase of over 7%, despite being hampered by heavy snow and wet weather that affected consumer demand. Africa experienced robust growth of 4%, driven by Angola, DR Congo, Mozambique and Nigeria.

In Eastern Europe, certain beer markets contracted in 2009 as rising unemployment and declining on-premise consumption halted growth. Regulatory challenges created further headwinds in markets such as Russia and the beer market there declined 6% as a result.

Macroeconomic indicators improved in some markets in the last three months of 2009. However, the drivers of beer consumption such as falling unemployment and rising consumption expenditure are expected to lag behind the recoveries in GDP. North America, hit hard in 2009 by high unemployment, particularly among men of beer-drinking age, is expected to see only slight growth. Globally, the beer market is expected to grow by 1.5% in 2010, led by a continuing strong performance in Asia, Africa and Latin America. China is expected to grow by 6.5%, Africa by 3.1% and Latin America by almost 3%. Western Europe is expected to continue the trend of declining beer volumes, driven by a shift in consumption to other beverages and the decline of on-premise consumption.

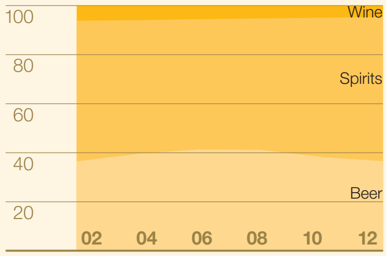
Looking further ahead to 2014, the top 15 growth markets are forecast to deliver compounded annual growth of 3%. China is expected to account for more than 45% of this growth with the USA, Vietnam, Brazil, Ukraine, Russia, Mexico and Peru making up most of the balance.

Beer segment trends

Across consumer goods sectors in general, the trend towards premiumisation accelerated in the past decade but slowed in the last 18 months as economic conditions worsened and consumers reverted to mainstream and economy segments. As economies improve, the trend towards premium will resume as consumers become more willing to pay for authentic, more image-oriented brands that reflect their socio-economic and lifestyle aspirations.

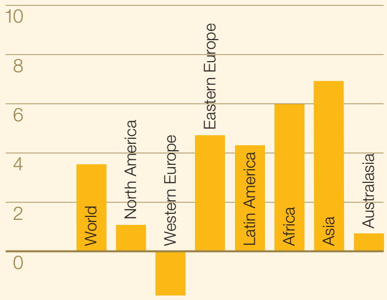
The premiumisation trend has not altered the fact that beer remains very much a local beverage in terms of both production and consumer brand preferences. International brands account for just over 6% of the world's beer consumption and this proportion has changed little over the last 10 years. Rather, what has happened is that urbanisation and a growing middle class in emerging markets have led to the growth of local premium brands. These offer premium packaging, positioning and variety, but are sold at a price accessible to many more consumers than international imported products. The resulting scale and higher profit margins make this a very attractive industry segment.

Alcohol category growth
%



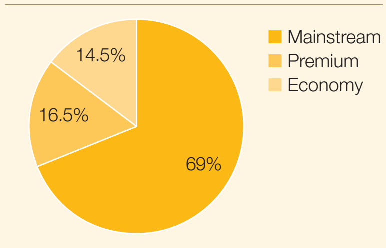
Beer share of alcohol trends in major emerging markets
Source: Canadean

Beer growth trends
%



Five year compound annual growth rate (CAGR) by region – 2005-2009
Source: Canadean

Beer segment trends
%



Segment mix within global beer category 2009
Source: Canadean

1 All data sourced from Canadean unless otherwise noted.

2 BofAMerrilLynch report: *Investing in Global Brewers* 19 April 2010.

3 Canadean, Internal analysis.

Chief Executive's review

Contributing to our success this year have been our inbuilt resilience, our strong operational management and a strategy that serves the business equally well in good times and in bad.

I ended last year's report by pointing to a testing period ahead. So it has proved. Nonetheless, our inbuilt resilience and strong operational management have produced another successful year.

Our volume performance was solid and compared well with that of our competitors with share gains in some of our key markets. On an organic basis, lager volumes for the year were level with the prior year while soft drinks volumes grew 2% on the same basis.

Firm pricing, an improving sales mix and a tight grip on costs delivered organic, constant currency EBITA growth of 6%. The strength of our leading local brands stood us in good stead, supporting a 4% rise in group revenue on an organic, constant currency basis with all regions increasing their revenue per hectolitre. We managed costs even more tightly, protecting profitability and, in some cases, funding increased marketing investment. EBITA margin was up 30 basis points to 16.7% on the same basis.

Review of operations

The most pleasing performer this year was **Latin America** where, despite difficult economic and trading conditions, our efforts to upgrade the beer category, build our brands and brand portfolios and win in the marketplace delivered 3% growth in lager volumes. Growth resumed in Colombia towards the end of the year and EBITA margin rose 270 basis points. In Peru, we improved our mix and pushed back the competition to regain market share. Ecuador grew robustly, underpinned by the further development of sales and distribution. Organic, constant currency EBITA for the region grew 17%.

Against a backdrop of severe economic conditions across the region, lager volumes in **Europe** fell 5%. Nevertheless, we gained or held market share in Poland, Romania, the Czech Republic and Russia. We were particularly pleased to increase our share of the premium market across our European business – testimony to many years' work in building brand equities. Robust pricing, largely implemented in the prior year, along with cost efficiencies and the benefits of business restructuring contributed to constant currency EBITA growth of 4% and an organic, constant currency margin expansion of 60 basis points.

Graham Mackay
Chief Executive

We're present in 75 countries on six continents. We're also well rooted: 94% of our lager volume comes from countries in which we're either number one or number two in terms of our market share.

North America delivered EBITA growth of 7% compared with a prior year which included one quarter's results from the Miller Brewing Company. Despite difficult economic conditions, MillerCoors produced *pro forma*[1] EBITA growth of 13%. This was driven by favourable pricing, incremental synergy benefits of US$248 million and further savings in marketing and fixed costs, partly offset by pressures on commodity costs and lower volumes over which to spread fixed costs. On a *pro forma* basis, domestic sales to wholesalers and retailers were both down 2%.

6%

EBITA growth (organic, constant currency)

Beer markets in **Africa** were broadly resilient and lager volumes rose by 6%. Our strategy of widening our brand portfolios produced strong growth in the premium category and further share gains in the affordable segment. Investments in new breweries and extra capacity began to deliver further growth. The opening of a new brewery in Mozambique, for example, contributed to sales growth of 11% while Uganda expanded its capacity and saw volumes rise by 24%. We benefited from an excise tax reduction in Zambia but saw sales in Botswana negatively affected by the social levy on alcohol introduced in November 2008. While organic, constant currency EBITA grew by 4%, margins declined to 20.8% as a result of higher raw material costs caused by the depreciation of some local currencies and higher fixed costs linked to recently commissioned brewery facilities and supply chain difficulties in Angola.

In **Asia**, good growth in lager volumes in China, Australia and Vietnam, offset by declines in India, resulted in a 7% organic increase in lager volumes. China led the way with growth of 10% and further share gains in a growing market for its Snow brand. CR Snow's share of the market is estimated to exceed 20%. Volumes in India fell 14% with some loss of market share due to regulatory issues and higher taxes in some states. Conditions improved, however, towards the end of the year. Vietnam and Australia both performed well.

Despite increasing competition, SAB's lager volumes in **South Africa** were only 1% below the prior year. Soft drinks volumes were hit by the difficult economic environment and poor weather with sales falling 1%. The business stepped up its investment in sales and marketing and was rewarded with higher volumes and a better competitive performance. This investment was partly funded by a reduction in costs in non-market-facing activities which delivered savings of almost US$80 million. Margins declined modestly due to the lower volumes, higher input costs and the increase in investment. Organic, constant currency EBITA was up 2%.

Our strategy

Our performance this year is largely the result of sticking to a strategy honed over many years and designed to advance the business both in good times and in bad. We measure our progress against our strategic priorities using a range of key performance indicators. These are listed in the table on pages 22 to 23, along with our progress against each one.

As markets evolve and the consumer and competitive landscape changes, we review our various strategic priorities and adjust the relative emphases between them – as indicated below.

Under our first priority, **creating a balanced and attractive global spread of businesses**, we believe we've emerged strongly from the recent industry consolidation. From 19% in 2000, the world's top four brewers now account for just under 50% of the market. Having actively participated in the process – and sometimes led it – we're now present in 75 countries on six continents. And as well as being widely spread, we're well rooted: 94% of our lager volume comes from countries in which we have either number one or number two market share positions.

A further strength of our geographic portfolio is its weighting towards developing countries. Over the last three years some 80% of group EBITA was attributable to developing or emerging markets. With populations in emerging markets set to expand rapidly in the period to 2015, lager volumes are projected to show a compound annual growth rate of over 2% in more than half the countries in our portfolio and to exceed 5% in over a quarter of our countries. These trends provide favourable momentum that good management can build on and accelerate.

20%

Market share in China

Given that consolidation within the global industry is well advanced, our emphasis this year has been less on adding new countries and more on realising the potential of the portfolio we have. Where demand is growing, we continue to add brewing capacity. As the Chairman has stated, the past year has seen a spate of acquisitions and new construction in China and Africa. Our Chinese associate, CR Snow, has bought three more breweries and built a further four – the greenfield projects reinforcing an already strong presence in Jilin, Inner Mongolia and Zhejiang and taking the business into the important Shanghai province. In Africa in the past year, we've invested in new breweries in Tanzania, Mozambique, Angola and Southern Sudan and carried out expansions and upgrades in Uganda and Zambia.

1 MillerCoors' *pro forma* is defined on page 29 note 3.

Chief Executive's review continued

As industry consolidation slows, competitive advantage depends increasingly on realising the potential of our business portfolio. Hence our emphasis on organic growth through understanding the consumer and constantly enhancing our brand portfolios.

On the African continent we're also looking at products other than beer where it makes sense to do so. As one of the world's largest bottlers of Coca-Cola, we have long experience of managing both beer and soft drinks in markets where the cost and operational benefits make it advantageous. This year we've pushed the strategy further by acquiring a Zambian maheu business (a non-alcoholic traditional beverage) and two water companies covering Uganda and Ethiopia. We've also added soft drinks capacity in Ghana, Angola and Southern Sudan.

In developing our business portfolio, we benefit from valuable partnerships with China Resources Enterprise, Castel in Africa and Molson Coors in North America. This year we've further strengthened our relationship with our partners in China with managers from CR Snow making a number of visits to other parts of the SABMiller group to share learning and best practice.

As the pace of consolidation in the global brewing industry slows, competitive advantage depends increasingly on generating organic growth. For SABMiller, this means a sharper focus on the commercial imperatives of understanding the consumer, enhancing our brand portfolios and getting our products into the market efficiently and effectively.

Against this background, our strategic priority of **developing strong, relevant brand portfolios that win in the local market** comes more to the fore. The conviction that we stand or fall by the success of our brands finds expression in our group mission 'to own and nurture local and international brands that are the first choice of the consumer'.

Our performance owes much to SABMiller's powerful portfolio of over 200 local brands whose consumer appeal and brand equity have made it possible in many markets to gain share and assume price leadership at the same time. This year group revenues rose 4% on an organic, constant currency basis with all regions increasing their revenue per hectolitre.

4%

Group revenue growth (organic, constant currency)

In developing our brand portfolios, we're able to draw on our deep understanding of local consumers, our ability to match specific needs and occasions with differentiated brands and the excitement that comes from constantly upgrading and enhancing the portfolio.

The Latin American businesses have achieved particular success by revitalising existing brands and introducing new ones, making bottles and labels more attractive and overhauling the route to market so as to enhance our ability to deliver the right brands to the right outlets at the right time. Recent innovations include Aguila Light (suitable for drinking at home with meals), flavoured beer alternatives (Redd's in Colombia, for example) and the development of non-alcoholic soft drinks, all helping to address new and different drinking occasions.

Around the group, we're also benefiting from brand portfolios that offer affordable options to price-conscious consumers. Our Colombian business, for example, has made it cheaper to buy a beer by offering its Aguila brand in smaller bottles. Our operations in Africa continue to develop new, low-cost products based on indigenous crops such as sorghum and cassava that can then be marketed as affordable alternatives to traditional home brews.

270 bps

EBITA margin increase in Colombia

Nor are we forgetting consumers who aspire to a luxury brand on special occasions but find international premium beers too expensive. To meet this need, we've championed the concept of the local premium brand to offer the cachet of a premium beer at a more affordable price. Selling at attractive margins, these have proved very successful in Latin America, Africa, Europe and even the USA in the form of craft beers such as Blue Moon.

Development of our four international premium brands is continuing, but this is a longer-term process requiring the seeding of the brands into the marketplace over several years.

Developing successful brand portfolios requires the right interplay of global and local skills. Through The Marketing Way, a group-wide initiative to codify and disseminate best practice, we're building our marketing and sales expertise around the world. Now, through our *5 to Drive* initiative, we have an improved global system for monitoring progress and highlighting the potential for further organic growth in our existing operations. In implementing these global initiatives, however, we remain aware that beer is essentially a local product, embedded in communities and cultures. It's one of our competitive strengths that we understand the local dimension and that group businesses are able to address local needs within the global framework.

Beer is essentially a local product, embedded in communities and cultures. It's one of our strengths that we understand the local dimension and that group businesses can address local needs in a sustainable way within the global framework.

To free up local management for the task of winning in their own markets, we're running a number of projects to simplify and streamline the organisation, reduce complexity and capitalise on the spread and expertise of the worldwide group – which brings us to another of our strategic priorities, namely **leveraging our skills and global scale**.

Following a period of rapid growth in which many new operations have joined the group, we believe the time is right for a step-change in our global processes and systems. A major business capability programme, now under way, will standardise information and processes based on a single, integrated IT system across finance, procurement and human resources. Sales, distribution and supply chain management processes will also be streamlined and moved onto common, regional systems platforms. A new global procurement organisation based in Switzerland will capitalise on SABMiller's worldwide purchasing power by centralising the group's procurement where it's in our interests to do so.

These various initiatives are based on proven technologies and systems and will take four years to complete. As well as creating a more connected global organisation, they're expected to produce ongoing cost benefits of US$300 million a year by 2014. This year, we have realised total financial benefits of US$350 million, US$333 million of which were from improved working capital, while recognising exceptional costs of US$342 million relating to the programme.

US$2,010m

Free cash flow

Our businesses around the world continue to demonstrate tight operational management and cost control, in line with our next strategic priority of **constantly raising the profitability of local businesses, sustainably**. The acquisitions of the last few years in China are starting to generate the expected synergies and economies of scale. In the USA, MillerCoors is making excellent progress in its three-year cost-management programme. In South Africa, SAB is extracting further efficiencies from its production, supply chain and administration and reinvesting the savings in growth generating activities such as marketing, distribution and developing its brand portfolio. In response to severe economic conditions in Europe, we've restructured some of our businesses and announced the closure of a number of breweries and distribution centres.

This year we tightened our management of cash and re-examined all our capital expenditure, applying stringent criteria based on the risks and opportunities in each country. As a result, capital expenditure, including the purchase of intangible assets, at US$1,528 million, was US$619 million lower than in the prior year and the group generated free cash flow of US$2,010 million.

In difficult times, it's easy to take actions that protect short-term profitability at the expense of long-term sustainability. We do not believe that this is the best way to generate value for our stakeholders. For this reason, we've reworded this particular strategic priority to include the word 'sustainably'.

In line with this imperative, we continue to work on the 10 sustainable development priorities detailed on pages 42 to 43. Our breweries are making good progress towards our targets to reduce water use and fossil fuel emissions per hectolitre of beer produced. Water used per hectolitre of beer produced fell 0.2hl to 4.3hl and fossil fuel emissions per hectolitre were 0.6 kg CO_2e down at 13.3 kg CO_2e. As repeated studies have shown, we continue to make a valuable social and economic contribution to the communities in which we operate. We've also been addressing public concerns about the harmful consumption of alcohol, both in the way we conduct our own business and in projects jointly undertaken with other stakeholders. Further details of what we are doing in this area are contained in the sustainable development report on pages 40 to 41.

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 57 and 58 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 on pages 24 and 25.

Looking ahead

We expect the coming year to be another testing one with consumers in developed markets, in particular, still feeling the effects of the global recession. Against this background, the actions we've taken to position our business around the world, to invest in our brands and to develop our operational capabilities will continue to underpin our medium-term growth.

Graham Mackay
Chief Executive

Strategic priorities

Creating a balanced and attractive global spread of businesses

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

Capitalising on Africa's growth

Africa continues to offer attractive opportunities within the group's global portfolio of businesses. In the last decade, the economies of sub-Saharan Africa have grown faster than the newly industrialised Asian economies (albeit from a low base) and have proved resilient to the global recession. With moderating inflation, growing trade surpluses, falling external debt and expanding populations, Africa's economic prospects are encouraging. Per capita consumption of beer is low but rising. There's also good potential for substituting commercial brands for unregulated and unsafe home brews and for introducing new products at the premium end of the portfolio – strategies that SABMiller is vigorously pursuing.

After 10 years of steadily rising demand across Africa, one of SABMiller's top priorities has been to increase capacity to keep pace. The past two years have seen substantial investment with new breweries at Mbeya in Tanzania, Nampula in Mozambique, Luanda in Angola and Juba in Southern Sudan as well as upgrades and expansions at Jinja in Uganda and Lusaka in Zambia. The group has also purchased the Pabod brewery in Port Harcourt to gain its first foothold in Nigeria, the second-largest beer market on the continent.

Other acquisitions have further diversified the portfolio into non-beer categories – part of a strategy of using the existing operational infrastructure to sell water, soft drinks and malt drinks alongside beer. In the past two years SABMiller has acquired a Zambian maheu business (a non-alcoholic traditional beverage), and three water businesses – Voltic in Ghana and Nigeria, Rwenzori in Uganda and Ambo in Ethiopia. Africa's water market is growing at 17.5% a year and water has grown to 4% of sales volume within SABMiller's African portfolio in just two years.

In Ghana, new facilities for Club soft drinks produced a leap in sales after a period in which growth was constrained by lack of availability. Also in Ghana, Voltic's sales have done well after improvements in availability and distribution. To meet growing demand in Angola and Southern Sudan, the business opened a new soft drinks plant in Luanda and began producing soft drinks and water in Juba, all adding further value to SABMiller's African portfolio.

Savings from MillerCoors integration ahead of target

The MillerCoors joint venture began operations on 1 July 2008 and was an important step in maximising the value from SABMiller's North American assets. It aimed to create a business with the scale and efficiency to compete more effectively in the US market and promised to achieve US$500 million in annual cost savings by its third year of operation.

Now approaching the end of its second year, MillerCoors is ahead of schedule in its cost-management programme. The savings have come from actions such as optimising production across the brewery network in order to reduce distribution costs, integrating business processes and systems, combining the buying power of the two organisations and consolidating functions such as media buying and advertising.

In the past year, savings from synergies alone have amounted to US$248 million. Total synergy savings since MillerCoors began operations now stand at US$326 million. A further US$50 million has come from cost initiatives started by the parent companies and US$33 million from additional cost savings.

Going well beyond its original target, the business is now on track to generate US$750 million in total synergies and other cost savings by the end of the calendar year 2012 – a major boost to MillerCoors' ambition of becoming the best beer company in America.

MillerCoors™

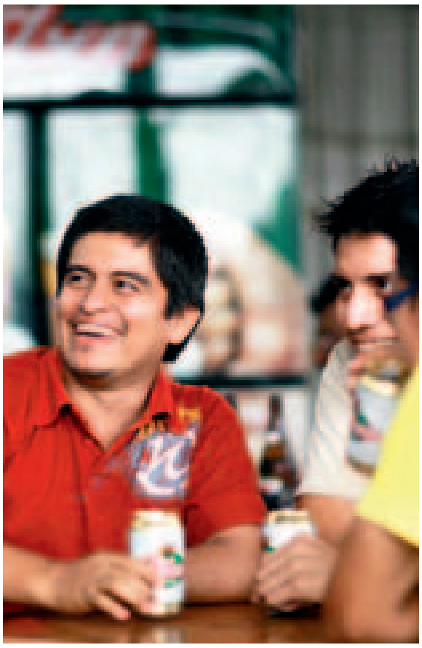
Latin American business builds a solid foundation for growth

When SABMiller merged with Bavaria's businesses in Colombia, Peru, Ecuador and Panama in 2005, it set out to achieve annual savings of US$120 million from operating improvements and cost synergies by March 2010. By transferring skills and knowledge from around the SABMiller group to these businesses, it has more than met this savings target.

One of its first priorities was to transform the image of beer, presenting it as a high-quality, aspirational product to increase its share of the total alcohol market. The task included segmenting the market and creating a full portfolio of rejuvenated and differentiated brands and packs to match specific consumer needs and beer-drinking occasions, all backed by extensive marketing investment. Unattractive bottles were replaced with more modern shapes and graphics. A thorough overhaul of the route to market made it possible to deliver the right products to each outlet with far greater efficiency and better customer service.

The result for SABMiller is a successful portfolio of businesses that have generated an attractive return on the group's initial investment of US$7.8 billion announced in 2005. EBITA from the Latin American businesses has grown at a compound annual growth rate of 16% over this period with margins rising by 320 bps. The lessons learned from this valuable addition to the global portfolio are now being shared with other group businesses.

The Latin American business sees further opportunities for organic growth as economies grow, consumers switch to commercially produced beer from other forms of alcohol (particularly informal spirits) and consumption per capita rises to the level of other countries in the region.



CR Snow strengthens its leading position in China

The group's Chinese associate, CR Snow, grew at double the market rate during the calendar year 2009, strengthening its leadership and gaining share in key regions of the country. In a market relatively unaffected by the recession, it increased its earnings and return on investment and continues to invest to benefit from China's economic growth.

Responding to consumer demand, CR Snow bought three more breweries and built a further four as part of a 20 million hectolitre increase in capacity during the year. These expansions have reinforced an already strong presence in Jilin, Inner Mongolia and Zhejiang and taken the business into the important new territory of Shanghai. At the same time, the company has been reaping the cost synergies of previous acquisitions and gaining economies of scale in procurement, operations and routes to market.

CR Snow's share of the Chinese market is estimated to exceed 20%. Within that, the Snow brand (one of the biggest beer brands in the world and larger than China's second and third brands combined) is approaching 90% of the portfolio. The company's channel management skills make the brand highly visible and available and its growing fame enables geographic expansion. The past year has seen further efforts to strengthen its brand equity, particularly behind Snow Draft and Brave the World variants in the fast-growing premium segment.

Strategic priorities continued

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

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

A distinctive space in the market for Castle Lite

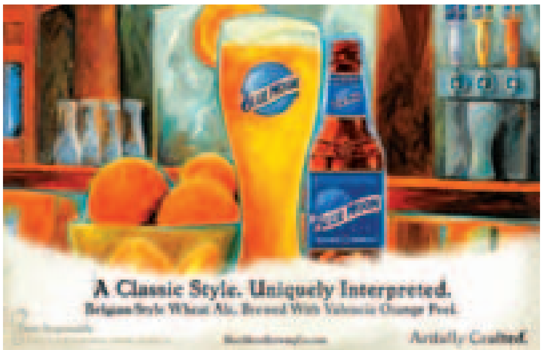
In recent years, the main growth in the South African market has been in the premium segment. After a pause during the economic downturn, the premium market has resumed its growth and continues to offer attractive, long-term potential. It currently accounts for 17% of South Africa's beer sales and the figure looks set to rise.

However, the segment has become extremely competitive. Determined to fight back hard in the premium market, SAB has refreshed its leading premium beer, Castle Lite, and created a more distinctive positioning and a stronger reason for consumers to buy the product.

In identifying a 'big idea' for the brand, the business looked to lessons learned elsewhere in the group and chose to make 'cold' the defining characteristic of Castle Lite. It then launched a comprehensive programme to own this particular space in the market.

As well as emphasising Castle Lite's premium credentials with new packaging and point of sale material, the business created an upbeat, cold-themed TV campaign featuring the American rapper, Vanilla Ice. It also supplied over 4,000 attractively styled, extra-cold fridges to its retailers. These were supported by an integrated 'through-the-line' campaign in which visual cues in the advertising (the extra-cold beer being lifted from an extra-cold fridge, for example) were re-triggered through billboards, packs, merchandising and other points of contact with the consumer. In an innovation borrowed from Coors Light in the USA, the product now features a thermochromatic label that turns blue when the beer reaches the optimum low temperature.

Castle Lite has responded well. Since the 'cold' programme began, the previous decline in sales has been stemmed and growth has kicked back in with volumes more than 8% up on the previous year. Despite formidable competition, Castle Lite remains the largest brand in South Africa's premium sector.



Blue Moon rises in a falling market

Although much of the beer market in the USA has suffered from the economic slowdown and a trend among some consumers to switch to cheaper beers, craft beers have continued to sell well among drinkers who value their heritage and distinctive characteristics.

During the year MillerCoors launched a programme to build on the success of the country's leading craft beer, Blue Moon. Breaking the tradition that craft beers rely on 'discovery' and word of mouth rather than advertising, the business mounted a national advertising campaign, one aim of which was to increase sales through supermarkets and bottle stores. To create further buzz around the product, it also launched the special edition Blue Moon Grand Cru in a distinctive indigo bottle to mark the blue moon (the second full moon in a calendar month) that occurred on New Year's Eve, 2009. The move attracted more attention to the Blue Moon brand and followed two other seasonal brand extensions, Honeymoon and – in the fall – Full Moon.

Coupled with wider distribution, the advertising campaign and the flow of innovative variations on the product have helped to keep Blue Moon relevant and interesting to its consumers. Sales for the year were up by high single digit percentage growth and the brand continues to make a valuable contribution to MillerCoors' overall results.

ARANY ÁSZOK A Söröm

Transforming a brand with community marketing

By 2008, Hungary's third largest mainstream brand, Arany Ászok, was losing the loyalty of its consumers, especially in its home region. To become more relevant and re-establish brand loyalty, the Hungarian business carried out a detailed analysis of the market and Arany Ászok's target consumers, namely blue-collar workers aged 30 to 49.

The crucial insight was that these were the country's unsung heroes, that what they valued was recognition and the sense of belonging to their community, and that where they found it was playing or cheering for the local amateur football team.

The upshot was an innovative community marketing programme that now sponsors approximately 1,000 town and village teams. As well as receiving free football kit, local teams are publicised on billboards and in the media in a way that links Arany Ászok with local pride. At the heart of the programme is the local bar through which SABMiller channels its support – many teams have an official pub where the sponsorship contract is signed. Themed packs and promotions carry the message into stores that are also keen to support the local heroes.

The results have been dramatic. Loyalty measures are rising, as is Arany Ászok's share of value within the segment. In a market still suffering from recession with volumes declining and pubs closing at a rapid rate, the brand has gained access to many new outlets. Furthermore, its revenue per hectolitre is up as its brand equity has strengthened and there is less resorting to price promotions.

A new opportunity in local premium brands

The group's strategy within each market is to provide a full portfolio of brands with offerings at each point on the price ladder. Between local mainstream beers, which make up the vast majority of sales in most markets, and top-end international premium brands, SABMiller is finding attractive opportunities for local premium brands. More affordable than international premium brands, the concept trades on local provenance and pride and widens the choice for aspiring consumers wanting an affordable luxury.

Local premium brands have proved very successful in Europe and Latin America and the same concept is now being applied in Africa.

SABMiller's strategy for local premium brands in Africa is to make each brand unique as 'the premium beer from here' while positioning its brands on the basis of common insights and taking a shared approach to marketing and advertising. That works because local premium brands tend to be drunk for the same reasons on the same occasions by similar types of consumer. Success lies in combining cross-border skills and the benefits of scale with a distinctive local twist in each market.

Local premium brands in Africa have grown by 80% compared with the prior year. The star has been Mozambique's Laurentina Preta, up more than 80%, with other strong performances from Maluti in Lesotho and Ndovu in Tanzania. The recent launches of Nile Gold (Uganda), Mosi Gold (Zambia), Sebebe (Swaziland) and Laurentina Premium (Mozambique) have all been well received.

Overview
Business review
Governance
Financial statements
Shareholder information

Strategic priorities continued

Constantly raising the profitability of local businesses, sustainably

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

Colombia's profitability continues to improve despite economic slowdown

As one of SABMiller's largest businesses, Bavaria in Colombia has been at the forefront of the group's rapid progress in the region. Against the backdrop of SABMiller's work to transform the image of the beer market, its operational improvements have steadily lifted its performance to new levels.

Having carefully segmented the market and created a full portfolio of renovated and differentiated brands, the business was able to focus on the quality of its service and developing its relationship with customers. It has expanded its pre-selling operation and now provides a single point of service to each retailer, agreeing in each case which brands, presentations and point-of-sale material will best meet the consumer needs and beer-drinking occasions served by the outlet in question.

Another important step was to increase control over the distribution network and the number of direct deliveries, and optimise the network for maximum efficiency. This included rationalising distribution centres, consolidating a fragmented distributor network and introducing and standardising performance incentives for distributors. The business has also increased its vehicle utilisation by replacing the ageing, overloaded, fuel-inefficient trucks of the past with new, palletised vehicles using modern loading techniques and working to planned routes and schedules. All these initiatives have reduced distribution costs and made delivery more effective and reliable with a consequent leap in customer satisfaction.

Colombia felt the effects of the global downturn relatively early. Bavaria responded swiftly to worsening conditions, carrying out a detailed review of its costs and organisation. This, along with the work on its brands, sales and distribution operations, has enabled the business to deliver an impressive year-on-year rise of 270 basis points in EBITA margin. The double digit compound annual growth in EBITA since 2007 underlines the resilience and flexibility of the business and its strong position as the economy recovers.

WWF partnership seeks to safeguard water supplies

A crucial factor in securing the sustainable profitability of local businesses is to ensure good supplies of high-quality water for SABMiller's breweries. Concern is growing worldwide about water scarcity and the group is taking steps to understand and manage any potential risks to its business.

In 2008 SABMiller set itself the target of using 25% less water per hectolitre of beer produced by 2015. A range of programmes are now in place to achieve this reduction, but the issue also affects SABMiller's suppliers and demands wider action.

In partnership with the World Wide Fund for Nature (WWF), SABMiller is pioneering the technique of water footprinting to understand how much water is used, and where, within its value chain. The work breaks new ground in Non-Governmental Organisation (NGO)-corporate partnerships by aligning environmental interests with the need to protect SABMiller's operations. Joint projects with WWF in a number of water-scarce markets are helping to identify where communities, the local environment and SABMiller businesses face possible shortages and to decide what can be done to safeguard supplies.

One example of working in partnership to improve the management of water is a project with WWF, local farmers and the authorities in Honduras that seeks to reduce soil erosion and the use of pesticides by farmers. As well as helping the environment and improving water quality in the watershed from which SABMiller's operation draws its supplies, the project benefits farmers by reducing their input costs.

Investing in local suppliers

In procuring its raw materials, SABMiller combines the scale benefits of global sourcing with the advantages of sourcing locally where this makes sense.

Local sourcing means zero import duties and shorter, more secure supply chains while encouraging enterprise and stimulating the local economy on which every SABMiller business depends. In Africa, in particular, it supports the group's strategy of developing new, low-cost products based on indigenous crops such as sorghum and cassava that can be marketed as affordable alternatives to traditional home brews.

SABMiller is working hard to source more of its raw materials (both conventional and new) from local suppliers. In Africa, it's scaling up commercial barley production in countries such as Zambia and Tanzania and recently won donor funding to help establish a cassava supply chain using small-scale farmers in Southern Sudan. In Peru and Ecuador, it's developing high-quality, local supplies of maize and rice to replace imported crops. In India, the business is working with small-scale barley farmers to improve their yields and quality, enabling them to meet more of SABMiller's requirements while also boosting their incomes. There are currently some 9,000 farmers involved in this project.

A market-focused strategy for growth

The South African competitive scene is unique in that the main challenge comes not from new players launching new brands, but from a former partner offering well-established premium brands that SAB itself helped to build over the decades.

SAB's response is to concentrate on building the equity of selected brands and getting its products efficiently to market. While its relatively new international premium brands attack the top end of the market, SAB is packing most of its resource behind four 'power brands' – Castle Lite in the local premium segment and Hansa Pilsener, Castle Lager and Carling Black Label in the large, cash-generating mainstream segment. In parallel, it's seeking to offer superior value and service to retailers (including tens of thousands of previously unlicensed 'shebeens' that have now entered the formal sector as licensed taverns) and to make the most meaningful contribution to society.

The strategy calls for greater investment in market-facing, brand-related activities – everything that touches consumers, retailers, government and the community. To this end, SAB is squeezing all possible efficiencies from non-market-facing operations such as production, supply chain and administration and channelling the savings into its brands, marketing and distribution. The aim is to achieve a virtuous circle whereby greater scale in the marketplace presents opportunities for higher efficiency which creates more funding for marketing and sales, which drives demand, which generates further scale efficiencies.

Strategic priorities continued

Leveraging our skills and global scale

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

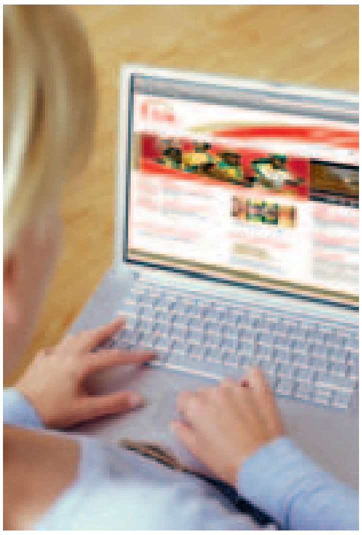
Exploiting scale to develop global purchasing

SABMiller spends over US$5,000 million a year on materials – mainly malt, barley, hops, glass and cans, but also other essentials such as marketing items and freight. Having previously made these purchases mainly on a regional basis, the group is now exploiting its worldwide scale and creating a centralised procurement organisation to manage this expenditure globally while also retaining the flexibility to buy locally where this is advantageous.

Among its many benefits, global procurement offers greater negotiating power and the opportunity to build strong, collaborative relationships with key suppliers. It also allows the group to optimise and harmonise its specifications to obtain the best quality and value. Procurement processes can be streamlined, expenditure made more transparent and new ideas and developments disseminated more quickly around the group.

The formation of the global procurement organisation is well advanced with a head office now established in Switzerland – a known centre of procurement expertise and within a convenient time zone in relation to the group's global footprint. The organisation recently carried out pilot programmes in some of its smaller purchasing categories. These included trade fridges and glassware in Europe and Latin America and other marketing items such as umbrellas, furniture and signage. Despite rising raw material prices, these two programmes produced significant savings on previous expenditure.

As systems are tested and lessons incorporated, global procurement will be rolled out to other, larger categories in 2010 and beyond.



Global scale, global processes

In a project due to go live from June 2010, SABMiller will capitalise on its scale by creating consistent information and processes and a single, integrated IT system across finance, procurement and human resources. By standardising essential processes around the globe, the project will, among other benefits, save costs, enable faster sharing of better quality information, accelerate the integration of new acquisitions, free up local management to focus on their own commercial priorities and create a more connected global organisation.

Standardised processes, especially in finance and administration, will also make it possible to establish outsourced shared service centres, presenting further opportunities to optimise efficiency and reduce costs.

SAB in South Africa has for some time run back-office financial activities for its beer and soft drinks businesses through an in-house shared service centre enabled by a local Enterprise Resource Planning system. The SAB model was chosen as the basis for the global template with development expertise coming from around the group. In a step towards some of the advantages that the project will deliver, SAB recently outsourced its shared service centre to a business process provider. It's already seeing the benefits through more efficient processes at lower cost.

Cross-regional IT solutions

As part of the process of transforming their operations, SABMiller's Latin American businesses have developed a common system for optimising the planning and supply chain operations in each market. Another collaborative project, first implemented in Peru and now also live in Colombia, is a front-office tool for improving control of sales and distribution and becoming more effective at the point of sale. Benefits from the two projects have included more accurate budgeting and forecasting, improved production scheduling, reduced working capital and better customer service.

The next step is to combine these locally developed solutions with SABMiller's standardised and integrated back-office system (see case study above) as it starts being rolled out in Latin America. Ecuador will shortly become the first country to adopt all three systems – supply chain planning, front-office sales and distribution and the integrated back-office – on a single IT platform.

Having drawn on developments in South Africa, Latin America is now collaborating with SABMiller's European businesses to adapt the platform to their markets – ensuring, for example, that a system designed to include 'mom and pop' stores in Peru can be adapted to European supermarkets. As learning is shared in this way, each region is able to innovate more quickly than it could have done on its own.

Exchanging knowledge to achieve marketing excellence

Crucial to the group's success is learning what works in one market and applying it in others to generate growth. To this end, the system of SABMiller 'Ways' has codified best practice in key areas of the business to allow learning and innovation to spread rapidly and efficiently across the group.

Building on The Marketing Way, SABMiller's marketing team has developed progressive but formal methods of disseminating knowledge, to improve on the ad hoc methods previously used. One result was the creation of *BigM*, the global marketing intranet for the sharing of best practice. *BigM* was the first component of *WEBrew*, the group-wide intranet launched in 2008.

WEBrew also hosts the *Mercatus* awards programme and the innovative *Quencher*, SABMiller's first global marketing e-zine. The former recognises marketing excellence across the business and encourages the adoption of award-winning examples. The e-zine has proved to be a valuable source of news for the marketing community. New to the mix is the Knowledge Library, currently being piloted in response to demand for greater exchange of knowledge.

Through these innovations, the global marketing function has created a sophisticated platform for new learning to travel quickly and efficiently to all parts of the group. This will prove essential in the rolling out of new initiatives such as *5 to Drive*.

Key performance indicators

SABMiller has a clear strategic focus with four strategic priorities. Management uses a range of measures to monitor progress against these priorities and its financial goal. The key performance indicators (KPIs) are presented below. For detailed definitions and an explanation of the changes since last year, see page 159.

Financial goal	What we measure
To deliver a higher return to our shareholders than our peer group over the longer term	Total Shareholder Return versus median of peer group over three-year periods
	Growth in adjusted earnings per share
	Free cash flow

Strategic priorities	What we measure
Creating a balanced and attractive global spread of businesses	Proportion of our total lager volume from markets in which we have No.1 or No.2 national market share positions
	Proportion of group EBITA from developing and emerging economies
Developing strong, relevant brand portfolios that win in the local market	Organic growth in lager volumes
	Group revenue growth (organic, constant currency)
Constantly raising the profitability of local businesses, sustainably	EBITA growth (organic, constant currency)
	EBITA margin
	Hectolitres of water used at our breweries per hectolitre of lager produced
	Fossil fuel emissions from energy use at our breweries per hectolitre of lager produced
Leveraging our skills and global scale	Cumulative financial benefits from our business capability programme

In a year characterised by very difficult trading conditions we achieved significant progress against our financial goal.

Why we measure	How we performed 2010	2009	2008
Directly reflects value created for our shareholders over the longer term relative to alternative investments in the drinks industry	**52%**	(1)%	(17)%
To track improvement in underlying earnings for our shareholders	**17%**	(4)%	19%
To track cash generated to pay down debt, return to shareholders and invest in acquisitions	**US$2,010m**	US$97m	US$545m
To assess the relative strength in aggregate of our market positions	**94%**	94%	95%
To measure the balance of our earnings exposure between regions of the world economy with highest growth potential and more mature regions	**78%**	77%	80%
To track underlying growth of our core business	**0%**	0%	6%
To measure underlying rate of growth in sales value of our brand portfolios	**4%**	9%	10%
To track underlying operational profit growth	**6%**	5%	9%
To track underlying operational profitability	**16.6%**	16.3%	17.4%
To track progress towards our target for reducing water used at our breweries	**4.3 hl/hl**	4.5 hl/hl	4.6 hl/hl
To track progress towards our target for reducing fossil fuel emissions at our breweries	**13.3 kg CO_2e/hl**	13.9 kg CO_2e/hl	14.0 kg CO_2e/hl
To track benefits delivered from investment in the group business capability programme	**US$350m**	n/a[1]	n/a[1]

1 Not applicable in 2008 and 2009.

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 the Chief Financial Officer's review and in note 22 to the consolidated financial statements.

Specific risk	Mitigation
Industry consolidation **Context** The global brewing industry is expected to continue to consolidate, albeit more slowly, creating opportunities to enter attractive growth markets and realise synergy benefits from integration and to leverage global scale. **Risk** Failure to participate in value-adding transactions; overpaying for a transaction; and failure to implement integration plans successfully after transactions are completed. **Possible impact** Lower growth rate, profitability and financial returns. **Associated strategic priorities** ▪ Creating a balanced and attractive global spread of businesses. ▪ Constantly raising the profitability of local businesses, sustainably.	▪ Potential transactions are subject to rigorous analysis. Only opportunities with potential to create value are pursued. ▪ Proven integration processes, procedures and practices are applied to deliver expected returns. ▪ Activities to deliver synergies and leverage scale are in place, monitored closely and continuously enhanced.
Change in consumer preferences **Context** Consumer tastes and behaviours are constantly evolving and competitor activity is increasing and becoming more sophisticated. Strong brand portfolios together with excellence in marketing and sales execution are required if we are to meet consumer, shopper and customer needs. **Risk** Failure to ensure the attractiveness of our brands; failure to continuously improve our marketing and related sales capability to deliver consumer relevant propositions. **Possible impact** Market positions come under pressure, lower volume growth rates and profitability. **Associated strategic priorities:** ▪ Developing strong, relevant brand portfolios that win in the local market. ▪ Constantly raising the profitability of local businesses, sustainably. ▪ Leveraging our skills and global scale.	▪ Ongoing focus on building our marketing and sales capabilities through continued roll-out and enhancement of the SABMiller Marketing Way. ▪ Ensuring that our brand equities remain strong through relevant innovation and compelling marketing programmes. ▪ Ongoing evaluation of our brand portfolios in every market to ensure that they target current and future opportunities for profitable growth.
Management capability impairment **Context** We believe that our people are our enduring advantage. It is essential therefore that we identify, develop and retain global management capability. **Risk** Failure to develop and maintain a sufficient cadre of talented management. **Possible impact** Potential lower long-term profitable growth. **Associated strategic priorities:** ▪ Developing strong, relevant brand portfolios that win in the local market. ▪ Constantly raising the profitability of local businesses, sustainably. ▪ Leveraging our skills and global scale.	▪ Effective and well-developed strategic people resourcing and talent management processes. ▪ A strong culture of accountability, empowerment and personal development. ▪ Standardisation of key processes and best practices across the group through the roll-out of the SABMiller Ways.

Specific risk	Mitigation
Regulatory changes **Context** The alcohol industry is coming under increasing pressure from regulators, NGOs and tax authorities as the debate over alcohol consumption continues in many markets. **Risk** Regulation places increasing restrictions on pricing (including tax), availability and marketing of beer and drives changes in consumption behaviour. **Possible impact** Lower profitability growth and reduced contribution to local communities in some countries. **Associated strategic priorities** ▪ Creating a balanced and attractive global spread of businesses. ▪ Developing strong, relevant brand portfolios that win in the local market. ▪ Constantly raising the profitability of local businesses, sustainably.	▪ Rigorous adherence to the principle of self-regulation backed by appropriate policies and management review. ▪ Constructive engagement with government and all external stakeholders on alcohol-related issues. ▪ Investment to improve the economic and social impact of our businesses in local communities and working in partnership with governments and NGOs.
Raw material volatility **Context** Recent volatility in the supply and pricing in some of our key raw materials. **Risk** Failure to obtain an adequate supply of brewing and packaging raw materials at competitive prices. **Possible impact** Lower profitability and occasional supply disruption. **Associated strategic priorities** ▪ Constantly raising the profitability of local businesses, sustainably. ▪ Leveraging our skills and global scale.	▪ Contractual agreements with suppliers covering multiple time horizons, combined with an active hedging programme. ▪ Programmes to support development of local sourcing for certain key commodities, such as barley, in Africa, India and Latin America.
Economic environment **Context** Recent global recession with weak GDP growth projected in 2010. Uncertain economic growth and rising unemployment have resulted in weak consumer demand which has, in some cases, been compounded by currency weakness. **Risk** Our marketing, operating and financial responses may not be timely or adequate to respond to changing consumer demand. **Possible impact** Lower short-term growth rates and profitability. **Associated strategic priorities** ▪ Creating a balanced and attractive global spread of businesses. ▪ Developing strong, relevant brand portfolios that win in the local market. ▪ Constantly raising the profitability of local businesses, sustainably.	▪ Actions to restructure operations in certain countries to reflect current or expected deterioration in local economic conditions. ▪ Maintaining and extending our local industry leadership positions through appropriate investments in our brands, focus on local execution and development of commercial capability. ▪ Increased emphasis on cash flow management.
Delivering transformation **Context** The group has begun executing a major business capability programme that will simplify processes, reduce costs and allow local management teams to enhance focus on their markets. **Risk** Failure to execute and derive benefits from the projects currently under way. **Possible impact** Increased project costs, business disruption and reduced competitive advantage in the medium term. **Associated strategic priorities** ▪ Constantly raising the profitability of local businesses, sustainably. ▪ Leveraging our skills and global scale.	▪ Senior leadership closely involved in monitoring progress and in making key decisions. ▪ Rigorous programme management and governance processes with dedicated resources.

Operations review

Latin America: Strong EBITA growth on an organic, constant currency basis of 17% through pricing and cost productivity

Latin America

Financial summary	2010	2009	%
Group revenue (including share of associates) (US$m)	**5,905**	5,495	7
EBITA[1] (US$m)	**1,386**	1,173	18
EBITA margin (%)	**23.5**	21.4	
Sales volumes (hl 000)			
Lager	**38,075**	37,138	3
Soft drinks	**15,895**	18,509	(14)
Soft drinks (organic)	**15,895**	15,071	5

1 In 2010 before exceptional charges of US$156 million being business capability programme costs of US$97 million, restructuring and integration costs of US$14 million and impairments of US$45 million (2009: net exceptional credits of US$45 million being profits on disposal of the Colombian water business and the Bolivian soft drinks operations of US$89 million, net of integration and restructuring costs of US$31 million and a US$13 million charge in respect of litigation).

Key focus areas

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

In a year characterised by difficult economic and trading conditions across **Latin America**, management delivered EBITA growth of 18% on a reported and 17% on an organic, constant currency basis. The year saw lager volume growth of 3%, benefiting from enhanced sales execution with a strong fourth quarter supported by signs of improving economic conditions across the region. We grew or held market share in most of our markets while revenue was boosted by strong pricing taken last year and beneficial mix resulting in organic revenue per hectolitre growth of 4% at constant currency. Margin was further enhanced by marketing efficiencies and restructuring benefits.

In **Colombia** we performed strongly, delivering a 270 basis point improvement in EBITA margin on an organic, constant currency basis, and significantly improved cash flow generation. Revenue was supported in the first half of the year by price increases taken in the prior year while the second half benefited from volume recovery and continued mix improvement. Full-year lager volumes grew 3%, with a particularly encouraging last quarter. Fourth quarter lager volumes grew by 13%, albeit against a soft prior year comparative, assisted by Easter trading and strong market execution, notwithstanding a price increase to recover the beer tax rise imposed in February. Our share of the alcohol market remained in line with the prior year at approximately 66%. Volumes benefited from our balanced brand and pack portfolio and efforts to attract a wider consumer base and drive consumption frequency. Premium brand volumes increased 29% aided by strong growth of Club Colombia and Redd's. Mainstream brand volumes grew 2%, with Aguila Light continuing to outperform on the back of a trend to lighter beer. We continued our focus on improving customer service and trade execution, while working with retailers to increase affordability. Raw material costs benefited from lower prices, while fixed costs improved in real terms following restructuring and cost reductions.
In February 2010, the business announced plans to transfer production from its central Bogota brewery to the nearby Tocancipá facility. As a result, a US$59 million exceptional charge has been taken in the year, of which US$45 million relates to the impairment of asset values. The initiative is expected to have a payback of less than two years.

In **Peru** we continued to gain beer market share with both volume and value share growing to approximately 90%. Improved trading in the fourth quarter lifted lager volumes to end the year in line with the prior year. Profitability grew strongly, benefiting from a national price increase in April 2009 and positive sales mix resulting from growth of our premium brands and contraction of the economy segment. Our local premium brand, Cusqueña, grew volumes 7%. Mainstream brands grew 1% as they recovered share from the economy segment led by Pilsen Callao, which is priced at the upper mainstream in some markets. Following the introduction of a new IT platform as part of the ongoing group business capability programme, direct distribution now accounts for 76% of all deliveries and management of trade receivables has improved. Fixed cost control, more effective marketing spend and containment of raw material costs further enhanced EBITA margin.

Our operations in **Ecuador** saw robust growth with two increases in national minimum wages supporting consumer spending. Lager volumes grew by 9% with 37% growth from the premium segment reflecting the continued success of our local premium brand, Club, following its relaunch in the prior year. Our flagship mainstream brand, Pilsener, also grew strongly, assisted by the launch of a new 225ml returnable pack in January. In the non-alcoholic malt beverage category, our brand, Pony Malta, saw growth of 19% following pack extensions. Continued development of the sales and distribution model in the provincial areas led to simultaneous improvements in service levels, efficiencies and reach resulting in better outlet coverage and product availability. Outlet penetration rose 5% to 85%. In a highly dynamic market, our share of the alcohol market remained at 44%.

Honduras endured both deteriorating economic conditions following the global financial crisis, and political turmoil, which continued for much of the year. As the political situation deteriorated, our operations took action to protect our route-to-market, secure supply and maintain customer service. Total volume growth of 5% was achieved with growth of soft drinks offsetting lower lager volumes. Sparkling soft drinks grew share to 56% with good growth by our Tropical brand and the Coca-Cola brand. Despite lower lager volumes and stronger pricing, we increased our share of the alcohol market from 40% to 49% supported by increased outlet penetration and superior sales execution.

In **Panama**, total volumes grew by 4%, with lager volumes up 1% in an increasingly competitive environment. Soft drinks volume grew 7%, boosted by the excellent performance of Malta Vigor following its relaunch in the prior year and higher availability of non-carbonated soft drinks.

In **El Salvador**, total volumes grew 8% with strong soft drinks sales in a fast-growing soft drinks market. We maintained our leadership in sparkling soft drinks with a 55% market share. Our juice volumes grew 46% following the launch of a new brand, Jugos del Valle Fresh, in August 2009, while lager volumes were in line with the prior year.

Europe: Solid pricing and cost management drive EBITA growth of 4% on an organic, constant currency basis despite lower volumes

Europe

Financial summary	2010	2009	%
Group revenue (including share of associates) (US$m)	**5,577**	6,145	(9)
EBITA[1] (US$m)	**872**	944	(8)
EBITA margin (%)	**15.6**	15.4	
Sales volumes (hl 000)			
Lager	**45,513**	47,237	(4)
Lager (organic)	**44,872**	47,237	(5)

1 In 2010 before exceptional charges of US$202 million being US$64 million of integration and restructuring costs and US$138 million of business capability programme costs (2009: US$452 million being the impairment of non-current assets of US$392 million, integration and restructuring costs of US$51 million and the unwind of fair value adjustments on inventory following the acquisition of Grolsch of US$9 million).

Key focus areas

- Drive our full brand portfolios in growth segments in key markets
- Further develop our positions in high value export markets
- Continue to innovate in product, packaging and dispense systems
- Build strong brand equities through innovative 360 degree marketing programmes
- Leverage our scale

In **Europe**, lager volumes declined 4% on a reported basis and 5% on an organic basis as the beer market continued to be impacted by depressed consumer spending as a result of increased unemployment and tighter credit across the region. During the year, a number of markets also faced significant increases in excise, which have been substantially passed on in price increases. Against this backdrop, we grew or maintained market share in our key markets and increased our share of the premium segment.

Organic, constant currency revenue per hectolitre grew 6% reflecting strong pricing in the first half, which moderated in the second half. This, combined with improved cost efficiency, drove an organic, constant currency EBITA increase of 4% and organic margin expansion of 60 bps. Marketing expenditure was lower than in the prior year which included local sponsorship of the Euro 2008 football championships and the Olympics. Fixed costs and depreciation increased due to expanded sales and distribution reach and capacity in both Russia and Romania. Central European currencies were considerably weaker than in the prior year, impacting raw material costs, but we nevertheless achieved a small improvement in variable production costs. Reported EBITA declined by 8%.

Operations review continued

Europe: continued

In **Poland**, lager volumes were down 3% although we grew market share, reflecting a sustained focus on sales execution and trade programmes. Brand activities centred on Tyskie, Poland's leading brand, as sponsor of the International Year of Beer, driving an increase in brand market share for the third consecutive year. Zubr also captured significant market share, growing volumes by 3%. In the premium segment, we increased our value share, and Grolsch was successfully launched in the super-premium segment. Revenue per hectolitre grew 4% in constant currency terms. In September 2009 we announced the closure of the Kielce brewery and three distribution centres.

In the **Czech Republic**, the market was impacted by higher unemployment and significant increases in VAT and excise in January 2010. Our domestic lager volumes declined 5%, reflecting a 7% fall in the on-premise channel which has been severely affected by economic pressures and lower tourism. Despite this, we maintained market share with our brands now occupying the number one, two and three market positions. Our combined super-premium and premium portfolio grew over 6% with all key brands growing market share. The performance of Pilsner Urquell, underpinned by strong and improving brand health, was particularly noteworthy given its price premium. The market-leading brand, Gambrinus, continued to be negatively affected by its significant exposure to the on-premise channel; however, the higher priced variant, Gambrinus 11, performed well, maintaining its leadership of the semi-premium segment. In the mainstream segment, Kozel enjoyed another exceptional year, growing 5% and consolidating its position as Czech's number two brand. Improved overhead productivity led to an EBITA margin expansion of over 100 bps.

Romania suffered a severe recession during the year and our lager volumes fell 13% on an organic basis in a market that declined 24%. We took market leadership with share improving by 400 bps to reach 32% over the year. The mainstream segment continued to grow at the expense of premium and economy sectors as consumers sought brands with strong value propositions. Our largest brand, Timisoreana, continued its strong performance with volume growth of 2%. We increased our share in the off-premise channel with intensive 360 degree brand activation and strong display support and took market leadership of the growing key accounts sub-channel. We maintained our leadership of the declining on-premise channel. Revenue per hectolitre grew 9% at constant currency, although EBITA declined due to reduced volumes and increased depreciation following investment in the prior year. During the year we strengthened our economy segment with the acquisition of the Azuga operations and we closed the acquired brewery, as planned.

In **Russia**, a significant increase in excise in January 2010 and a sharp decline in consumer disposable income led to a drop in industry beer production and sales. Our lager volumes were down 5% but our market share was maintained. Repositioning, renovation and line extensions on Zolotaya Bochka lifted the brand to number two in the premium segment, while the Kozel brand delivered 13% volume growth to become the number one licensed brand in Moscow. In September 2009, we launched Grolsch with brand equity indicators showing good growth potential. In May 2009, we opened the new brewery in Ulyanovsk, in line with our geographic expansion strategy; and launched the Tri Bogatyrya economy brand in a new PET format leading to a doubling of the brand's volume. Brand mix partially diluted the strong pricing taken in the prior year but we still achieved revenue per hectolitre growth of 7% at constant currency. In the **Ukraine**, the Sarmat brand was relaunched but volume performance was severely impacted by a 94% increase in excise in July 2009. Volume growth on licensed brands Kozel and Zolotaya Bochka was very strong, benefiting mix and driving revenue per hectolitre growth.

In **Italy**, economic conditions remained negative, although the second half saw some signs of stabilisation. Birra Peroni volumes declined 7% during the year as we reduced promoted volume and stock in trade levels. Our market share of STRs was marginally below the prior year while constant currency revenue per hectolitre grew 4% reflecting strong pricing and improved channel mix. This, combined with refocused marketing investment behind core brands, production efficiencies and fixed cost productivity, drove an improvement in EBITA.

Domestic lager volumes in The **Netherlands** declined 2%, in line with the branded market; a solid result given heavy competitor discounting and off-premise consolidation in the year. Restructuring initiatives taken in the prior year began to deliver benefits with fixed costs down 5%.

In the **United Kingdom**, lager volumes grew 14% on a comparable basis, with Peroni Nastro Azzurro sales up 29% following strong growth in on-premise channels and in key national retailers. During the year, exports of Miller Genuine Draft to Ireland were taken over by our UK business following the termination of the previous licensing arrangement.

In **Hungary**, **Slovakia** and the **Canaries**, economic conditions remain difficult and beer markets depressed. We grew market share in Hungary and maintained share in Slovakia and the Canaries, despite the decline in the on-premise channel. In November 2009 we announced the closure of the Topolcany brewery in Slovakia.

North America: Cost synergies deliver EBITA growth of 7%

North America

Financial summary	2010	2009	%
Group revenue (including share of joint ventures) (US$m)	**5,228**	5,227[2]	–
EBITA[1] (US$m)	**619**	581[2]	7
EBITA margin (%)	**11.8**	11.1[2]	
Sales volumes (hl 000)			
Lager – excluding contract brewing	**43,472**	45,629[2]	(5)
Soft drinks	**37**	54[2]	(31)
MillerCoors' volumes (hl 000)			
Lager – excluding contract brewing	**42,100**	43,099[3]	(2)
Sales to retailers (STRs)	**41,865**	42,836[3]	(2)
Contract brewing	**4,558**	4,721[3]	(3)

1 In 2010 before exceptional charges of US$18 million being the group's share of MillerCoors' integration and restructuring costs of US$14 million and the group's share of the unwind of the fair value inventory adjustment of US$4 million (2009: net exceptional credit of US$325 million being the profit on the deemed disposal of the Miller business of US$437 million and exceptional costs of US$28 million in relation to the integration and restructuring costs for MillerCoors, together with the group's share of MillerCoors' integration and restructuring costs of US$33 million, the group's share of the unwind of the fair value inventory adjustment of US$13 million and the group's share of the impairment of the Sparks brand of US$38 million).

2 Volumes, group revenue and EBITA represent 100% of Miller Brewing Company's performance in the first quarter of the year ended 31 March 2009 and the group's 58% share of MillerCoors' performance and 100% of the retained wholly owned Miller Brewing Company business (principally Miller Brewing International) for the balance of the year ended 31 March 2009.

3 MillerCoors *pro forma* figures are based on results for Miller's and Coors' US and Puerto Rico operations reported under International Financial Reporting Standards (IFRS) and US GAAP respectively for the year ended 31 March 2009. Adjustments have been made to reflect both companies' comparative data on a similar basis including amortisation of definite-life intangible assets, depreciation reflecting revisions to property, plant and equipment values and the exclusion of exceptional items.

Key MillerCoors' focus areas

- Win in mainstream light with complementary positioning of Coors Light, Miller Lite and MGD 64
- Drive value and volume for Miller High Life and Keystone Light
- Capitalise on MillerCoors' broad import and craft portfolio to grow in worthmore
- Create value through strong net revenue management
- Achieve superior growth in retail chain sales
- Deliver US$750 million in synergies and cost efficiencies

North America lager volumes for the year (excluding contract brewing) were down 5%. EBITA grew 7% on a reported basis reflecting *pro forma* EBITA growth of 13% in MillerCoors, partly offset by lower export sales, adjustments for *pro forma* calculations and additional costs in the North American holding companies.

MillerCoors

For the year ended 31 March 2010, MillerCoors STRs declined 2% on a *pro forma* basis with continued weak economic conditions affecting the entire industry. Domestic STWs also declined 2% on a *pro forma* basis. Despite the challenging trading environment, EBITA grew 13% on a *pro forma* basis with firm pricing and cost management offsetting volume softness.

Premium-light brand volumes were down low single digits with declines in Miller Lite and Coors Light partially offset by growth of MGD 64.

MillerCoors' craft and import portfolio grew marginally with growth from Blue Moon and Peroni Nastro Azzurro, which outperformed a soft import category. The domestic above premium portfolio, which includes Miller Chill, Sparks and Killian's Irish Red, continued to exhibit double digit decline.

The below premium portfolio was up low single digits with a decline in Milwaukee's Best offset by good growth of Keystone and continued growth of Miller High Life.

MillerCoors' revenue per hectolitre grew 3% driven by sustained price increases in the prior year and the second half of the current year.

Cost of goods sold (COGS) per hectolitre were driven up by increases in commodity costs, with increases in brewing materials (malt and corn), packaging materials (glass and aluminium), and higher fuel costs. COGS per hectolitre were also negatively impacted by the absorption of fixed costs across lower production volumes.

Marketing, general and administrative costs decreased primarily due to the continued realisation of synergies.

In the year, MillerCoors delivered an incremental US$248 million of synergy savings, largely through the elimination of duplicate and transitional positions and specific marketing synergies. Network optimisation savings continued to be realised from shifting production of Coors and Miller brands within the larger MillerCoors' brewery network. MillerCoors continued to integrate business processes and systems across the enterprise to improve customer service and capitalise on the scale of the business. An incremental US$33 million was delivered from other cost initiatives and projects including efficiencies in production costs, procurement, and marketing, general and administrative expenses.

Total annualised synergies and other cost savings now stand at US$409 million, comprising synergies of US$326 million and other cost savings of US$83 million. MillerCoors remains on track to deliver US$750 million in total annualised synergies and other cost savings by the end of the calendar year 2012.

Operations review continued

Africa: Resilient lager volume growth underpins EBITA growth of 4% on an organic, constant currency basis

Africa

Financial summary	2010	2009	%
Group revenue (including share of associates) (US$m)	**2,716**	2,567	6
EBITA[1] (US$m)	**565**	562	1
EBITA margin (%)	**20.8**	21.9	
Sales volumes (hl 000)			
Lager	**13,476**	12,726	6
Lager (organic)	**13,443**	12,726	6
Soft drinks	**10,442**	8,352	25
Soft drinks (organic)	**8,687**	8,352	4
Other alcoholic beverages	**3,922**	4,079	(4)

1 In 2010 before net exceptional charges of US$3 million being business capability programme costs (2009: US$nil).

Key focus areas

- Spur growth in beer and soft drinks with expanded brand portfolios across a wider price range
- Further develop sales and distribution to enhance our outlet presence and extend our geographic coverage
- Optimally manage our capital investment programme to enable continuing growth
- Mitigate high imported input costs through innovation and local supply chains

Africa's volumes continued to grow in a year in which economic growth slowed as a result of the global economic recession, and which also resulted in weaker currencies, increased cost of debt and higher inflation. Our multi-beverage portfolio proved resilient, with total organic volumes up 4% including lager volume growth of 6% and soft drinks growth of 4%. During the year, we acquired further non-alcoholic beverage businesses in Uganda, Ethiopia and Zambia, invested in new breweries in Angola, Mozambique, Southern Sudan and Tanzania and expanded capacity in Uganda and Zambia.

Brand and pack differentiation produced strong growth in the premium category and further growth in the affordable segment. We made progress in driving affordability by using local ingredients and supporting enterprise development through farming initiatives and local sourcing.

Reported EBITA grew 1%, and by 4% in organic, constant currency terms. Margins declined in the second half to end the year 90 bps below the prior year on an organic, constant currency basis as the depreciation of some local currencies increased the cost of imported raw materials. Fixed costs increased with capacity expansion and supply chain difficulties in Angola negatively impacted margin. Price increases across the region were generally at or below inflation levels.

In **Tanzania**, lager volumes declined 4%, in line with the industry, as a result of softer consumer spending and adverse weather conditions earlier in the year. Marketing spend on all brands was increased with a focus on brand innovation. Ndovu Special Malt and Castle Lite were both launched in the premium segment in a new 375 ml green bottle and volume performance was above initial expectations. Safari Lager, Redd's and Castle Milk Stout all benefited from packaging renovations. Our new brewery in Mbeya was successfully commissioned during the second half of the year allowing us to reduce distribution costs in the south west region. Our arrangement with East African Breweries Limited (EABL) to brew and distribute their products in Tanzania was terminated in the final quarter of the year.

Mozambique returned to strong growth with lager volumes up 11%. This reflects improved economic conditions and good growth in the north, aided by the commissioning of our new brewery in Nampula. Both Laurentina Premium and Laurentina Preta, a dark lager, grew strongly. The draught category performed well in the on-premise channel. Profitability growth slowed reflecting increased import costs driven up by the depreciation of the metical against the rand.

Uganda delivered strong lager growth of 24%, assisted by newly upgraded capacity and improved market execution. The launch of the new long neck bottle invigorated the market and differentiated the Nile Special and Club brands. In addition, the launch of Nile Gold, a premium malt lager, was well received. In the final quarter, we completed the acquisition of the Rwenzori water business, the market leader in bottled water in Uganda.

Zambia lager volumes benefited from the reduction in excise at the beginning of the financial year, driving growth of 17%. A further excise reduction was announced in March 2010. The beer portfolio was expanded with the launch of the local premium brand Mosi Gold in December 2009. Soft drinks volumes grew 1% on an organic basis. The maheu business (a non-alcoholic traditional beverage), acquired in September 2009, performed well, growing our non-alcoholic brand portfolio and driving soft drinks volumes up 28% on a reported basis. EBITA margin was impacted by unfavourable exchange rates as a result of the weak kwacha, which drove up the cost of imported raw materials.

In **Angola**, in a very challenging year, soft drinks volumes ended 5% below the prior year, while lager volumes grew 5%. After years of strong economic growth, Angola experienced negative GDP growth following a significant drop in oil revenue. During the year, the kwanza was de-linked from the US dollar resulting in a 15% depreciation and the imposition of severe currency restrictions. These factors negatively impacted consumer spending. Capacity constraints, exacerbated by difficult logistics, hampered production while the cost of imported raw materials was adversely affected by the currency depreciation. A new two million hectolitre soft drinks plant was commissioned in January 2010 and the new brewery in Luanda was commissioned in April 2010.

In **Botswana**, the sale of alcoholic products continued to be adversely affected by difficult economic conditions, the social levy introduced in November 2008 and restricted trading and drinking hours. Our lager volumes ended the year 35% below the prior year. Soft drinks volumes grew by 9% driven by increased returnable bottle sales, enhanced marketing and improved trade execution.

Castel delivered increased profits with lager volumes growing 11% supported by new capacity in Angola and good growth in Cameroon, Ethiopia and the Republic of Congo. Soft drinks volumes also grew 11% with good growth in Algeria, Tunisia and Cameroon.

Asia: EBITA level on an organic, constant currency basis as strong China growth is offset by constraints in India

Asia

Financial summary	2010	2009	%
Group revenue (including share of associates and joint ventures) (US$m)	**1,741**	1,565	11
EBITA (US$m)	**71**	80	(12)
EBITA margin (%)	**4.1**	5.1	
Sales volumes (hl 000)			
Lager	**46,279**	41,714	11
Lager (organic)	**44,815**	41,714	7

Key focus areas

- Further build market leadership in China and enhance profitability
- Continue to drive Snow, the largest beer brand in China
- Pursue market liberalisation in India to achieve a reasonable trading environment for the beer industry
- Develop our operations in Vietnam and Australia as well as our broader regional presence

Asia's lager volumes grew 7% on an organic basis, with good growth in China, Australia and Vietnam partly offset by volume decline in India due to regulatory issues. Full-year EBITA was level on an organic, constant currency basis with good underlying growth in China offset by difficult trading conditions in India. Reported EBITA, which includes initial losses in recent Chinese start-ups and acquisitions, declined 12%.

In **China**, lager volumes grew 10% on an organic basis and 13% on a reported basis despite a slowdown in growth over the last quarter of the year. Additional capacity of some 20 million hectolitres was added during the year including the acquisition of three new breweries and the commissioning of four greenfield breweries across both existing and new markets. Marketing efforts remained focused on the Snow brand, which is now approaching 90% of volumes, particularly behind the Snow Draft and Brave the World variants in the fast-growing premium segment. CR Snow's market share continued to grow and is estimated to exceed 20%.

Operations review continued

Asia: continued

The central region contributed half of the volume growth with reported volumes up 16% driven primarily by growth in the key provinces of Anhui and Zhejiang and new operations in Shandong and Shanghai. The north eastern region delivered strong volume growth as CR Snow gained share in the Jilin and Heilongjiang areas. Good growth continued in the western region, particularly in the provinces of Guizhou and Gansu and a return to growth in Sichuan.

Volumes in **India** were down 14% and EBITA declined significantly reflecting regulatory disputes in Andhra Pradesh and Uttar Pradesh, and excise increases in Karnataka and Rajasthan. Trading conditions improved in the last quarter as regulatory issues eased and price increases were implemented in the key states of Andhra Pradesh, Karnataka and Maharashtra. During the year we introduced an embossed proprietary bottle which will improve package presentation and drive down costs.

In **Vietnam**, which is reported as a subsidiary for the first time, Miller High Life was launched to supplement the local Zorok brand resulting in a marked increase in volumes. The Zorok brand is gaining acceptance regionally and a sustainable export business has been created.

In **Australia**, the portfolio of premium brands again delivered strong growth with lager volumes up 32%. Peroni Nastro Azzurro continues to take share in the premium segment and was supplemented during the year by Peroni Leggera, a low carbohydrate variant. Bluetongue and Miller Genuine Draft continued to perform well. The greenfield brewery north of Sydney is on track to be commissioned in June 2010, and local production will result in lower product costs.

South Africa: Organic, constant currency EBITA grows 2% despite increased market investment

South Africa: Beverages

Financial summary	2010	2009	%
Group revenue (including share of associates) (US$m)	**4,777**	3,955	21
EBITA[1] (US$m)	**885**	764	16
EBITA margin (%)	**18.5**	19.3	
Sales volumes (hl 000)			
Lager	**25,761**	25,949	(1)
Soft drinks	**17,044**	17,303	(1)
Other alcoholic beverages	**1,404**	1,325	6

1 In 2010 before net exceptional charges of US$53 million being business capability programme costs of US$42 million and costs associated with the establishment of the Broad-Based Black Economic Empowerment transaction of US$11 million (2009: US$nil).

Key focus areas

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

The economic environment in **South Africa** remained challenging throughout the year with declining consumer demand, despite a return to GDP growth during the last quarter of calendar 2009.

Lager volumes declined by 1% for the year with 1% growth during the second half peak offsetting a 3% decline during the first six months. The beer market grew marginally during the year, and growth increased towards the end of the year, benefiting somewhat from stock build-up ahead of the Easter 2010 peak.

Soft drinks volumes declined 1% reflecting the difficult economic environment and the unseasonably cold and wet weather during the summer peak. Sparkling soft drinks sales were down 1% with increased consumption in PET packs offset by a decline in can volumes. The impact of a seven-week strike, which took place over the peak Christmas period, was mitigated by thorough contingency planning.

Revenue grew by 6% and revenue per hectolitre grew by 7% on a constant currency basis driven by price increases in line with inflation in both beer and soft drinks. Raw material costs remained under pressure as medium-term contractual arrangements with key brewing raw material suppliers limited our ability to benefit from the downturn in brewing commodity prices. Higher packaging materials and sugar prices also contributed to increased input costs.

Organic, constant currency EBITA grew by 2%, but was up 16% on a reported basis reflecting the strengthening of the rand over the year, relative to the US dollar. Margins showed a modest decline with a fall in volumes, higher input costs and greater investment in market-facing activities partly offset by price increases and cost productivity. A continued focus on reducing non-market-facing and distribution costs delivered savings of almost US$80 million during the year. These savings were redirected into market-facing investments.

Much of the increase in marketing support was directed into our core power brands; Carling Black Label, Hansa Pilsener and Castle Lager in the mainstream segment and Castle Lite in the premium segment. Both Hansa Pilsener and Castle Lager delivered high single digit growth. Castle Lite, which already accounts for one in every three premium beers purchased in South Africa, returned to growth and is now performing strongly.

In the premium segment, we continued to establish our international premium portfolio with the focused development of Miller Genuine Draft, Peroni Nastro Azzurro and Grolsch.

During the year, we upgraded sales capability and customer service offerings to retailers in all classes of trade, which resulted in both the number of outlets serviced and the intensity of servicing increasing substantially.

The Broad-Based Black Economic Empowerment transaction that was announced during the year, will benefit employees, soft drinks and liquor retailers and the wider South African community by placing 8.45% of the equity of The South African Breweries Limited under black ownership. The retail offer closed on 28 April 2010 and the initial allocation of shares will be completed in June 2010.

Distell's international and domestic sales continued to exhibit good performance with strong sales of cider and ready-to-drink brands offsetting declines in spirits and wine. Despite higher volumes, profitability declined due to unfavourable sales mix and adverse transactional currency.

South Africa: Hotels and Gaming

Financial summary	2010	2009	%
Group revenue (share of associate) (US$m)	**406**	348	17
EBITA[1] (US$m)	**122**	122	1
EBITA margin (%)	**30.0**	34.9	
Revenue per available room (Revpar) – US$	**65.33**	67.36	(3)

1 In 2009 before exceptional charges of US$7 million being the group's share of fair value mark to market losses on financial instruments.

SABMiller is a 49% shareholder of the Tsogo Sun group.

The South African hotel industry remained subdued during the year with lower levels of corporate and government spending. A number of major sporting events in South Africa during the first quarter of the year provided some uplift, but occupancies remained depressed overall.

Our share of Tsogo Sun's reported revenue was US$406 million, an increase of 17% on a reported basis including the non-organic share of revenue of Tsogo Sun's associated company, Gold Reef Resorts, and the newly acquired Century Casinos business. Excluding this incremental revenue, revenue decreased 4% against the prior year at constant currency. Constant currency revenue per available room (revpar) declined 15%, and was down 3% at reported rates reflecting the stronger rand relative to the US dollar.

The gaming industry in South Africa contracted during the year with weak demand affecting casino win, although the KwaZulu-Natal region demonstrated resilience. Gauteng, the most significant gaming province, reported a 3% drop in market size.

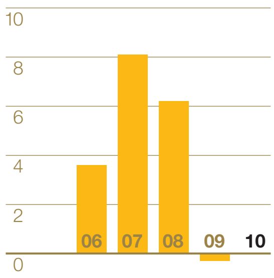
Despite the tough trading conditions, the Tsogo Sun group concluded a number of transactions during the year, positioning itself well to benefit from market recovery in the future. On 30 June 2009, Tsogo Sun acquired 100% of the Century Casinos business in Caledon and Newcastle, and in October 2009 increased its stake in the Suncoast Casino in Durban by an additional 30%.

In February 2010, SABMiller announced its intention to merge the Tsogo Sun group with Gold Reef Resorts Limited, a Johannesburg Stock Exchange listed business, through an all-share merger, which will result in SABMiller holding 39.7% of the listed merged entity. The newly merged company is expected to be one of the top 10 listed Gaming and Hotel companies in the world. The transaction was approved by Gold Reef Resort's shareholders in April 2010 but completion is still subject to the necessary regulatory and other approvals.

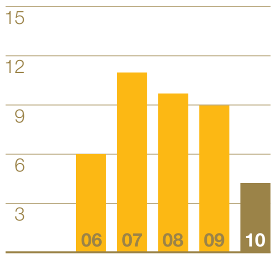
Chief Financial Officer's review

Group revenue growth showed the group's success in raising prices in difficult trading conditions and, in the absence of volume growth, demonstrated the strength of the group's brand equities.

Lager: organic volume growth
%



Group revenue growth %
Organic, constant currency basis



Malcolm Wyman
Chief Financial Officer

Key performance indicators (KPIs)

SABMiller has a clear strategic focus with four strategic priorities, and management uses a range of KPIs to monitor progress against these priorities and our financial goal, as noted on pages 22 and 23. Certain KPIs and other performance indicators are discussed in further detail within the review of the current year's financial performance below.

Volumes

This year's volumes reflect the difficult economic conditions, increased excise taxes and reduced consumer demand, particularly in Europe. Total volumes, including soft drinks and other alcoholic beverages volumes, were in line with the prior year on both an organic basis and a reported basis. Total volumes amounted to 261 million hectolitres on a reported basis. Lager volumes at 213 million hectolitres were up 1% on a reported basis and were level with the prior year on an organic basis. Aggregated beverage volumes as defined in the definitions section on page 158, including soft drinks and other alcoholic beverages, grew 5% to 373 million hectolitres and aggregated lager volumes increased 6% to 308 million hectolitres, reflecting strong growth in our associates CR Snow and Castel.

The adjacent chart shows the group's organic growth in lager volumes for each of the last five years.

Revenue

Group revenue was US$26,350 million (including the group's share of joint ventures' and associates' revenue of US$8,330 million). This represented an increase of 4% on an organic, constant currency basis and related solely to price/mix gains, given organic volumes were in line with the prior year, with South Africa Beverages and Africa the most significant contributors.

Group revenue growth showed the group's success in raising prices in difficult trading conditions and, in the absence of volume growth, demonstrated the strength of the group's brand equities. The adjacent chart illustrates the organic growth in group revenue for each of the last five years with performance shown in constant currency.

Currency movements during the year reduced reported group revenue growth marginally. Business combinations completed in the financial year in Romania, Ethiopia, Uganda, Zambia, China and South Africa Hotels and Gaming, together with those completed in the prior year in Russia, Ukraine, Ghana, Nigeria, Vietnam and China, partially offset by the disposal of soft drinks businesses in Colombia and Bolivia in the prior year, marginally increased reported group revenue, offsetting the currency impact.

In the past five years, the group has grown group revenue strongly, both on an organic basis and by acquisition. The compound annual organic growth rate in volumes has been 3.8% (2009: 4.6%). The group has leveraged volume growth through price and mix benefits to generate compound annual group revenue growth of 7.9% (2009: 8.6%) over that period.

The reduction in reported revenue to US$18,020 million from US$18,703 million is due primarily to the effect of the formation of the MillerCoors joint venture at the end of the first quarter of the prior year and resultant exclusion of the group's share of MillerCoors' revenue from the reported statutory measure of revenue from that date.

Input costs

The rate of raw material input cost increases eased over the past year, following two years of significant commodity cost increases. Full-year raw material input costs were up low single digits on the prior year, on a constant currency dollar per hectolitre basis. The rate of growth in raw material cost increases slowed further in the last six months of the year, as the group benefited from lower brewing raw materials prices in most of our markets. In addition, lower distribution costs throughout the year, which were driven by lower international oil prices and some distribution efficiencies, benefited overall cost of goods sold (COGS). However, these benefits within COGS were more than offset by higher sugar and glass prices.

Local raw material costs were driven up in most regions by both the weakening of some local currencies, as well as forward exchange positions in other markets taken out at rates less favourable than foreign exchange rates that prevailed during the year.

Total COGS was up low single digits in the year, following a 12% increase last year. The increase in COGS slowed in the second half of the year as the group benefited from some commodity cost reductions as supplier contract arrangements and hedged positions rolled off.

The group expects raw material input costs to be level to marginally lower in the forthcoming financial year. The benefits of lower brewing raw material costs, in particular reduced barley and hop prices, and lower distribution costs, are expected to be largely offset by higher sugar and packaging raw material costs. In addition, local currency strength over the last six months has enabled certain markets to lock in forward exchange contracts at rates more favourable than those that previously prevailed.

EBITA

The group reports EBITA in its results in order to accord with the manner in which the group is managed and performance is evaluated. Segmental performance is reported after the apportionment of attributable head office service costs.

The chart below shows the organic increase in EBITA for each of the last five years with each year's performance shown in constant currency. EBITA grew 6% on an organic, constant currency basis. Reported EBITA at US$4,381 million, which includes the impact of currency movements, acquisitions and disposals, also grew 6% compared with the prior year. The adverse impact on EBITA of currency weakness in Europe and Africa was more than offset by currency strength in South Africa and to a lesser extent Latin America and Asia.

All divisions recorded growth compared to the prior year in organic, constant currency EBITA with the exception of Asia which was level and South Africa Hotels and Gaming.

EBITA margin

The group improved EBITA margin on an organic, constant currency basis, which at 16.7% was 30 bps higher than the prior year, and this recovered part of the decline suffered in the prior year caused by higher input costs. Cost efficiencies in Latin America, Europe and North America were the key contributors to the improved EBITA margin. The chart below shows EBITA margin on an organic, constant currency basis by division.

The group's EBITA margin on a reported basis was 10 bps lower than EBITA on an organic, constant currency basis, due to lower margins earned in acquired businesses.

Exceptional items

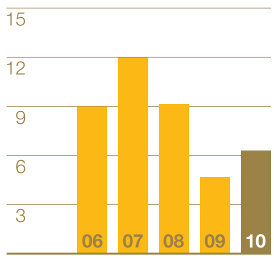
Items that are material either by size or incidence are classified as exceptional items. Further details on the treatment of these items can be found in note 4 to the consolidated financial statements.

Net exceptional charges of US$490 million before finance costs and tax were reported during the year (2009: US$89 million) including net exceptional charges of US$18 million (2009: US$91 million) related to the group's share of joint ventures' and associates' exceptional charges. The net exceptional charges included US$325 million related to business capability programme costs in Latin America, Europe, Africa, South Africa Beverages and Corporate, US$78 million related to integration and restructuring costs in Latin America and Europe, US$45 million related to the impairment of property, plant and equipment in Latin America and US$24 million related to transaction costs in South Africa Beverages and Corporate.

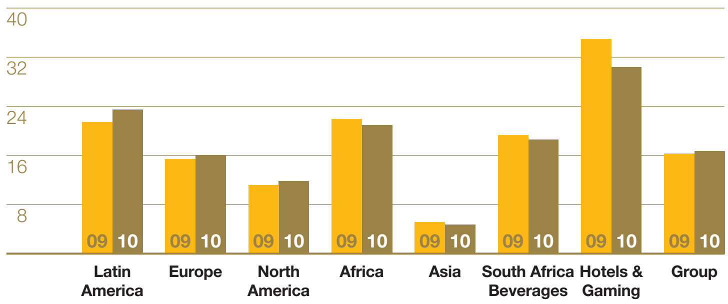
Within net finance costs there was an exceptional charge of US$17 million related to the business capability programme (2009: US$20 million exceptional credit related to the early termination of financial derivatives).

The group's share of joint ventures' and associates' exceptional items in the year included US$14 million (2009: US$33 million) related to the group's share of MillerCoors' integration and restructuring costs and US$4 million (2009: US$13 million) related to the group's share of the unwinding of fair value adjustments on inventory in MillerCoors.

EBITA growth %
Organic, constant currency basis



EBITA margin performance %
Organic, constant currency basis



Chief Financial Officer's review continued

Free cash flow improved to US$2,010 million benefiting from significantly improved working capital and lower capital expenditure.

In 2009 net exceptional charges of US$89 million before finance costs and tax were reported, including net exceptional charges of US$91 million related to the group's share of joint ventures' and associates' exceptional charges. The net exceptional charges included US$110 million related to integration and restructuring costs in Latin America, Europe and North America, US$392 million related to impairments in Europe, US$9 million related to the unwinding of fair value adjustments on inventory related to the acquisition of Grolsch, and US$13 million in relation to litigation in Latin America, partially offset by a US$437 million profit on the deemed disposal of 42% of the US and Puerto Rico operations of Miller and a US$89 million profit on the disposal of soft drinks businesses in Colombia and Bolivia. The group's share of joint ventures' and associates' exceptional items included, in addition to the amounts noted above, charges of US$38 million related to the group's share of the impairment of the Sparks brand in MillerCoors and US$7 million related to the group's share of fair value mark to market losses on financial instruments in Tsogo Sun.

In addition to the exceptional costs charged to the income statement in the year as noted above, US$95 million of intangible assets and property, plant and equipment has been capitalised to date in relation to the business capability programme. While the programme is still in its initial phase, it has already led to an improvement in working capital of US$333 million, together with US$17 million of other savings.

Finance costs and tax

Net finance costs were US$563 million, a 20% decrease on the prior year's US$706 million, reflecting lower interest rates. Finance costs in the current year included a net loss of US$8 million (2009: US$27 million) from the mark to market adjustments of various derivatives on capital items for which hedge accounting cannot be applied. Finance costs in the year also included a charge of US$17 million in relation to the business capability programme (2009: gain of US$20 million on the early termination of financial derivatives). The mark to market loss and the business capability programme charge have been excluded from the determination of adjusted finance costs and adjusted earnings per share. Adjusted net finance costs were US$538 million, down 23%. Interest cover, as defined on page 158 in the definitions section, has increased to 8.7 times from 6.6 times in the prior year.

The effective rate of tax for the year before amortisation of intangible assets (other than software) and exceptional items was 28.5% compared to a rate of 30.2% in the prior year. This reduction in the rate results from a combination of factors, including the following:

- more favourable geographic mix of profits between different territories;
- ongoing tax efficiency measures; and
- releases of some tax provisions in Latin America and Russia following the satisfactory resolution of certain tax matters.

The UK Government has introduced senior accounting officer (SAO) legislation. The SAO will be personally responsible for certifying that the underlying systems are adequate for the purpose of calculating the tax liability. We have reviewed our tax processes and believe that our existing systems and controls are sufficient for this purpose.

Profit and earnings

Adjusted profit before tax of US$3,803 million increased by 12% over the prior year primarily as a result of stronger pricing, cost efficiencies and lower finance costs. On a statutory basis, profit before tax of US$2,929 million was 1% lower, reflecting the impact of exceptional items and the adjustments to net finance costs as noted above.

The group presents the measure of adjusted basic earnings per share, which excludes the impact of amortisation of intangible assets (other than software), certain non-recurring items and post-tax exceptional items, in order to present an additional measure of underlying performance for the years shown in the consolidated financial statements. Adjusted earnings increased by 22% to US$2,509 million and the weighted average number of basic shares in issue for the year was 1,558 million, up from last year's 1,502 million. The increase in the weighted number of basic shares in issue resulted from the issue of 60 million shares in May 2009 for the acquisition of the minority interests in our Polish business, together with the exercise of share options during the year.

Adjusted earnings per share were 17% higher at 161.1 US cents. Adjusted earnings per share also showed increases when measured in rand and sterling. A reconciliation of the statutory measure of profit attributable to equity shareholders to adjusted earnings is shown in note 8 to the consolidated financial statements. On a statutory basis, basic earnings per share were 2% lower primarily as a result of higher exceptional charges in the year.

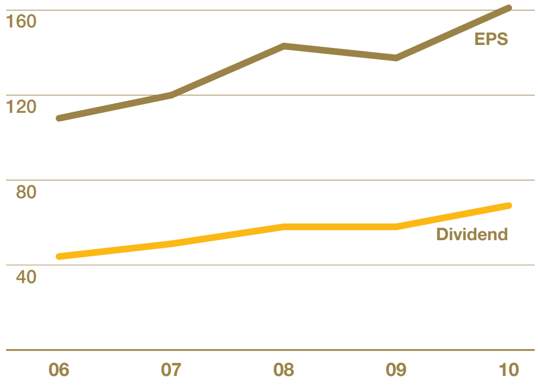
Dividends

The board has proposed a final dividend of 51 US cents to make a total of 68 US cents per share for the year – an increase of 17% from the prior year. This represents a dividend cover of 2.4 times based on adjusted earnings per share, as described above (2009: 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 on page 37. Details of payment dates and related matters are disclosed in the directors' report.

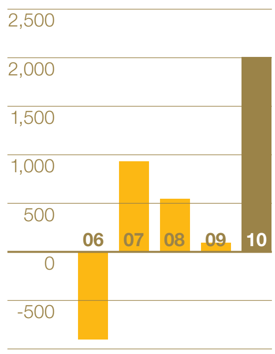
Business combinations and acquisitions

On 10 April 2009 the group assumed control of a 70.56% interest in Bere Azuga SA in Romania following receipt of clearance from the competition authorities and has consolidated Bere Azuga from this date. Subsequently, further share purchases were made for cash, together with a mandatory public offer for the remainder of shares in Bere Azuga. As at 31 March 2010, Bere Azuga was wholly owned. The brewing operations of Bere Azuga have been transferred into the group's other Romanian operation, Ursus Breweries SA.

Adjusted EPS and dividend per share
US cents



Free cash flow
US$m



On 1 July 2009 the group completed the cash acquisition of an effective 40% interest in Ambo Mineral Water Share Company in Ethiopia. On 30 September 2009 the group acquired for cash an effective 62% interest in a maheu business, a non-alcoholic traditional beverage operation, in Zambia. On 9 February 2010 the group completed the cash acquisition of an 80% effective interest in the assets of the Rwenzori water business in Uganda. These business combinations have all been made in partnership with Castel, with the effective interests stated after taking account of Castel's interests, and align with the group's full beverage portfolio strategy in Africa.

On 29 May 2009 the group acquired the outstanding 28.1% minority interest in its Polish subsidiary, Kompania Piwowarska SA, in exchange for the issue of 60 million ordinary shares of SABMiller plc.

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

On 30 June 2009, our South African hotels and gaming associate, Tsogo Sun Group (Tsogo Sun), acquired 100% of the Century Casinos businesses in Caledon and Newcastle and on 12 October 2009 it increased by 30% its effective interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd, the licensee and operator of the Suncoast Casino in Durban. The latter transaction was funded through the issue of preference shares to Tsogo Sun's shareholders in proportion to their shareholdings.

Cash flow and investment highlights

Net cash generated from operations before working capital movements (EBITDA) of US$3,974 million was US$190 million (5%) lower than the prior year. EBITDA excludes cash contributions from joint ventures and was therefore affected by the formation of the MillerCoors joint venture in the first half of the prior year. To consider cash generation on a comparable basis, a normalised EBITDA measure has been used which includes the dividends received from MillerCoors of US$707 million (2009: US$454 million). Normalised EBITDA grew by 1% compared with the prior year, including the adverse impact of the cash exceptional items of US$339 million (2009: US$49 million). Normalised EBITDA margin, including the group's share of MillerCoors' revenue, declined 40 bps in the year to 20.2%. There has been a cash inflow from working capital of US$563 million principally as a result of business capability initiatives which have realised working capital cash inflows of US$333 million in inventories, receivables and payables through improved processes. As a result cash generated from operations increased by 24% over the prior year to US$4,537 million.

Tax paid has decreased by 19% to US$620 million from US$766 million reflecting tax repayments in Russia, the offset of significant overpayments in North America that arose in the prior year from initial estimates of pre-tax income on the inception of the joint venture, and timing differences in South Africa and Latin America.

The corporate tax charge for the year was US$848 million. This differs from the taxes paid of US$620 million because of timing differences where the payment of the tax liability falls outside the financial year, and the impact of deferred taxes. Furthermore, uncertainty of interpretation and application of tax law in some jurisdictions has led to differences between the amounts paid and those charged to the income statement.

In the year, total tax payments were just under US$7,000 million. This includes tax borne by the group of US$1,000 million plus taxes collected on behalf of governments in the countries in which we operate of US$6,000 million. These amounts reflect the tax contribution that results from our activities in each of the regions.

Net interest paid has reduced 11% to US$640 million reflecting the reduction in net interest expense partly offset by the timing of payments and the settlement at maturity of a number of derivative financial liabilities.

The group has continued to invest in its operations, selectively maintaining investment to support future growth, including building new breweries in Russia, Angola, Mozambique, Southern Sudan and Tanzania together with brewery capacity expansions completed in the year in Poland, Romania, Ghana and Uganda. Capital expenditure for the year has reduced to US$1,436 million (2009: US$2,073 million). Capital expenditure including the purchase of intangible assets was US$1,528 million (2009: US$2,147 million). The completion of a number of major capacity projects in the year is expected to result in lower capital expenditure in the forthcoming year.

Free cash flow improved by US$1,913 million to US$2,010 million, benefiting from significantly improved working capital and lower capital expenditure. Free cash flow over the last five years is shown in the chart above.

Currency

The rand strengthened against the US dollar during the year and ended the financial year at ZAR7.30 to the US dollar compared to ZAR9.61 at 31 March 2009, while the weighted average rand/dollar rate appreciated by 14% to ZAR7.78 compared with ZAR8.87 in the prior year. The Colombian peso (COP) strengthened by 33% against the US dollar compared with the prior year and ended the financial year at COP1,929 to the US dollar compared with COP2,561 at 31 March 2009. The weighted average COP/dollar rate appreciated by 1% to COP2,031 from COP2,061 in the prior year.

Chief Financial Officer's review continued

Net debt decreased by US$311 million to US$8,398 million owing to the improvement in free cash flow and despite the strengthening of certain currencies in which the group's debt is denominated. The group's gearing decreased to 40.8% from 54.0%.

Balance sheet profile

Total assets increased to US$37,504 million from the prior year's US$31,628 million (restated), primarily as a result of the strengthening of the currencies of the group's major operating businesses against the US dollar.

Goodwill increased by US$2,868 million, compared to the restated prior year amount, primarily as a result of the impact of foreign exchange rate changes on goodwill denominated in currencies other than the US dollar and by goodwill arising on the Polish minority buyout and business combinations in Europe and Africa.

Intangible assets increased by US$612 million primarily reflecting foreign exchange movements on intangible assets denominated in currencies other than the US dollar, and additions, primarily related to the business capability programme, partially offset by amortisation.

Total equity increased from US$16,117 million (restated) at 31 March 2009 to US$20,599 million at 31 March 2010. The increase is primarily due to currency translation movements on foreign currency investments, profit for the year and the issue of shares for the Polish minority buyout, partly offset by dividend payments and fair value moves on hedged items.

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 (directly or synthetically), where cost-effective, in the same currency as the functional currency of its main business units. The group borrows principally in US dollars, South African rand, euros, Polish zloty 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 risks arising from its operations and financing activities. It is group policy that no trading in financial instruments is undertaken.

The following table summarises the group's funding structure at 31 March 2010:

	2010 US$m	2009 (restated) US$m
Overdrafts	**(190)**	(300)
Borrowings	**(9,212)**	(9,308)
Derivatives	**237**	487
Finance leases	**(12)**	(10)
Gross debt	**(9,177)**	(9,131)
Cash and cash equivalents	**779**	422
Net debt	**(8,398)**	(8,709)
Maturity of gross debt:		
Within one year	**(1,721)**	(2,156)
Between one and two years	**(1,052)**	(101)
Between two and five years	**(4,561)**	(4,324)
Over five years	**(1,843)**	(2,550)

Gross debt at 31 March 2010, comprising borrowings together with the fair value of derivative assets or liabilities held to manage interest rate and foreign currency risk of borrowings, increased to US$9,177 million from US$9,131 million at 31 March 2009. Net debt comprising gross debt net of cash and cash equivalents has decreased to US$8,398 million from US$8,709 million (restated) at 31 March 2009. The level of net debt reduced owing to the improvement in free cash flow, and despite the strengthening of certain currencies in which the group's debt is denominated. An analysis of net debt is provided in note 27c to the consolidated financial statements. The group's gearing (presented as a ratio of net debt to equity) decreased to 40.8% from 54.0% (restated) at 31 March 2009.

On 1 July 2009 the US$300 million LIBOR +0.3% Notes due 2009 issued by SABMiller plc matured and were refinanced from existing facilities. On 17 July 2009 SABMiller plc completed a €1,000 million bond issue which was issued under the US$5,000 million Euro Medium Term Note Programme. The notes were issued in a single tranche of 5.5 year notes with a coupon of 4.5%. The net proceeds of the bond have been used to repay other indebtedness.

In October 2009 the US$1,000 million 364-day facility was voluntarily cancelled in part, reducing the size of the facility to US$600 million. The facility was subsequently extended from October 2009 to 6 October 2010 in the amount of US$515 million, with a one-year term out option.

On 19 March 2010 SABMiller plc completed a Peruvian nuevo sol (PEN) 150 million (US$53 million) bond issue which was issued under the PEN1,500 million Guaranteed Medium Term Note Programme. The notes were issued in a single tranche of five-year notes with a coupon of 6.75%. The net proceeds of the bond have been used to repay existing indebtedness.

The average loan maturity in respect of the fixed rate debt portfolio is 3.7 years (2009: 4.1 years). The weighted average interest rate for the total gross debt portfolio at 31 March 2010 was 5.7% (2009: 7.1%) reflecting the currency profile of the debt and movements in rates during the year.

The group uses cash in hand, cash from operations and short-term borrowings to manage its liquidity. As at 31 March 2010, the group had cash and cash equivalent investments of US$779 million (2009: US$422 million (restated)).

The group's strong financial structure gives it 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 refinancings and cash generated from operations, the group's committed undrawn borrowing facilities have increased from US$2,093 million at 31 March 2009 to US$3,579 million at 31 March 2010. The group has sufficient headroom to enable it to comply with all covenants on its existing borrowings and sufficient undrawn financing facilities to service its operating activities and ongoing capital investment. Maturing facilities in the next 24 months include the US$515 million 364-day facility maturing in October 2010 (currently undrawn and with a one-year term out option), a US$600 million facility maturing in May 2011, a US$600 million bond maturing in July 2011 and a number of local bank facilities. Current committed headroom is sufficient to cover all maturing facilities over the next 23 months. The group has continued to be able to access sufficient and significant funding from a number of sources and expects to renew maturing facilities as they fall due.

Interest rate, foreign exchange and credit risk management

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 normalised EBITDA adjusted to exclude cash exceptional items. This policy excludes borrowings arising from recent acquisition activity and inflation-linked debt. Based on this policy as at 31 March 2010, 47% of net borrowings were at fixed rates taking into account financial derivatives, compared with 35% at 31 March 2009.

Exposure to movements in interest rates on group borrowings is managed through interest rate swaps and forward rate agreements. A 1% move in interest rates would result in a 0.78% (2009: 1.08%) impact on normalised EBITDA adjusted to exclude cash exceptional items.

Most of the group's net assets are denominated in currencies other than the US dollar with the result that the group's US dollar balance sheet can be significantly affected by currency movements. The group seeks to mitigate this impact, where cost-effective, by borrowing (directly or synthetically) in the same currencies as the functional currencies of its main operating units. Other than this, the group does not hedge translation exposures.

The group is also exposed to transactional currency risk on sales and purchases. Committed transactional exposures are fully hedged and a proportion of other transactional exposures for a period of up to 18 months are also hedged; this is principally achieved using forward exchange contracts.

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

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 32% to 31 March 2010 (to 31 March 2009: –12%) while the group has delivered a TSR of 481% (to 31 March 2009: 204%) in sterling terms over the same period. Over the last five years the group has delivered a TSR of 163% (five years to 31 March 2009: 87%) whereas the FTSE 100 has only produced a TSR of 39% (to 31 March 2009: 7%) in sterling terms over the same period.

Executive remuneration includes Performance Share Award Plans, a portion of which are subject to TSR performance conditions which compare the group's TSR performance against the performance of a comparator group of international alcoholic beverage companies over a three-year period. Over the three years to 18 May 2010, the group achieved a TSR of 80.6% compared to the median of the comparator group of 28.4%.

Accounting policies and definitions

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

In addition, note 1 details the areas where a high degree of judgement has been applied in the selection of a policy, an assumption or estimates used. These relate to the assumptions used in impairment tests of carrying values for goodwill and intangible assets; judgements in relation to provision for taxes where the tax treatment cannot be fully determined until a formal resolution has been reached with the relevant tax authority; assumptions required for the calculation of post-retirement benefit obligations; estimates of useful economic lives and residual values for intangible assets, property, plant and equipment; judgements in relation to the fair values of assets and liabilities on acquisition; and judgements as to the determination of exceptional items.

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 how performance is evaluated.

Translation differences on non-dollar assets and liabilities are recognised in the consolidated statement of other comprehensive income. 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

Sustainable development

Sustainable development is fundamental to our business success. We have a clear and well-embedded approach that is delivering tangible benefits for our business and the communities in which we work.

A positive role in society

We believe that the most effective way for SABMiller to meet its sustainable development objectives is by maximising the success of the business.

We are clear that our business is not something separate from society. It is, at one and the same time, an employer, a customer, a supplier and a taxpayer. The interests of SABMiller and the wider community are therefore inextricably linked.

Our activities provide high-quality products that society wants and enjoys. As long as markets are free and competitive, our business will succeed if we manage our relationships well, use resources efficiently and meet the needs of our consumers and the communities in which we operate.

A robust approach to sustainable development underpins our ability to grow and our licence to operate. A well-managed and growing business is good for wider economic development, leading to greater employment, more taxes paid and greater investment in local economies and communities. An analysis of our economic contribution has been published in our sustainable development report.

In 2009, we announced a major transaction in South Africa to support our long-term commitment to Broad-Based Black Economic Empowerment which will create approximately 40,000 shareholders, including employees and local retailers. We have also created a charitable foundation to benefit the wider community. More information on this can be found on page 8.

Making partnership a central part of our approach

We recognise that by building strong and equitable partnerships we can create more value for our business and make a greater difference in our markets than if we worked in isolation. Moreover, as one of many players that have a role to play in building a successful community, we endeavour to build strong relationships with local partners to address the issues that we face together.

We encourage our businesses to directly develop specific partnership projects with NGOs, governments and communities which will protect or enhance their ability to operate or create new value. Working with these groups often provides us with additional insight and local knowledge that enable us to be more effective. By working with us, our partners are able to harness the scale of our business and access accumulated expertise to help implement meaningful programmes in their local communities.

Integrating sustainable development into business strategy

For SABMiller to achieve competitive advantage – and ultimately better profitability – sustainable development needs to be part of what we do every day. It needs to be integrated into our decision-making and the way we run our business.

To better reflect our long-standing commitment to sustainable development we have revised one of our four strategic priorities that guide the management of our business. One of these priorities is now '**to constantly raise the profitability of local businesses, sustainably**'. Further details on this and the other strategic priorities can be found on page 3.

Management within our local operating businesses, regional hubs and at a group level are responsible for ensuring that sustainable development is taken into account as part of their business planning and management. Progress is overseen by regional and group Corporate Accountability and Risk Assurance Committees (CARACs).

This strategic focus is underpinned by our 10 sustainable development priorities. These define the key issues for our business and have been developed through extensive consultation internally, and also with external stakeholders. The priorities also support our commitment to the 10 principles of the UN Global Compact and contribute to the UN's Millennium Development Goals.

Locally and globally we focus our resources on the priorities which we believe are the most material for our business. As a result we have established three global focus areas, namely alcohol responsibility, water and enterprise development. We believe that these are the issues which have the potential to impact all parts of the business and which are best tackled through harnessing the scale and expertise across SABMiller.

Discouraging irresponsible drinking

Throughout our business we promote responsible consumption as part of our day-to-day activities, whether designing marketing campaigns, developing new products or out in the market selling our beers. We strive to ensure our employees understand the risks that arise from irresponsible drinking and we expect high standards from them – over 75% of our employees are now trained in the six core principles of our Alcohol Framework.

In 2009 we were proud to sign up to Global Actions on Harmful Drinking – a plan of action signed by the CEOs of 10 global beer, wine and spirit producers – to help combat the harmful use of alcohol in developing markets.

We believe that consumers should receive accurate and balanced information about irresponsible alcohol consumption and we have launched a number of targeted information campaigns across the world. We have continued to promote TalkingAlcohol.com and added a new module called 'Open the Facts' to assist parents in discussing alcohol with their children.

Water Futures

Water scarcity represents a significant long-term risk to parts of our business, as well as to some of the communities in which we operate. It is a complex issue, with many different factors at play that cannot be addressed only within the boundaries of our breweries or bottling plants. Consequently, we have adopted a flexible and multifaceted approach.

In 2009, SABMiller joined a consortium of business partners, including McKinsey & Company and the International Finance Corporation, to examine the challenges of water scarcity around the world. The subsequent report – Charting our Water Future – launched in November, shows how growing water scarcity can be mitigated affordably and sustainably.

In partnership with WWF, we have pioneered the technique of water footprinting within our value chain, which we use to identify and focus our actions on the specific issues relevant for breweries most at risk. Building on this work, we launched our first global partnership, *Water Futures*, with WWF. Further information on this partnership can be found on page 19.

Investing in local suppliers

Enterprise development supports the long-term growth and stability of both our business and the economies in which we operate. In procuring its raw materials, SABMiller combines the scale advantages of global sourcing with the recognition that using local suppliers can also benefit the business commercially.

Local sourcing is often far more cost-effective than importing raw materials, and encouraging enterprise in our supply chains contributes to the local economies in which we work. During the year we bought crops from 28,590 local smallholder farmers, an increase of 34% compared with last year. Further information on this can be found on page 19.

The number of smallholder farmers supported by our programmes across the world has increased by 34% this year to 28,590.

Improved global performance and transparency

Once again we have published the results of our Sustainable Assessment Matrix (SAM) which benchmarks our operations' sustainable development performance. Despite having raised our performance criteria, we are pleased to report that our overall results have improved across eight of our 10 priorities this year.

Of the 24 targets we set last year, 22 have been successfully achieved, with the remaining two relating to activities that are ongoing; to develop a community water programme in Africa and improve our management of carbon in distribution. In addition, we have made good progress against our long-term commitments to reduce our water consumption and carbon emissions. We have reduced our water consumption per hectolitre of beer produced by 4% to 4.3 hectolitres. Carbon emissions have also been reduced by 4% on the same basis to 13.3 kg CO_2e.

Further information on our performance against our 10 priorities, as well as our targets for the coming year, can be found on pages 42 and 43.

Employees are our enduring advantage

We believe that a highly engaged workforce, imbued with a passion for our brands, is a key competitive advantage. We need to attract and retain people with the right skills and attributes to help grow our business. At the same time, we need to create an environment in which employees feel valued and are supportive of our values, strategies and priorities.

At the heart of our approach to developing people are The Talent Management Way and The Performance Management Way. These articulate how managers, with the support of human resources teams, work with employees to help them reach their potential and achieve personal goals aligned to those of the business.

We invest substantially in learning and development, using a wide range of media including action learning, e-learning and on-the-job training. In the last year we provided an average of 4.2 days of training for each employee.

We treat all employees equally and value the benefits of employing people of different races, creeds and backgrounds. With business interests in over 75 countries, we must conform to local laws and regulations on these issues and we require all our businesses to have in place clear policies and processes covering ethnicity, gender and disability.

Health and safety

Each of our businesses has robust processes to manage health and safety, and minimise the risk of accidents. During the year, we recorded 1,478 industrial injuries, a 4% reduction compared with the previous 12 months. However, the days lost through injury were up by 6%. While we are disappointed with this increase, we believe that in many cases our businesses are improving the way they monitor and report health and safety, as they introduce new programmes to improve their approach and processes.

It is with regret that we report four employee fatalities in our business this year. The first was in South Africa and related to an employee being attacked by an external assailant. The second was in Zambia and involved a motor vehicle accident. The remaining instances occurred in Honduras where two employees were assaulted on separate occasions while making deliveries on our behalf.

Transparency and Ethics

SABMiller has a Code of Business Conduct and Ethics which applies to all employees across the group, as well as to third parties acting on behalf of the business.

The Code sets out how to report a potential breach of its principles and includes contact details for external whistleblowing phone lines. It also makes provision for the protection of people alleging breaches of the Code in good faith. Further information can be found in the directors' report on page 49 and the corporate governance report on page 58.

Our Sustainable Development Report is available on the sustainable development pages of our website at www.sabmiller.com. It provides more detail on our approach and performance in terms of our 10 sustainable development priorities.

Reality Check: Tackling drink driving in South Africa

SAB has launched an innovative programme to play its part in tackling alcohol abuse in South Africa.

The new programme addresses drinking and driving, Foetal Alcohol Syndrome and underage drinking – issues identified as needing targeted action beyond communication and education.

SAB has invested R6.5 million (US$0.8 million) to set up five Alcohol Evidence Centres (AECs) across the country in conjunction with local and provincial law enforcement agencies. These centres have sophisticated equipment that can accurately detect a driver's blood alcohol level from a single breath sample, and help to increase the prosecution rates of those arrested for driving under the influence of alcohol.

Sustainable development continued

Overview of progress: our performance at a glance

The table below summarises the progress we have made over the past year against each of our 10 sustainable development priorities. It also shows the targets we have set for the coming year.

Discouraging irresponsible drinking

Why is it a priority?
Our beer adds to the enjoyment of life for the overwhelming majority of consumers. We care about irresponsible alcohol consumption and we work collectively with stakeholders to address the harmful effects.

Targets we set last year
- Continue with the alcohol education training programme for all SABMiller employees.
- Continue regular engagement with independent experts on alcohol-related issues.
- Promote TalkingAlcohol.com to more stakeholders.

Progress we have made
- We continued to roll out training across the business. Over 75% of employees are now trained.
- In September 2009, SABMiller signed up to a global plan of action to support the WHO's Global Strategy to Reduce the Harmful Use of Alcohol.
- We launched a new TalkingAlcohol.com module called *Open the Facts* to help parents discuss alcohol with their children.

Targets for this year
- Make progress towards including responsibility messaging on all SABMiller international brands by 2012.
- Extend availability and visibility of low or non-alcohol beers in relevant markets.
- Work in partnership with the International Center for Alcohol Policy and stakeholders on global actions to reduce harmful drinking.

www.sabmiller.com/alcoholresponsibility

Making more beer using less water

Why is it a priority?
Water quality and availability are under stress in a number of locations across 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.

Targets we set last year
- Make progress towards the new group water target.
- Undertake detailed value chain water footprint in the Czech Republic.
- Develop new stakeholder partnerships to address water supply and quality risks.
- Invest in a total of four new waste water treatment plants in our African, European and Latin American regions.

Progress we have made
- In the year, our average consumption was 4.3 hectolitres of water per hectolitre of beer, a 4% improvement.
- The water footprint for our Czech operations was completed in June 2009.
- In November 2009, SABMiller announced the Water Futures partnership with WWF.
- In Africa, four effluent treatment plants were constructed or upgraded during the year.

Targets for this year
- Undertake water footprints and develop action plans for partnership watershed protection projects in South Africa, Tanzania, Peru and Ukraine.
- Invest in three new effluent treatment systems in Uganda, Tanzania and Panama and upgrade two effluent treatment plants in Ecuador and Colombia.
- Continue to improve water efficiency to meet our 2015 water target.
- Support and engage in stakeholder water dialogues in Africa, India, Latin America, Europe and the USA.

www.sabmiller.com/water

Reducing our energy and carbon footprint

Why is it a priority?
We use energy to produce and transport our products. We aim to become more efficient, manage our carbon footprint and explore cleaner sources of energy. This will save money and resources and reduce our greenhouse gas emissions.

Targets we set last year
- Make progress towards the new carbon target.
- Develop a renewable energy toolkit for our operations.
- Improve our management of carbon in distribution and retail refrigeration.

Progress we have made
- Over the last 12 months, our average CO_2 emissions per hectolitre of beer produced was 13.3 kg CO_2e, a 4% improvement on the previous year.
- Our renewable energy assessment tool was piloted in Zambia and this will be rolled out to our businesses across the group.
- SABMiller launched HFC-free refrigeration units in a number of businesses including Bavaria in Colombia.

Targets for this year
- Undertake a comprehensive review of opportunities to improve energy efficiency across the group.
- Continue to reduce fossil fuel emissions from energy use on our sites to meet our 2020 target.

www.sabmiller.com/energy

Packaging reuse and recycling

Why is it a priority?
Packaging protects our products but has wider impacts. By reducing the weight of our packaging, reusing bottles and encouraging recycling, we're saving money and raw materials and reducing pressure on local waste services.

Targets we set last year
- Extend the evaluation of the recycling and reuse infrastructure for PET (a synthetic material used extensively for beverage containers) with market reviews in Honduras, Romania, South Africa, the USA and Zambia.
- Develop a bottle selection tool to assist 'light-weighting' i.e. using lighter bottles made with less glass.

Progress we have made
- We completed a review of the PET recycling infrastructure in over 40 countries.
- We launched a bottle selection tool to allow packaging managers to select the optimal bottles for their local market and environmental conditions.

Targets for this year
- Review, select and implement a new group environmental impact assessment tool for the evaluation of both new and existing packaging substrates.
- Further extend bottle light-weighting initiatives.

www.sabmiller.com/packaging

Working towards zero-waste operations

Why is it a priority?
Much of our waste can be a valuable resource for farmers and food producers as well as a potential energy source. We aim to minimise the amount of waste we send to landfill, so saving money and reducing its environmental impact.

Targets we set last year
- Investigate more ways to reuse brewery waste.
- Increase the percentage of waste recycled/reused in line with our aspiration to achieve a zero-waste brewery system.

Progress we have made
- We have established a partnership with the Biotechnology and Biological Sciences Research Council (BBSRC) in the UK to evaluate bioenergy research. Other trials are looking at the combustion of spent grains and conversion to bioethanol.
- 96% of waste across the group was recycled or reused, up from 95% the year before.

Targets for this year
- Explore recycling potential for waste labels, currently sent to landfill, in two markets in Europe and Latin America.
- Review innovative disposal options for kieselguhr (a filtration medium) at four sites in Africa, Europe and Latin America.

www.sabmiller.com/waste

Encouraging enterprise development in our value chains

Why is it a priority?
We recognise that our influence extends beyond our immediate operations to include those of our value chain partners – for example, suppliers of raw materials and distributors of our products.

Targets we set last year
- Publish an analysis of the economic impact of our activities in the value chain in Honduras and Uganda.
- Increase the number of smallholder farmers within our value chain.

Progress we have made
- A report entitled *The socio-economic impact of Nile Breweries in Uganda and Cervecería Hondurena in Honduras* was published in May 2009 and is available on our website.
- There are now 28,590 smallholders working with SABMiller in our local sourcing programmes – a 34% increase on last year.

Targets for this year
- Develop and launch a new cassava farming project in Southern Sudan.
- Launch a new brand based on locally sourced grains in two countries.
- Support the development of a new Tanzanian agricultural growth corridor.

www.sabmiller.com/enterprisedevelopment

Benefiting communities

Why is it a priority?
The prosperity of local communities and that of our operations are mutually dependent. Our corporate social investment (CSI) activities aim to improve the quality of life for local people, helping us to build strong relationships with communities, consumers and our employees.

Targets we set last year
- Expand the scope and funding of our entrepreneurship development programmes.
- Develop a water CSI programme for Africa.

Progress we have made
- SAB has approved an increase in budget for the *KickStart* in celebration of its 15th year. In Colombia, Bavaria's *Entrepreneurs Network* gained over 18,000 registered users to its social networking website launched this year.
- A water CSI programme in Africa is currently in development. Nile Breweries has expanded its water programme to sorghum farmers.

Targets for this year
- Launch additional entrepreneurship programme in Swaziland.
- Launch newly developed water CSI initiative in Africa.

www.sabmiller.com/communities

Contributing to the reduction of HIV/Aids

Why is it a priority?
The HIV/Aids pandemic is particularly relevant to our operations in Africa. We have programmes in place for our employees and their families and are developing others for local communities and suppliers to ensure the well-being and health of our staff and communities in which we operate.

Targets we set last year
- Further increase the percentage of HIV-positive employees and spouses on our managed healthcare programme.
- Undertake an updated cost/benefit analysis of our HIV/Aids programmes.

Progress we have made
- The number of employees on managed healthcare programmes increased by 32% and the number of spouses and dependants was up by 11%.
- We have undertaken a cost/benefit analysis of our HIV/Aids programmes in South Africa.

Targets for this year
- Roll out the 'Men in Taverns' education programme in South Africa in partnership with The Global Fund.
- Launch a partnership with the Department of Health in South Africa to improve access to condoms through utilising our distribution chain.
- Increase the use of couples testing as a way of improving HIV/Aids testing rates with employees and their partners.

www.sabmiller.com/hivaids

Respecting human rights

Why is it a priority?
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.

Targets we set last year
- Engage in community-impact studies of the value chains of our soft drinks business in El Salvador and Zambia.
- Participate in international dialogues on the basic right to water through the UN CEO Water Mandate.

Progress we have made
- Community-impact studies have been completed in El Salvador and Zambia.
- SABMiller took part in discussions through the CEO Water Mandate in August 2009.

Targets for this year
- Select and trial a new human rights and sustainability assessment tool for third party suppliers.
- Undertake actions, as appropriate, to improve the poverty impact of our soft drinks value chains in Zambia and El Salvador, arising from the ongoing impact study.

www.sabmiller.com/humanrights

Transparency and ethics

Why is it a priority?
We're committed both to transparent sustainable development reporting and to high ethical standards in general. To this end, we have a Code of Business Conduct and Ethics which applies to all employees and third parties acting on our behalf.

Targets we set last year
- Train regional sustainable development champions through web seminars with leading experts.
- Continue stakeholder dialogues on alcohol, water and enterprise development.

Progress we have made
- A workshop for sustainable development champions from across the world was held in London in March 2010.
- We held dialogues on our economic impact and on water risks at the Africa economic summit in June in Cape Town. We have also held a number of stakeholder events on HIV/Aids in Peru, India, Malawi and the UK.

Targets for this year
- Extend our SAM sustainable development management system to include a new performance level representing 'leading-edge' practice.
- Launch a comprehensive internal communications campaign to improve employee awareness and engagement in sustainable development.
- Review business conduct and ethics procedures and implement any changes necessary to comply with the UK Bribery Act 2010 and related 'adequate procedures' guidance.

www.sabmiller.com/transparency

Board of directors

Graham Mackay (60) ● ▲
BSc (Eng), BCom
Chief Executive

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

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

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

Malcolm Wyman (63) ● ▲
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.

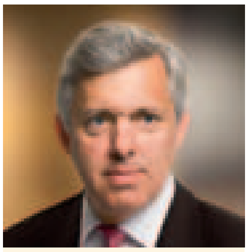
He became Chief Financial Officer in 2001, with responsibility for the group's finance operations, corporate finance and development, and group strategy.

He is a Non-Executive Director of Nedbank Group Limited and Nedbank Limited.

Meyer Kahn (70) ● ■
BA (Law), MBA, DCom (hc), SOE
Chairman

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

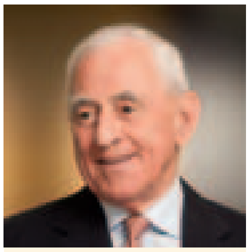
Among other awards, he holds an honorary doctorate in commerce from the University of Pretoria and was awarded The South African Police Star for Outstanding Service (SOE) in 2000.



Mark Armour (55) ◆ ▼
MA, ACA

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

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

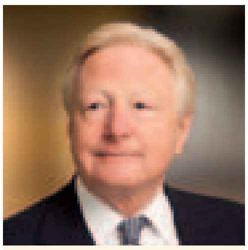


Geoffrey Bible (72) ■
FCA (Aust), ACMA

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.

John Manzoni (50) ● ■ ◆
BEng, MEng, MBA

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



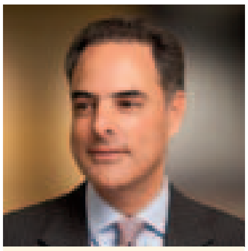
Miles Morland (66) ■ ◆ ▼

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

Dambisa Moyo (41) ●
BSc, Ph.D, MPA, MBA

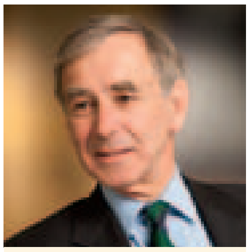
Dambisa Moyo joined the board in June 2009. She is an international economist and commentator on the global economy and worked at Goldman Sachs for eight years. A Non-Executive Director of Barclays PLC, Dambisa previously worked at the World Bank in Washington D.C.

Dambisa is a Patron for Absolute Return for Kids (ARK), a hedge fund supported children's charity, and serves on the board of the Lundin for Africa Foundation. She also serves on the board of Room to Read, an education charity.



Carlos Alejandro Pérez Dávila (47)
BA, MPhil

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

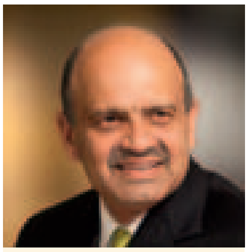


Rob Pieterse (67) ●

Rob Pieterse joined the board in 2008. He is chairman of the supervisory boards of Mercurius Groep B.V., and Royal Grolsch N.V. and is a member of the supervisory board of CSM N.V. He serves on the boards of VEUO, the association of Dutch listed companies, and of EuropeanIssuers.

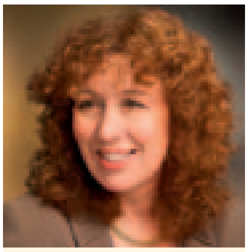
He spent 25 years at the multinational information services company, Wolters Kluwer N.V., where he was Chairman from 2000 until 2003. He was a Non-Executive Director of Mecom Group plc between 2007 and 2009, and has previously been a member of the supervisory boards of Connexxion Holding N.V., Essent N.V. and Koninklijke Wegener N.V.

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



Dinyar Devitre (63) ▼
BA (hons), MBA

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

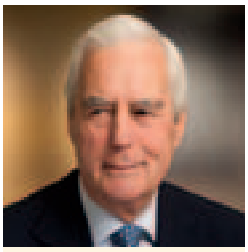


Liz Doherty (52) ▼
BSc (hons), FCMA

Liz Doherty joined the board in 2006. Between December 2007 and November 2009 she was Chief Financial Officer of Brambles Limited. Prior to joining Brambles 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 (68) ● ■ ◆ ▼

Lord Fellowes joined the board in 1999. He was Chairman of Barclays Private Bank (Barclays Wealth) until 31 December 2009 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 is a trustee of the Rhodes Trust and the Mandela-Rhodes Foundation. He is also on the board of the British Library.



John Manser (70) ● ■ ◆ ▼
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.

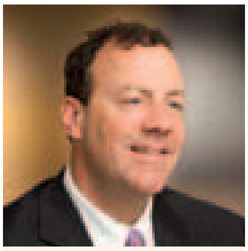
Cyril Ramaphosa (57) ● ■
Bproc LLD (hc)

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 the founder and chairman of Shanduka Group and Joint Non-Executive Chairman of Mondi Group. He holds directorships in Macsteel Global B.V., MTN Group Ltd, The Bidvest Group, Standard Bank and Alexander Forbes and serves on the board of the Commonwealth Business Council.

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

Alejandro Santo Domingo Dávila (33) ■
BA

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



Howard Willard (46) ●
BA (hons), MBA

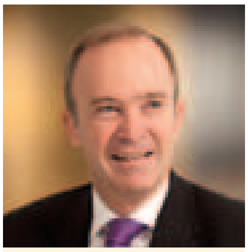
Howard Willard joined the board in August 2009 as a nominee of Altria Group, Inc. He is Executive Vice President, Strategy and Business Development for Altria with oversight responsibility for Chateau Ste. Michelle Wine Estates, Philip Morris Duty Free Inc., and the Strategy & Business Development group at Altria Client Services Inc. He has held various leadership positions at Philip Morris USA Inc. in Finance, Sales, Information Services and Corporate Responsibility. Before joining the Altria family of companies in 1992 he worked at Bain & Company and Salomon Brothers Inc. He currently serves on the board of the YMCA of Greater Richmond.

Executive committee

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

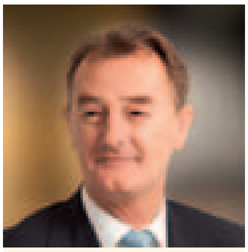
Norman Adami (55)
BBusSc (hons), MBA
Chairman and Managing Director, SAB Ltd

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



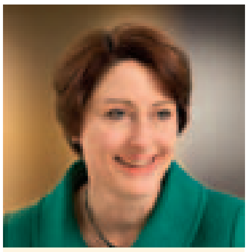
Mark Bowman (43)
BCom, MBA
Managing Director, SABMiller Africa

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 group. These include Managing Director of SABMiller's Polish subsidiary Kompania Piwowarska S.A., Managing Director of Amalgamated Beverage Industries Ltd (ABI) (now the Soft Drinks Division of SAB Ltd) and Chairman of Appletiser.



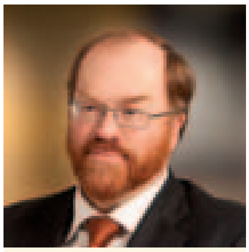
Alan Clark (50)
MA, DLitt et Phil
Managing Director, SABMiller Europe

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



Sue Clark (46)
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.

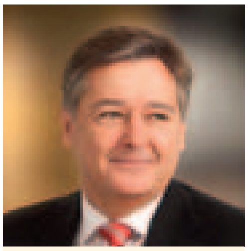


John Davidson (51)
MA, BCL (Oxon)
General Counsel and Group Company Secretary, SABMiller plc

John Davidson joined the group as General Counsel and Group Company Secretary in 2006. Before joining SABMiller, he spent his entire legal career at Lovells, a leading international law firm, where he had been a partner since 1991 specialising in international corporate finance, cross-border mergers and acquisitions, and corporate governance advisory work. John is the current Chairman (for 2010) of the GC100 group (the association of general counsel and company secretaries of companies in the FTSE 100).

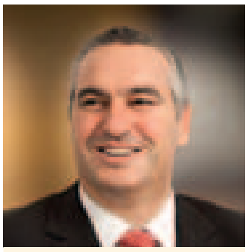
Nick Fell (56)
BA (hons)
Marketing Director, SABMiller plc

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 (52)
BA (hons)
Director: Supply Chain & Human Resources, SABMiller plc

Tony van Kralingen was appointed Director: Supply Chain & Human Resources for the SABMiller group in October 2008. He joined SAB Ltd in 1982 and has held a number of senior positions in the group. These include Operations Director and Marketing Director, SAB Ltd, Chairman & Chief Executive Officer, Plzeňský Prazdroj a.s. and, most recently, Chairman and Managing Director: SAB Ltd. He is accountable for the Global Technical function and Chairman of the Global Sourcing Council.



Ari Mervis (46)
BCom
Managing Director, SABMiller Asia

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

Barry Smith (60)
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 2010.

Principal activities and business review

SABMiller plc is a holding company which has brewing and beverage interests across six continents. The principal subsidiaries, associates and joint ventures of the company are listed in note 33 to the consolidated financial statements. The principal activities of the group are the manufacture, distribution and sale of beverages.

The company is required by the Companies Act 2006 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 6 to 39 of this annual report. Other key performance indicators and information relating to environmental matters, employee matters and social and community issues required by the business review are set out in the sustainable development review on pages 40 to 43 of this annual report.

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

In April 2009 the company's Romanian subsidiary Ursus Breweries SA assumed control over 71% of the issued share capital of Bere Azuga SA in Romania. Subsequently, further share purchases were made and at the year end Bere Azuga was wholly owned by Ursus.

In May 2009 the company acquired the outstanding 28.1% minority interest in its Polish subsidiary, Kompania Piwowarska SA, from Kulczyk Holding SA in exchange for the issue of 60 million new ordinary shares.

In July 2009 the company announced that it proposed to enter into a Broad-Based Black Economic Empowerment transaction in South Africa. The transaction will result in 8.45% of its South African subsidiary, The South African Breweries Limited (SAB), being held by a broad base of black participants, which include SAB's employees, black-owned licensed liquor retailers and liquor licence applicants, as well as registered black-owned customers of ABI (the soft drinks division of SAB), and the broader South African community through an SAB foundation. At the end of the 10-year transaction period, participants will exchange their shareholdings in SAB for shares in SABMiller plc. At a general meeting of the company held in January 2010 the transaction was approved by shareholders, with over 99.99% of the votes cast being in favour of the adoption of a scheme of arrangement to give effect to the transaction. The scheme of arrangement was subsequently sanctioned by the High Court of Justice in England and Wales in February 2010. The economic cost of the transaction as at 27 November 2009 was calculated at approximately US$279 million, equating to approximately 0.6% of SABMiller plc's market capitalisation on 27 November 2009, and the initial allocation of shares in SAB is expected to be completed in June 2010.

In July 2009 the company completed a €1,000 million bond issue under its US$5,000 million Euro Medium Term Note Programme. The 5.5 year notes were issued with a coupon of 4.50%. The net proceeds of the issue were used to repay certain indebtedness and for general corporate purposes.

In July 2009 the company announced plans to open a new brewery and sparkling soft drinks plant in Angola. The new soft drinks plant was commissioned in January 2010 and the new brewery in April 2010.

In July 2009 the company's Mauritian subsidiary Ambo International Holdings Limited completed an investment resulting in the company holding an effective 40% interest in Ambo Mineral Water Share Company in Ethiopia.

In September 2009 the company's Zambian subsidiary, Heinrich's Syndicate Limited, acquired a maheu business, a non-alcoholic traditional beverage.

In September 2009 the company's Namibian subsidiary, SABMiller (Namibia) (Proprietary) Limited (SABMiller Namibia), was granted a licence to brew and bottle beer in Namibia. Following the year end, it was announced that SABMiller Namibia, which will be 60% owned by SABMiller and 40% owned by local Namibian partners in a Broad-Based Black Economic Empowerment initiative, will build a brewery at a cost of US$34 million. Construction of the new brewery on 7.3 hectares of land outside Okahandja is expected to start in the second half of 2010 and will also include a returnable bottle packaging line and warehousing facilities.

In December 2009 SABMiller's Ugandan subsidiary, Nile Breweries Ltd, announced that following the success of its initiative to convert locally grown barley into brewing malt it would build a malting plant at a cost of US$16 million. Construction began in January 2010 on Nile Breweries' existing site in Jinja and is expected to be completed in the first quarter of 2011.

In February 2010 the company announced that it had agreed to merge Tsogo Sun, its South African hotels and gaming associate, with Gold Reef Resorts Limited (Gold Reef), a Johannesburg Stock Exchange (JSE) listed business, through an all-share merger. The transaction will be effected through the acquisition by Gold Reef of the entire issued share capital of Tsogo Sun Holdings (Proprietary) Limited (Tsogo Sun) in exchange for the issue of new shares in Gold Reef. SABMiller's wholly owned subsidiary SABSA Holdings (Pty) Limited (SABSA), will exchange its 49% interest in Tsogo Sun for a 39.7% interest in the enlarged Gold Reef/Tsogo Sun business, which will continue to be listed on the JSE with an expected market capitalisation of approximately ZAR21 billion (US$2,700 million) as at 29 January 2010. The merger was approved by Gold Reef shareholders in April 2010, and completion remains subject to requisite regulatory approvals.

In February 2010 the company's subsidiary Rwenzori Bottling Company Limited acquired the assets of the Rwenzori water business in Uganda.

In March 2010 the company completed an issue of Peruvian nuevo sol (PEN) 150 million (approximately US$53 million) 6.75% notes due 2015, under the PEN1,500 million Guaranteed Medium Term Note Programme which had been established by the company and its wholly owned subsidiary Racetrack Perú S.R.L. in January 2009. The net proceeds of the issue were used for the repayment of loans incurred to fund the acquisition of shares in Unión de Cervecerías Peruanas Backus y Johnston S.A.A. and for general corporate purposes.

Directors' report continued

Dividends

An interim dividend of 17 US cents per share was paid to shareholders on 11 December 2009, in respect of the year ended 31 March 2010. Details of the final dividend proposed by the board for the year ended 31 March 2010 are set out below:

Amount of final dividend proposed by the board:	51 US cents per share
Total proposed dividend for the year ended 31 March 2010:	68 US cents per share

If approved, the final dividend will be payable to shareholders on either section of the register at 6 August 2010 in the following way:

Dividend payable on:	13 August 2010
Currency of payment:	South African rands – to shareholders on the RSA section of the register, US dollars – to shareholders shown as having an address in the USA and recorded on the UK section of the register (unless mandated otherwise), Pounds sterling – to all other shareholders on the UK section of the register.
Ex-dividend dates:	2 August 2010 for shares traded on the JSE Limited, South Africa. 4 August 2010 for shares traded on the London Stock Exchange (LSE).

The rate of exchange for conversion from US dollars will be calculated on 21 July 2010 and published on the RNS of the LSE and the SENS of the JSE Limited on 22 July 2010.

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 44 and 45. Apart from Dr Moyo (who was appointed to the board on 1 June 2009), Mr Willard (who was appointed to the board on 1 August 2009) and Mr Armour (who was appointed to the board on 1 May 2010) all directors served throughout the period. Lord Fellowes will retire from the board at the conclusion of the 2010 annual general meeting. Details of the interests in shares and/or options of the directors who held office during the period and any persons connected to them are set out in the remuneration report on pages 59 to 67.

Corporate governance

The directors remain 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 judgement to the role. All of the members of the board are individually and collectively aware of their responsibilities to the company's stakeholders and the board keeps its performance and core governance principles under regular review. Statements of our application of the Combined Code on Corporate Governance are set out in the corporate governance report, which forms part of this directors' report, on pages 51 to 58 and the remuneration report on pages 59 to 67.

Share capital

During the year, the issued ordinary share capital of the company increased from 1,585,366,969 shares of 10 US cents each to 1,654,749,852 shares of 10 US cents each. Of the 69,382,883 new ordinary shares issued during the year, 60,000,000 ordinary shares were issued in respect of the Kompania Piwowarska transaction noted earlier in this report and 9,382,883 ordinary shares were issued to satisfy the exercise of options granted under the company's share incentive plans, details of which are shown in note 25 to the consolidated financial statements.

During the year the company transferred 5,300,000 ordinary shares from treasury to the SABMiller plc Employees' Benefit Trust for no consideration, to be used to satisfy awards outstanding under the company's share incentive plans. At year end the company held a total of 72,068,338 shares in treasury.

In addition, the company has 50,000 deferred shares of £1 each in issue, none of which were issued during the year.

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 29 May 2009. This authority is due to expire at the earlier of the next annual general meeting or 31 October 2010, 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 employees' benefit trust, details of which are provided in the remuneration report.

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

Annual general meeting

The company's annual general meeting for 2010 will be held at the InterContinental London Park Lane, One Hamilton Place, London W1V 7QY, UK at 11.00am on Thursday 22 July 2010. Notice of this meeting may be obtained from the company's website.

Donations

During the year the group invested US$43.7 million in corporate social investment programmes, of which US$6,122,486 represented charitable donations. Of this amount US$224,764 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.

To support democracy in Colombia, the group's subsidiary Bavaria SA made donations totalling US$2,394,845 to a number of political parties and movements participating in the congressional elections.

To support the democratic process in Botswana, group companies in Botswana made donations totalling US$218,451 to registered political parties participating in the general elections.

In Honduras the group's subsidiary donated soft drinks to the value of US$5,061 for the benefit of volunteers assisting during the general elections.

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

Employment, environmental and social 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, nationality, ethnic origin, race, disability, marital status, sexual orientation, religion or trade union affiliation. We value the benefits of employing people of different races, creeds and backgrounds. In the event of employees becoming disabled, efforts are made to allow them to continue in their role, or a suitable alternative role, through making reasonable adjustments.

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

The directors believe that the group's policies and procedures for combating bribery and corruption are robust, but in light of the new UK Bribery Act 2010, expected to come into force in October 2010 with its accompanying 'adequate procedures' guidance, the group will be conducting a thorough review of the application of its groupwide code of business conduct and ethics to ensure that any changes necessary to comply with the new legislation and the guidance are identified and implemented in good time.

The group is committed to regular communication and consultation with employees and encourages employee involvement in the performance of the company. The group has implemented the distribution of real time news on a global basis via our global intranet. The news is available to all of the group's businesses to help inform employees about what is happening in our global operations. Further information is provided to employees at a regional/country level by way of newsletters and electronic communication. Certain employees throughout the group are eligible to participate in the group's share incentive plans.

The sustainable development review on pages 40 to 43 gives an overview of the progress against the group's 10 sustainable development priorities and of the impact of the group's business on the environment. More detailed information is provided in the company's sustainable development report 2010, available on the company's website.

Research and development

To ensure improved overall operational effectiveness, the group places considerable emphasis on research and development in its global technical activities. This enables us to develop new products, packaging, processes and manufacturing technologies. Continued progress was made in the group's ongoing research in the key areas of raw materials, brewing, flavour stability, packaging materials and energy and water saving. In July 2009 the company announced plans to build a £2 million global brewing research facility in the UK, to be built within Nottingham University's School of Biosciences. Our total investment in research and development in the year under review was US$4 million (2009: US$7 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 48.2 days (2009: 36.3 days) of purchases from suppliers.

Overseas branches

The company does not have any branches registered overseas.

Going concern and audit

Page 68 details the directors' responsibilities for preparing the consolidated financial statements. As set out in that statement, the directors are satisfied that SABMiller plc is a going concern.

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

Directors' indemnities

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

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

Substantial shareholdings

Details of notifications received by the company in accordance with the Disclosure and Transparency Rules as at 2 June 2010 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 161 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 disclosures required by the Companies Act and the Disclosure and Transparency Rules

The company does not have any contractual or other arrangements that individually are essential to the business of the company.

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 employees' benefit trust held 8,675,839 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 articles of association and relevant statutes. Powers of the directors relating to the issuing and buying back of shares are set out in the articles of association. These powers are subject to renewal by the shareholders of the company each year at the annual general meeting.

Directors' report continued

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. Directors appointed by the board are required to submit themselves for election by the shareholders at the next annual general meeting of the company. Additionally, as disclosed in the corporate governance report on pages 51 to 58, Altria Group, Inc. (Altria) and BevCo Ltd (BevCo) have power under their respective relationship agreements with the company to nominate directors for appointment to the board and certain committees. These relationship agreements also regulate processes applicable in relation to the acquisition or disposal of shares by Altria and BevCo.

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

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

No shareholder shall, unless the directors otherwise determine, be entitled in respect of any share held by them to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by them to the company in respect of that share remains unpaid. In addition, no shareholder shall be entitled to vote if they have been served with a notice after failing to provide the company with information concerning interests in those shares required to be provided under Section 793 of the Companies Act 2006. Restrictions on the rights of the holders of convertible shares and deferred shares are set out in note 25 to the consolidated financial statements.

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

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, and in certain limited circumstances may give China Resources Enterprise, Limited the ability to exercise certain rights under a shareholders agreement in relation to the company's associate CR Snow. A change of control may also give the Molson Coors Brewing Company the ability to exercise certain rights under the MillerCoors operating agreement.

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

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

3 June 2010

Corporate governance

1. The directors' report on corporate governance

The global financial crisis brought an increased focus on directors' governance responsibilities, leading the UK Government to commission a review of governance in financial institutions and caused the Financial Reporting Council (FRC) to bring forward a review of the Combined Code of Corporate Governance (the Combined Code), which contains the principal governance rules applying to UK companies listed on the London Stock Exchange.

SABMiller participated in both those reviews and in submissions made to the FRC expressed the directors' belief that the Combined Code reflected good and responsible governance and was working well. However, the board reiterated the fundamental and underlying point that there seems to be an unrealistic expectation that more 'governance' will guarantee success or, perhaps more pertinently, guarantee no failure. The global financial crisis has presented an important opportunity to review how robust corporate governance processes are, and to learn what might have been done differently. However, every business has to manage risk, and judgements about risk must be taken by executives as part of the management by them of the business. If there were governance weaknesses that contributed to the current crisis, the board believes it was in the application of the Code, rather than a lack of prescription within the Code itself. Adding extra governance requirements is likely to lead to more box ticking and hamper effective scrutiny by non-executive directors by occupying time with form rather than looking at substance. Key to the effectiveness of corporate governance is the calibre of the individuals involved, and their clear understanding of their roles and responsibilities and the tools necessary to discharge their responsibilities effectively.

SABMiller's specific submissions to the FRC were directed at reinforcing what the directors believe is, and should be, the philosophy behind the FRC's approach to the Code, which is that prescription should be avoided, and that companies should have the flexibility to design their own governance processes in the light of their own circumstances and their view of the interests of their shareholders as a whole, and not to satisfy governance scorecards.

The directors remain 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 judgement to the role. All of the members of the board are individually and collectively aware of their responsibilities to the company's stakeholders and the board keeps its performance and core governance principles under regular review.

This report describes the board's approach to corporate governance and explains how it applies the principles of the Combined Code on Corporate Governance adopted by the FRC in June 2008.

2. Application of the Combined Code

The board applied all of the principles and provisions of the Combined Code throughout the year ended 31 March 2010, except for one, which is that the audit committee did not consist solely of independent directors. The committee included Mr Devitre, an Altria Group, Inc. (Altria) nominee, who is not independent for the purposes of the Combined Code. This is because the composition of the audit committee is governed by our relationship agreement with Altria, which was originally approved by shareholders in 2002 as part of the Miller transaction, and was amended in 2005, again with shareholder approval, at the time of the Bavaria transaction, and under which Altria has the right to nominate a director to the audit committee.

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 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.

3. Board of directors: composition, independence and renewal

3.1 Composition

The board currently consists of the Chairman (Mr Kahn); nine independent non-executive directors (including Lord Fellowes, the Senior Independent Director, and Mr Manser, who will take on the role of Senior Independent Director following the 2010 annual general meeting at which Lord Fellowes will retire); 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 44 and 45.

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

The agreement with Altria limits the size of the board to a maximum of 15 directors, of whom no more than two are to be executive directors, up to three are to be non-executive directors nominated by Altria, up to two are to be non-executive directors nominated by BevCo, and up to eight are to be non-executive directors appointed by the board. Since 2004, in order to assist the company to apply the provision of the Combined Code that at least half the directors (excluding the Chairman) should be independent non-executive directors, Altria has only nominated two directors for appointment to the board and, more recently, has permitted the maximum number of directors allowed under the relationship agreement to be exceeded. As neither of the Altria nominees at the start of the year (Mr Bible and Mr Devitre) were members of Altria's executive management, and noting that the appointment of a third Altria nominee would not impact upon SABMiller's ability to apply that provision of the Combined Code, Altria, during the year, nominated a third director, Mr Howard Willard, for appointment to the board. Mr Willard is an executive officer of Altria and was appointed to the board with effect from 1 August 2009. The agreement with BevCo remains unchanged: it allows BevCo to nominate up to two non-executive directors for appointment to the board.

The board is grateful to Altria for its continued indulgence in permitting for the time being the maximum number of directors allowed under the relationship agreement to be exceeded. Altria and BevCo have each exercised their right under their respective agreements to nominate one director for appointment to the nomination committee. Both Altria and BevCo have the right to nominate directors for appointment to the corporate accountability and risk assurance committee (CARAC) (Altria has exercised this right, BevCo has not), and, as noted above, Altria has the right to nominate one director for appointment to the audit committee (which it has exercised).

3.2 Independence and attendance at meetings

The board considers nine directors – Mr Armour, Ms Doherty, Lord Fellowes, Mr Manser, Mr Manzoni, Mr Morland, Dr Moyo, Mr Pieterse and Mr Ramaphosa – to be independent for the purposes of the Combined Code. The board considers five non-executive directors not to be independent for the purposes of the Combined Code: Mr Bible, Mr Devitre and Mr Willard, as they are nominees of Altria, the company's largest shareholder; and Mr Santo Domingo and Mr Pérez, as they are nominees of the Santo Domingo Group, the company's second largest shareholder. The Combined Code states that the test of independence is not appropriate in relation to the Chairman, Mr Kahn, who is a former chief executive of the company.

For ease of reference, directors' independence status for Combined Code purposes is indicated in the table on page 52.

Corporate governance continued

3.3 Progressive renewal of the board

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

It is now 11 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 Manser, Mr Morland and Mr Ramaphosa – for all or most of that period. They have provided considerable stability to the board and the board has benefited greatly from the presence of individuals who have over time gained valuable insight into the group, its markets and the industry. It is with great sadness that we have announced that Lord Fellowes, who has diligently served the board since the company listed in London in 1999, will be retiring from the board in July 2010 after 11 years of distinguished service.

The provisions of the Combined Code require the board to consider, where a director has served for a period of nine years or more, whether that director continues to be independent. In respect of each of the three independent directors who have served the board for more than nine years and are offering themselves for re-election (Mr Manser, Mr Morland and Mr Ramaphosa), the board has considered specifically whether their length of service has compromised their independence. In each case the board has determined that the director concerned remains independent of character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement, and that the independence of character and judgement of each of the directors concerned is not in any way affected or impaired by length of service. The board has also conducted a rigorous review of the performance of the Chairman, Mr Manser, Mr Morland and Mr Ramaphosa and considers that each of these directors brings invaluable integrity, wisdom and experience to the board and that they continue to contribute positively to board and committee deliberations. Therefore, the board is entirely satisfied as to the performance and continued independence of judgement of each of these directors.

Under the Combined Code, it is recommended that directors who have served for more than nine years should stand for annual re-election and accordingly the Chairman, Mr Manser, Mr Morland and Mr Ramaphosa will offer themselves for re-election for a term of one year.

The board does not consider it to be in the interests of the company or shareholders to require all directors who have served for nine years or longer to retire at the same time and, as reported in our last corporate governance report, 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, having acted during the year under review to bring about the appointment of Dr Moyo and, since the year end, the appointment of Mr Armour.

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

4. How the board operates

4.1 Board meetings and attendance

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

Directors' attendance (1 April 2009 to 31 March 2010) and committee memberships

		Board		Audit		Remuneration		Nomination		CARAC		
	Independent*	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	AGM
J M Kahn	N/A	5	6					2	2	2	2	✓
E A G Mackay	N/A	6	6							2	2	✓
M I Wyman	N/A	6	6							2	2	✓
G C Bible	✕	6	6					2	2			✓
D S Devitre	✕	6	6	4	4							✓
M E Doherty	✓	6	6	4	4							✓
Lord Fellowes	✓	6	6	4	4	4	5	2	2	2	2	✓
P J Manser	✓	5	6	4	4	5	5	2	2	2	2	✓
J A Manzoni	✓	5	6			4	5			1	2	✓
M Q Morland	✓	6	6	4	4	5	5	2	2			✓
D F Moyo	✓	4	4							1	1	✓
C A Pérez Dávila	✕	6	6									✓
R Pieterse	✓	6	6							2	2	✓
M C Ramaphosa	✓	6	6					2	2	1	2	✓
A Santo Domingo Dávila	✕	6	6					2	2			✓
H A Willard	✕	3	3							1	1	n/a

*Considered to be independent for Combined Code purposes.

Mr Kahn was unable to travel from South Africa to the UK for the board meeting held in April 2009 as he was recuperating following a minor operation.

Mr Manser was unable to attend the board meeting held in April 2009 because of a long-standing prior commitment.

In March 2010 the company held meetings of the board and key committees in South Africa, which had originally been scheduled for February 2010. As a result of the rescheduling:

- Mr Manzoni was unable to attend the board, remuneration committee and CARAC meetings as they clashed with a Talisman Energy board meeting in Canada; and
- Mr Ramaphosa was unable to attend the CARAC meeting as a result of a clash with a long-standing prior engagement.

In consequence of the triennial review of the structure of the group's remuneration policies, an additional meeting of the remuneration committee was called in March 2010. Lord Fellowes was unable to attend this meeting due to a prior commitment.

Mr Armour is not included in the table as he joined the board with effect from 1 May 2010.

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; supply chain and human resources; and legal) enabling it to explore specific issues and developments in greater detail.

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

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 Conflicts of interest

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

4.5 The roles of executive and non-executive directors

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

4.6 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, directors are briefed on the duties they owe as directors to the company and tailored induction programmes are arranged which involve industry-specific training and include visits to the group's businesses and meetings with senior management, as appropriate. New directors are briefed on internal controls at business unit level and are advised of the legal and other duties they have as directors of a listed company as well as on relevant company policies and governance-related matters. The company 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.

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

During the year, after consultation with the Chairman and the Chief Executive and with the agreement of the board, Mr Wyman accepted appointment as a non-executive director of Nedbank Group Limited, a company whose shares are listed on the Johannesburg Stock Exchange, and of its subsidiary Nedbank Limited. He is a member of the audit and remuneration committees of Nedbank Group Limited. The board is satisfied that Mr Wyman's position with Nedbank, a major South African financial institution, is complementary to his role as Chief Financial Officer and widens his experience and knowledge to the benefit of the company.

Fees earned by Mr Mackay and Mr Wyman from their appointments are set out in the remuneration report on page 64.

4.8 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.

Corporate governance continued

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 reports on commentaries of, and exchanges with, shareholders and investor bodies.

The Senior Independent Director is currently Lord Fellowes, who will retire from the board in July 2010 and will be succeeded by Mr Manser. Both Lord Fellowes and Mr Manser chair or serve on all four main committees of the board, and are therefore well placed to influence the governance of the company and to meet their responsibilities as Senior Independent Director. The Senior Independent Director serves as an additional contact point for shareholders should they feel that their concerns are not being addressed through the normal channels, and is also available to fellow non-executive directors, either individually or collectively, to discuss any matters of concern in a forum that does not include executive directors or 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. The Senior Independent Director also held a meeting of non-executive directors without the presence of the Chairman at which, among other things, the performance of the Chairman was discussed.

4.9 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 process was once again facilitated by completion by each director of a questionnaire, and supplemented by individual meetings between the Chairman and other directors where necessary. The questionnaire is refined each year as appropriate to focus on the progress made in addressing the key issues raised in the previous performance and effectiveness evaluation conducted for the previous year. Mr Armour was not included in this process, which had been completed before he joined the board.

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

In considering the contribution of individual directors for the year under review, performance was assessed against the company's selected criteria of strategy, expertise in their field, ethics and governance factors, commitment, profile, knowledge of the industry and team contribution, culminating in an overall contribution rating. The Chairman was satisfied that the performance assessment process and criteria adequately covered all of the appraisal factors suggested by the Higgs Report. A rating scale of 'Poor', 'Below Average', 'Average', 'Above Average' and 'Fully Satisfactory' was used in assessing directors' performance against the criteria. The performance and contribution of each director was assessed as either 'Above Average' or 'Fully Satisfactory', while recognising the importance of the different roles played by individual directors in bringing a balanced overall view to the board. In reviewing the performance of the board and its committees, the 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 conclusion of this meeting was that the board was balanced and operated effectively and that the board committees discharged their duties under which their respective terms of reference operated effectively. Each of the directors and the Chairman had been assessed to be performing at least satisfactorily and continued to demonstrate commitment to their respective roles and to devote sufficient time to the fulfilment of their duties.

The results of the performance and effectiveness assessment process as outlined above were reviewed in full and approved by the board. The board is satisfied with the developments made in addressing the matters identified in the 2009 evaluation as requiring further consideration, and will address the minor areas identified in the most recent evaluation process during the forthcoming period.

At the forthcoming annual general meeting two directors, Mr Devitre and Mr Wyman 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 noted in section 3.3 of this report, the Chairman, Mr Manser, Mr Morland and Mr Ramaphosa have each served continuously on the board for more than nine years and, accordingly, 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 over nine years, the board is satisfied with his performance and has determined that the length of their service does not compromise their 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 Mr Armour and Mr Willard, who are standing for election, and of the directors who are standing for re-election, are included on pages 44 and 45 of this report.

4.10 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.

4.11 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 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 (Africa, Asia, Europe and Latin America); the Managing Director of The South African Breweries Limited; the directors of key group functions (corporate affairs; marketing; and supply chain and human resources); and the General Counsel and Group Company Secretary. Excom's purpose is to support the Chief Executive in carrying out the duties delegated to him by the board and, in that context, excom co-ordinates brand and operational execution, delivers strategic plans, budgets and financial reports for the board's consideration and, through the Chief Executive, reports on these matters to the board.

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

5.2 The disclosure committee

The disclosure committee consists of the Chairman, the Chief Executive, the Chief Financial Officer, the Senior Independent Director 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 General Counsel's office, the company secretarial office and investor relations are clear, and provide for rapid escalation to the disclosure committee and key advisers 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 45.

Lord Fellowes (who will step down from the committee upon his retirement in July 2010), Mr Morland, Mr Devitre and Ms Doherty served on the committee throughout the year. 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, Ms Doherty on 1 April 2006 and Mr Devitre on 16 May 2007. The Chairman has recent and relevant financial experience, as does Ms Doherty, who was Chief Financial Officer of Brambles Limited until November 2009 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. Mr Armour, who was appointed to the audit committee on 1 May 2010, also has recent and relevant financial experience, being the Chief Financial Officer of Reed Elsevier Group plc, a position he has held since 1996, and of its parent companies, Reed Elsevier PLC and Reed Elsevier NV. The committee met four times during the year. The external auditors, the Chief Executive, the Chief Financial Officer and the Chief Internal Auditor attended each meeting by invitation. Other members of the management team attended as required.

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

- in respect of the year ended 31 March 2009: the annual financial statements and the preliminary announcement before their submission to the board for approval, including consideration of the group on a going concern basis, with particular reference to balance sheet and treasury considerations;
- the interim financial statements and interim announcement;
- the accounting treatment of the major business capability programme being undertaken throughout the group and of the Broad-Based Black Economic Empowerment transaction in South Africa;
- reports from the external auditors on the annual and interim financial statements; approval of the audit plan and fee proposal for the 2010 year end audit;
- developments in accounting standards and the group's responses;
- the progress of the year's internal audit programme and matters arising;
- the effectiveness of the internal audit function and the appointment of the new Chief Internal Auditor;
- the group's state of readiness for compliance with section 404 of the US Sarbanes-Oxley Act (although the company is not an SEC registrant and is not required to comply with Sarbanes-Oxley standards);
- the results of the group's bi-annual letters of representation and management's investigation and follow-up of any instances of non-compliance;
- the internal control environment and risk management systems and the group's statement on internal control systems, prior to endorsement by the board;
- material legal developments;
- the effectiveness of the external auditors and the recommendation to the board of the reappointment of PricewaterhouseCoopers LLP as the external auditors;
- the length of tenure of the audit engagement partner and whether to seek an extension of that tenure from PricewaterhouseCoopers LLP (as detailed in section 6 of this report);
- the policy on auditor independence and non-audit services; and
- its terms of reference and effectiveness.

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

The Chief Internal Auditor has direct access to the committee, primarily through its chairman. The committee has access to subsidiary company internal audit leadership. The reports of the divisional audit committees are also available to the audit committee.

During the year, the committee met with the external auditors and with the Chief Internal Auditor without management being present.

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

5.4 The nomination committee

During the year, the nomination committee was chaired by Mr Kahn. Lord Fellowes, Mr Bible, Mr Manser, Mr Morland, Mr Ramaphosa and Mr Santo Domingo were members of this committee throughout the year. Mr Manzoni, an independent non-executive director, was appointed to the committee with effect from 19 May 2010. Lord Fellowes will step down from the committee upon his retirement in July 2010. 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 and is committed to the progressive renewal of the board through orderly succession. Appropriate succession plans for the non-executive directors, for the executive directors and for senior management were also kept under review.

Corporate governance continued

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. Strong shortlists for the positions filled recently by Dr Moyo and Mr Armour, both of whom the committee regarded as outstanding candidates, were derived after extensive consultation. An external search firm was not involved in these appointments, the committee's recent engagement of a leading search firm for a similar position not having yielded any suitable candidates. 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

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

The committee is empowered by the board to set short-term and long-term remuneration for the executive directors and members of the executive committee. 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.

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

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

- reviewing trends in global executive remuneration and governance;
- conducting the triennial review of the structure of the group's remuneration policies, and consulting with the group's major shareholders and institutional investor representative bodies on the changes identified by the committee as desirable;
- reviewing the key elements and design of the group's long-term incentive schemes (including peer comparator group composition);
- reviewing global benchmarking methodologies and outcomes;
- reviewing and approving performance hurdles for short and long-term incentive awards;
- reviewing and approving long-term incentive awards for executive committee members;
- reviewing and approving total remuneration for the executive directors and executive committee members; and
- reviewing and approving the draft remuneration report.

More details of the company's remuneration policy can be found in the remuneration report on pages 59 to 67.

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 Pieterse, Mr Ramaphosa and Mr Wyman served as members for the entire period. Dr Moyo and Mr Willard joined the committee on 10 September 2009, and Dr Moyo will succeed Lord Fellowes as Chair of the committee upon his retirement in July 2010. 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 confirm in a formal report to the audit committee that processes to ensure compliance with this policy are in place and that these processes are monitored regularly. This report includes a statement that, in their opinion, PwC believe that the nature of 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. Fees in respect of non-audit services provided by PwC were primarily related to services relating to taxation, our major business capability programme and to transaction services.

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

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

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 held in July 2009, which provides shareholders with the opportunity to ask questions of the board and chairmen of all the board committees. Similarly, all shareholders were encouraged to attend the General and Court Meetings held in January 2010 at which they were asked to consider our Broad-Based Black Economic Empowerment transaction. At the meetings, all resolutions were put to a poll, with the results being published on the Regulatory News Service and on the company's website. A transcript of the General and Court Meetings was also made available 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. During the year, this invitation was taken up by two shareholders and, following the year end, the Chairman and the Senior Independent Director, accompanied by Mr Manser and the Company Secretary, met with representatives from the investment committee of the Association of British Insurers. 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. During the year, one shareholder requested a meeting with the Senior Independent Director. As part of this initiative, and recognising that given the geographic spread of our shareholders it is not possible for all shareholders to attend our general meetings, 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. No shareholders took up this invitation in 2009. All non-executive directors of the company are invited to participate in this process. Institutional and shareholder comment on the Annual Report is conveyed to the board through the audit and remuneration committees and the Company Secretary.

In addition, the remuneration committee this year conducted an extensive consultation process with major shareholders and institutional investor representative bodies to discuss the outcome of the committee's triennial review of the structure of the group's remuneration policies, as more fully described in the remuneration report.

8. Risk management

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

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 the approval of the Annual Report and Accounts. The principal risks and uncertainties facing the group are set out on pages 24 and 25.

8.2 Executive committee

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

In accordance with the Turnbull Guidance (2005), reviews on the effectiveness of the risk management system were carried out by the risk management committee in April and September 2009 and in April 2010.

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. Our approach has been strengthened during 2010 by further integrating strategic planning, internal audit and other risk control specialists into line management's risk processes and simplifying risk reporting.

Key reports include those that identify, assess and monitor strategic and operational 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, including in relation to the financial reporting process and the preparation of consolidated accounts, 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 maintained a state of readiness for compliance with s404 of the Sarbanes-Oxley Act through the 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.

Corporate governance continued

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 below, 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 joint ventures or associates (except for MillerCoors and Tsogo Sun, which submit tailored letters of representation). Where material, group executives sit on the boards of associated companies. Directors and members of the executive committee also make annual written declarations of interests and are obliged to report without delay any potential or actual conflicts of interest which may arise.

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 2009 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.

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 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 where appropriate, decide on the appropriate method and level of investigation. The audit committee is notified of all material disclosures made and receives reports on the results of investigations and actions taken. The audit committee has the power to request further information, conduct its own inquiries or order additional action as it sees fit.

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

3 June 2010

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 2010 annual general meeting. This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Throughout the year ended 31 March 2010 the company applied the provisions of the 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 2010, the members of the committee were Mr Morland (Chairman), Lord Fellowes, Mr Manser and Mr Manzoni. Mr Bible, Mr Willard, 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, except when their own remuneration was discussed. Mr Armour joined the committee on 19 May 2010.

The committee deals with the remuneration of the executive directors and other members of the executive committee, as well as approving all grants 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. When setting the remuneration of executive directors, the committee has the discretion to consider corporate performance on environmental, social and governance issues, and has oversight to ensure that the incentive structure for senior management does not raise environmental, social or governance issues by inadvertently motivating irresponsible or short-term behaviour.

Advisers

In the course of its deliberations, the committee considered the views of the Chief Executive on the remuneration and performance of the members of the executive committee. The 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, equity usage through share incentive plans and on legal, regulatory and governance issues.

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

Review of the group's remuneration policies

The committee last reviewed the overall structure of the group's remuneration policies in 2006, when it adopted policies which were designed to target executive directors' total compensation at or near the comparative upper quartile if the group achieved upper quartile performance. In accordance with its expressed intention to review the structure of the group's remuneration policies at approximately three-yearly intervals, the committee conducted a detailed review during the second half of the year ended 31 March 2010 to ensure that remuneration structures remained appropriate and continued to focus on alignment with shareholders' interests and linkage to SABMiller's long-term strategic goals. The committee was guided by the philosophy that shareholder interest and shareholder alignment should be placed at the forefront, alongside the need to reaffirm that senior executives, within the bounds of appropriate governance limitations, would have confidence that the incentive plans would deliver superior reward for superior performance, and little or no incentive reward for average or under-performance.

On balance, the committee concluded that its policy of agreeing a total remuneration package for each executive director comprising an annual base salary, a short-term incentive in the form of an annual cash bonus, long-term incentives through participation in share incentive plans, pension contributions, other usual security and health benefits, and benefits in kind, continued to be appropriate. The committee concluded that there was no requirement to change its approach to the setting of base salaries, pensions and other benefits, which were intended to establish a level of fixed pay which is competitive with appropriate global comparators. The committee also concluded that the variable pay elements provided by short-term and long-term incentives (LTI) should continue to form a significant proportion of executive directors' pay, and that most aspects of the current incentive design worked well together to align the interests of the executive directors and executive committee members with the interests of shareholders.

However, the committee determined that it could further strengthen alignment of senior executives with shareholder interests by modifying the TSR-based performance share component of the overall package. The committee proposed that the relative TSR performance condition should be replaced with a new TSR-based performance condition, to be communicated to shareholders and senior executives as a 'Value Sharing' performance condition, under which executives will be given the right to receive a pre-defined number of shares for each £10 million of additional shareholder value delivered over the life of an award. Additional shareholder value is defined as growth in market capitalisation of SABMiller (plus net equity cash flows) in excess of the performance of the weighted median of a group of peer companies. To the extent that surplus value above the median is created, executives will be able to exercise these awards at quarterly intervals between years three and five of the performance period. However, unlike the existing TSR-based performance condition, under which 25% of the awards vest on reaching the median performance of the relevant comparator group and 100% vest on reaching upper quartile performance, no awards will vest at median performance under the new performance condition. On the other hand, executives will be able to continue earning additional shares to the extent that performance exceeds the upper quartile (with an overall cap at the point at which the out-performance above the median equals the company's initial market capitalisation). In effect, the committee decided that executives would receive no value for performance that is at median, and less value for performance that is just above median, but would have the opportunity to earn more for performance which exceeds the upper quartile or upper decile.

The principles underlying the proposed new Value Sharing condition were reviewed with the company's two largest shareholders, holding between them approximately 43% of the company's shares, who expressed their support for the proposed change. The committee then commenced a process of consultation and discussion by writing to the company's next 10 largest shareholders and to selected institutional investor representative bodies to set out the details of the proposed change, to provide them with the opportunity to comment on the proposal, and to offer to discuss any concerns or questions which shareholders might have. Three shareholders accepted the invitation to engage in discussions, and each expressed themselves to be broadly supportive of the proposed change in principle, while offering differing and sometimes conflicting views on a number of aspects either of the proposed change or other aspects of the group's wider remuneration structure. In addition, one shareholder submitted written comments, and the Association of British Insurers submitted written comments on behalf of a number of its members collectively. All of the points raised in discussions and in writing were considered in detail by the committee, and the committee is grateful to those shareholders for taking the time to engage with the committee and for providing their input.

Remuneration report continued

In the light of comments received from shareholders, and the continued growth in the company's share price, the committee made the following modifications to the proposal. First, the committee reduced the proposed quantum of the awards to be made subject to the new Value Sharing condition by approximately 12%. Secondly, the committee introduced deferral provisions into this element of the plan, under which if an executive elects to exercise an award after three years but before the end of the five-year period, the shares will only be released to the executive in two or three equal instalments over the balance of the five-year period. Thirdly, the committee reduced the quantum of shares for the share option and EPS-based performance share elements of the company's long-term incentive plans by approximately 14%.

Following these consultations with shareholders and institutional investor representative bodies, this new Value Sharing condition was adopted by the committee for the TSR component of awards made with effect from 1 June 2010. The committee believes that this new calibration of SABMiller's long-term incentives will appropriately motivate and reward performance, by ensuring that management is incentivised not only to continue delivering upper quartile performance but to strive for upper decile outperformance for shareholders, will sharpen the relationship between pay and performance, and will materially contribute towards the achievement of the group's strategic objectives.

As to the future, the committee's expressed intention is that reviews of the appropriate level and structure of long-term incentives are expected to be conducted at approximately three-yearly intervals, and, in the absence of wholly exceptional circumstances, the 2010 level of long-term incentives should remain unchanged until the next review.

Remuneration policies

The committee's policy continues to be to ensure that executive directors and members of the executive committee are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks, and that their remuneration is appropriate to their scale of responsibility and performance, 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 table and charts below show the ratios of performance-related compensation to base salary and benefits of the executive directors, and the relative value of the different elements, including the bonus and long-term share-based compensation awarded in respect of the year ended 31 March 2010, assuming target or median performance. The ratios accord with the committee's policy on the balance between fixed and variable pay.

The committee considers that alignment with shareholders' interests and linkage to SABMiller's long-term strategic goals is best achieved through a twin focus on earnings per share and, from 2010 onwards, additional value created for shareholders, and a blend of absolute and relative performance. Hence, for executive directors and senior executives, vesting for awards of a specified number of performance shares are subject to SABMiller's new TSR-based performance condition under the Value Sharing Plan, and vesting for awards of a fixed number of performance shares are 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 62).

Base pay

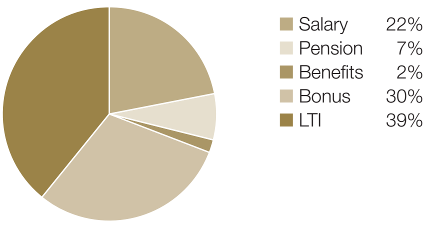
The committee reviews the salaries of executive directors at the beginning of each financial year.

In setting target remuneration levels for the executive directors the committee has regard to the 30 FTSE 100 companies ranked in the 15 places above and below the company by market capitalisation, as well as to pay levels and practices in the company's principal international competitors and, where relevant, in companies comparable in size to the company's divisions in those countries in which the company has a significant presence. The committee also has regard to remuneration levels and practices in the group's own operations. In determining the salaries of the executive directors for the year commencing on 1 April 2010, the committee took into consideration the 17% increase in adjusted earnings (26% in sterling terms) achieved in the year ended 31 March 2010, and the recommended 17% increase in the full year dividend to 68 US cents per share, compared with 58 US cents per share for the previous year.

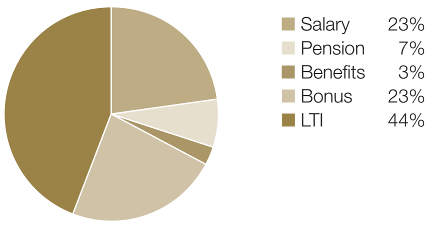
	Salary £	Retirement £	Benefits £	Bonus £	LTI £	Total £	Fixed %	Variable %
EAG Mackay	1,145,000	343,500	105,347	1,580,000	2,027,982	5,201,829	31	69
MI Wyman	687,000	206,100	74,948	683,000	1,298,011	2,949,059	33	67

Executive remuneration breakdown

EAG Mackay
%



MI Wyman
%



Details of the salaries applying from 1 April 2010 and the percentage changes from 31 March 2010 levels for the executive directors are shown in the table below:

Executive directors as at 31 March 2010	2010 Salary £	2011 Salary £	% change from 2010
EAG Mackay	1,145,000	1,192,000	4.1
MI Wyman	687,000	715,000	4.1

The committee also received advice from Kepler Associates, from the Chief Executive and from the Group Head of Compensation and Benefits on appropriate pay levels for the other members of the company's executive committee:

- for those executives based in the UK, salaries were determined by reference to appropriate UK benchmarks; and
- for those executives 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 on the basis that part of their time was spent on SABMiller plc duties and therefore related to the UK and global markets.

Short-term incentive plans

The executive directors and members of the executive committee participate in an annual short-term incentive plan which delivers a cash bonus upon 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 maximum bonuses of between 120% and 150% of their base salary depending upon local market practices in the locations where they are based.

The group financial performance targets for annual incentive plans for the executive directors and UK-based members of the executive committee relate to adjusted EPS growth, EBITA and working capital management. The committee believes that linking short-term incentives to profit, earnings per share growth and working capital management reinforces the company's business objectives. The divisional targets for executive committee members whose primary responsibilities are for the operation of business units outside the UK vary according to divisional value drivers derived from group needs and include both financial and non-financial targets such as EBITA, sales volumes, working capital management and other appropriate measurements. Financial and quantitative 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, as noted above.

At its meeting on 18 May 2010, the committee reviewed the performance of the executives participating in the short-term incentive plans. 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 level of bonuses in respect of the year ended 31 March 2010 as shown below to the executive directors:

	2008 Bonus £	2009 Bonus £	**2010 Bonus £**	**% of salary**	**% achievement**
EAG Mackay	1,606,000	888,000	**1,580,000**	**138**	**79**
MI Wyman	640,000	400,000	**683,000**	**99**	**83**

Long-term incentive plans

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

The company has the following share incentive plans currently in active operation, all of which were approved by shareholders at the 2008 AGM. There are also share plans which were introduced at the time of the company's primary listing on the London Stock Exchange in 1999, which have now closed and under which no new grants can be made, although share options which remain outstanding may be exercised until they reach their respective expiry dates in accordance with the rules that govern the respective share plans, and outstanding performance share awards which have been granted under the closed plans remain outstanding and pending vesting subject to the attainment of the respective performance conditions in accordance with their terms.

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

Share option plans

Options are granted at market price at the time of grant. Options granted under the South African Executive Share Option Plan are denominated in South African rand and are granted over SABMiller plc ordinary shares as traded on the Johannesburg Stock Exchange. Grants of share options are usually made annually to eligible employees on a discretionary basis taking account of the employee's performance, future potential and local market practices. Share options typically vest over a three-year period and expire on the tenth anniversary of the grant date. The table on page 65 gives details of the share options held by executive directors during the year ended 31 March 2010, including details of the performance conditions.

For grants made in June 2010, the committee reduced the number of options granted to the executive directors by approximately 14% compared with the number awarded in May 2009, and Mr Mackay and Mr Wyman were granted 250,000 and 150,000 share options respectively (2009: 290,000 and 175,000 share options respectively).

Performance share award plans

The company currently operates the SABMiller Executive Share Award Plan 2008 (the Award Plan) to make awards of performance shares to members of the executive committee (including the executive directors) and certain other eligible employees on a discretionary basis taking account of the employee's performance, future potential and local market practices. Awards under the Award Plan to members of the executive committee in the year ended 31 March 2010 were made in two parts. The first part vests in two tranches on the third and fifth anniversary of the grant date, subject to a relative total shareholder return (TSR) based performance condition. The second part of the award vests in a single tranche on the third anniversary of the grant date, subject to an earnings per share (EPS) based performance condition. Further details on performance share awards made to executive directors and the respective performance conditions can be found in the tables on pages 66 and 67.

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

Remuneration report continued

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. The companies comprising the TSR comparator group for all the performance share awards which had not yet vested or lapsed as at 31 March 2010 are listed below:

Anheuser-Busch InBev (formerly InBev)	Kirin Holdings
Anheuser-Busch* (acquired by InBev)	Lion Nathan* (acquired by Kirin Holdings)
Asahi Breweries	Molson Coors
Carlsberg A	Pernod Ricard
Constellation Brands	Sapporo Breweries
Diageo	Scottish & Newcastle* (acquired by Heineken and Carlsberg)
Femsa UBD* (acquired by Heineken)	
Fosters Group	
Grolsch* (acquired by SABMiller)	
Heineken	

*Denotes company has been removed from the comparator group.

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

For awards made to executive directors in June 2010, the committee reduced the number of shares subject to an EPS-based performance condition by approximately 14% compared with the number awarded in May 2009. Also in June 2010, the first awards of performance shares subject to the new Value Sharing TSR-based performance condition described above (see pages 59 to 60) were made to the executive directors. Under these awards, Mr Mackay and Mr Wyman received awards of 220 and 130 shares respectively for each £10 million of additional shareholder value created, being the amount by which the growth in SABMiller's market capitalisation plus net equity cash flows exceeds the median growth of a weighted peer group index over the three to five-year performance period.

Dilution

Taking account of all shares newly issued as a consequence of exercises of share options over the 10-year period ended 31 March 2010 plus outstanding share options under all the company's share option plans, where new issue shares may be used to satisfy their exercise, potential dilution amounts to 3.41% of the issued ordinary shares of the company (excluding shares held in treasury) on 31 March 2010. Obligations under the company's other long-term incentive plans are typically settled by the EBT from shares transferred from treasury or purchased in the market. The dilution calculation also excludes shares arising from any options granted before 8 March 1999, as disclosed in the original listing particulars relating to the company's listing in London.

The SABMiller plc Employees' Benefit Trust (EBT)

At 31 March 2010 the number of shares held in the EBT was 8.7 million, representing 0.55% of the issued ordinary shares of the company.

During the year, 5.3 million ordinary shares which were formerly held by the company as treasury shares were acquired by the trustee on behalf of the EBT to ensure that the EBT continued to hold sufficient ordinary shares to meet potential future obligations in respect of performance share awards and share-settled share appreciation rights. During the year, the EBT repurchased 0.4 million shares from participants upon the vesting of their awards at an average price of £12.55 per share which amounted to 0.02% of the issued share capital of the company. The trustee of the EBT has waived its right to receive dividends on shares held in the EBT, and will only vote shares or claim dividends on shares which are beneficially owned by an employee of the group, and only then in accordance with the instructions of the underlying employee shareholder. As at 31 March 2010, there were 0.3 million beneficially held shares in the EBT.

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 base 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 in the United Kingdom. Contributions were paid in respect of each executive director to the extent allowed in light of the changes to pension allowances that took effect in 2006, with any excess credited in an unfunded corporate plan. Further details on executive directors' pension contributions during the financial year are on page 64.

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	31/07/2008	July 2011
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 64.

Shareholding guidelines

It was noted by the committee that the executive directors, Messrs Mackay and Wyman, beneficially hold significant numbers of SABMiller ordinary shares. As at 31 March 2010, Mr Mackay held 1,398,143 shares and Mr Wyman held 564,217 shares. Based on the value of an SABMiller ordinary share on 31 March 2010 of £19.32, these holdings are worth 24 times Mr Mackay's annual base salary and 16 times Mr Wyman's base salary. This being the case, the committee is of the view that the two executive directors already have substantial stakes in the group, and that their interests are thus significantly aligned with those of other shareholders, such that it was not appropriate or necessary to adopt any formal shareholding guidelines.

Non-executive directors' fees

Non-executive directors' fees for the year ended 31 March 2010 are shown in the table below.

Fee category (per annum)	**2010 £**	2006-2009 £
Basic fee	**65,000**	55,000
Committee Chairmen (inclusive)		
– Audit	**25,000**	20,000
– Remuneration	**20,000**	18,000
– CARAC	**18,000**	16,000
– Nomination	**15,000**	10,000
Committee Members		
– Audit	**10,000**	10,000
– Remuneration	**8,000**	8,000
– CARAC	**6,000**	6,000
– Nomination	**–**	–
Senior Independent Director	**15,000**	10,000

The annual fee for the Chairman for the year ended 31 March 2010 was £250,000, and he is also provided with an office, a secretary and a car, as well as medical insurance and professional fees.

The level of non-executive directors' fees were unchanged from 2006 until 2009, but in early 2009, these fees were benchmarked against those companies 15 above and 15 below the company in the FTSE 100 Index in terms of market capitalisation, and it was concluded that the company's non-executive directors' fees were considerably below the median. Accordingly, with effect from 1 April 2009, non-executive directors' fees were increased to the levels shown in the table above, and the Chairman's fee was increased from £200,000 to £250,000 per annum, representing an increase which approximated to the compound rate of inflation since 2006 in South Africa, where the Chairman is based. As noted in last year's remuneration report, the board expressed its intention in future to review the level of non-executive directors' fees annually, rather than triennially, in order to avoid significant disparities from the median arising in future years.

Accordingly, in May 2010, fees paid by the company to its non-executive directors were benchmarked against those companies 15 above and 15 below the company in the FTSE 100 Index in terms of market capitalisation and the board concluded that the company's non-executive directors' fees were below the median of £72,000. Accordingly, with effect from 1 April 2010, the basic fee was increased to £72,000 with fees for committee chairmen and membership and for the senior independent director remaining unchanged. The Chairman's fee was increased to £265,000, representing an increase approximating to the rate of inflation in South Africa for the most recent fiscal year.

The non-executive directors do not participate in any of the group's incentive plans, nor do they receive any other benefits (other than their beverage allocation) or pension rights. Non-executive directors do not have service contracts. The non-executive directors' dates of appointment and the dates on which they are 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	Next due for re-election
MH Armour[1]	01/05/2010	14/04/2010	2010 AGM
GC Bible	01/08/2002	27/09/2002	2012 AGM
DS Devitre	16/05/2007	16/05/2007	2010 AGM
ME Doherty	01/04/2006	07/03/2006	2012 AGM
Lord Fellowes[2]	08/02/1999	23/02/1999	n/a
JM Kahn[3]	08/02/1999	23/02/1999	2010 AGM
PJ Manser[3]	01/06/2001	20/06/2001	2010 AGM
JA Manzoni	01/08/2004	12/05/2004	2011 AGM
MQ Morland[3]	08/02/1999	23/02/1999	2010 AGM
DF Moyo	01/06/2009	26/05/2009	2012 AGM
CA Pérez Dávila	09/11/2005	12/10/2005	2012 AGM
R Pieterse	15/05/2008	09/06/2008	2011 AGM
MC Ramaphosa[3]	08/02/1999	23/02/1999	2010 AGM
A Santo Domingo Dávila	09/11/2005	12/10/2005	2012 AGM
HA Willard[1]	01/08/2009	01/08/2009	2010 AGM

1 Mr Armour was appointed to the board on 1 May 2010, and Mr Willard was appointed to the board on 1 August 2009, and both are therefore obliged to submit themselves to election by shareholders at the 2010 AGM.

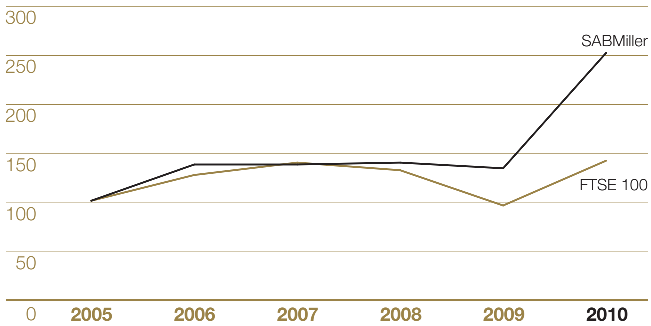
2 Lord Fellowes was last re-elected to the board in July 2009 but has confirmed his intention not to stand for re-election in July 2010.

3 Mr Kahn, Mr Manser, Mr Morland and Mr Ramaphosa submit themselves to annual re-election to the board, having served on the board continuously for more than nine years.

Performance review

Total shareholder return

5-year cumulative TSR performance
Value of £100 invested on 31 March 2005



The graph above compares the company's TSR over the period from 1 April 2005 to 31 March 2010 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 an appropriate broad equity market index for the purpose of demonstrating the company's relative performance.

Remuneration report continued

Information subject to audit

Directors' interests in shares of the company

	Beneficial holding as at 31 March 2009	Non-beneficial holding as at 31 March 2009 and 2010	Beneficial shares acquired during the period	Beneficial shares disposed of during the period	Beneficial holding as at 31 March 2010[3]
JM Kahn	1,670,578	–	–	–	1,670,578
EAG Mackay	798,936	–	1,551,344[1]	952,137[1]	1,398,143
MI Wyman	471,413	–	538,118[2]	445,314[2]	564,217
MH Armour[4]	–	–	–	–	–
GC Bible	–	–	–	–	–
DS Devitre	–	–	–	–	–
ME Doherty	–	–	–	–	–
Lord Fellowes	1,000	–	–	–	1,000
PJ Manser	–	–	–	–	–
JA Manzoni	–	–	–	–	–
MQ Morland	40,000	–	–	–	40,000
DF Moyo	–	–	–	–	–
CA Pérez Dávila	–	–	–	–	–
R Pieterse	–	–	–	–	–
MC Ramaphosa	–	4,000	–	–	–
A Santo Domingo Dávila	–	–	–	–	–
HA Willard	–	–	–	–	–

1 Awards vested in respect of 266,883 shares and subsequent sale of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained by Mr Mackay beneficially, and exercise of options over 1,284,361 shares under the SABMiller Executive Share Option (No.2) Scheme, of which Mr Mackay sold sufficient shares to cover exercise costs and tax and retained the balance of the shares beneficially.

2 Awards vested in respect of 157,298 shares and subsequent sale of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained by Mr Wyman beneficially, and exercise of options over 380,820 shares under the SABMiller Executive Share Option (No.2) Scheme, all of which were sold by Mr Wyman.

3 On 18 May 2010, Messrs Mackay and Wyman's beneficial holdings increased by 4,784 and 2,912 shares, respectively following the vesting of awards over 9,764 and 5,943 shares respectively, and the subsequent sales of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained. There have been no other changes in the beneficial interests in directors as at 18 May 2010.

4 Mr Armour was appointed to the board on 1 May 2010 and accordingly did not have a disclosable interest in the company's securities during the financial year ended 31 March 2010. As at his appointment date, Mr Armour did not have an interest in the company's securities.

Directors' emoluments

The directors' emoluments in respect of the year ended 31 March 2010 in total have been audited and are set out in the table below:

Emoluments paid for the period 1 April 2009 to 31 March 2010

	2010 Salary/fees £	2009 Salary/fees £	2010 Expense allowances £	2010 Benefits £	2010 Total (excluding bonus) £	2010 Bonus £	2010 Total[1] £	2009 Total[1] £
Executive directors								
EAG Mackay[2]	1,145,000	1,100,000	–	105,347[3]	1,250,347	1,580,000	2,830,347	2,117,615
MI Wyman[4]	687,000	660,000	–	74,948	761,948	683,000	1,444,948	1,146,254
Total (A)							**4,275,295**	3,263,869
Non-executive directors								
MH Armour[5]	–	–	–	–	–	–	–	–
GC Bible	65,000	55,000	–	–	–	–	65,000	55,000
DS Devitre	75,000	65,000	–	117	–	–	75,117	65,055
ME Doherty	75,000	65,000	–	223	–	–	75,223	65,216
Lord Fellowes	116,000	99,000	–	62	–	–	116,062	99,056
JM Kahn	271,000	216,000	–	965	–	–	271,965	216,968
PJ Manser	104,000	89,000	–	361	–	–	104,361	89,331
JA Manzoni	79,000	69,000	–	440	–	–	79,440	69,167
MQ Morland	95,000	83,000	–	369	–	–	95,369	83,323
DF Moyo	57,667	–	–	285	–	–	57,952	–
CA Pérez Dávila	65,000	55,000	–	189	–	–	65,189	55,175
R Pieterse	71,000	52,125	–	–	–	–	71,000	52,125
MC Ramaphosa	71,000	61,000	–	163	–	–	71,163	61,122
A Santo Domingo Dávila	65,000	55,000	–	258	–	–	65,258	55,238
HA Willard[6]	–	–	–	145	–	–	145	–
Total (B)							**1,213,244**	966,776
Grand total (A+B)							**5,488,539**	4,230,645

1 The total emoluments reported for 2009 and 2010 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 £245,000 and £206,100 respectively being within the annual allowance (2009: £235,000 and £198,000), and contributions of £98,500 in excess of the annual allowance were paid on behalf of Mr Mackay (2009: £95,000).

2 Mr Mackay receives annual fees for his service as a non-executive director from Reckitt Benckiser Group plc and from Philip Morris International Inc of £92,000 and US$126,250, respectively, which he is permitted to retain. £13,500 of the fee from Reckitt Benckiser Group plc is applied to the purchase of Reckitt Benckiser Group plc ordinary shares. In addition, Mr Mackay receives from Philip Morris International Inc. an annual award of shares of common stock in Philip Morris International Inc. pursuant to that company's Stock Compensation Plan for Non-Employee Directors, which for the year ended 31 December 2009 had a fair market value of US$140,000 on the date of grant, being 5 May 2009.

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

4 Mr Wyman receives annual fees for his service as a non-executive director from Nedbank Group Limited and Nedbank Limited of ZAR442,800 in total, which he is permitted to retain.

5 Mr Armour was appointed to the board on 1 May 2010 and accordingly did not receive any emoluments from the company in the year ended 31 March 2010.

6 Mr Willard is an executive officer of Altria Group, Inc (Altria) who is nominated by Altria for appointment as a director, and, in terms of the company's agreement with Altria, does not receive any emoluments from the company for serving as a director.

Share incentive plans

The interests of the executive directors in shares of the company provided in the form of options and awards are shown in the tables below, and have been audited. During the year ended 31 March 2010 the highest and lowest market prices for the company's shares were £10.45 (on 20 April 2009) and £19.59 (on 29 March 2010) respectively and the market price on 31 March 2010 was £19.32.

Share options

	Exercisable for 3-10 years from	Subscription price £	Share options outstanding as at 31 March 2009	Share options granted during the year	Share options exercised during the year	Share options outstanding as at 31 March 2010	Share options vested and exercisable as at 31 March 2010	Sale price/ market price (if applicable) £
EAG Mackay	02/06/2000[1]	4.11	159,416	–	159,416		–	12.56
	01/06/2001[1]	5.16	161,589	–	161,589	–	–	12.56
	31/05/2002[2]	5.705	201,578	–	201,578	–	–	12.56
	23/05/2003[2]	4.1575	327,721	–	327,721	–	–	12.56
	21/05/2004[2]	6.605	222,704	–	222,704	–	–	12.63
	20/05/2005[2]	8.28	211,353	–	211,353[4]	–		18.02
	19/05/2006[3]	10.61	230,000	–	–	230,000	154,100[5]	n/a
	18/05/2007[3]	11.67	230,000	–	–	230,000[6]	–	n/a
	16/05/2008[3]	12.50	230,000	–	–	230,000	–	n/a
	14/11/2008[3]	9.295	60,000	–	–	60,000	–	n/a
	15/05/2009[3]	12.31	–	290,000	–	290,000	–	n/a
			2,034,361	**290,000**	**1,284,361**	**1,040,000[7]**	**154,100**	
MI Wyman	31/05/2002[1]	5.705	93,339	–	93,339	–	–	12.55
	21/05/2004[2]	6.605	102,195	–	102,195	–	–	16.85
	20/05/2005[2]	8.28	95,109	–	91,486[4]	3,623	3,623[4]	17.07
	19/05/2006[3]	10.61	140,000	–	93,800[5]	46,200	–	18.89
	18/05/2007[3]	11.67	140,000	–	–	140,000[6]	–	n/a
	16/05/2008[3]	12.50	140,000	–	–	140,000	–	n/a
	01/08/2008[3]	10.49	35,000	–	–	35,000	–	n/a
	15/05/2009[3]	12.31	–	175,000	–	175,000	–	n/a
			745,643	**175,000**	**380,820**	**539,823[7]**	**3,623**	

1 The performance condition for options granted prior to 2002 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 2000 and 2001.

2 The performance condition for options granted in 2002 and until 2005 required compound annualised adjusted EPS growth (expressed in sterling) of RPI + 3% subject to testing at three, four and five-year intervals from a fixed base for vesting of the base annual award. Half of any additional annual amount vested at compound annualised adjusted EPS growth of RPI + 4%; and the other half of any additional annual amount vested at compound annualised adjusted EPS growth of RPI + 5%. After the five-year test any unvested portion of the option lapsed.

3 The performance condition for options granted in 2006 and onwards requires compound annualised adjusted EPS growth of RPI + 3% from a fixed base for vesting of the base annual award. Half of any additional annual amount vests at compound annualised adjusted EPS growth of RPI + 4%; and the other half of any additional annual amount vests at compound annualised adjusted EPS growth of RPI + 5%. The performance tests are applied to two-thirds of the award after three years and one-third of the award after five years, with any unvested portion of the options lapsing after three years or five years, as the case may be, and with no provision for retesting any part of the awards.

4 In the year ended 31 March 2009, options granted in 2005 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2008, at 71.28 pence (converted from US$ at the average exchange rate over the period 1 April 2007 to 31 March 2008) was more than 27.1% higher (the aggregate of RPI movement and 5% per annum compound growth) than the adjusted EPS of 54.7 pence for the year ended 31 March 2005 (the base year calculation of the performance condition) converted from US$ at the average exchange rate for the period from 1 April 2004 to 31 March 2005. The mid market close on 20 May 2008 was £12.74.

5 Two-thirds of the share options indicated were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2009, and on 19 May 2009 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2009, at 79.7 pence (converted from US$ at the average exchange rate over the period 1 April 2008 to 31 March 2009) was more than 24.2% higher (the aggregate of RPI movement and 5% per annum compound growth) than the adjusted EPS of 61.1 pence for the year ended 31 March 2006 (the base year calculation of the performance condition) converted from US$ at the average exchange rate for the period from 1 April 2005 to 31 March 2006. The mid market close on 19 May 2009 was £12.57. The one-third which remain unvested will be eligible to be tested against the performance condition described in note 3 above for the five years ending 31 March 2011.

6 Two-thirds of the share options indicated were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2010, and on 18 May 2010 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2010, at 100.7 pence (converted from US$ at the average exchange rate over the period 1 April 2009 to 31 March 2010) was 28.7% higher than the adjusted EPS of 63.4 pence for the year ended 31 March 2007 (the base year calculation of the performance condition converted from US$ at the average exchange rate for the period from 1 April 2006 to 31 March 2007) plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 18 May 2010 was £20.76. The one-third which remain unvested will be eligible to be tested against the performance condition described in note 3 above for the five years ending 31 March 2012.

7 Messrs Mackay and Wyman were granted 250,000 and 150,000 share options respectively at a subscription price of £19.51 per share on 1 June 2010.

Remuneration report continued

Performance Shares

Director	Date of grant	Performance shares outstanding as at 31 March 2009	Performance shares granted during the year	Performance shares vested during the year	Performance shares lapsed during the year	Performance shares outstanding as at 31 March 2010	Vesting date
EAG Mackay	19/05/2006[1]	230,000	–	62,100[5]	129,950	37,950	19/05/2011
	18/05/2007[2]	230,000	–	170,085[6]	–	59,915	18/05/2012
	16/05/2008[3]	230,000	–	–	–	230,000	16/05/2011
	14/11/2008[3]	60,000	–	–	–	60,000	14/11/2011
	15/05/2009[4]	–	290,000	–	–	290,000	15/05/2012
		750,000	**290,000**	**232,185**	**129,950**	**677,865**	
MI Wyman	19/05/2006[1]	140,000	–	37,800[5]	79,100	23,100	19/05/2011
	18/05/2007[2]	140,000	–	103,530[6]	–	36,470	18/05/2012
	16/05/2008[3]	140,000	–	–	–	140,000	16/05/2011
	01/08/2008[3]	35,000	–	–	–	35,000	01/08/2011
	15/05/2009[4]	–	175,000	–	–	175,000	15/05/2012
		455,000	**175,000**	**141,330**	**79,100**	**409,570[7]**	

1 From 2006 to 2009, 50% of performance share awards were subject to a TSR performance condition and 50% to an adjusted EPS growth performance condition. The TSR test is applied to two-thirds of the relevant part of the award after three years and to one-third after five years. The EPS condition is a three-year adjusted EPS growth target, set by reference to historical and forecast adjusted EPS growth for the six members of the comparator group determined by the committee to be the company's closest peers in the global brewing industry, namely Anheuser-Busch, Carlsberg, Heineken, InBev, Molson Coors and Scottish & Newcastle (although Scottish & Newcastle has been dropped from this group for the purposes of awards made in 2008, and Anheuser-Busch has been dropped from this group for the purposes of awards made in 2009).

TSR condition

2006
Performance shares awarded in 2006 vest if three year and five year TSR exceeds the median TSR of a comparator group of companies identified at the time of the award, with two-thirds of the award being tested after three years, and one-third after five years. On reaching the median performance of the comparator group,25% of the award vests, and on reaching at least the upper quartile, 100% of the award vests, with pro rata vesting in between.

EPS condition

2006
The EPS growth target for awards made in 2006 is 11% p.a. for full vesting, with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement.

2 2007
Performance shares awarded in 2007 vest if three year and five year TSR exceeds the median TSR of a comparator group of companies identified at the time of the award. 25% of the award vests on reaching the median, and 100% vests if TSR exceeds the median by 25% with respect to the three-year vesting test and by 33% with respect to the five-year vesting test.

2007
The EPS growth target for awards made in 2007 is 11% p.a. for full vesting, with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement.

3 2008
The same TSR performance condition applies to performance shares awarded in 2008 as applied in 2007.

2008
The EPS growth target for awards made in 2008 is 10% p.a. for full vesting, with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement.

4 2009
The same TSR performance condition applies to performance shares awarded in 2009 as applied in 2008.

2009
The EPS growth target for awards made in 2009 is 9% p.a. for full vesting, with threshold vesting of 25% at 5% p.a., and pro rata vesting between these levels of achievement.

5 In May 2009, the executive directors' 2006 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 54% of maximum which resulted in 62,100 and 37,800 EPS awards vesting on 19 May 2009 and 25,462 and 15,499 shares were sold to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. The price on the vesting date was £12.57 per share. TSR for the three-year period ended 18 May 2009 was below median and therefore all of the shares comprised in the first two-thirds of the 2006 awards lapsed, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 18 May 2011.

6 After the year end, the executive directors' 2007 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 89.39% of maximum which resulted in 102,799 and 62,573 EPS awards vesting for Mr Mackay and Mr Wyman respectively. Of these, the remuneration committee exercised its discretion to recommend to the trustee of the SABMiller Employees' Benefit Trust that 93,035 and 56,630 shares be released to Mr Mackay and Mr Wyman respectively on 23 March 2010 (when the price was £19.42) and the remainder, being 9,764 and 5,943 shares respectively, were released on 18 May 2010 (when the price was £20.64). Of these, 38,145 and 23,219 shares were sold on 23 March 2010 and 4,980 and 3,031 shares were sold on 18 May 2010 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. TSR for the three-year period ended 18 May 2010 was 80.6%, which exceeded the peer group median of 28.4% by more than 50% and therefore all of the shares comprised in the first two-thirds of the 2007 awards vested, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 18 May 2012. This resulted in 77,050 and 46,900 TSR awards vesting. The remuneration committee exercised its discretion to recommend to the trustee of the SABMiller Employees' Benefit Trust that these shares be released to Mr Mackay and Mr Wyman on 23 March 2010 (when the price was £19.42). Of these, 31,591 and 19,229 shares were sold on 23 March 2010 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively.

7 On 1 June 2010 Messrs Mackay and Wyman were awarded 125,000 and 75,000 conditional awards of performance shares respectively, subject to the company's adjusted EPS growth performance condition, and 220 and 130 TSR-based performance shares respectively for each £10 million of additional shareholder value created, being the amount by which the growth in SABMiller's market capitalisation plus net equity cash flows exceeds the median growth of a weighted peer group index over the three to five-year performance period.

Historically, the company's performance share awards plan had a 'matching shares' provision, under which vested awards which were retained for a further two years were automatically increased by an allocation of 50% of the number of shares in the original award that vested. This was discontinued in 2006 and does not apply to any awards made in 2006 or later. The table below shows the final awards made before 2006 in respect of which matching share entitlements vested during the year ended 31 March 2010. There are no further awards outstanding which give rise to any matching share entitlements.

Director	Shares vested under base award as at 31 March 2009	Maximum additional shares awarded arising from vesting of the base award	Retention period 2 years from	Awards vested during the year	Awards lapsed during the year	Additional shares under conditional award as at 31 March 2010
EAG Mackay	69,595	34,798	21/05/2007	34,798[1]	–	–
MI Wyman	31,936	15,968	21/05/2007	15,968[1]	–	–

1 These awards represent the automatic additional 50% vesting arising from the original 21 May 2004 award, which vested on 21 May 2007. These additional shares vested on 21 May 2009, and 20,530 and 9,421 shares were sold to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. The price on the vesting date was £12.52 per share.

Approval

This report was approved by the board on 19 May 2010 as recommended by the remuneration committee on 18 May 2010.

By order of the board

Miles Morland
Director
Chairman of the Remuneration Committee

3 June 2010

Statement of directors' responsibilities

in respect of the consolidated financial statements

The directors are responsible for preparing the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. The directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the consolidated financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are listed in the Governance section of the Annual Report, confirms that, to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the directors' report contained in the Governance section of the Annual Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

In addition, the Companies Act 2006 requires directors to provide the group's auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. Each of the directors, having made appropriate enquiries, confirms that:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

The directors have reviewed the group's budget and cash flow forecasts. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that SABMiller plc is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

A copy of the financial statements of the group is placed on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of SABMiller plc

We have audited the consolidated financial statements of SABMiller plc for the year ended 31 March 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities on page 68, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern, as set out on page 68; and
- the part of the corporate governance report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the company financial statements of SABMiller plc for the year ended 31 March 2010 and on the information in the remuneration report that is described as having been audited.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 June 2010

Consolidated income statement

for the year ended 31 March

	Notes	2010 US$m	2009 US$m
Revenue	2	**18,020**	18,703
Net operating expenses	3	**(15,401)**	(15,555)
Operating profit	2	**2,619**	3,148
Operating profit before exceptional items	2	**3,091**	3,146
Exceptional items	4	**(472)**	2
Net finance costs	5	**(563)**	(706)
Interest payable and similar charges	5a	**(879)**	(1,301)
Interest receivable and similar income	5b	**316**	595
Share of post-tax results of associates and joint ventures	2	**873**	516
Profit before taxation		**2,929**	2,958
Taxation	7	**(848)**	(801)
Profit for the financial year	27a	**2,081**	2,157
Profit attributable to minority interests		**171**	276
Profit attributable to equity shareholders		**1,910**	1,881
		2,081	2,157
Basic earnings per share (US cents)	8	**122.6**	125.2
Diluted earnings per share (US cents)	8	**122.1**	124.6

All operations are continuing.

The notes on pages 75 to 142 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2010 US$m	2009 US$m
Profit for the financial year		**2,081**	2,157
Other comprehensive income:			
Currency translation differences on foreign currency net investments		**2,431**	(3,385)
Actuarial losses on defined benefit plans	31	**(15)**	(18)
Available for sale investments:		**2**	(8)
– Fair value gains/(losses) arising during the year	15	**4**	(8)
– Fair value gains transferred to profit or loss		**(2)**	–
Net investment hedges:			
– Fair value (losses)/gains arising during the year	26b	**(310)**	337
Cash flow hedges:	26b	**(59)**	28
– Fair value (losses)/gains arising during the year		**(48)**	24
– Fair value gains transferred to inventory		**(17)**	–
– Fair value gains transferred to property, plant and equipment		**(1)**	–
– Fair value losses transferred to profit or loss		**7**	4
Tax on items included in other comprehensive income	7	**(36)**	125
Share of associates' and joint ventures' gains/(losses) included in other comprehensive income	13,14	**136**	(330)
Other comprehensive income for the year, net of tax		**2,149**	(3,251)
Total comprehensive income for the year		**4,230**	(1,094)
Attributable to:			
Equity shareholders		**4,075**	(1,345)
Minority interests		**155**	251
Total comprehensive income for the year		**4,230**	(1,094)

The notes on pages 75 to 142 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 March

	Notes	2010 US$m	2009[1] US$m
Assets			
Non-current assets			
Goodwill	10	**11,584**	8,716
Intangible assets	11	**4,354**	3,742
Property, plant and equipment	12	**8,915**	7,406
Investments in joint ventures	13	**5,822**	5,495
Investments in associates	14	**2,213**	1,787
Available for sale investments	15	**31**	29
Derivative financial instruments	23	**409**	695
Trade and other receivables	17	**117**	125
Deferred tax assets	20	**164**	161
		33,609	28,156
Current assets			
Inventories	16	**1,295**	1,241
Trade and other receivables	17	**1,665**	1,576
Current tax assets		**135**	168
Derivative financial instruments	23	**20**	54
Available for sale investments	15	**1**	11
Cash and cash equivalents	18	**779**	422
		3,895	3,472
Total assets		**37,504**	31,628
Liabilities			
Current liabilities			
Derivative financial instruments	23	**(174)**	(35)
Borrowings	21	**(1,605)**	(2,148)
Trade and other payables	19	**(3,227)**	(2,400)
Current tax liabilities		**(616)**	(463)
Provisions	24	**(355)**	(299)
		(5,977)	(5,345)
Non-current liabilities			
Derivative financial instruments	23	**(147)**	(107)
Borrowings	21	**(7,809)**	(7,470)
Trade and other payables	19	**(145)**	(186)
Deferred tax liabilities	20	**(2,374)**	(2,030)
Provisions	24	**(453)**	(373)
		(10,928)	(10,166)
Total liabilities		**(16,905)**	(15,511)
Net assets		**20,599**	16,117
Equity			
Share capital	25	**165**	159
Share premium		**6,312**	6,198
Merger relief reserve		**4,586**	3,395
Other reserves	26b	**1,322**	(872)
Retained earnings	26a	**7,525**	6,496
Total shareholders' equity		**19,910**	15,376
Minority interests in equity		**689**	741
Total equity		**20,599**	16,117

1 As restated (see note 28).

The balance sheet of SABMiller plc is shown on page 145.

The notes on pages 75 to 142 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the board of directors on 3 June 2010 and were signed on its behalf by:

Graham Mackay
Chief Executive

Malcolm Wyman
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March

	Notes	2010 US$m	2009[1] US$m
Cash flows from operating activities			
Cash generated from operations	27a	**4,537**	3,671
Interest received		**317**	275
Interest paid		**(957)**	(997)
Tax paid		**(620)**	(766)
Net cash generated from operating activities		**3,277**	2,183
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,436)**	(2,073)
Proceeds from sale of property, plant and equipment		**37**	75
Purchase of intangible assets		**(92)**	(74)
Purchase of available for sale investments		**(6)**	(14)
Proceeds from disposal of available for sale investments		**14**	4
Proceeds from disposal of businesses		**–**	119
Acquisition of businesses (net of cash acquired)		**(78)**	(252)
Overdraft disposed with businesses		**–**	2
Cash disposed with businesses		**–**	(4)
Purchase of shares from minorities		**(5)**	(5)
Investments in joint ventures		**(353)**	(397)
Investments in associates		**(76)**	(4)
Repayment of investments by associates		**3**	3
Dividends received from joint ventures	13	**707**	454
Dividends received from associates		**106**	151
Dividends received from other investments		**2**	1
Net cash used in investing activities		**(1,177)**	(2,014)
Cash flows from financing activities			
Proceeds from the issue of shares		**114**	23
Purchase of own shares for share trusts		**(8)**	(37)
Proceeds from borrowings		**5,110**	4,960
Repayment of borrowings		**(5,714)**	(4,096)
Capital element of finance lease payments		**(4)**	(1)
Net cash payments on net investment hedges		**(137)**	(12)
Dividends paid to shareholders of the parent		**(924)**	(877)
Dividends paid to minority interests		**(160)**	(217)
Net cash used in financing activities		**(1,723)**	(257)
Net cash inflow/(outflow) from operating, investing and financing activities		**377**	(88)
Effects of exchange rate changes		**90**	22
Net increase/(decrease) in cash and cash equivalents		**467**	(66)
Cash and cash equivalents at 1 April	27c	**122**	188
Cash and cash equivalents at 31 March	27c	**589**	122

1 As restated (see note 28).

The notes on pages 75 to 142 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

	Called up share capital US$m	Share premium account US$m	Merger relief reserve US$m	Other reserves US$m	Retained earnings US$m	Total shareholders' equity US$m	Minority interests US$m	Total equity US$m
At 1 April 2008	158	6,176	3,395	2,215	5,601	17,545	699	18,244
Total comprehensive income	–	–	–	(3,080)	1,735	(1,345)	251	(1,094)
Profit for the year	–	–	–	–	1,881	1,881	276	2,157
Other comprehensive income	–	–	–	(3,080)	(146)	(3,226)	(25)	(3,251)
Other movements	–	–	–	–	(5)	(5)	–	(5)
Contributed to joint ventures	–	–	–	(7)	–	(7)	(2)	(9)
Dividends paid	–	–	–	–	(877)	(877)	(221)	(1,098)
Issue of SABMiller plc ordinary shares	1	22	–	–	–	23	–	23
Payment for purchase of own shares for share trusts	–	–	–	–	(37)	(37)	–	(37)
Arising on business combinations	–	–	–	–	–	–	17	17
Buyout of minority interests	–	–	–	–	–	–	(3)	(3)
Credit entry relating to share-based payments	–	–	–	–	79	79	–	79
At 31 March 2009[1]	159	6,198	3,395	(872)	6,496	15,376	741	16,117
Total comprehensive income	–	–	–	2,194	1,881	4,075	155	4,230
Profit for the year	–	–	–	–	1,910	1,910	171	2,081
Other comprehensive income	–	–	–	2,194	(29)	2,165	(16)	2,149
Dividends paid	–	–	–	–	(924)	(924)	(162)	(1,086)
Issue of SABMiller plc ordinary shares	6	114	1,191	–	–	1,311	–	1,311
Payment for purchase of own shares for share trusts	–	–	–	–	(8)	(8)	–	(8)
Arising on business combinations	–	–	–	–	–	–	27	27
Buyout of minority interests	–	–	–	–	–	–	(72)	(72)
Credit entry relating to share-based payments	–	–	–	–	80	80	–	80
At 31 March 2010	**165**	**6,312**	**4,586**	**1,322**	**7,525**	**19,910**	**689**	**20,599**

1 As restated (see note 28).

The notes on pages 75 to 142 are an integral part of these consolidated financial statements.

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.

The US$1,191 million increase in the merger relief reserve in the year ended 31 March 2010 relates to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of minority interests in the group's Polish business.

Notes to the consolidated financial statements

1. Accounting policies

The principal accounting policies adopted in the preparation of the group's financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of SABMiller plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities, and post-retirement assets and liabilities as described in the accounting policies below. The accounts have been prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Actual results could differ from those estimates.

b) Recent accounting developments

(i) Standards, amendments and interpretations of existing standards adopted by the group

The group has adopted the following as of 1 April 2009:

- IAS 1 (revised), 'Presentation of financial statements' requires the presentation of a statement of changes in equity as a primary statement, includes non-mandatory changes to the titles of primary statements and introduces a statement of comprehensive income, but allows the presentation of a two statement approach with a separate income statement and statement of comprehensive income. The group has chosen to maintain existing primary statement titles and to follow the two statement approach.
- Amendment to IFRS 7, 'Financial Instruments: Disclosures' requires additional disclosures about fair value measurement and liquidity risk.
- IFRS 8, 'Operating Segments' requires separate reporting of segmental information for operating segments. Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focused geographically and as a result of the implementation of IFRS 8, Africa and Asia are now presented as separate segments. Comparative information has been restated accordingly. While not meeting the definition of reportable segments, the group reports separately as segments Asia, South Africa Hotels and Gaming and Corporate as this provides useful additional information.

  On 23 March 2010, the EU endorsed Annual Improvements to IFRSs (2009), which included an amendment to the disclosures required by IFRS 8, 'Operating Segments'. Although only mandatory for periods beginning on or after 1 January 2010, the group has chosen to adopt this amendment early. Following the implementation of IFRS 8 and the early adoption of the subsequent amendment, the group no longer discloses segment assets or liabilities, as these are not reported to the group's chief operating decision maker.

The following standards, interpretations and amendments have been adopted by the group since 1 April 2009 with no significant impact on its consolidated results or financial position:

- Annual improvements to IFRSs (2008).
- Amendment to IAS 23 (revised), 'Borrowing Costs'.
- Amendment to IFRS 2, 'Share-based Payments' – Vesting Conditions and Cancellations.
- Amendment to IFRS 1, 'First-time Adoption of IFRS' and IAS 27, 'Consolidated and Separate Financial Statements' on the 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.
- Amendment to IAS 32, 'Financial Instruments: Presentation' and IAS 1, 'Presentation of Financial Statements' – 'Puttable Financial Instruments and Obligations Arising on Liquidation'.
- IFRIC 12, 'Service Concession Arrangements'.
- IFRIC 13, 'Customer Loyalty Programmes'.
- Amendment to IFRIC 9 and IAS 39, 'Reassessment of Embedded Derivatives'.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group:

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2010 or later periods, but which have not been early adopted by the group:

- IFRS 1 (revised), 'First-time Adoption', is effective from 1 July 2009.
- IFRS 3 (revised), 'Business Combinations', is effective from 1 July 2009.
- IAS 27 (revised), 'Consolidated and Separate Financial Statements', is effective from 1 July 2009.
- Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items, is effective from 1 July 2009.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation', is effective from 1 October 2008[1].
- IFRIC 17, 'Distribution of Non-cash Assets to Owners', is effective from 1 July 2009.
- IFRIC 18, 'Transfers of Assets from Customers', is effective from 31 October 2009.
- Amendment to IFRS 2, 'Group Cash-settled and Share-based Payment Transactions', effective from 1 January 2010[2].
- Amendment to IAS 32, 'Financial Instruments: Presentation' – Classification of Rights Issues, is effective from 1 February 2010.
- Annual improvements to IFRSs (2009), is effective from 1 January 2010.
- Amendment to IFRS 1 for additional exemptions, is effective from 1 January 2010[2].
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', is effective from 1 July 2010[2].
- Annual improvements to IFRSs (2010), is effective from 1 January 2011[2].
- Amendment to IAS 24, 'Related Party Disclosures', is effective from 1 January 2011[2].
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement', is effective January 2011[2].
- IFRS 9, 'Financial Instruments', effective from 1 January 2013[2].

1 EU endorsed for 1 July 2009.

2 Not yet endorsed by the EU.

The adoption of these standards, interpretations and amendments is not anticipated to have a material effect on the consolidated results of operations or financial position of the group.

c) Significant judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported results or net position of the group, should it later be determined that a different choice be more appropriate.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Management considers the following to be areas of significant judgement and estimation for the group due to greater complexity and/or particularly subject to the exercise of judgement:

(i) Impairment reviews
Goodwill arising on business combinations is allocated to the relevant cash generating unit (CGU). Impairment reviews in respect of the relevant CGUs are performed at least annually or more regularly if events indicate that this is necessary. Impairment reviews are based on future cash flows discounted using the weighted average cost of capital for the relevant country with terminal values calculated applying the long-term growth rate. The future cash flows which are based on business forecasts, the long-term growth rates and the discount rates used are dependent on management estimates and judgements. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse impact on the results and net position of the group. Details of the estimates used in the impairment reviews for the year are set out in note 10.

(ii) Taxation
The group operates in many countries and is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the provision for taxes as the tax treatment is often by its nature complex, and cannot be finally determined until a formal resolution has been reached with the relevant tax authority which may take several years to conclude. Amounts provided are accrued based on management's interpretation of country specific tax laws and the likelihood of settlement. Actual liabilities could differ from the amount provided which could have a significant impact on the results and net position of the group.

(iii) Pension and post-retirement benefits
Pension accounting requires certain assumptions to be made in order to value the group's pension and post-retirement obligations in the balance sheet and to determine the amounts to be recognised in the income statement and in other comprehensive income in accordance with IAS 19. The calculations of these obligations and charges are based on assumptions determined by management which include discount rates, salary and pension inflation, healthcare cost inflation, mortality rates and expected long-term rates of return on assets. Details of the assumptions used are set out in note 31. The selection of different assumptions could affect the net position of the group and future results.

(iv) Property, plant and equipment
The determination of the useful economic life and residual values of property, plant and equipment is subject to management estimation. The group regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and any changes that could affect prospective depreciation charges and asset carrying values.

(v) Business combinations
On the acquisition of a company or business, a determination of the fair value and the useful life of intangible assets acquired is performed, which requires the application of management judgement. Future events could cause the assumptions used by the group to change which would have a significant impact on the results and net position of the group.

(vi) Exceptional items
Exceptional items are expense or income items recorded in a period which have been determined by management as being material by their size or incidence and are presented separately within the results of the group. The determination of which items are disclosed as exceptional items will affect the presentation of profit measures including EBITA and adjusted earnings per share, and requires a degree of judgement. Details relating to exceptional items reported during the year are set out in note 4.

(vii) MillerCoors joint venture
The determination of the valuation of the Coors business contributed to the MillerCoors joint venture was a specific area of judgement for the group during the previous financial year. The valuation was determined using recognised valuation techniques based upon specific assumptions. If alternative assumptions had been used then the value of the investment and gain recognised on disposal would have been different.

d) Segmental reporting

Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focused geographically and as a result of the implementation of IFRS 8, Africa and Asia are now presented as separate segments. Comparative information has been restated accordingly. While not meeting the definition of reportable segments, the group reports separately as segments Asia, South Africa Hotels and Gaming and Corporate as this provides useful additional information.

e) Basis of consolidation

SABMiller plc (the company) is a public limited company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements include the financial information of the subsidiary, associate and joint venture entities owned by the company.

(i) Subsidiaries
Subsidiaries are entities controlled by the company, where control is the power directly or indirectly to govern the financial and operating policies of the entity so as to obtain benefit from its activities, regardless of whether this power is actually exercised. Where the company's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in 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.

(iii) Joint ventures
Joint ventures are contractual arrangements which the group has entered into with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

1. Accounting policies continued

f) Foreign exchange

(i) Foreign exchange translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars which is the group's presentational currency. The exchange rates to the US dollar used in preparing the consolidated financial statements were as follows:

	Year ended 31 March 2010	Year ended 31 March 2009
Average rate		
South African rand (ZAR)	**7.78**	8.87
Colombian peso (COP)	**2,031**	2,061
Euro (€)	**0.71**	0.69
Czech koruna (CZK)	**18.45**	17.54
Peruvian nuevo sol (PEN)	**2.92**	3.01
Polish zloty (PLN)	**2.99**	2.51
Closing rate		
South African rand (ZAR)	**7.30**	9.61
Colombian peso (COP)	**1,929**	2,561
Euro (€)	**0.74**	0.76
Czech koruna (CZK)	**18.87**	20.57
Peruvian nuevo sol (PEN)	**2.84**	3.15
Polish zloty (PLN)	**2.86**	3.52

The average exchange rates have been calculated based on the average of the exchange rates during the relevant year which have been weighted according to the phasing of revenue of the group's businesses.

(ii) Transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being included in operating profit in the income statement other than those arising on financial assets and liabilities which are recorded within net finance costs and those which are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary assets such as equity investments classified as available for sale assets are included in other comprehensive income.

(iii) Overseas subsidiaries, associates and joint ventures

One-off items in the income and cash flow statements of overseas subsidiaries, associates and joint ventures expressed in currencies other than the US dollar are translated to US dollars at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of equity. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. When a foreign operation is disposed of, any related exchange differences in equity are reclassified to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

g) Business combinations

(i) Subsidiaries

The 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 the amount of any related goodwill to the extent that it has not previously been taken to the income statement.

(ii) Associates and joint ventures

The group's share of the recognised income and expenses of associates and joint ventures are accounted for using the equity method from the date significant influence or joint control commences to the date it ceases based on present ownership interests. The date significant influence or joint control 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' and joint ventures' post-tax results as a one line entry before profit before tax in the income statement and its share of associates' and joint ventures' equity movements as a one line entry under other comprehensive income in the statement of comprehensive income.

When the group's interest in an associate or joint venture has been reduced to nil because the group's share of losses exceeds its interest in the associate or joint venture, the group only provides for additional losses to the extent that it has incurred legal or constructive obligations to fund such losses, or make payments on behalf of the associate or joint venture. Where the investment in an associate or joint venture is disposed, the investment ceases to be equity accounted.

Notes to the consolidated financial statements continued

1. Accounting policies continued

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 and joint ventures is included in the carrying value of the investment in the associate or joint venture.

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 software and applied development costs referred to under software and research and development below.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The group regularly reviews all of its amortisation rates and residual values to take account of any changes in circumstances. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

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) Brands recognised as part of a business combination

Brands are recognised as an intangible asset where the brand has a long-term value. Acquired brands are only recognised where title is clear or the brand could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable. The group typically arrives at the cost of such brands on a relief from royalty basis.

Acquired brands are amortised. In respect of brands currently held the amortisation period is 10 to 40 years, being the period for which the group has exclusive rights to those brands.

(ii) Contract brewing and other licences recognised as part of a business combination

Contractual arrangements for contract brewing and competitor licensing arrangements are recognised as an intangible asset at a fair value representing the remaining contractual period with an assumption about the expectation that such a contract will be renewed, together with a valuation of this extension. Contractual arrangements and relationships with customers and distributors are also valued on a similar basis.

Acquired licences or contracts are amortised. In respect of licences or contracts currently held, the amortisation period is the period for which the group has exclusive rights to these assets or income streams.

(iii) Customer lists and distributor relationships recognised as part of a business combination

The fair value of businesses acquired may include customer lists and distributor relationships. These are recognised as intangible assets and are calculated by discounting the future revenue stream attributable to these lists or relationships.

Acquired customer lists or distributor relationships are amortised. In respect of contracts currently held, the amortisation period is the period for which the group has the benefit of these assets.

(iv) Software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the group that will probably generate economic benefits exceeding costs beyond one year are capitalised. Direct costs include software development employment costs (including those of contractors used), capitalised interest and an appropriate portion of overheads. Capitalised computer software, licence and development costs are amortised over their useful economic lives of between three and eight years.

Internally generated costs associated with maintaining computer software programmes are expensed as incurred.

(v) Research and development

Research and general development expenditure is written off in the period in which it is incurred.

Certain applied development costs are only capitalised as internally generated intangible assets where there is a clearly defined project, separately identifiable expenditure, an outcome assessed with reasonable certainty (in terms of feasibility and commerciality), expected revenues exceed expected costs and the group has the resources to complete the task. Such assets are amortised on a straight-line basis over their useful lives once the project is complete.

i) Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

(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.

1. Accounting policies continued

(ii) Assets held under finance leases
Assets held under finance leases which result in the group bearing substantially all the risks and rewards incidental to ownership are capitalised as property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then depreciated over the lower of the lease term or their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet classified, as appropriate, as a current or non-current liability. The interest element of the lease obligations is charged to the income statement over the period of the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each financial period.

(iii) Returnable containers
Returnable containers in circulation are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss.

Depreciation of returnable bottles and containers is recorded to write the containers off over the course of their economic life. This is typically undertaken in a two stage process;

- The excess over deposit value is written down over a period of 1 to 10 years.
- Provisions are made against the deposit values for breakages and 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 14 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.

(iv) Depreciation
No depreciation is provided on freehold land or assets in the course of construction. In respect of all other plant, property and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	20 – 50 years
Leasehold buildings	Shorter of the lease term or 50 years
Plant, vehicles and systems	2 – 30 years
Returnable containers (non-returnable containers are recorded as inventory)	1 – 14 years
Assets held under finance leases	Lower of the lease term or life of the asset

The group regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances. When setting useful economic lives, the principal factors the group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount.

(v) Capitalisation of borrowing costs
Financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use, are capitalised up to the time of completion of the project.

j) Advance payments made to customers (principally hotels, restaurants, bars and clubs)

Advance payments made to customers are conditional on the achievement of contracted sales targets or marketing commitments. The group records such payments as prepayments initially at fair value and are amortised in the income statement over the relevant period to which the customer commitment is made (typically three to five years). These prepayments are recorded net of any impairment losses.

Where there is a volume target the 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. Costs of inventories include the transfer from equity of any gains or losses on matured qualifying cash flow hedges of purchases of raw materials.

l) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset.

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

Notes to the consolidated financial statements continued

1. Accounting policies continued

There are four categories of financial assets and financial liabilities. These are described as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss include derivative assets and derivative liabilities not designated as effective hedging instruments.

All gains or losses arising from changes in the fair value of financial assets or financial liabilities within this category are recognised in the income statement.

a. Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

These include derivatives embedded in host contracts. Such embedded derivatives need not be accounted for separately if the host contract is already fair valued; if it is not considered as a derivative if it was freestanding; or if it can be demonstrated that it is closely related to the host contract. There are certain currency exemptions which the group has applied to these rules which limit the need to account for certain potential embedded foreign exchange derivatives. These are: if a contract is denominated in the functional currency of either party; where that currency is commonly used in international trade of the good traded; or if it is commonly used for local transactions in an economic environment.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the income statement. (See note x for the group's accounting policy on hedge accounting).

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are initially recognised at fair value including originating fees and transaction costs, and subsequently measured at amortised cost using the effective interest method less provision for impairment. Loans and receivables include trade receivables, amounts owed by associates – trade, amounts owed by joint ventures – trade, accrued income and cash and cash equivalents.

a. Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. This provision is recognised in the income statement.

b. Cash and cash equivalents
In the consolidated balance sheet, cash and cash equivalents includes cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated cash flow statement, cash and cash equivalents also includes bank overdrafts which are shown within borrowings in current liabilities on the balance sheet.

(iii) Available for sale investments
Available for sale investments are non-derivative financial assets that are either designated in this category or not classified as financial assets at fair value through profit or loss, or loans and receivables. Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognised at fair value plus transaction costs and are subsequently remeasured at fair value and tested for impairment. Gains and losses arising from changes in fair value including any related foreign exchange movements are recognised in other comprehensive income. On disposal or impairment of available for sale investments, any gains or losses in other comprehensive income are reclassified to the income statement.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

(iv) Financial liabilities held at amortised cost
Financial liabilities held at amortised cost include trade payables, accruals, amounts owed to associates – trade, amounts owed to joint ventures – trade, other payables and borrowings.

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

b. Borrowings
Borrowings are recognised initially at fair value, net of transaction costs and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note x). Bank overdrafts are shown within borrowings in current liabilities and are included within cash and cash equivalents on the face of the cash flow statement as they form an integral part of the group's cash management.

m) Impairment

This policy covers all assets except inventories (see note k), financial assets (see note l), non-current assets classified as held for sale (see note n), and deferred tax assets (see note u).

Impairment reviews are performed by comparing the carrying value of the non-current asset to its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the CGU using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is reperformed on a pre-tax basis in order to determine the impairment loss to be recorded.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

1. Accounting policies continued

An impairment loss is held firstly against any specifically impaired assets. Where an impairment is recognised against a CGU, the impairment is first taken against goodwill balances and if there is a remaining loss it is set against the remaining intangible and tangible assets on a pro-rata basis.

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the income statement in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset is restricted to the amount that it would have been had the original impairment not occurred. Impairment losses in respect of goodwill are irreversible.

Goodwill is tested annually for impairment. Assets subject to amortisation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

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

Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Such assets are classified as held for resale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification.

o) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in the income statement within net finance costs.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses, however, provisions are recognised for onerous contracts where the unavoidable cost exceeds the expected benefit.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Investments in own shares (treasury and shares held by employee benefit trusts)

Shares held by employee share ownership plans, employee benefit trusts and in treasury are treated as a deduction from equity until the shares are cancelled, reissued, or disposed.

Purchases of such shares are classified in the cash flow statement as a purchase of own shares for share trusts or purchase of own shares for treasury within net cash from financing activities.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and related tax effects, is included in equity attributable to the company's equity shareholders.

r) Revenue recognition

(i) Sale of goods and services

Revenue represents the fair value of consideration received or receivable for goods and services provided to third parties and is recognised when the risks and rewards of ownership are substantially transferred.

The group presents revenue gross of excise duties because unlike value added tax, excise is not directly related to the value of sales. It is not generally recognised as a separate item on invoices, increases in excise are not always directly passed on to customers, and the group cannot reclaim the excise where customers do not pay for product received. The group therefore considers excise as a cost to the group and reflects it as a production cost. Consequently, any excise that is recovered in the sale price is included in revenue.

Revenue excludes value added tax. It is stated net of price discounts, promotional discounts, settlement discounts and after an appropriate amount has been provided to cover the sales value of credit notes yet to be issued that relate to the current and prior periods.

The same recognition criteria also apply to the sale of by-products and waste (such as spent grain, malt dust and yeast) with the exception that these are included within other income.

(ii) Interest income

Interest income is recognised on an accruals basis using the effective interest method.

When a receivable is impaired the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continuing to unwind the discount as interest income.

(iii) Royalty income

Royalty income is recognised on an accruals basis in accordance with the relevant agreements and is included in other income.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

s) Operating leases

Rentals paid and incentives received on operating leases are charged or credited to the income statement on a straight-line basis over the lease term.

t) Exceptional items

Where certain expense or income items recorded in a period are material by their size or incidence, the group reflects such items as exceptional items within a separate line on the income statement except for those exceptional items that relate to associates, joint ventures, net finance costs and tax. (Associates, joint ventures, net finance costs and tax exceptional items are only referred to in the notes to the consolidated financial statements).

Exceptional items are also summarised in the segmental analyses, excluding those that relate to net finance costs and tax.

Where certain income statement items incurred are of a capital nature or are considered non-recurring or are exceptional items, the group presents alternative earnings per share calculations both on a headline (under the South African Circular 8/2007 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 in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill (in the case of deferred tax liabilities) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary. Deferred income tax is also recognised in respect of the unremitted retained earnings of overseas associates and joint ventures as the group is not able to determine when such earnings will be remitted and when such additional tax such as withholding taxes might be payable.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

v) Dividend distributions

Dividend distributions to equity holders of the parent are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

w) Employee benefits

(i) Wages and salaries

Wages and salaries for current employees are recognised in the income statement as the employees' services are rendered.

(ii) Vacation and long-term service awards costs

The group recognises a liability and an expense for accrued vacation pay when such benefits are earned and not when these benefits are paid.

The group also recognises a liability and an expense for long-term service awards where cash is paid to the employee at certain milestone dates in a career with the group. Such accruals are appropriately discounted to reflect the future payment dates at discount rates determined by reference to local high-quality corporate bonds.

(iii) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. At a mid-year point an accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year end.

(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 plan (with market performance 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. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the fair value of the award 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 the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise, with the exception of gains or losses arising from changes in the benefits regarding past services, which are recognised in the income statement.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The contributions to defined contribution plans are recognised as an expense as the costs become payable. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. Accounting policies continued

(vi) Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to qualifying employees. The expected costs of these benefits are assessed in accordance with the advice of qualified actuaries and contributions are made to the relevant funds over the expected service lives of the employees entitled to those funds. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

x) Derivative financial instruments – hedge accounting

Financial assets and financial liabilities at fair value through profit or loss include all derivative financial instruments. The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps, cross currency swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. The group also has derivatives embedded in other contracts primarily cross border foreign currency supply contracts for raw materials.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document at inception, the relationship between the hedged item and the hedging instrument as well as its risk management objectives and strategy for undertaking hedging transactions. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions or commitments (cash flow hedge); or hedges of net investments in foreign operations (net investment hedge).

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the group's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the income statement in the period incurred.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

(iii) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations comprise either foreign currency borrowings or derivatives (typically forward exchange contracts and cross currency swaps) designated in a hedging relationship.

Gains or losses on hedging instruments that are regarded as highly effective are recognised in other comprehensive income. These largely offset foreign currency gains or losses arising on the translation of net investments that are recorded in equity, in the foreign currency translation reserve. The ineffective portion of gains or losses on hedging instruments is recognised immediately in the income statement. Amounts accumulated in equity are only reclassified to the income statement upon disposal of the net investment.

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are reclassified to the income statement. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, while providing effective economic hedges under the group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the income statement. The group does not hold or issue derivative financial instruments for speculative purposes.

y) Deposits by customers

Returnable 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 and in treasury during the year.

Diluted earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in the group's employee benefit trust and in treasury during the year, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

Notes to the consolidated financial statements continued

2. Segmental analysis

Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focused geographically and, as a result of the implementation of IFRS 8, Africa and Asia are now presented as separate segments. Comparative information has been restated accordingly. While not meeting the definition of reportable segments, the group reports separately as segments Asia, South Africa Hotels and Gaming and Corporate as this provides useful additional information.

The segmental information presented below includes the reconciliation of GAAP measures presented on the face of the income statement to non-GAAP measures which are used by management to analyse the group's performance.

Income statement

	Group revenue 2010 US$m	EBITA 2010 US$m	Group revenue 2009 US$m	EBITA 2009 US$m
Latin America	**5,905**	**1,386**	5,495	1,173
Europe	**5,577**	**872**	6,145	944
North America	**5,228**	**619**	5,227	581
Africa	**2,716**	**565**	2,567	562
Asia	**1,741**	**71**	1,565	80
South Africa:	**5,183**	**1,007**	4,303	886
– Beverages	**4,777**	**885**	3,955	764
– Hotels and Gaming	**406**	**122**	348	122
Corporate	**–**	**(139)**	–	(97)
Group	**26,350**	**4,381**	25,302	4,129
Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures'		**(199)**		(200)
Exceptional items – group and share of associates' and joint ventures'		**(507)**		(69)
Net finance costs – group and share of associates' and joint ventures' (excluding exceptional items)		**(586)**		(751)
Share of associates' and joint ventures' taxation		**(118)**		(113)
Share of associates' and joint ventures' minority interests		**(42)**		(38)
Profit before tax		**2,929**		2,958

Group revenue (including associates and joint ventures)

With the exception of South Africa Hotels and Gaming, all reportable segments derive their revenues from the sale of beverages. Revenues are derived from a large number of customers which are internationally dispersed, with no customers being individually material.

	Revenue 2010 US$m	Share of associates' and joint ventures' revenue 2010 US$m	Group revenue 2010 US$m	Revenue 2009 US$m	Share of associates' and joint ventures' revenue 2009 US$m	Group revenue 2009 US$m
Latin America	**5,894**	**11**	**5,905**	5,484	11	5,495
Europe	**5,558**	**19**	**5,577**	6,118	27	6,145
North America	**107**	**5,121**	**5,228**	1,553	3,674	5,227
Africa	**1,774**	**942**	**2,716**	1,615	952	2,567
Asia	**473**	**1,268**	**1,741**	470	1,095	1,565
South Africa:	**4,214**	**969**	**5,183**	3,463	840	4,303
– Beverages	**4,214**	**563**	**4,777**	3,463	492	3,955
– Hotels and Gaming	**–**	**406**	**406**	–	348	348
Group	**18,020**	**8,330**	**26,350**	18,703	6,599	25,302

2. Segmental analysis continued

Operating profit

The following table provides a reconciliation of operating profit to operating profit before exceptional items.

	Operating profit 2010 US$m	Exceptional items 2010 US$m	Operating profit before exceptional items 2010 US$m	Operating profit 2009 US$m	Exceptional items 2009 US$m	Operating profit before exceptional items 2009 US$m
Latin America	1,114	156	1,270	1,102	(45)	1,057
Europe	638	202	840	448	452	900
North America	12	–	12	639	(409)	230
Africa	313	3	316	354	–	354
Asia	(34)	–	(34)	(2)	–	(2)
South Africa: Beverages	773	53	826	704	–	704
Corporate	(197)	58	(139)	(97)	–	(97)
Group	**2,619**	**472**	**3,091**	3,148	(2)	3,146

EBITA (segment result)

This comprises operating profit before exceptional items, amortisation of intangible assets (excluding software) and includes the group's share of associates' and joint ventures' operating profit on a similar basis. The following table provides a reconciliation of operating profit before exceptional items to EBITA.

	Operating profit before exceptional items 2010 US$m	Share of associates' and joint ventures' operating profit before exceptional items 2010 US$m	Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures' 2010 US$m	EBITA 2010 US$m	Operating profit before exceptional items 2009 US$m	Share of associates' and joint ventures' operating profit before exceptional items 2009 US$m	Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures' 2009 US$m	EBITA 2009 US$m
Latin America	1,270	–	116	1,386	1,057	1	115	1,173
Europe	840	3	29	872	900	4	40	944
North America	12	562	45	619	230	314	37	581
Africa	316	248	1	565	354	208	–	562
Asia	(34)	98	7	71	(2)	75	7	80
South Africa:	826	180	1	1,007	704	181	1	886
– Beverages	826	59	–	885	704	60	–	764
– Hotels and Gaming	–	121	1	122	–	121	1	122
Corporate	(139)	–	–	(139)	(97)	–	–	(97)
Group	**3,091**	**1,091**	**199**	**4,381**	3,146	783	200	4,129

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

	2010 US$m	2009 US$m
Share of associates' and joint ventures' operating profit (before exceptional items)	1,091	783
Share of associates' and joint ventures' exceptional items	(18)	(91)
Share of associates' and joint ventures' net finance costs	(40)	(25)
Share of associates' and joint ventures' taxation	(118)	(113)
Share of associates' and joint ventures' minority interests	(42)	(38)
Share of post-tax results of associates and joint ventures	**873**	516

Notes to the consolidated financial statements continued

2. Segmental analysis continued

EBITDA

The following table provides a reconciliation of EBITDA (the net cash generated from operating activities before working capital movements) before cash exceptional items to EBITDA after cash exceptional items. A reconciliation of profit for the year for the group to EBITDA after cash exceptional items for the group can be found in note 27a.

	EBITDA before cash exceptional items 2010 US$m	Cash exceptional items 2010 US$m	EBITDA 2010 US$m	EBITDA before cash exceptional items 2009 US$m	Cash exceptional items 2009 US$m	EBITDA 2009 US$m
Latin America	**1,710**	**(92)**	**1,618**	1,418	(19)	1,399
Europe	**1,203**	**(144)**	**1,059**	1,239	(6)	1,233
North America[1]	**15**	**–**	**15**	244	(24)	220
Africa	**412**	**(3)**	**409**	415	–	415
Asia	**(3)**	**–**	**(3)**	26	–	26
South Africa: Beverages	**984**	**(42)**	**942**	883	–	883
Corporate	**(8)**	**(58)**	**(66)**	(12)	–	(12)
Group	**4,313**	**(339)**	**3,974**	4,213	(49)	4,164

1 EBITDA excludes the results of associates and joint ventures and hence the decline in EBITDA for North America is due to the US and Puerto Rico operations of the Miller business being contributed into the MillerCoors joint venture during the prior year.

Other segmental information

	Capital expenditure excluding investment activity[1] 2010 US$m	Investment activity[2] 2010 US$m	Total 2010 US$m	Capital expenditure excluding investment activity[1] 2009 US$m	Investment activity[2] 2009 US$m	Total 2009 US$m
Latin America	**357**	**(13)**	**344**	552	(113)	439
Europe	**346**	**8**	**354**	753	197	950
North America	**–**	**317**	**317**	38	378	416
Africa	**524**	**84**	**608**	416	49	465
Asia	**48**	**36**	**84**	86	37	123
South Africa:	**210**	**63**	**273**	285	–	285
– Beverages	**210**	**–**	**210**	285	–	285
– Hotels and Gaming	**–**	**63**	**63**	–	–	–
Corporate	**43**	**6**	**49**	17	–	17
Group	**1,528**	**501**	**2,029**	2,147	548	2,695

1 Capital expenditure includes additions of intangible assets (excluding goodwill) and property, plant and equipment.

2 Investment activity includes acquisitions and disposals of businesses, net investments in associates and joint ventures, purchases of shares in minorities and purchases and disposals of available for sale investments.

	Depreciation and amortisation	
	2010 US$m	2009 US$m
Latin America	**444**	406
Europe	**330**	349
North America	**–**	31
Africa	**94**	61
Asia	**28**	25
South Africa: Beverages	**169**	145
Corporate	**19**	16
Group	**1,084**	1,033

2. Segmental analysis continued

Geographical information

The UK is regarded as being the group's country of domicile. Those countries which account for more than 10% of the group's total revenue and/or non-current assets are considered individually material and are reported separately below.

Revenue

	2010 US$m	2009 US$m
UK	**270**	218
Colombia	**3,025**	2,781
Peru	**1,349**	1,288
South Africa	**4,214**	3,463
USA	**97**	1,544
Rest of world	**9,065**	9,409
Group	**18,020**	18,703

Non-current assets

	2010 US$m	2009[1] US$m
UK	**302**	237
Colombia	**8,233**	6,300
Peru	**3,326**	3,045
South Africa	**2,468**	1,775
USA	**6,002**	5,720
Rest of world	**12,705**	10,223
Group	**33,036**	27,300

1 As restated (see note 28).

Non-current assets by location exclude amounts relating to derivative financial instruments and deferred tax assets.

Notes to the consolidated financial statements continued

3. Net operating expenses

	2010 US$m	2009 US$m
Cost of inventories recognised as an expense	**4,565**	5,203
– Changes in inventories of finished goods and work in progress	**34**	69
– Raw materials and consumables used	**4,531**	5,134
Excise duties[1]	**3,825**	3,820
Employee benefits costs (see note 6a)	**1,985**	1,940
Depreciation of property, plant and equipment	**881**	829
– Owned assets	**649**	621
– Under finance lease	**6**	5
– Containers	**226**	203
Profit on disposal of available for sale investments	**(2)**	–
Profit on disposal of businesses	**–**	(526)
Loss on disposal of property, plant and equipment	**39**	10
Amortisation of intangible assets	**203**	204
– Intangible assets excluding software	**150**	164
– Software	**53**	40
Other expenses	**4,184**	4,352
– Selling, marketing and distribution costs	**2,054**	2,281
– Repairs and maintenance expenditure on property, plant and equipment	**295**	308
– Impairment of goodwill	**–**	364
– Impairment of intangible assets	**–**	14
– Impairment of property, plant and equipment	**45**	16
– Impairment of trade and other receivables	**43**	31
– Operating lease rentals – land and buildings	**57**	65
– Operating lease rentals – plant, vehicles and systems	**89**	91
– Research and development expenditure	**4**	7
– Other operating expenses	**1,597**	1,175
Total net operating expenses by nature	**15,680**	15,832
Other income	**(279)**	(277)
– Revenue received from royalties	**(35)**	(36)
– Dividends received from investments	**(2)**	(1)
– Other operating income	**(242)**	(240)
Net operating expenses	**15,401**	15,555

1 Excise duties of US$3,825 million (2009: US$3,820 million) have been incurred during the year as follows: Latin America US$1,517 million (2009: US$1,383 million); Europe US$1,075 million (2009: US$1,118 million); North America US$2 million (2009: US$239 million); Africa US$282 million (2009: US$270 million); Asia US$181 million (2009: US$184 million) and South Africa US$768 million (2009: US$626 million).

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under IAS 39, were a gain of US$27 million (2009: loss of US$34 million).

The following fees were paid to a number of different accounting firms as auditors of various parts of the group:

	2010 US$m	2009 US$m
Group auditors		
Fees payable to the group's auditor and its associates for:		
Auditing of subsidiaries, pursuant to legislation	**8**	6
Other services supplied pursuant to legislation	**1**	1
Other services relating to taxation	**6**	4
Services relating to corporate finance transactions	**3**	–
Other services[1]	**6**	4
Fees payable to the group's auditor for auditing of the parent company's annual accounts	**2**	1
	26	16

1 In 2010, principally relating to the business capability programme.

	2010 US$m	2009 US$m
Other auditors		
Fees payable to other auditors for other services:		
Auditing of subsidiaries, pursuant to legislation	**2**	1
Other services relating to taxation	**2**	2
Internal audit services	**–**	1
IT consulting services[1]	**4**	–
Other services[1]	**15**	3
	23	7

1 In 2010, principally relating to the business capability programme.

4. Exceptional items

	2010 US$m	2009 US$m
Exceptional items included in operating profit:		
Business capability programme costs	**(325)**	–
Impairments	**(45)**	(392)
Integration and restructuring costs	**(78)**	(110)
Transaction costs	**(24)**	–
Profit on disposal of businesses	**–**	526
Unwinding of fair value adjustments on inventory	**–**	(9)
Litigation	**–**	(13)
Net exceptional (losses)/gains included within operating profit	**(472)**	2
Exceptional items included in net finance costs:		
Business capability programme costs	**(17)**	–
Gain on early termination of financial derivatives	**–**	20
Net exceptional (losses)/gains included within net finance costs	**(17)**	20
Share of associates' and joint ventures' exceptional items:		
Integration and restructuring costs	**(14)**	(33)
Unwinding of fair value adjustments on inventory	**(4)**	(13)
Impairment of intangible assets	**–**	(38)
Fair value losses on financial instruments	**–**	(7)
Share of associates' and joint ventures' exceptional losses	**(18)**	(91)
Taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items	**64**	56

Exceptional items included in operating profit

Business capability programme costs
Following the establishment of the business capability programme which will streamline finance, human resources and procurement activities through the deployment of global systems and, within regions, the introduction of common sales, distribution and supply chain management systems, costs of US$325 million have been incurred in the year (2009: US$nil).

Impairments
During 2010, an impairment charge of US$45 million was recorded in relation to property, plant and equipment following the announcement of the closure of production facilities at the Bogota brewery in Colombia.

In 2009, goodwill impairments were recorded in respect of the Grolsch business and Sarmat in Ukraine of US$350 million and US$14 million respectively. Other impairments principally related to intangible assets and property, plant and equipment in Ukraine of US$28 million.

Integration and restructuring costs
In Europe US$64 million of integration and restructuring costs were incurred in Romania following the acquisition of Bere Azuga, including the closure of a brewery; in Poland including the closure of the Kielce brewery; in Slovakia including the closure of the Topolcany brewery; and in Italy, The Netherlands and the Canary Islands primarily associated with retrenchments. In Latin America US$14 million was incurred in relation to restructuring following the announcement of the closure of the production facilities at the Bogota brewery in Colombia.

In 2009, US$51 million of integration and restructuring costs were incurred in Grolsch, Poland, the Czech Republic, Russia and Ukraine in Europe; US$31 million of restructuring costs were incurred in Latin America, principally in Colombia; and US$28 million of staff retention and certain integration costs were recorded in North America relating to MillerCoors.

Transaction costs
During 2010, US$11 million of costs have been incurred in relation to the Broad-Based Black Economic Empowerment transaction in South Africa.

Additionally, costs of US$13 million were incurred in relation to transaction services and have been treated as exceptional in the Corporate division.

Profit on disposal of businesses
In 2009, a profit of US$437 million arose in North America on the disposal of the US and Puerto Rico operations of the Miller business into the MillerCoors joint venture. In Latin America a net US$89 million profit on disposal was recorded on the disposal of the water business in Colombia and the soft drinks business in Bolivia.

Unwinding of fair value adjustments on inventory
On the acquisition of Grolsch inventory was fair valued to market value. The uplift was charged to the income statement as the inventory was sold. During 2009, US$9 million was charged to operating profit and treated as an exceptional item.

Litigation
During 2009, a provision was booked in Latin America relating to ongoing litigation amounting to US$13 million.

Notes to the consolidated financial statements continued

4. Exceptional items continued

Exceptional items included in net finance costs

Business capability programme costs

As a result of the business capability programme and resultant changes in treasury systems used and their differing valuation methodologies, a charge of US$17 million has been incurred to reflect differences on the fair valuation of financial instruments (2009: US$nil).

Early termination of financial derivatives

During 2009, a US$20 million gain arose on the early termination of financial derivatives.

Share of associates' and joint ventures' exceptional items

Integration and restructuring costs

During 2010, the group's share of MillerCoors' integration and restructuring costs was US$14 million, primarily related to relocation and severance costs (2009: US$33 million).

Unwinding of fair value adjustments on inventory

In 2010, the group's share of MillerCoors' charge to operating profit in the year relating to the unwind of the fair value adjustment to inventory was US$4 million (2009: US$13 million).

Impairment of intangible assets

In 2009, this related to the group's share of the impairment of the Sparks brand recorded in MillerCoors.

Fair value losses on financial instruments

In 2009, the group's share of losses related to fair value mark to market adjustments on financial instruments at Hotels and Gaming amounted to US$7 million.

Taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items

Taxation credits of US$64 million (2009: US$56 million) arose in relation to exceptional items during the year and include US$7 million (2009: US$31 million) in relation to MillerCoors although the tax credit is recognised in Miller Brewing Company (see note 7).

5. Net finance costs

	2010 US$m	2009 US$m
a. Interest payable and similar charges		
Interest payable on bank loans and overdrafts	**162**	262
Interest payable on derivatives	**216**	253
Interest payable on corporate bonds	**389**	406
Interest element of finance lease payments	**1**	1
Net exchange (gains)/losses on financing activities	**(51)**	288
Fair value losses on financial instruments:		
– Fair value losses on dividend related derivatives[1]	**9**	12
– Fair value losses on standalone derivative financial instruments	**104**	27
– Ineffectiveness of net investment hedges[1]	**8**	22
Change in valuation methodology of financial instruments[1]	**17**	–
Other finance charges	**24**	30
Total interest payable and similar charges	**879**	1,301
b. Interest receivable and similar income		
Interest receivable	**60**	66
Interest receivable on derivatives	**217**	201
Fair value gains on financial instruments:		
– Fair value gains on standalone derivative financial instruments	**28**	291
– Ineffectiveness of fair value hedges	**–**	10
– Fair value gains on dividend related derivatives[1]	**–**	7
Gain on early termination of financial derivatives[1]	**–**	20
Net exchange gains on dividends[1]	**9**	–
Other finance income	**2**	–
Total interest receivable and similar income	**316**	595
Net finance costs	**563**	706

1 These items have been excluded from the determination of adjusted earnings per share. Adjusted net finance costs are therefore US$538 million (2009: US$699 million).

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

6. Employee and key management compensation costs

a. Employee costs

	2010 US$m	2009 US$m
Wages and salaries	**1,631**	1,580
Share-based payments	**80**	79
Social security costs	**168**	164
Pension costs	**106**	99
Post-retirement benefits other than pensions	**13**	19
	1,998	1,941

Of the US$1,998 million employee costs shown above, US$13 million has been capitalised within property, plant and equipment (2009: US$1 million).

b. Employee numbers

The average monthly number of employees are shown on a full-time equivalent basis, excluding employees of associated and joint venture undertakings and including executive directors:

	2010 Number	2009 Number
Latin America	**24,979**	24,793
Europe	**15,201**	15,987
North America	**50**	1,544
Africa	**12,182**	9,078
Asia	**4,494**	4,763
South Africa	**12,885**	12,184
Corporate	**340**	286
Group	**70,131**	68,635

c. Key management compensation

The directors of the group and members of the executive committee (excom) are defined as key management. At 31 March 2010, there were 25 (2009: 23) key management.

	2010 US$m	2009 US$m
Salaries and short-term employee benefits	**30**	23
Post-employment benefits	**2**	2
Share-based payments	**21**	14
	53	39

The key management figures given above include the directors.

d. Directors

	2010 US$m	2009 US$m
Aggregate emoluments £5,488,539 (2009: £4,251,478)	**9**	7
Aggregate gains made on the exercise of share options or vesting of share awards	**29**	2
Company contributions to money purchase schemes £549,600 (2009: £528,000)	**1**	1
	39	10

At 31 March 2010, two directors (2009: two) had retirement benefits accruing under money purchase pension schemes.

Full details of individual directors' remuneration are given in the remuneration report on pages 59 to 67.

Notes to the consolidated financial statements continued

7. Taxation

	2010 US$m	2009 US$m
Current taxation	725	670
– Charge for the year (UK corporation tax: US$6 million (2009: US$4 million))	755	693
– Adjustments in respect of prior years	(30)	(23)
Withholding taxes and other remittance taxes	77	67
Total current taxation	802	737
Deferred taxation	46	64
– Charge for the year (UK corporation tax: US$nil (2009: US$nil))	71	81
– Adjustments in respect of prior years	(14)	(14)
– Rate change	(11)	(3)
Taxation expense	848	801
Tax (credit)/charge relating to components of other comprehensive income is as follows:		
Deferred tax credit on actuarial gains and losses	(10)	(94)
Deferred tax charge/(credit) on financial instruments	46	(31)
	36	(125)
Total current tax	802	737
Total deferred tax	82	(61)
Total taxation	884	676
Effective tax rate (%)	28.5	30.2

See page 158 for the definition of the effective tax rate. This calculation is on a basis consistent with that used in prior years and is also consistent with other group operating metrics.

MillerCoors is not a taxable entity. The tax balances and obligations therefore remain with Miller Brewing Company as a 100% subsidiary of the group. This subsidiary's tax charge includes tax (including deferred tax) on the group's share of the taxable profits of MillerCoors and includes tax in other comprehensive income on the group's share of MillerCoors' taxable items included within other comprehensive income.

Tax rate reconciliation

	2010 US$m	2009 US$m
Profit before taxation	2,929	2,958
Less: Share of post-tax results of associates and joint ventures	(873)	(516)
	2,056	2,442
Tax charge at standard UK rate of 28% (2009: 28%)	576	684
Exempt income	(30)	(39)
Other incentive allowances	(17)	(21)
Expenses not deductible for tax purposes	79	62
Deferred tax asset not recognised	28	55
Tax impact of MillerCoors joint venture	154	64
Withholding taxes and other remittance taxes	71	67
Other taxes	20	30
Adjustments in respect of foreign tax rates	14	(74)
Adjustments in respect of prior periods	(44)	(37)
Deferred taxation rate change	(11)	(3)
Deferred taxation on unremitted earnings of overseas subsidiaries	8	13
Total taxation expense	848	801

8. Earnings per share

	2010 US cents	2009 US cents
Basic earnings per share	**122.6**	125.2
Diluted earnings per share	**122.1**	124.6
Headline earnings per share	**127.3**	119.0
Adjusted basic earnings per share	**161.1**	137.5
Adjusted diluted earnings per share	**160.4**	136.8

The weighted average number of shares was:

	2010 Millions of shares	2009 Millions of shares
Ordinary shares	**1,641**	1,514
Treasury shares (see note 25)	**(77)**	(7)
ESOP trust ordinary shares	**(6)**	(5)
Basic shares	**1,558**	1,502
Dilutive ordinary shares from share options	**6**	8
Diluted shares	**1,564**	1,510

The calculation of diluted earnings per share excludes 6,920,802 (2009: 12,793,912) share options that were non-dilutive for the year because the exercise price of the option exceeded the fair value of the shares during the year and 10,485,166 (2009: 8,912,780) share awards that were non-dilutive for the year because the performance conditions attached to the share awards have not been met. These share awards could potentially dilute earnings per share in the future.

9,932,750 share awards were granted after 31 March 2010 and before the date of signing of these financial statements.

Adjusted and headline earnings

The group presents an adjusted earnings per share figure which excludes the impact of amortisation of intangible assets (excluding capitalised software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Adjusted earnings per share has been based on adjusted earnings for each financial year and on the same number of weighted average shares in issue as the basic earnings per share calculation. Headline earnings per share has been calculated in accordance with the South African Circular 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:

	2010 US$m	2009 US$m
Profit for the financial year attributable to equity holders of the parent	**1,910**	1,881
Headline adjustments		
Impairment of goodwill	**–**	364
Impairment of intangible assets	**–**	14
Impairment of property, plant and equipment	**45**	16
Loss on disposal of property, plant and equipment	**39**	10
Profit on disposal of businesses	**–**	(526)
Profit on disposal of available for sale investments	**(2)**	–
Tax effects of the above items	**(17)**	(4)
Minority interests’ share of the above items	**9**	(1)
Share of joint ventures’ and associates’ headline adjustments, net of tax and minority interests	**–**	34
Headline earnings	**1,984**	1,788
Business capability programme costs	**342**	–
Integration and restructuring costs	**41**	108
Transaction costs	**24**	–
Net loss on fair value movements on capital items[1]	**8**	27
Unwind of fair value adjustments on inventory	**–**	9
Gain on early termination of financial derivatives	**–**	(20)
Litigation	**–**	13
Amortisation of intangible assets (excluding capitalised software)	**150**	164
Tax effects of the above items	**(101)**	(110)
Minority interests’ share of the above items	**(6)**	(4)
Share of joint ventures’ and associates’ other adjustments, net of tax and minority interests	**67**	90
Adjusted earnings	**2,509**	2,065

1 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

	2010 US$m	2009 US$m
Equity		
2009 Final dividend paid: 42.0 US cents (2008: 42.0 US cents) per ordinary share	**654**	640
2010 Interim dividend paid: 17.0 US cents (2009: 16.0 US cents) per ordinary share	**270**	237
	924	877

In addition, the directors are proposing a final dividend of 51.0 US cents per share in respect of the financial year ended 31 March 2010, which will absorb an estimated US$812 million of shareholders' funds. If approved by shareholders, the dividend will be paid on 13 August 2010 to shareholders registered on the London and Johannesburg registers on 6 August 2010. The total dividend per share for the year is 68.0 US cents (2009: 58.0 US cents).

On 26 February 2009, the non-voting convertible shares held by Safari Ltd were converted into ordinary shares and then acquired by the company to be held as treasury shares. The treasury shares are not entitled to dividends. Safari Ltd previously waived its rights to interim dividends in respect of 2009 of US$12 million.

The employees' benefit trust (EBT) which holds shares for the various executive share incentive plans 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 the United Kingdom), the provisions of the companies' Articles of Association and the Companies Act 2006. There are restrictions over the distribution by a company incorporated in the United Kingdom of any profits which are not generated from external cash receipts as defined in Technical Release 1/09, issued by the Institute of Chartered Accountants in England and Wales. The final dividend of the company of US$654 million paid on 28 August 2009, relating to the year ended 31 March 2009 and the interim dividend of US$270 million paid on 11 December 2009, relating to the six months ended 30 September 2009, were paid out of profits available for distribution and the final dividend of the company of US$812 million proposed to be paid on 13 August 2010, relating to the year ended 31 March 2010, will be paid out of profits available for distribution.

10. Goodwill

	US$m
Cost	
At 1 April 2008	15,133
Exchange adjustments	(2,212)
Arising on increase in share of subsidiary undertakings	3
Acquisitions – through business combinations	123
Contributed to joint ventures	(3,998)
At 31 March 2009[1]	9,049
Exchange adjustments	1,677
Arising on increase in share of subsidiary undertakings (see note 29)	1,125
Acquisitions – through business combinations (provisional) (see note 29)	72
At 31 March 2010	**11,923**
Accumulated impairment	
At 1 April 2008	–
Exchange adjustments	(31)
Impairment	364
At 31 March 2009	333
Exchange adjustments	6
At 31 March 2010	**339**
Net book amount	
At 1 April 2008	15,133
At 31 March 2009[1]	8,716
At 31 March 2010	**11,584**

1 As restated (see note 28).

10. Goodwill continued

2010

Provisional goodwill arose on the acquisition through business combinations in the year of Ambo in Ethiopia, Rwenzori in Uganda, a maheu business in Zambia and Azuga in Romania, together with goodwill arising on the increase in the group's share of subsidiary undertakings primarily related to the buyout of minority interests in Poland (see note 29). The fair value exercises in respect of these business combinations have yet to be completed.

2009

Additional goodwill arose on the acquisitions of Vladpivo in Russia, Sarmat in Ukraine, Pabod in Nigeria, Voltic in Nigeria and Ghana and SABMiller Vietnam JV Company Limited in Vietnam, which occurred in the year. The fair value exercises in respect of these acquisitions are now complete.

Goodwill arising on the formation of the MillerCoors joint venture is recorded within the investment in joint ventures.

Goodwill impairments were recorded in respect of the Grolsch business and Sarmat in Ukraine of US$350 million and US$14 million respectively.

Goodwill is monitored principally on an individual country basis and the net book value is allocated by cash generating unit (CGU) as follows:

	2010 US$m	2009[1] US$m
CGUs:		
Latin America:		
– Central America	**830**	830
– Colombia	**4,474**	3,387
– Peru	**1,645**	1,482
– Other Latin America	**204**	201
Europe:		
– Czech	**933**	873
– Netherlands	**104**	103
– Italy	**437**	428
– Poland	**1,331**	58
– Other Europe	**122**	91
North America	**256**	256
Africa	**195**	148
Asia:		
– India	**390**	354
– Other Asia	**13**	11
South Africa	**650**	494
	11,584	8,716

1 As restated (see note 28).

Assumptions

The recoverable amount for a CGU is determined based on value in use calculations. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the CGU using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is re-performed on a pre-tax basis in order to determine the impairment loss to be recorded. The key assumptions for the value in use calculations are as follows:

Expected volume growth rate – Cash flows are based on financial forecasts approved by management covering five-year periods and are dependent on the expected volume growth rates.

Discount rate – The discount rate (weighted average cost of capital) is calculated using a methodology which reflects the returns from United States Treasury notes with a maturity of 20 years, and an equity risk premium adjusted for specific industry and country risks. The group applies local post-tax discount rates to local post-tax cash flows.

Long-term growth rate – Cash flows after the first five-year period were extrapolated using a long-term growth rate, in order to calculate the terminal recoverable amount.

The following table presents the key assumptions used in the value in use calculations in each of the group's operating segments:

	Expected volume growth rates 2011–2015	Post-tax discount rates	Long-term growth rates
Latin America	3.9%–5.7%	9.0%–13.9%	2.0%–3.0%
Europe	0.5%–11.0%	8.1%–10.6%	2.0%–2.5%
North America	4.7%	7.8%	2.5%
Africa	1.6%–14.9%	8.8%–25.1%	3.0%–7.5%
Asia	9.7%–12.7%	8.1%–9.9%	3.0%–7.0%
South Africa	4.1%	9.8%	3.0%

Notes to the consolidated financial statements continued

10. Goodwill continued

Impairment reviews results

As a result of the annual impairment reviews, no impairment losses have been recognised in the year.

In 2009 total impairment losses recognised in respect of CGUs were as follows:

	US$m
Netherlands	350
Ukraine	42
	392

Netherlands

The Grolsch business was acquired in February 2008 for total consideration of US$1,201 million. The impairment loss of US$350 million arose principally due to deterioration in forecast trading conditions in both The Netherlands, which was impacted by excise increases and the introduction of a smoking ban, and in export markets. The impairment loss was allocated to goodwill.

Ukraine

A total impairment loss of US$42 million was recognised in respect of CJSC Sarmat in Ukraine which was acquired in July 2008. Subsequent to the acquisition, the business did not perform as expected as the Ukrainian economy suffered a significant downturn from which it was expected to take a significant amount of time to recover. The impairment loss was allocated to goodwill, intangible assets and property, plant and equipment.

Sensitivities to assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonably possible change in a single assumption will not cause an impairment loss in any of the group's CGUs.

11. Intangible assets

	Brands US$m	Computer software US$m	Other US$m	Total US$m
Cost				
At 1 April 2008	5,148	417	71	5,636
Exchange adjustments	(1,019)	(51)	(2)	(1,072)
Additions – separately acquired	28	44	1	73
Acquisitions – through business combinations	41	1	–	42
Contributed to joint ventures	(215)	(149)	–	(364)
Transfers	–	7	(7)	–
Transfers from property, plant and equipment	–	13	2	15
Transfers to other assets	–	(13)	–	(13)
Disposals	(9)	–	–	(9)
At 31 March 2009[1]	3,974	269	65	4,308
Exchange adjustments	718	39	2	759
Additions – separately acquired	–	92	1	93
Acquisitions – through business combinations (see note 29)	32	–	1	33
Transfers from property, plant and equipment	–	30	2	32
At 31 March 2010	**4,724**	**430**	**71**	**5,225**
Aggregate amortisation and impairment				
At 1 April 2008	353	241	6	600
Exchange adjustments	(92)	(25)	–	(117)
Amortisation	148	40	16	204
Contributed to joint ventures	(27)	(105)	–	(132)
Impairment	14	–	–	14
Disposals	(3)	–	–	(3)
At 31 March 2009	393	151	22	566
Exchange adjustments	80	19	3	102
Amortisation	144	53	6	203
At 31 March 2010	**617**	**223**	**31**	**871**
Net book amount				
At 1 April 2008	4,795	176	65	5,036
At 31 March 2009[1]	3,581	118	43	3,742
At 31 March 2010	**4,107**	**207**	**40**	**4,354**

1 As restated (see note 28).

During 2010, no impairment charge in respect of intangible assets was incurred (2009: impairment charge of US$14 million was incurred in respect of intangible assets in Ukraine).

11. Intangible assets continued

At 31 March 2010, significant individual brands included within the carrying value of intangible assets are as follows:

	2010 US$m	2009 US$m	Amortisation period remaining (years)
Brand carrying value			
Aguila (Colombia)	**1,533**	1,187	35
Cristal (Peru)	**643**	596	35
Grolsch (Netherlands)	**482**	485	38

12. Property, plant and equipment

	Assets in course of construction US$m	Land and buildings US$m	Plant, vehicles and systems US$m	Returnable containers US$m	Total US$m
Cost					
At 1 April 2008	918	3,354	7,889	1,854	14,015
Exchange adjustments	(209)	(738)	(1,740)	(409)	(3,096)
Additions	1,116	101	481	376	2,074
Acquisitions – through business combinations	1	40	112	9	162
Contributed to joint ventures	(18)	(290)	(1,247)	(94)	(1,649)
Breakages and shrinkage	–	–	–	(63)	(63)
Transfers	(1,047)	240	735	72	–
Transfers to intangible assets	(15)	–	–	–	(15)
Disposals	(1)	(25)	(208)	(145)	(379)
At 31 March 2009[1]	745	2,682	6,022	1,600	11,049
Exchange adjustments	59	460	1,135	291	1,945
Additions	520	139	513	268	1,440
Acquisitions – through business combinations (see note 29)	–	13	22	2	37
Breakages and shrinkage	–	–	–	(58)	(58)
Transfers	(748)	124	574	50	–
Transfers to intangible assets	(32)	–	–	–	(32)
Disposals	(1)	(31)	(258)	(48)	(338)
At 31 March 2010	**543**	**3,387**	**8,008**	**2,105**	**14,043**
Accumulated depreciation and impairment					
At 1 April 2008	–	542	3,505	855	4,902
Exchange adjustments	–	(138)	(867)	(206)	(1,211)
Provided during the period	–	66	560	203	829
Contributed to joint ventures	–	(69)	(509)	(28)	(606)
Breakages and shrinkage	–	–	–	(9)	(9)
Impairment	–	4	11	1	16
Disposals	–	(3)	(148)	(127)	(278)
At 31 March 2009	–	402	2,552	689	3,643
Exchange adjustments	–	81	583	144	808
Provided during the period	–	72	583	226	881
Breakages and shrinkage	–	–	–	(18)	(18)
Impairment	–	–	45	–	45
Transfers	–	–	(3)	3	–
Disposals	–	(2)	(208)	(21)	(231)
At 31 March 2010	**–**	**553**	**3,552**	**1,023**	**5,128**
Net book amount					
At 1 April 2008	918	2,812	4,384	999	9,113
At 31 March 2009[1]	745	2,280	3,470	911	7,406
At 31 March 2010	**543**	**2,834**	**4,456**	**1,082**	**8,915**

1 As restated (see note 28).

Included in land and buildings is freehold land with a cost of US$624 million (2009: US$554 million) which is not depreciated.

Notes to the consolidated financial statements continued

12. Property, plant and equipment continued

Included in plant, vehicles and systems are the following amounts relating to assets held under finance leases:

	2010 US$m	2009 US$m
Net book amount	**20**	28

Included in the amounts above are the following amounts in respect of borrowing costs capitalised:

	2010 US$m	2009 US$m
At beginning of year	**31**	26
Exchange adjustments	**5**	(5)
Amortised during the year	**(3)**	(4)
Capitalised during the year	**25**	14
At end of year	**58**	31

Borrowing costs of US$25 million (2009: US$14 million) were capitalised during the year at an effective rate of 9.93% (2009: 13.47%). It is anticipated that of the borrowing costs capitalised during the year, potentially US$9 million (2009: US$3 million) will be available for tax relief.

Borrowings are secured by various of the group's property, plant and equipment with an aggregate net book value of US$207 million (2009: US$146 million).

13. Investments in joint ventures

A list of the group's significant investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in note 33 to the consolidated financial statements.

	US$m
At 1 April 2008	–
Exchange adjustments	(10)
Reclassification from investments in associates[1]	30
Formation of the MillerCoors joint venture	5,804
Investments in joint ventures	235
Share of results retained	225
Share of losses recognised in other comprehensive income	(335)
Dividends received	(454)
At 31 March 2009	5,495
Exchange adjustments	11
Investments in joint ventures	353
Share of results retained	536
Share of gains recognised in other comprehensive income	134
Dividends received	(707)
At 31 March 2010	**5,822**

1 As a result of SABMiller entering the MillerCoors joint venture, joint ventures became a material item in the group's financial statements. This meant that investments in immaterial joint ventures previously classified as investments in associates were reclassified as investments in joint ventures.

The initial cost of investment for the MillerCoors joint venture included 58% of the carrying value of net assets of the US and Puerto Rico operations contributed by Miller and 58% of the fair value of the business contributed by Coors Brewing Company. See note 29 for further information relating to the net assets contributed to the joint venture by Miller in the prior year.

Summarised financial information for the group's interest in joint ventures is shown below:

	2010 US$m	2009 US$m
Revenue	**5,168**	3,708
Expenses	**(4,631)**	(3,483)
Profit after tax	**537**	225
Non-current assets	**5,842**	5,631
Current assets	**649**	625
Current liabilities	**(564)**	(639)
Non-current liabilities	**(722)**	(782)

14. Investments in associates

A list of the group's significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in note 33 to the consolidated financial statements.

	US$m
At 1 April 2008	1,826
Exchange adjustments	(142)
Reclassification to investments in joint ventures	(30)
Investments in associates	4
Repayment of investments by associates	(3)
Share of results retained	291
Share of gains recognised in other comprehensive income	5
Dividends received	(151)
Transfer to subsidiary undertaking	(13)
At 31 March 2009	1,787
Exchange adjustments	90
Investments in associates	76
Repayment of investments by associates	(3)
Share of results retained	337
Share of gains recognised in other comprehensive income	2
Dividends received	(109)
Transfer from other assets	33
At 31 March 2010	**2,213**

2010

On 12 October 2009, SABSA Holdings (Pty) Ltd, a wholly owned subsidiary of the group, subscribed for R490 million (US$63 million) preference shares in Tsogo Sun Gaming (Pty) Ltd, a wholly owned subsidiary of the group's associate, Tsogo Sun Holdings Ltd (TSH), as the group's share of the funding for the 30% increase in the TSH group's effective interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd, the licensee and operator of the Suncoast Casino in Durban.

2009

The group's interest in Pacific Beverages (Pty) Ltd in Australia was classified as a joint venture, following the formation of the MillerCoors joint venture.

On 20 March 2009, the remaining 50% equity investment in SABMiller Vietnam JV Company Limited (Vietnam) was purchased and from this date the company has been accounted for as a subsidiary.

The analysis of associated undertakings between listed and unlisted investments is shown below:

	2010 US$m	2009 US$m
Listed	**189**	121
Unlisted	**2,024**	1,666
	2,213	1,787
The market value of listed investments included above is:		
– Distell Group Ltd	**547**	318
– Delta Corporation Limited	**126**	–

Summarised financial information for associates for total assets, total liabilities, revenue and profit or loss on a 100% basis is shown below:

	2010 US$m	2009 US$m
Total assets	**10,020**	8,518
Total liabilities	**(3,745)**	(2,873)
Revenue	**9,363**	8,370
Net profit	**1,321**	1,084

Delta Corporation Limited, a listed associate undertaking of the group which operates in Zimbabwe, was restricted from paying dividends or exporting capital due to foreign currency shortages, and as such the market value of its listed shares was not included above in the prior year. Following the easing of certain of the restrictions during the year, the market value at 31 March 2010 has 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.

Notes to the consolidated financial statements continued

15. Available for sale investments

	US$m
At 1 April 2008	53
Exchange adjustments	(5)
Additions	14
Contributed to joint ventures	(10)
Disposals	(4)
Net losses transferred to other comprehensive income	(8)
At 31 March 2009	40
Exchange adjustments	5
Additions	6
Transfer to subsidiary undertaking (see note 29)	(11)
Disposals	(12)
Net gains transferred to other comprehensive income	4
At 31 March 2010	**32**

	2010 US$m	2009 US$m
Analysed as:		
Non-current	**31**	29
Current	**1**	11
	32	40

None of the available for sale investments are past due or impaired.

Available for sale investments are denominated in the following currencies:

	2010 US$m	2009 US$m
SA rand	**14**	6
US dollars	**9**	12
Peruvian nuevo sol	**3**	8
Other currencies	**6**	14
	32	40

An analysis of available for sale investments between listed and unlisted is shown below:

	2010 US$m	2009 US$m
Listed	**4**	19
Unlisted	**28**	21
	32	40

The fair values of unlisted investments are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to unlisted securities, or by reference to valuations provided by third party investment managers. The fair value of listed investments have been determined by reference to quoted stock exchanges.

The maximum exposure to credit risk at the reporting date is the fair value of the securities classified as available for sale.

16. Inventories

	2010 US$m	2009[1] US$m
Raw materials and consumables	**760**	672
Work in progress	**146**	135
Finished goods and goods for resale	**389**	434
	1,295	1,241

1 As restated (see note 28).

The following amount of inventories are expected to be utilised after 12 months:

	2010 US$m	2009 US$m
Raw materials and consumables	**22**	34
Work in progress	**–**	1
Finished goods and goods for resale	**–**	6
	22	41

There were no borrowings secured on the inventories of the group (2009: US$nil).

An impairment charge of US$20 million was recognised in respect of inventories during the year (2009: US$nil).

17. Trade and other receivables

	2010 US$m	2009 US$m
Trade receivables	**1,411**	1,177
Less: provision for impairment	**(156)**	(121)
Trade receivables – net	**1,255**	1,056
Other receivables	**406**	499
Less: provision for impairment	**(11)**	(10)
Other receivables – net	**395**	489
Amounts owed by associates – trade	**3**	27
Amounts owed by joint ventures – trade	**4**	2
Prepayments and accrued income	**125**	127
Total trade and other receivables	**1,782**	1,701
Analysed as:		
Current		
Trade receivables – net	**1,244**	1,053
Other receivables – net	**291**	386
Amounts owed by associates – trade	**3**	27
Amounts owed by joint ventures – trade	**4**	2
Prepayments and accrued income	**123**	108
	1,665	1,576
Non-current		
Trade receivables – net	**11**	3
Other receivables – net	**104**	103
Prepayments and accrued income	**2**	19
	117	125

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

At 31 March 2010, trade and other receivables of US$405 million (2009: US$356 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:

		Past due				
	Fully performing 2010 US$m	Within 30 days 2010 US$m	30-60 days 2010 US$m	60-90 days 2010 US$m	90-180 days 2010 US$m	Over 180 days 2010 US$m
Trade receivables	**875**	**183**	**51**	**33**	**37**	**47**
Other receivables	**192**	**21**	**10**	**9**	**3**	**11**
Amounts owed by associates – trade	**3**	**–**	**–**	**–**	**–**	**–**
Amounts owed by joint ventures – trade	**4**	**–**	**–**	**–**	**–**	**–**

		Past due				
	Fully performing 2009 US$m	Within 30 days 2009 US$m	30-60 days 2009 US$m	60-90 days 2009 US$m	90-180 days 2009 US$m	Over 180 days 2009 US$m
Trade receivables	674	154	41	26	34	35
Other receivables	163	33	6	11	1	15
Amounts owed by associates – trade	27	–	–	–	–	–
Amounts owed by joint ventures – trade	2	–	–	–	–	–

The group holds collateral as security for past due trade receivables to the value of US$52 million (2009: US$49 million) and for past due other receivables of US$nil (2009: US$16 million).

At 31 March 2010, trade receivables of US$185 million (2009: US$213 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2010 was US$156 million (2009: US$121 million) and reflects trade receivables from customers which are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group holds collateral as security against specifically impaired trade receivables with a fair value of US$6 million (2009: US$1 million).

At 31 March 2010, other receivables of US$12 million (2009: US$13 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2010 was US$11 million (2009: US$10 million) and reflects loans to customers who are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group did not hold collateral as security against specifically impaired other receivables at 31 March 2010 or 31 March 2009.

Collateral held primarily includes bank guarantees, charges over assets and concurrent amounts owing to associates.

Notes to the consolidated financial statements continued

17. Trade and other receivables continued

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2010 US$m	2009 US$m
SA rand	366	217
US dollars	189	212
Euro	342	370
Colombian peso	123	93
British pound	42	93
Other currencies	720	716
	1,782	1,701

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

	Trade receivables		Other receivables	
	2010 US$m	2009 US$m	2010 US$m	2009 US$m
At 1 April	(121)	(148)	(10)	(42)
Provision for receivables impairment	(42)	(28)	(1)	(3)
Receivables written off during the year as uncollectible	21	26	2	1
Contributed to joint ventures	–	–	–	42
Transfers	–	–	–	(9)
Exchange adjustments	(14)	29	(2)	1
At 31 March	(156)	(121)	(11)	(10)

The creation of provisions for impaired receivables is included in net operating expenses in the income statement (see note 3).

18. Cash and cash equivalents

	2010 US$m	2009[1] US$m
Short-term deposits	278	46
Cash at bank and in hand	501	376
	779	422

1 As restated (see note 28).

Cash and short-term deposits of US$105 million (2009: US$118 million) are held in African countries (including South Africa) and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The group operates notional cash pools. The structures facilitate interest and balance compensation of cash and bank overdrafts. These notional pooling arrangements meet the set-off rules under IFRS and, as a result, the cash and overdraft balances have been reported net on the balance sheet as at 31 March 2010.

As at 31 March 2009 the pooling arrangement did not meet the set-off rules under IFRS, and as a result, the cash and bank overdraft balances were reported gross on the balance sheet. On a netted pro forma basis, cash and cash equivalents and overdraft balances would have been US$9 million lower, resulting in US$413 million cash and cash equivalents and US$291 million overdraft balances.

19. Trade and other payables

	2010 US$m	2009[1] US$m
Trade payables	**1,058**	789
Accruals	**695**	506
Deferred income	**22**	37
Containers in the hands of customers	**455**	353
Amounts owed to associates – trade	**38**	25
Amounts owed to joint ventures – trade	**23**	29
Deferred consideration for acquisitions	**7**	9
Excise duty payable	**337**	225
VAT and other taxes payable	**181**	110
Other payables	**556**	503
Total trade and other payables	**3,372**	2,586
Analysed as:		
Current		
Trade payables	**1,058**	789
Accruals	**695**	506
Deferred income	**6**	–
Containers in the hands of customers	**455**	353
Amounts owed to associates – trade	**38**	25
Amounts owed to joint ventures – trade	**23**	29
Deferred consideration for acquisitions	**4**	6
Excise duty payable	**337**	225
VAT and other taxes payable	**181**	110
Other payables	**430**	357
	3,227	2,400
Non-current		
Deferred income	**16**	37
Deferred consideration for acquisitions	**3**	3
Other payables	**126**	146
	145	186

1 As restated (see note 28).

20. Deferred taxation

The movement on the net deferred tax liability is shown below:

	2010 US$m	2009[1] US$m
At 1 April	**1,869**	1,608
Exchange adjustments	**258**	(371)
Acquisitions – through business combinations	**1**	15
Formation of MillerCoors joint venture	**–**	678
Rate change	**(11)**	(3)
Charged to the income statement	**57**	67
Deferred tax on items credited/(charged) to other comprehensive income:		
– Financial instruments	**46**	(31)
– Actuarial gains and losses	**(10)**	(94)
At 31 March	**2,210**	1,869

1 As restated (see note 28).

Notes to the consolidated financial statements continued

20. Deferred taxation continued

The movements in deferred tax assets and liabilities (after offsetting of balances as permitted by IAS 12) during the year are shown below.

	Fixed asset allowances US$m	Pensions and post-retirement benefit provisions US$m	Intangibles US$m	Financial instruments US$m	Investment in MillerCoors joint venture US$m	Other timing differences US$m	Total US$m
Deferred tax liabilities							
At 1 April 2008	613	(30)	1,383	(139)	–	122	1,949
Exchange adjustments	(137)	7	(284)	26	–	(11)	(399)
Acquisitions – through business combinations	15	–	2	–	–	–	17
Formation of MillerCoors joint venture	–	–	–	–	569	–	569
Rate change	(2)	–	–	–	–	(3)	(5)
Transfers from deferred tax assets	–	–	–	–	–	(32)	(32)
Charged/(credited) to the income statement	31	8	(57)	52	24	–	58
Deferred tax on items credited/(charged) to other comprehensive income:							
– Financial instruments	–	–	–	6	(39)	–	(33)
– Actuarial gains and losses	–	5	–	–	(99)	–	(94)
At 31 March 2009[1]	520	(10)	1,044	(55)	455	76	2,030
Exchange adjustments	101	(3)	204	(4)	–	(29)	269
Acquisitions – through business combinations	1	–	–	–	–	–	1
Rate change	(2)	–	–	–	–	(9)	(11)
Transfers from deferred tax assets	(11)	–	–	–	–	(2)	(13)
Charged/(credited) to the income statement	47	(2)	(38)	(26)	93	(17)	57
Deferred tax on items credited/(charged) to other comprehensive income:							
– Financial instruments	–	–	–	(12)	58	–	46
– Actuarial gains and losses	–	2	–	–	(7)	–	(5)
At 31 March 2010	**656**	**(13)**	**1,210**	**(97)**	**599**	**19**	**2,374**

1 As restated (see note 28).

	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
Deferred tax assets						
At 1 April 2008	(222)	268	158	2	135	341
Exchange adjustments	(4)	–	(15)	–	(9)	(28)
Acquisitions – through business combinations	–	–	–	–	2	2
Formation of MillerCoors joint venture	240	(266)	(106)	–	23	(109)
Rate change	–	–	–	–	(2)	(2)
Transfers to deferred tax liabilities	–	–	–	–	(32)	(32)
Credited/(charged) to the income statement	1	–	4	–	(14)	(9)
Deferred tax on items charged to other comprehensive income:						
– Financial instruments	–	–	–	(2)	–	(2)
At 31 March 2009	15	2	41	–	103	161
Exchange adjustments	1	–	6	–	4	11
Transfers to deferred tax liabilities	(11)	–	–	–	(2)	(13)
Credited/(charged) to the income statement	(2)	–	20	–	(18)	–
Deferred tax on items credited to other comprehensive income:						
– Actuarial gains and losses	–	5	–	–	–	5
At 31 March 2010	**3**	**7**	**67**	**–**	**87**	**164**

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 asset arises due to timing differences in Europe, Africa, Asia and Latin America. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

Deferred tax liabilities of US$2,349 million (2009: US$2,044 million) are expected to be recovered after more than one year.

Deferred tax assets of US$102 million (2009: US$126 million) are expected to be recovered after more than one year.

20. Deferred taxation continued

	2010 US$m	2009 US$m
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**113**	65
Tax credits	**36**	64
Capital allowances in excess of depreciation	**13**	9
Share-based payments	**17**	11
Cash flow hedges	**1**	3
	180	152

These deferred tax assets will not expire, with the exception of US$36 million (2009: US$33 million) tax credits which will expire if conditions for utilisation are not met.

Deferred tax is recognised on the unremitted earnings of overseas subsidiaries where there is an intention to distribute those reserves. A deferred tax liability of US$31 million (2009: US$16 million) has been recognised. A deferred tax liability of US$46 million (2009: US$29 million) has also been recognised in respect of unremitted profits of associates where a dividend policy is not in place. No deferred tax has been recognised on temporary differences of US$5,600 million (2009: US$5,100 million) relating to unremitted earnings of overseas subsidiaries where either the overseas profits will not be distributed in the foreseeable future, or, where there are plans to remit overseas earnings of subsidiaries, it is not expected that such distributions will give rise to a tax liability. No deferred tax liability is recognised as the group is able to control the timing of the reversal of these differences and it is probable that they will not reverse in the foreseeable future.

As a result of a change in UK legislation which largely exempts overseas dividends received on or after 1 July 2009 from UK tax, the temporary differences are unlikely to lead to additional tax. Remittance to the UK of those earnings may still result in a tax liability, principally as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate.

21. Borrowings

	2010 US$m	2009 US$m
Current		
Secured		
Overdrafts	**34**	76
Obligations under finance leases	**5**	4
Other secured loans	**46**	18
	85	98
Unsecured		
US$300 million LIBOR + 0.3% Notes due 2009[1]	**–**	301
COP40 billion DTF + 3.0% Ordinary Bonds due 2009	**–**	16
Botswana pula 60 million 11.35% fixed rate bond due 2011[2]	**9**	–
Commercial paper[3, 4]	**633**	773
Other unsecured loans	**722**	736
Overdrafts	**156**	224
	1,520	2,050
Total current borrowings	**1,605**	2,148

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

1 On 28 June 2006, SABMiller plc issued US$300 million LIBOR plus 0.3% Notes due July 2009 guaranteed by Miller Brewing Company, Miller Products Company, Miller Breweries West Limited Partnership, Miller Breweries East Inc., MBC1 LLC, MBC2 LLC (together the US Guarantors) and SABMiller Finance BV. Since 1 July 2008, the notes were not guaranteed. The notes were repaid on 1 July 2009.

2 On 28 July 2004, a 60 million Botswana pula 11.35% unsecured private bond was placed in the Botswana debt capital market. This bond 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.

3 In October 2006, SABMiller plc entered into a US$1,000 million commercial paper programme for general corporate purposes. Debt issued under the programme was guaranteed by the US Guarantors and SABMiller Finance BV until 30 June 2008. Since 1 July 2008, debt issued under the programme is not guaranteed.

4 On 17 July 2007, SABSA Holdings (Pty) Ltd and SABFIN (Pty) Ltd established a ZAR4,000 million Domestic Medium Term Note Programme under which commercial paper may be issued. On 24 December 2008, the programme was increased to ZAR6,000 million. Debt issued under the programme is guaranteed by SABMiller plc.

Notes to the consolidated financial statements continued

21. Borrowings continued

	2010 US$m	2009 US$m
Non-current		
Secured		
Obligations under finance leases	7	6
Other secured loans	128	20
	135	26
Unsecured		
US$1,100 million 5.5% Notes due 2013[1]	1,142	1,152
€1,000 million 4.5% Notes due 2015[2]	1,365	–
US$300 million 6.625% Guaranteed Notes due 2033[3]	352	396
US$600 million 6.2% Notes due 2011[4]	608	608
US$850 million 6.5% Notes due 2016[4]	939	966
US$550 million 5.7% Notes due 2014[5]	591	598
US$700 million 6.5% Notes due 2018[5]	747	778
PEN150 million 6.75% Notes due 2015[6]	53	–
COP640 billion IPC + 7.3% Ordinary Bonds due 2014	390	333
COP561.8 billion IPC + 6.52% Ordinary Bonds due 2015	335	263
COP370 billion IPC + 8.18% Ordinary Bonds due 2012	218	183
COP338.5 billion IPC + 7.5% Ordinary Bonds due 2013	202	172
ZAR1,600 million 9.935% Guaranteed Notes due 2012[7]	219	167
US$2,000 million multi-currency revolving credit facility[8]	–	735
US$600 million multi-currency revolving credit facility[9]	250	600
Botswana pula 60 million 11.35% fixed rate bond due 2011	–	8
Other unsecured loans	263	485
	7,674	7,444
Total non-current borrowings	7,809	7,470
Total current and non-current borrowings	9,414	9,618
Analysed as:		
Borrowings	9,212	9,308
Obligations under finance leases	12	10
Overdrafts	190	300
	9,414	9,618

The fair value of non-current borrowings is US$8,351 million (2009: US$8,034 million). The fair values are based on cash flows discounted using prevailing interest rates.

1 On 7 August 2003, Miller Brewing Company issued US$1,100 million, 5.5% Guaranteed Notes due August 2013, guaranteed by SABMiller plc and SABMiller Finance BV until 30 June 2008. Since 1 July 2008, the notes are not guaranteed and SABMiller plc is the sole obligor of the notes. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount. In addition, the notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

2 On 17 July 2009, SABMiller plc issued €1,000 million 4.5% Notes due January 2015. The notes were issued under the US$5,000 million Euro Medium Term Note Programme. The notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

3 On 7 August 2003, SABMiller plc issued US$300 million, 6.625% Guaranteed Notes due August 2033, guaranteed by Miller Brewing Company and SABMiller Finance BV until 30 June 2008. From 1 July 2008, MillerCoors LLC is the sole guarantor. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount. In addition, the notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

4 On 28 June 2006, SABMiller plc issued US$600 million, 6.2% Notes due July 2011 and US$850 million, 6.5% Notes due July 2016, guaranteed by the US Guarantors and SABMiller Finance BV until 30 June 2008. Since 1 July 2008, the notes are not guaranteed. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount. In addition, the notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

5 On 17 July 2008, SABMiller plc issued US$550 million, 5.7% Notes due January 2014 and US$700 million, 6.5% Notes due August 2018. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount. The notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

6 On 12 March 2010, SABMiller plc issued PEN150 million, 6.75% Notes due March 2015. The notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

7 On 19 July 2007, SABSA Holdings (Pty) Ltd issued ZAR1,600 million, 9.935% Guaranteed Notes due 2012, guaranteed by SABMiller plc. The notes mature on 19 July 2012. The notes were issued under the ZAR4,000 million (increased to ZAR6,000 million on 24 December 2008) 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 the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of the redemption.

8 On 12 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 2012.

9 On 30 May 2008, the group entered into a US$600 million revolving credit facility for general corporate purposes. The facility matures in May 2011.

21. Borrowings continued

Undrawn borrowing facilities

The group had the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

	2010 US$m	2009 US$m
Amounts expiring:		
Within one year	**441**	716
Between one and two years	**1,025**	72
Between two and five years	**2,112**	1,272
In five years or more	**1**	33
	3,579	2,093

The facilities expiring within one year are annual facilities subject to review at various dates during the 2011 financial year.

Maturity of obligations under finance leases

Obligations under finance leases are as follows:

	2010 US$m	2009 US$m
The minimum lease payments under finance leases fall due as follows:		
Within one year	**5**	4
Between one and five years	**5**	5
In five years or more	**3**	2
	13	11
Future finance charges on finance leases	**(1)**	(1)
Present value of finance lease liabilities	**12**	10

Maturity of non-current financial liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 March was as follows:

	Borrowings and overdrafts US$m	Finance leases US$m	Net derivative financial assets[1] (note 23) US$m	2010 Total US$m	Borrowings and overdrafts US$m	Finance leases US$m	Net derivative financial assets[1] (note 23) US$m	2009 Total US$m
Amounts falling due:								
Between one and two years	**1,048**	**4**	**–**	**1,052**	115	4	(18)	101
Between two and five years	**4,693**	**3**	**(135)**	**4,561**	4,460	2	(138)	4,324
In five years or more	**2,061**	**–**	**(218)**	**1,843**	2,889	–	(339)	2,550
	7,802	**7**	**(353)**	**7,456**	7,464	6	(495)	6,975

1 Net borrowings-related derivative financial instruments only.

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 financial statements, and it summarises the policies and processes that are in place to measure and manage the risks arising, including those related to the management of capital.

The directors are ultimately responsible for the establishment and oversight of the group's risk management framework. An essential part of this framework is the role undertaken by the audit committee of the board, supported by the internal audit function, and by the Chief Financial Officer, who in this regard is supported by the treasury committee and the group treasury function. Amongst other responsibilities, the audit committee reviews the internal control environment and risk management systems within the group and it reports its activities to the board. The board also receives a quarterly report on treasury activities, including confirmation of compliance with treasury risk management policies.

Notes to the consolidated financial statements continued

22. Financial risk factors continued

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 the policy of the group that no trading in financial instruments be undertaken.

The group's treasury policies are established to identify and analyse the financial risks faced by the group, to set appropriate risk limits and controls and to monitor exposures and adherence to limits.

a. Market risk

(i) Foreign exchange risk

The group is subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures into the group's US dollar reporting currency. The group seeks to mitigate this exposure, where cost effective, by borrowing in the same currencies as the functional currencies of its main operating units or by achieving the same effect through the use of forward foreign exchange contracts and currency swaps. An approximate nominal value of US$2,329 million of US dollar borrowings and €254 million of euro borrowings have been swapped into currencies that match the currency of the underlying operations of the group, primarily South African rand, but also Colombian peso, Peruvian nuevo sol, Czech koruna, Polish zloty, Russian rouble and euro. Of these financial derivatives, US$1,161 million and €150 million are accounted for as net investment hedges.

The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries and associates.

The group is also exposed to transactional currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of group entities. These exposures are presently managed locally by group entities which, subject to regulatory constraints or currency market limitations, hedge a proportion of their foreign currency exposure estimated to arise over a period of up to 18 months. Committed transactional exposures that are certain are hedged fully without limitation in time. The group principally uses forward exchange contracts to hedge currency risk.

The tables below set out the group's currency exposures from financial assets and liabilities held by group companies in currencies other than their functional currencies and resulting in exchange movements in the income statement and balance sheet.

	US dollars US$m	SA rand US$m	Euro US$m	Other European currencies US$m	Other African currencies US$m	Other US$m	Total US$m
Financial assets							
Trade and other receivables	36	179	147	3	52	58	475
Derivative financial instruments[1]	512	3	461	–	–	20	996
Cash and cash equivalents	30	–	27	71	1	38	167
Intragroup assets	254	–	1,688	267	–	52	2,261
At 31 March 2010	832	182	2,323	341	53	168	3,899
Potential impact on earnings – (loss)/gain							
20% increase in functional currency	(117)	(30)	(348)	(57)	(9)	(28)	(589)
20% decrease in functional currency	140	36	417	68	11	34	706
Potential impact on other comprehensive income – (loss)/gain							
20% increase in functional currency	(22)	–	(39)	–	–	–	(61)
20% decrease in functional currency	26	–	47	–	–	–	73
Financial liabilities							
Trade and other payables	(196)	(141)	(146)	(15)	(82)	(99)	(679)
Derivative financial instruments[1]	(205)	(617)	(619)	(892)	–	(245)	(2,578)
Borrowings	(310)	(2)	(1,499)	(7)	(58)	(190)	(2,066)
Intragroup liabilities	(62)	(62)	(166)	(99)	(1)	(1)	(391)
At 31 March 2010	(773)	(822)	(2,430)	(1,013)	(141)	(535)	(5,714)
Potential impact on earnings – gain/(loss)							
20% increase in functional currency	129	34	350	61	24	52	650
20% decrease in functional currency	(155)	(41)	(419)	(74)	(28)	(63)	(780)
Potential impact on other comprehensive income – gain/(loss)							
20% increase in functional currency	–	103	56	107	–	37	303
20% decrease in functional currency	–	(123)	(67)	(129)	–	(44)	(363)

1 These represent the notional amounts of derivative financial instruments.

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
Financial assets							
Trade and other receivables	63	32	81	88	14	26	304
Derivative financial instruments[1]	148	322	1,326	324	–	10	2,130
Cash and cash equivalents	32	–	68	8	4	2	114
Intragroup assets	279	1	1,976	532	–	107	2,895
Available for sale investments	1	–	–	–	–	–	1
At 31 March 2009	523	355	3,451	952	18	145	5,444
Potential impact on earnings – (loss)/gain							
20% increase in functional currency	(61)	(7)	(502)	(110)	(2)	(21)	(703)
20% decrease in functional currency	91	11	754	164	3	32	1,055
Potential impact on other comprehensive income – (loss)/gain							
20% increase in functional currency	(1)	(54)	(60)	(30)	–	–	(145)
20% decrease in functional currency	2	82	90	46	–	–	220
Financial liabilities							
Trade and other payables	(148)	(27)	(147)	(5)	(1)	(3)	(331)
Derivative financial instruments[1]	(705)	(133)	(210)	(384)	–	(199)	(1,631)
Borrowings	(315)	–	(614)	(138)	(1)	(116)	(1,184)
Intragroup liabilities	(92)	(1)	(79)	(101)	(1)	(4)	(278)
At 31 March 2009	(1,260)	(161)	(1,050)	(628)	(3)	(322)	(3,424)
Potential impact on earnings – gain/(loss)							
20% increase in functional currency	153	6	287	41	–	20	507
20% decrease in functional currency	(229)	(10)	(431)	(60)	–	(30)	(760)
Potential impact on other comprehensive income – gain/(loss)							
20% increase in functional currency	3	26	–	64	–	33	126
20% decrease in functional currency	(5)	(38)	–	(96)	–	(50)	(189)

1 These represent the notional amounts of derivative financial instruments.

Foreign currency sensitivity analysis
Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature.

The group holds foreign currency cash flow hedges totalling US$417 million at 31 March 2010 (2009: US$357 million). The foreign exchange gains or losses on these contracts are recorded in the cash flow hedging reserve until the hedged transactions occur, at which time the respective gains and losses are transferred to inventory, property, plant and equipment or to the income statement as appropriate.

The group holds net investment hedges totalling US$1,751 million at 31 March 2010 (2009: US$1,545 million). The foreign exchange gains or losses on these contracts are recorded in the net investment hedging reserve and partially offset the foreign currency translation risk on the group's foreign currency net assets.

(ii) Interest rate risk
As at 31 March 2010, 34% (2009: 29%) of consolidated gross borrowings were in fixed rates taking into account interest rate swaps and forward rate agreements.

The group's policy is to borrow (directly or synthetically) in floating rates, reflecting the fact that floating rates are generally lower than fixed rates in the medium term. However, a minimum of 25% of consolidated net borrowings is required to be in fixed rates for a minimum duration of 12 months and the extent to which group borrowings may be in floating rates is restricted to the lower of 75% of consolidated net borrowings and that amount of net borrowings in floating rates that with a 1% increase in interest rates would increase finance costs by an amount equal to (but not more than) 1.20% of normalised EBITDA adjusted to exclude cash exceptional items. The policy also excludes borrowings arising from recent acquisitions and any inflation linked debt, where there will be a natural hedge within business operations.

Exposure to movements in interest rates in group borrowings is managed through interest rate swaps and forward rate agreements. As at 31 March 2010, on a policy adjusted basis, excluding borrowings from recent acquisitions and any inflation linked debt, 47% (2009: 35%) of consolidated net borrowings were in fixed rates. The impact of a 1% rise in interest rates on borrowings in floating rates would be equivalent to 0.78% (2009: 1.08%) of normalised EBITDA adjusted to exclude cash exceptional items.

Notes to the consolidated financial statements continued

22. Financial risk factors continued

At 31 March 2010 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[1]	4,862	392	1,458	88	1,205	630	8,635
Less fixed rate debt	(4,379)	(219)	(1,365)	–	–	(62)	(6,025)
Variable rate debt	483	173	93	88	1,205	568	2,610
Adjust for:							
Financial derivatives	225	188	1,071	600	567	–	2,651
Net variable rate debt exposure	708	361	1,164	688	1,772	568	5,261
+/- 100 bps change							
Potential impact on earnings	9	4	12	7	18	6	56
+/- 100 bps change							
Potential impact on other comprehensive income	3	–	3	–	–	–	6

At 31 March 2009 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[1,2]	5,905	504	707	282	1,262	536	9,196
Less fixed rate debt	(4,506)	(164)	–	(60)	–	(120)	(4,850)
Variable rate debt	1,399	340	707	222	1,262	416	4,346
Adjust for:							
Financial derivatives	(169)	200	940	663	400	–	2,034
Net variable rate debt exposure	1,230	540	1,647	885	1,662	416	6,380
+/- 100 bps change							
Potential impact on earnings	17	6	17	10	20	4	74
+/- 100 bps change							
Potential impact on other comprehensive income	4	–	5	–	–	–	9

1 Excluding net borrowings-related derivative instruments.

2 As restated (see note 28).

Fair value sensitivity analysis for fixed income instruments

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed rates of interest that are accounted for at amortised cost are not subject to interest rate risk as defined in IFRS 7.

The group holds derivative contracts with a nominal value of US$2,901 million as at 31 March 2010 (2009: US$2,225 million) which are designated as fair value hedges. In the case of these instruments and the underlying fixed rate bonds, changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements net off almost completely in the income statement in the same period.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 bps in interest rates at the reporting date would have increased/(decreased) other comprehensive income and the income statement by the amounts shown above. This analysis assumes all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2009.

Interest rate profiles of financial liabilities

The following table sets out the contractual repricing included within the underlying borrowings (excluding net borrowings-related derivatives) exposed to either fixed interest rates or floating interest rates and revises this for the repricing effect of interest rate and cross currency swaps.

			2010			2009
	Total borrowings US$m	Effect of derivatives US$m	Total exposure US$m	Total borrowings US$m	Effect of derivatives US$m	Total exposure US$m
Financial liabilities						
Repricing due:						
Within one year	3,399	2,806	6,205	4,836	2,184	7,020
Between one and two years	609	–	609	104	(50)	54
Between two and five years	3,369	(1,431)	1,938	2,538	(759)	1,779
In five years or more	2,037	(1,375)	662	2,140	(1,375)	765
Total interest bearing	9,414	–	9,414	9,618	–	9,618
Analysed as:						
Fixed rate interest	6,025	(2,806)	3,219	4,850	(2,034)	2,816
Floating rate interest	3,389	2,806	6,195	4,768	2,034	6,802
Total interest bearing	9,414	–	9,414	9,618	–	9,618

22. Financial risk factors continued

(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 2010 the notional value of commodity derivatives amounted to US$42 million (2009: US$55 million). No sensitivity analysis has been provided on these outstanding contracts as the impact is considered to be immaterial.

Equity securities price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the balance sheet as available for sale investments. No sensitivity analysis has been provided on these outstanding contracts as the impact is considered to be immaterial.

b. Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments

The group limits its exposure to financial institutions by setting credit limits on a sliding scale based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB- by Standard & Poors and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, a maximum limit of US$3 million is applied, unless specific approval is obtained from either the Chief Financial Officer or the audit committee of the board. The utilisation of credit limits is regularly monitored. To reduce credit exposures, the group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the group has a large number of customers which are internationally dispersed. The type of customers range from wholesalers and distributors to smaller retailers. The group has implemented policies that require appropriate credit checks on potential customers before sales commence. Credit risk is managed by limiting the aggregate amount of exposure to any one counterparty.

The group considers its maximum credit risk to be US$2,749 million (2009: US$2,528 million (restated)) which is the total of the group's financial assets.

c. Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group finances its operations through cash generated by the business and a mixture of short-term and medium-term bank credit facilities, bank loans, corporate bonds and commercial paper with a range of maturity dates. In this way, the group ensures that it is not overly reliant on any particular liquidity source or that maturities of borrowings sourced in this way are not overly concentrated.

Subsidiaries have access to local bank credit facilities, but are principally funded by the group.

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 syndicated facility maturing in December 2012.
- US$515 million committed syndicated facility maturing in October 2010, 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.
- US$600 million committed syndicated facility maturing in May 2011.

Liquidity risk faced by the group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised banking facilities and reserve borrowing capacity, as indicated by the level of undrawn facilities.

As at 31 March 2010, borrowing capacity under committed bank facilities amounted to US$3,579 million.

Notes to the consolidated financial statements continued

22. Financial risk factors continued

The table below analyses the group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Over 5 years US$m
At 31 March 2010				
Borrowings	**(1,746)**	**(1,921)**	**(5,359)**	**(2,694)**
Derivative financial instruments	**(253)**	**(63)**	**(26)**	**–**
Trade and other payables	**(2,703)**	**(117)**	**(2)**	**–**
Financial guarantee contracts	**(16)**	**–**	**–**	**–**
At 31 March 2009[1]				
Borrowings	(2,613)	(573)	(5,182)	(3,271)
Derivative financial instruments	(113)	(97)	(16)	(1)
Trade and other payables	(2,070)	(129)	(10)	–

1 As restated (see note 28).

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Over 5 years US$m
At 31 March 2010				
Forward foreign exchange contracts				
Outflow	**(488)**	**(74)**	**–**	**–**
Inflow	**434**	**67**	**–**	**–**
Cross currency swaps				
Outflow	**(152)**	**(239)**	**(607)**	**(583)**
Inflow	**145**	**241**	**694**	**653**
At 31 March 2009				
Forward foreign exchange contracts				
Outflow	(283)	(13)	–	–
Inflow	326	15	–	–
Cross currency swaps				
Outflow	(261)	(469)	(765)	(555)
Inflow	256	491	903	664

Capital management

The capital structure of the group consists of net debt (see note 27c) and shareholders' equity.

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Besides the minimum capitalisation rules that may apply to subsidiaries in different countries, the group's only externally imposed capital requirement relates to the group's core lines of credit which include a net debt to EBITDA financial covenant which was complied with throughout the year.

The group monitors its financial capacity and credit ratings by reference to a number of key financial ratios and cash flow metrics including net debt to EBITDA and interest cover. These provide a framework within which the group's capital base is managed including dividend policy.

The group is currently rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services, both with a stable outlook.

22. Financial risk factors continued

Fair value estimation

Effective 1 April 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 March 2010.

	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	429	–	429
Available for sale investments	1	16	15	32
Total assets	1	445	15	461
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	(321)	–	(321)
Total liabilities	–	(321)	–	(321)

The levels of the fair value hierarchy and its application to the group's financial assets and liabilities are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices):

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives or infrequently traded listed investments) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Specific valuation techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 March 2010.

	Available for sale investments US$m
At 1 April	15
Exchange adjustments	1
Disposals	(1)
At 31 March	15

Notes to the consolidated financial statements continued

23. Derivative financial instruments

Current derivative financial instruments

	2010		2009	
	Assets US$m	Liabilities US$m	Assets US$m	Liabilities US$m
Embedded derivatives	–	(4)	–	(1)
Interest rate swaps designated as cash flow hedges[1]	–	(4)	–	(2)
Forward foreign currency contracts – on operating items	5	(12)	10	(2)
Forward foreign currency contracts – on borrowings[1]	–	(1)	1	(8)
Forward foreign currency contracts designated as net investment hedges	–	–	–	(1)
Forward foreign currency contracts designated as cash flow hedges	–	(26)	42	(4)
Forward foreign currency contracts designated as fair value hedges	–	–	–	(2)
Cross currency swaps – on operating items	–	(1)	–	–
Cross currency swaps – on borrowings[1]	14	(125)	1	–
Commodity contracts designated as cash flow hedges	1	(1)	–	(15)
	20	(174)	54	(35)

1 Borrowings-related derivative financial instruments amounting to a net liability of US$116 million (2009: US$8 million).

Non-current derivative financial instruments

	2010		2009	
	Assets US$m	Liabilities US$m	Assets US$m	Liabilities US$m
Interest rate swaps designated as fair value hedges[1]	252	–	379	–
Interest rate swaps designated as cash flow hedges[1]	–	(9)	–	(22)
Forward foreign currency contracts – on operating items	–	–	–	(1)
Forward foreign currency contracts – on borrowings[1]	2	(1)	–	–
Forward foreign currency contracts designated as net investment hedges	2	(17)	5	(5)
Forward foreign currency contracts designated as cash flow hedges	–	(7)	3	–
Cross currency swaps – on operating items	–	–	–	(1)
Cross currency swaps – on borrowings[1]	123	(14)	162	(24)
Cross currency swaps designated as net investment hedges	30	(99)	146	(54)
	409	(147)	695	(107)

1 Borrowings-related derivative financial instruments amounting to a net asset of US$353 million (2009: US$495 million).

Derivatives designated as hedging instruments

(i) Fair value hedges

The group has entered into several interest rate swaps to pay floating and receive fixed interest which have been designated as fair value hedges to hedge exposure to changes in the fair value of its US dollar and euro fixed rate borrowings. Non-current borrowings are designated as the hedged item as part of the fair value hedge. The borrowings and the interest rate swaps have the same critical terms.

As at 31 March 2010, the notional amount of the US dollar interest rate swaps was US$2,225 million (2009: US$2,225 million). The fixed interest rates received vary from 5.5% to 6.625% (2009: 5.5% to 6.625%) and the floating interest rates paid vary from LIBOR plus 71.6 bps to LIBOR plus 198.8 bps (2009: LIBOR plus 71.6 bps to LIBOR plus 198.8 bps) on the notional amount.

As at 31 March 2010, the notional amount of the euro interest rate swaps was €500 million (2009: €nil). The fixed interest rates received are 4.5% and floating interest rates paid vary from EURIBOR plus 177 bps to EURIBOR plus 178 bps on the notional amount.

As at 31 March 2010, the carrying value of the hedged borrowings was US$3,152 million (2009: US$2,576 million).

(ii) Cash flow hedges

The group has entered into interest rate swaps designated as cash flow hedges to manage the interest rate on borrowings. The notional amount of these interest rate swaps was US$345 million equivalent (2009: US$493 million). The fair value of these interest rate swaps was a liability of US$13 million (2009: US$24 million). The fixed interest rates paid vary from 3.5% to 4.7% (2009: 3.4% to 5.4%) and the floating rates received are LIBOR and EURIBOR plus zero bps (2009: LIBOR and EURIBOR plus zero bps). As at 31 March 2010, the carrying value of the hedged borrowings was US$345 million (2009: US$493 million).

The group has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exposures to expected future trade imports and exports. As at 31 March 2010, the notional amounts of these contracts were €195 million (2009: €149 million) and US$153 million (2009: US$142 million).

The group has entered into commodity contracts designated as cash flow hedges to manage the future price of commodities. As at 31 March 2010, the notional amount of forward contracts for the purchase price of corn was US$8 million (2009: US$5 million) and the notional amount of forward contracts for the purchase price of aluminium was US$34 million (2009: US$50 million).

23. Derivative financial instruments continued

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact the income statement:

	Carrying amount US$m	Expected cash flows US$m	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	More than 5 years US$m
At 31 March 2010						
Interest rate swaps:						
Liabilities	**(13)**	**(13)**	**(4)**	**(3)**	**(6)**	**–**
Forward foreign currency contracts:						
Liabilities	**(33)**	**(36)**	**(29)**	**(7)**	**–**	**–**
Commodity contracts:						
Assets	**1**	**1**	**1**	**–**	**–**	**–**
Liabilities	**(1)**	**(1)**	**(1)**	**–**	**–**	**–**
	(46)	**(49)**	**(33)**	**(10)**	**(6)**	**–**
At 31 March 2009						
Interest rate swaps:						
Liabilities	(22)	(23)	(11)	(5)	(6)	(1)
Forward foreign currency contracts:						
Assets	45	45	42	3	–	–
Liabilities	(4)	(4)	(4)	–	–	–
Commodity contracts:						
Liabilities	(15)	(15)	(15)	–	–	–
	4	3	12	(2)	(6)	(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, Peru and Colombia 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$310 million (2009: gains of US$337 million) have been recognised in other comprehensive income.

Analysis of notional amounts on financial instruments designated as net investment hedges:

	2010 m	2009 m
Forward foreign currency contracts:		
SA rand (ZAR)	**1,703**	1,575
Czech koruna (CZK)	**5,500**	–
Peruvian nuevo sol (PEN)	**294**	294
Cross currency swaps:		
SA rand (ZAR)	**2,799**	2,799
Polish zloty (PLN)	**649**	636
Czech koruna (CZK)	**2,258**	7,788
Euro (€)	**38**	246
Colombian peso (COP)	**–**	272,220

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 2010, the notional amounts of these contracts were €53 million, US$35 million and ZAR22 million (2009: €54 million, US$128 million and PLN7 million).

The group has entered into forward foreign currency contracts to manage foreign currency exposures on intercompany loan balances. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2010, the notional amounts of these contracts were US$205 million, Russian rouble (RUB) 1,640 million and Romanian lei (RON) 122 million (2009: US$219 million, €137 million, PLN70 million, CZK120 million, RON35 million and HUF5,000 million).

Notes to the consolidated financial statements continued

23. Derivative financial instruments continued

(ii) Cross currency swaps

The group has entered into cross currency swaps to manage foreign currency exposures on intercompany loan balances. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2010, the notional amounts of these contracts were €571 million, RUB2,900 million and PLN443 million (2009: €571 million and RUB2,900 million).

The group 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 2010, the notional amount of these contracts was US$300 million (2009: US$300 million).

The group has entered into a cross currency swap to hedge the exposure to foreign exchange risk on its investment in foreign subsidiaries in Colombia. This derivative is fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2010, the notional amount of this contract was COP272,220 million.

Fair value (loss)/gain on financial instruments recognised in the income statement

	2010 US$m	2009 US$m
Derivative financial instruments:		
Interest rate swaps designated as fair value hedges	**(116)**	246
Forward foreign currency contracts	**(7)**	16
Forward foreign currency contracts designated as fair value hedges	**(1)**	(3)
Cross currency swaps	**(99)**	265
Cross currency swaps designated as net investment hedges	**(8)**	(22)
Gain on early termination of financial derivatives	**–**	20
Change in valuation methodology of financial instruments	**(17)**	–
	(248)	522
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	**118**	(236)
Total fair value (loss)/gain on financial instruments recognised in the income statement	**(130)**	286

Fair value gains or losses on borrowings and derivative financial instruments held to hedge interest rate risk on borrowings are recognised as part of net finance costs. Fair value gains or losses on all other derivative financial instruments are recognised in operating profit.

Reconciliation of total financial instruments

The table below reconciles the group's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet.

	Fair value through income statement US$m	Loans and receivables US$m	Available for sale US$m	Financial liabilities held at amortised cost US$m	Not categorised as a financial instrument US$m	Total US$m	Non current US$m	Current US$m
At 31 March 2010								
Assets								
Available for sale investments	**–**	**–**	**32**	**–**	**–**	**32**	**31**	**1**
Derivative financial instruments	**429**	**–**	**–**	**–**	**–**	**429**	**409**	**20**
Trade and other receivables	**–**	**1,509**	**–**	**–**	**273**	**1,782**	**117**	**1,665**
Cash and cash equivalents	**–**	**779**	**–**	**–**	**–**	**779**	**–**	**779**
Liabilities								
Derivative financial instruments	**(321)**	**–**	**–**	**–**	**–**	**(321)**	**(147)**	**(174)**
Borrowings	**–**	**–**	**–**	**(9,414)**	**–**	**(9,414)**	**(7,809)**	**(1,605)**
Trade and other payables	**–**	**–**	**–**	**(2,831)**	**(541)**	**(3,372)**	**(145)**	**(3,227)**
At 31 March 2009[1]								
Assets								
Available for sale investments	–	–	40	–	–	40	29	11
Derivative financial instruments	749	–	–	–	–	749	695	54
Trade and other receivables	–	1,317	–	–	384	1,701	125	1,576
Cash and cash equivalents	–	422	–	–	–	422	–	422
Liabilities								
Derivative financial instruments	(142)	–	–	–	–	(142)	(107)	(35)
Borrowings	–	–	–	(9,618)	–	(9,618)	(7,470)	(2,148)
Trade and other payables	–	–	–	(2,214)	(372)	(2,586)	(186)	(2,400)

1 As restated (see note 28).

24. Provisions

	Litigation and demerged entities US$m	Post-retirement benefits US$m	Taxation-related US$m	Onerous contracts US$m	Restructuring US$m	Other US$m	Total US$m
At 1 April 2008	80	1,017	326	2	16	74	1,515
Exchange adjustments	(11)	(74)	(42)	(1)	(5)	(9)	(142)
Acquisitions – through business combinations	–	–	3	–	–	1	4
Contributed to joint ventures	–	(715)	(5)	–	–	(29)	(749)
Charged/(credited) to the income statement							
– Additional provision in year	13	35	12	9	24	23	116
– Unused amounts reversed	(4)	–	(1)	–	(1)	–	(6)
Utilised in the year							
– Existing	(6)	(46)	(21)	(1)	(4)	(21)	(99)
Actuarial losses recorded in other comprehensive income	–	18	–	–	–	–	18
Reclassifications	–	(18)	–	(1)	–	19	–
Transfer from payables/receivables	(3)	–	4	–	–	14	15
At 31 March 2009	69	217	276	8	30	72	672
Exchange adjustments	7	59	34	–	2	8	110
Acquisitions – through business combinations	1	–	–	–	–	4	5
Charged/(credited) to the income statement							
– Additional provision in year	8	36	20	1	10	33	108
– Unused amounts reversed	–	(3)	(13)	(1)	–	–	(17)
Utilised in the year							
– Existing	(3)	(34)	(5)	(2)	(10)	(23)	(77)
Actuarial losses recorded in other comprehensive income	–	15	–	–	–	–	15
Transfer to payables/receivables	(4)	–	(4)	–	–	–	(8)
At 31 March 2010	**78**	**290**	**308**	**6**	**32**	**94**	**808**
Analysed as:							
Current	36	–	247	6	15	51	355
Non-current	42	290	61	–	17	43	453
	78	**290**	**308**	**6**	**32**	**94**	**808**

Demerged entities and litigation

During the year ended 31 March 1998, the group recognised a provision of US$117 million for the disposal of certain demerged entities in relation to equity injections which were not regarded as recoverable, as well as potential liabilities arising on warranties and the sale agreements. During the year ended 31 March 2010, US$nil (2009: US$1 million) of this provision was utilised in regard to costs associated with SAB Ltd's previously disposed of remaining retail interests. The residual balance of US$16 million relates mainly to the disposal of OK Bazaars (1929) Ltd to Shoprite Holdings Ltd (Shoprite). As disclosed in previous annual reports, a number of claims were made by Shoprite in relation to the valuation of the net assets of OK Bazaars at the time of the sale and for alleged breaches by SAB Ltd of warranties contained in the sale agreements. These claims are being contested by SAB Ltd.

There are US$62 million (2009: US$57 million) of provisions in respect of outstanding litigation within various operations, based on management's expectation that the outcomes of these disputes are expected to be resolved within the forthcoming five years.

While a full provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the directors at this time. The further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets' has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

Post-retirement benefits

The provision for post-retirement benefits represents the provision for medical benefits for retired employees and their dependants in South Africa, for post-retirement medical and life insurance benefits for eligible employees and their dependants in North America and Europe, medical and other benefits in Latin America, and pension provisions for employees in North America, Latin America, Europe and Africa. Provisions for all post-retirement benefits in North America were contributed to the MillerCoors joint venture on 30 June 2008. The principal assumptions on which these provisions are based are disclosed in note 31.

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 one year.

Notes to the consolidated financial statements continued

24. Provisions continued

Restructuring

This includes the remaining 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$52 million (2009: US$33 million) which includes US$13 million (2009: US$9 million) within South Africa relating to employee long service awards. These are expected be utilised on an ongoing basis when the service awards fall due.

25. Share capital

	2010 US$m	2009 US$m
Group and company		
Called up, allotted and fully paid share capital		
1,654,749,852 ordinary shares of 10 US cents each (2009: 1,585,366,969)	**165**	159
50,000 deferred shares of £1.00 each (2009: 50,000)	**–**	–
	165	159

	Ordinary shares of 10 US cents each	Non-voting convertible shares of 10 US cents each	Deferred shares of £1 each	Nominal value US$m
At 1 April 2008	1,505,779,276	77,368,338	50,000	158
Issue of shares – share incentive plans	2,219,355	–	–	1
Conversion of the non-voting convertible shares into ordinary shares	77,368,338	(77,368,338)	–	–
At 31 March 2009	1,585,366,969	–	50,000	159
Issue of shares – share incentive plans	9,382,883	–	–	–
Issue of shares – Polish minority buyout transaction	60,000,000	–	–	6
At 31 March 2010	**1,654,749,852**	**–**	**50,000**	**165**

Changes to authorised share capital

With effect from 1 October 2009, the company adopted new articles of association which removed any previous limit on the authorised share capital. Directors are still limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes. During the year ended 31 March 2009, 77,368,338 non-voting convertible shares of 10 US cents were converted into ordinary shares.

Changes to issued share capital

During the year, the company issued 9,382,883 (2009: 2,219,355) new ordinary shares of 10 US cents to satisfy the exercise of options granted under the various share incentive plans, for consideration of US$114 million (2009: US$23 million).

On 29 May 2009, 60 million new ordinary shares of 10 US cents were issued as consideration for the purchase of the remaining 28.1% minority interest in the group's Polish subsidiary, Kompania Piwowarska SA.

On 26 February 2009, 77,368,338 non-voting convertible shares were converted into ordinary shares and then acquired by SABMiller plc to be held as treasury shares. While the purchase price for each share was £10.54, the whole amount of the consideration was paid between group companies. Following this transaction, no further non-voting convertible shares remain in the issued or authorised share capital of SABMiller plc.

Rights and restrictions relating to share capital

Convertible participating shares

Altria shall be entitled to require the company to convert its ordinary shares into convertible participating shares so as to ensure that Altria's voting shareholding does not exceed 24.99% of the total voting shareholding.

If such an event occurs, the convertible participating shares will rank pari passu with the ordinary shares in all respects and no action shall be taken by the company in relation to ordinary shares unless the same action is taken in respect of the convertible participating shares. On distribution of the profits (whether by cash dividend, dividend in specie, scrip dividend, capitalisation issue or otherwise), the convertible participating shares will rank pari passu with the ordinary shares. On a return of capital (whether winding-up or otherwise), the convertible participating shares will rank pari passu with the ordinary shares.

25. Share capital continued

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 in (iv) above, the convertible participating shares shall be treated as being of the same class as the ordinary shares and no separate meeting or resolution of the holders of the convertible participating shares shall be required to be convened or passed.

Upon a transfer of convertible participating shares by Altria other than to an affiliate, such convertible participating shares shall convert into ordinary shares.

Altria 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 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 whilst they remain convertible participating shares.

Non-voting convertible shares
At 1 April 2008, Safari, a special purpose vehicle established and financed by a wholly owned subsidiary of SABMiller plc, held 77,368,338 non-voting convertible shares of US$0.10 each in the capital of the company. On 26 February 2009, these non-voting convertible shares were converted into ordinary shares and then acquired by the company to be held as treasury shares. While the purchase price for each share was £10.54, the whole amount of the consideration was paid between group companies. Following this transaction, no further non-voting convertible shares remain in the issued share capital of the company.

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.

Notes to the consolidated financial statements continued

25. Share capital continued

Share-based payments

The group operates various equity-settled share award plans for certain employees. The awards outstanding can be summarised as follows:

Scheme	Number of Ordinary shares 2010	Number of Ordinary shares 2009
Mirror Executive Share Purchase Scheme (South Africa) and South African Share Option Plan 2008 (a)	**13,447,779**	14,336,899
Executive Share Option Scheme (Approved Scheme and (No 2) Scheme), Executive Share Option Plan 2008, Approved Executive Share Option Plan 2008 and SABMiller plc Associated Companies Employee Share Plan 2008 (b)	**10,450,149**	11,719,449
Performance Share Award Scheme (c)	**1,584,181**	2,885,680
International Performance Share Award Sub-Scheme (d)	**2,554,522**	3,442,520
Executive Share Award Plan 2008 (e)	**2,777,152**	115,000
International Employee Share Scheme (f)	**3,065,536**	4,297,282
International Employee Stock Appreciation Rights Scheme (g)	**4,203,749**	7,020,930
Stock Appreciation Rights Scheme 2008 (h)	**93,300**	9,100
Total awards outstanding	**38,176,368**	43,826,860

Further details relating to all of the share award schemes can be found in the remuneration report in the section entitled 'Long-term incentive plans' on pages 59 to 67.

(a) Mirror Executive Share Purchase Scheme (South Africa) and South African Executive Share Option Plan 2008

As at 31 March 2010 the following options were outstanding under the SABMiller plc Mirror Executive Share Purchase Scheme (South Africa) and the South African Executive Share Option Plan 2008:

Date of grant	2010 Ordinary shares	2009 Ordinary shares	Exercise price ZAR	Exercise period: Earliest date	Exercise period: Expiry date
27 May 1999	**–**	5,500	50.90	27.05.2004	27.05.2009
25 November 1999	**–**	26,000	56.50	25.11.2004	25.11.2009
2 June 2000	**–**	167,500	43.09	02.06.2005	02.06.2010
1 December 2000	**61,000**	136,750	45.97	01.12.2005	01.12.2010
1 June 2001	**3,000**	69,500	59.15	01.06.2006	01.06.2011
30 November 2001	**165,500**	361,700	67.05	30.11.2006	30.11.2011
31 May 2002	**23,000**	94,300	80.05	31.05.2007	31.05.2012
22 November 2002	**295,000**	666,000	67.17	22.11.2007	22.11.2012
23 May 2003	**268,132**	535,432	53.30	23.05.2008	23.05.2013
21 November 2003	**272,700**	592,000	62.55	21.11.2008	21.11.2013
21 May 2004	**236,000**	688,500	78.30	21.05.2009	21.05.2014
19 November 2004	**401,500**	869,000	96.25	19.11.2009	19.11.2014
20 May 2005	**780,157**	810,157	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	**850,000**	887,000	124.34	11.11.2010	11.11.2015
19 May 2006	**657,740**	1,132,360	129.18	19.05.2009	19.05.2016
10 November 2006	**454,700**	846,500	149.26	10.11.2009	10.11.2016
18 May 2007	**841,750**	872,450	161.85	18.05.2010	18.05.2017
2 August 2007	**37,500**	37,500	178.56	02.08.2010	02.08.2017
16 November 2007	**1,591,800**	1,688,500	181.88	16.11.2010	16.11.2017
16 May 2008	**1,168,950**	1,210,950	185.98	16.05.2011	16.05.2018
1 August 2008	**75,000**	75,000	155.91	01.08.2011	01.08.2018
14 November 2008[1]	**2,184,800**	2,319,300	141.14	14.11.2011	14.11.2018
15 May 2009[1]	**590,750**	–	158.43	15.05.2012	15.05.2019
20 November 2009[1]	**2,243,800**	–	215.31	20.11.2012	20.11.2019
Total	**13,447,779**	14,336,899			

1 Options issued under the South African Executive Share Option Plan 2008 – all other options issued under the Mirror Executive Share Purchase Scheme (South Africa).

No further options can be granted under the Mirror Executive Share Purchase Scheme (South Africa) after 30 September 2008.

25. Share capital continued

(b) SABMiller plc Executive Share Option Scheme (Approved Scheme and (No 2) Scheme), Executive Share Option Plan 2008, Approved Executive Share Option Plan 2008 and SABMiller plc Associated Companies Employee Share Plan 2008

As at 31 March 2010 the following options were outstanding under the UK SABMiller plc Approved Executive Share Option Scheme, the SABMiller plc Unapproved Executive Share Option (No 2) Scheme, the Executive Share Option Plan 2008, the Approved Executive Share Option Plan 2008 and the SABMiller plc Associated Companies Employee Share Plan 2008:

Date of grant	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Exercise period Earliest date	Exercise period Expiry date
27 May 1999	–	9,386	5.170	27.05.2002	27.05.2009
2 June 2000	19,978	197,237	4.110	02.06.2003	02.06.2010
1 December 2000	40,284	40,284	4.220	01.12.2003	01.12.2010
1 December 2000[1]	7,109	7,109	4.220	01.12.2003	01.12.2010
1 June 2001	21,753	319,069	5.160	01.06.2004	01.06.2011
30 November 2001	38,136	38,136	4.720	30.11.2004	30.11.2011
31 May 2002	138,270	534,437	5.705	31.05.2005	31.05.2012
31 May 2002[1]	5,259	10,518	5.705	31.05.2005	31.05.2012
22 November 2002	65,000	94,000	4.400	22.11.2005	22.11.2012
22 November 2002[1]	–	6,818	4.400	22.11.2005	22.11.2012
23 May 2003	178,650	773,247	4.1575	23.05.2006	23.05.2013
23 May 2003[1]	–	7,216	4.1575	23.05.2006	23.05.2013
21 November 2003	72,900	112,900	5.537	21.11.2006	21.11.2013
21 November 2003[1]	11,273	19,329	5.537	21.11.2006	21.11.2013
21 May 2004	192,350	916,581	6.605	21.05.2007	21.05.2014
21 May 2004[1]	4,542	13,210	6.605	21.05.2007	21.05.2014
19 November 2004	44,450	106,750	8.700	19.11.2007	19.11.2014
19 November 2004[1]	3,169	3,169	8.700	19.11.2007	19.11.2014
20 May 2005	324,273	1,220,901	8.280	20.05.2008	20.05.2015
20 May 2005[1]	25,126	46,215	8.280	20.05.2008	20.05.2015
11 November 2005	135,685	277,285	10.530	11.11.2008	11.11.2015
11 November 2005[1]	2,849	9,421	10.530	11.11.2008	11.11.2015
19 May 2006	806,201	1,807,129	10.610	19.05.2009	19.05.2016
19 May 2006[1]	6,042	44,952	10.610	19.05.2009	19.05.2016
10 November 2006	26,200	103,600	10.930	10.11.2009	10.11.2016
10 November 2006[1]	2,060	2,060	10.930	10.11.2009	10.11.2016
22 November 2006	11,600	26,600	10.930	22.11.2009	22.11.2016
18 May 2007	1,787,364	2,010,224	11.670	18.05.2010	18.05.2017
18 May 2007[1]	81,486	88,026	11.670	18.05.2010	18.05.2017
2 August 2007	40,561	55,561	12.300	02.08.2010	02.08.2017
2 August 2007[1]	2,439	2,439	12.300	02.08.2010	02.08.2017
16 November 2007	23,588	28,836	13.320	16.11.2010	16.11.2017
16 November 2007[1]	2,252	4,504	13.320	16.11.2010	16.11.2017
16 May 2008	2,263,226	2,430,844	12.500	16.05.2011	16.05.2018
16 May 2008[1]	71,724	75,456	12.500	16.05.2011	16.05.2018
1 August 2008	160,000	160,000	10.490	01.08.2011	01.08.2018
14 November 2008[2]	116,000	116,000	9.295	14.11.2011	14.11.2018
15 May 2009[2]	3,606,694	–	12.310	15.05.2012	15.05.2019
15 May 2009[3]	7,000	–	12.310	15.05.2012	15.05.2019
15 May 2009[4]	70,456	–	12.310	15.05.2012	15.05.2019
20 November 2009[2]	32,450	–	17.140	20.11.2012	20.11.2019
20 November 2009[4]	1,750	–	17.140	20.11.2012	20.11.2019
	10,450,149	11,719,449			

1 SABMiller plc Approved Executive Share Option Scheme.

2 SABMiller plc Executive Share Option Plan 2008.

3 SABMiller plc Associated Companies Employee Share Plan 2008.

4 SABMiller plc Approved Executive Share Option Plan 2008.

No further options can be granted under the Executive Share Option Schemes (Approved Scheme and (No 2) Scheme) after 30 September 2008.

Notes to the consolidated financial statements continued

25. Share capital continued

(c) Performance Share Award Scheme

As at 31 March 2010 the following conditional awards were outstanding under the SABMiller plc Performance Share Award Scheme:

Date of award	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Earliest date by which performance condition may be met
19 May 2006	**136,125**	675,000	Nil	19.05.2009
13 March 2007	**10,560**	32,000	Nil	13.03.2010
18 May 2007	**342,927**	1,041,200	Nil	18.05.2010
2 August 2007	**12,375**	37,500	Nil	02.08.2010
16 November 2007	**894**	4,680	Nil	16.11.2010
16 May 2008	**921,300**	935,300	Nil	16.05.2011
1 August 2008	**160,000**	160,000	Nil	01.08.2011
	1,584,181	2,885,680		

No further awards can be made under this scheme after 30 September 2008.

(d) International Performance Share Award Sub-Scheme

At 31 March 2010 the following conditional awards were outstanding under the SABMiller plc International Performance Share Award Sub-Scheme:

Grant dates (period of the performance condition)	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Date by which performance condition must be met
19 May 2006 and 10 November 2006 (1 April 2006 to 31 March 2009)	**–**	726,660	Nil	01.04.2009
18 May 2007, 2 August 2007, 3 October 2007 and 16 November 2007 (1 April 2007 to 31 March 2010)	**1,208,672**	1,297,940	Nil	01.04.2010
16 May 2008 and 1 August 2008 (1 April 2008 to 31 March 2011)	**1,345,850**	1,417,920	Nil	01.04.2011
	2,554,522	3,442,520		

No further awards can be made under this scheme after 30 September 2008.

(e) Executive Share Award Plan 2008

At 31 March 2010 the following conditional awards were outstanding under the SABMiller plc Executive Share Award Plan 2008:

Date of award	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Earliest date by which performance condition may be met
14 November 2008	**115,000**	115,000	Nil	14.11.2011
15 May 2009	**2,584,450**	–	Nil	15.05.2012
9 September 2009	**30,000**	–	Nil	09.09.2012
20 November 2009	**47,702**	–	Nil	20.11.2012
	2,777,152	115,000		

25. Share capital continued

(f) International Employee Share Scheme

At 31 March 2010 the following options were outstanding under the SABMiller plc International Employee Share Scheme:

Date of grant	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Partial vesting date from
1 January 2003[1]	**90,002**	171,669	4.1575	01.01.2004
21 May 2004	**505,651**	673,985	6.605	21.05.2005
21 May 2004[2]	**–**	5,000	6.605	21.05.2007[3]
20 May 2005[2]	**5,000**	5,000	8.280	20.05.2008[3]
20 May 2005	**422,302**	819,906	8.280	20.05.2006
11 November 2005	**30,000**	87,630	10.530	11.11.2006
19 May 2006	**432,062**	764,475	10.610	19.05.2007
19 May 2006	**100,000**	100,000	10.610	19.05.2009[3]
19 May 2006[2]	**5,000**	5,000	10.610	19.05.2009[3]
10 November 2006	**28,100**	28,100	10.930	10.11.2007
18 May 2007	**767,035**	893,967	11.670	18.05.2008
18 May 2007	**100,000**	100,000	11.670	18.05.2010[3]
18 May 2007[2]	**2,000**	2,000	11.670	18.05.2010[3]
2 August 2007	**12,500**	12,500	12.300	02.08.2010[3]
16 May 2008	**313,884**	376,050	12.500	16.05.2009
16 May 2008	**200,000**	200,000	12.500	16.05.2011[3]
16 May 2008[2]	**2,000**	2,000	12.500	16.05.2011[3]
1 August 2008	**50,000**	50,000	10.490	01.08.2011[3]
	3,065,536	4,297,282		

1 Granted on 23 May 2003 but effective as at 1 January 2003.

2 SABMiller plc International Employee Share Scheme (Hong Kong and China).

3 Three-year vesting.

No further options can be granted under this scheme after 30 September 2008.

(g) International Employee Stock Appreciation Rights Scheme (SARS)

As at 31 March 2010 the following awards were outstanding under the SABMiller plc International Employee Stock Appreciation Rights Scheme:

Date of award	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Partial vesting date from
1 January 2003[1]	**505,969**	956,120	4.1575	01.01.2004
21 November 2003	**–**	15,000	5.537	21.11.2004
21 May 2004	**570,585**	1,270,040	6.605	21.05.2005
20 May 2005	**677,660**	1,191,255	8.280	20.05.2006
19 May 2006	**719,977**	1,186,172	10.610	19.05.2007
10 November 2006	**10,617**	33,533	10.930	10.11.2007
18 May 2007	**1,066,989**	1,466,860	11.670	18.05.2008
16 November 2007	**26,300**	68,700	13.320	16.11.2008
16 May 2008	**625,652**	833,250	12.500	16.05.2009
	4,203,749	7,020,930		

1 Granted on 23 May 2003 but effective as at 1 January 2003.

No further share awards can be granted under the SABMiller plc International Employee Stock Appreciation Rights Scheme after 30 September 2008.

(h) Stock Appreciation Rights Plan 2008

At 31 March 2010 the following share awards were outstanding under the SABMiller plc Stock Appreciation Rights Plan 2008:

				Exercise period	
Date of grant	2010 Ordinary shares	2009 Ordinary shares	Exercise price £	Earliest date	Expiry date
14 November 2008	**9,100**	9,100	9.295	14.11.2011	14.11.2018
15 May 2009	**84,200**	–	12.31	15.05.2012	15.05.2019
	93,300	9,100			

Notes to the consolidated financial statements continued

25. Share capital continued

Outstanding share awards

The following table summarises information about share awards outstanding at 31 March:

Range of exercise prices	Number 2010	Weighted average remaining contractual life in years 2010	Number 2009	Weighted average remaining contractual life in years 2009
Share awards designated in GBP				
£0	**6,915,855**	**1.3**	6,443,200	1.3
£4 – £5	**945,128**	**2.6**	2,291,836	3.6
£5 – £6	**249,455**	**2.6**	1,020,639	3.0
£6 – £7	**1,273,128**	**4.1**	2,878,816	5.1
£8 – £9	**1,501,980**	**5.1**	3,393,196	6.1
£9 – £10	**125,100**	**8.6**	125,100	9.6
£10 – £11	**2,526,393**	**6.3**	4,685,957	7.2
£11 – £12	**3,804,874**	**7.1**	4,561,077	8.1
£12 – £13	**7,300,336**	**8.6**	3,988,100	9.1
£13 – £14	**52,140**	**7.6**	102,040	8.6
£17 – £18	**34,200**	**6.3**	–	–
	24,728,589	**5.4**	29,489,961	5.6
Share options designated in ZAR				
R40 – R50	**61,000**	**0.7**	304,250	1.4
R50 – R60	**271,132**	**3.1**	636,432	3.8
R60 – R70	**733,200**	**2.8**	1,619,700	3.8
R70 – R80	**236,000**	**4.1**	688,500	5.1
R80 – R90	**23,000**	**2.2**	94,300	3.2
R90 – R100	**1,181,657**	**5.0**	1,679,157	5.9
R110 – R120	**245,000**	**5.4**	245,000	6.5
R120 – R130	**1,507,740**	**5.8**	2,019,360	6.9
R140 – R150	**2,639,500**	**8.3**	3,165,800	9.1
R150 – R160	**665,750**	**9.0**	75,000	9.3
R160 – R170	**841,750**	**7.1**	872,450	8.1
R170 – R180	**37,500**	**7.3**	37,500	8.4
R180 – R190	**2,760,750**	**7.8**	2,899,450	8.8
R210 – R220	**2,243,800**	**7.7**	–	–
	13,447,779	**6.9**	14,336,899	7.0
	38,176,368	**5.9**	43,826,860	6.0

Exerciseable shares

The following table summarises information about exerciseable share options outstanding at 31 March:

	Number 2010	Weighted average exercise price 2010	Number 2009	Weighted average exercise price 2009
Share options designated in GBP	**9,085,944**	**9.28**	14,400,630	8.06
Share options designated in ZAR	**2,838,272**	**97.6**	2,654,682	60.8

The exercise prices of share awards outstanding at 31 March 2010 ranged from £0 to £17.14 and ZAR45.97 to ZAR215.31. The movement in share awards outstanding is summarised in the following table:

	Number of awards UK	Weighted average exercise price £	Weighted average fair value at grant date £	Number of shares under option SA	Weighted average exercise price ZAR	Weighted average fair value at grant date ZAR	Total number of awards
Outstanding at 1 April 2008	26,701,732	7.04	–	12,489,849	113.04	–	39,191,581
Granted	8,498,400	8.16	6.00	3,706,000	156.55	63.9	12,204,400
Lapsed	(3,648,570)	6.61	–	(849,350)	143.02	–	(4,497,920)
Exercised or vested	(2,061,601)	6.41	–	(1,009,600)	61.57	–	(3,071,201)
Outstanding at 31 March 2009	29,489,961	7.38	–	14,336,899	126.14	–	43,826,860
Granted	6,740,482	7.21	6.35	2,903,050	203.64	104.0	9,643,532
Lapsed	(1,373,081)	5.73	–	(419,800)	163.03	–	(1,792,881)
Exercised or vested	(10,128,773)	6.72	–	(3,372,370)	88.21	–	(13,501,143)
Outstanding at 31 March 2010	**24,728,589**	**7.70**	**–**	**13,447,779**	**151.23**	**–**	**38,176,368**

25. Share capital continued

Share awards exercised or vested

The weighted average market price of the group's shares at the date of exercise or vesting for share awards exercised or vested during the year were:

	Number 2010	Weighted average market price 2010	Number 2009	Weighted average market price 2009
Share awards designated in GBP				
– Equity-settled	**10,128,773**	**14.98**	2,061,601	11.52
Share options designated in ZAR				
– Equity-settled	**3,372,370**	**196.44**	1,009,600	171.99
Total awards exercised or vested during the year	**13,501,143**		3,071,201	

Share-based payments have been valued using a binomial model approach except for the Performance Share Award Schemes and Executive Share Award Plan 2008 which have been valued using Monte Carlo simulations.

The Monte Carlo simulation methodology is necessary for valuing share-based payments with TSR performance hurdles. This is achieved by projecting SABMiller plc's share price forwards, together with those of companies in the same comparator group, over the vesting period and/or life of the options after considering their respective volatilities.

Weighted average fair value assumptions

The fair value of services received in return for share awards granted is measured by reference to the fair value of share awards granted. The estimate of the fair value of the services received is measured based on a binomial model for share awards.

The following weighted average assumptions were used in these option pricing models during the year:

	2010	2009
Share price[1]		
– South African schemes (ZAR)	**204.19**	160.55
– All other schemes (£)	**12.23**	12.50
Exercise price[1]		
– South African schemes (ZAR)	**203.64**	156.55
– All other schemes (£)	**7.21**	8.17
Expected volatility (all schemes)[2]	**30.6%**	25.6%
Dividend yield (all schemes)	**4.0%**	2.1%
Annual forfeiture rate		
– South African schemes	**5.0%**	5.0%
– All other schemes	**3.0%**	3.0%
Risk-free interest rate		
– South African schemes	**9.0%**	9.2%
– All other schemes	**2.9%**	4.7%

1 The calculation is based on the weighted fair value of issues made during the year.

2 Expected volatility is calculated by assessing the historical share price data in the United Kingdom and South Africa since May 2002.

Notes to the consolidated financial statements continued

26. Retained earnings and other reserves

a. Retained earnings

	Safari, treasury and EBT shares US$m	Retained earnings US$m	Total US$m
At 1 April 2008	(708)	6,309	5,601
Profit for the year	–	1,881	1,881
Other comprehensive income	–	(146)	(146)
Actuarial losses taken to other comprehensive income	–	(18)	(18)
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(222)	(222)
Deferred tax credit on items taken to other comprehensive income	–	94	94
Other movements	–	(5)	(5)
Dividends paid	–	(877)	(877)
Payment for purchase of own shares for share trusts	(37)	–	(37)
Utilisation of EBT shares	23	(23)	–
Credit entry relating to share-based payments	–	79	79
At 31 March 2009	**(722)**	**7,218**	**6,496**
Profit for the year	–	1,910	1,910
Other comprehensive income	–	(29)	(29)
Actuarial losses taken to other comprehensive income	–	(15)	(15)
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(17)	(17)
Deferred tax credit on items taken to other comprehensive income	–	3	3
Dividends paid	–	(924)	(924)
Payment for purchase of own shares for share trusts	(8)	–	(8)
Utilisation of EBT shares	57	(57)	–
Credit entry relating to share-based payments	–	80	80
At 31 March 2010	**(673)**	**8,198**	**7,525**

The group's retained earnings includes amounts of US$678 million (2009: US$618 million), the distribution of which is limited by statutory or other restrictions.

Safari, treasury and EBT shares reserve

In the financial year ended 31 March 2000, Safari Ltd (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. On 26 February 2009, these non-voting convertible shares were converted into ordinary shares and then acquired by the company to be held as treasury shares. While the purchase price for each share was £10.54, the whole amount of the consideration was paid between group companies. On 15 February 2010, 5,300,000 of these treasury shares were transferred to the employees' benefit trust (EBT) for nil consideration. These shares will be used to satisfy awards outstanding under the various share incentive plans. As at 31 March 2010, 72,068,338 shares were held in treasury.

The EBT holds shares in SABMiller plc for the purposes of the various executive share incentive plans, further details of which are disclosed in the remuneration report. The shares currently rank pari passu with all other ordinary shares. At 31 March 2010 the EBT held 8,672,331 shares (2009: 5,746,387 shares) which cost US$144 million (2009: US$104 million) and had a market value of US$255 million (2009: US$86 million). These shares have been treated as a deduction in arriving at shareholders' funds. The EBT used funds provided by SABMiller plc to purchase such of the shares as were purchased in the market. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

26. Retained earnings and other reserves continued

b. Other reserves

The analysis of other reserves is as follows:

	Foreign currency translation reserve[1] US$m	Cash flow hedging reserve US$m	Net investment hedging reserve US$m	Available for sale reserve US$m	Total US$m
At 1 April 2008	2,435	1	(230)	9	2,215
Currency translation differences					
– subsidiaries	(3,197)	–	–	–	(3,197)
– associates and joint ventures	(152)	–	–	–	(152)
Net investment hedges	–	–	337	–	337
Cash flow hedges	–	21	–	–	21
Available for sale investments	–	–	–	(8)	(8)
Deferred tax on items taken to other comprehensive income	–	31	–	–	31
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(108)	–	–	(108)
Transfer to profit on disposal of Miller's operations	–	(4)	–	–	(4)
Contributed to joint ventures	–	(7)	–	–	(7)
At 31 March 2009[1]	(914)	(66)	107	1	(872)
Currency translation differences					
– subsidiaries	2,346	–	–	–	2,346
– associates and joint ventures	101	–	–	–	101
Net investment hedges	–	–	(310)	–	(310)
Cash flow hedges	–	(59)	–	–	(59)
Available for sale investments	–	–	–	2	2
Deferred tax on items taken to other comprehensive income	–	(39)	–	–	(39)
Share of associates' and joint ventures' gains recognised in other comprehensive income	–	153	–	–	153
At 31 March 2010	**1,533**	**(11)**	**(203)**	**3**	**1,322**

1 As restated (see note 28).

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.

Notes to the consolidated financial statements continued

27a. Reconciliation of profit for the year to net cash generated from operations

	2010 US$m	2009 US$m
Profit for the year	**2,081**	2,157
Taxation	**848**	801
Share of post-tax results of associates and joint ventures	**(873)**	(516)
Interest receivable and similar income	**(316)**	(595)
Interest payable and similar charges	**879**	1,301
Operating profit	**2,619**	3,148
Depreciation:		
Property, plant and equipment	**655**	626
Containers	**226**	203
Container breakages, shrinkages and write-offs	**40**	7
Loss on disposal of property, plant and equipment	**39**	10
Profit on disposal of available for sale investments	**(2)**	–
Amortisation of intangible assets	**203**	204
Impairment of goodwill	**–**	364
Impairment of intangible assets	**–**	14
Impairment of property, plant and equipment	**45**	16
Impairment of working capital balances	**34**	12
Amortisation of advances to customers	**28**	12
Unrealised net loss from fair value hedges	**1**	14
Profit on disposal of businesses	**–**	(526)
Dividends received from other investments	**(2)**	(1)
Charge with respect to share options	**80**	79
Other non-cash movements	**8**	(18)
Net cash generated from operations before working capital movements (EBITDA)	**3,974**	4,164
Decrease/(increase) in inventories	**78**	(249)
Decrease/(increase) in receivables	**48**	(314)
Increase in payables	**416**	66
Increase/(decrease) in provisions	**22**	(7)
(Decrease)/increase in post-retirement benefit provisions	**(1)**	11
Net cash generated from operations	**4,537**	3,671

Cash generated from operations before working capital movements includes cash flows relating to exceptional items of US$301 million (2009: US$nil) in respect of business capability programme costs, US$15 million (2009: US$49 million) in respect of integration and restructuring costs and US$23 million (2009: US$nil) in respect of transaction costs.

27b. Reconciliation of net cash from operating activities to free cash flow

	2010 US$m	2009 US$m
Net cash from operating activities	**3,277**	2,183
Purchase of property, plant and equipment	**(1,436)**	(2,073)
Proceeds from sale of property, plant and equipment	**37**	75
Purchase of intangible assets	**(92)**	(74)
Purchase of shares from minorities	**(5)**	(5)
Investments in joint ventures	**(353)**	(397)
Investments in associates	**(76)**	(4)
Repayment of investments by associates	**3**	3
Dividends received from joint ventures	**707**	454
Dividends received from associates	**106**	151
Dividends received from other investments	**2**	1
Dividends paid to minority interests	**(160)**	(217)
Free cash flow	**2,010**	97

27c. 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
At 1 April 2008	673	(485)	(9,160)	(75)	(13)	(9,733)	(9,060)
Exchange adjustments	(42)	64	1,010	–	2	1,076	1,034
Cash flow	(233)	120	(864)	32	1	(711)	(944)
Acquisitions – through business combinations	28	(1)	(53)	–	–	(54)	(26)
Disposals	(4)	2	–	–	–	2	(2)
Other movements	–	–	(241)	530	–	289	289
At 31 March 2009[1]	422	(300)	(9,308)	487	(10)	(9,131)	(8,709)
Exchange adjustments	196	(106)	(665)	(8)	(2)	(781)	(585)
Cash flow	143	216	604	–	4	824	967
Acquisitions – through business combinations	18	–	(13)	–	(1)	(14)	4
Other movements	–	–	170	(242)	(3)	(75)	(75)
At 31 March 2010	**779**	**(190)**	**(9,212)**	**237**	**(12)**	**(9,177)**	**(8,398)**

Cash and cash equivalents on the balance sheet are reconciled to cash and cash equivalents on the cash flow as follows:

	2010 US$m	2009 US$m
Cash and cash equivalents (balance sheet)	**779**	422
Overdrafts	**(190)**	(300)
Cash and cash equivalents (cash flow)	**589**	122

1 As restated (see note 28).

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	**352**	**134**	**49**	**48**	**196**	**779**
Total gross borrowings (including overdrafts)	**(5,094)**	**(526)**	**(1,403)**	**(1,253)**	**(901)**	**(9,177)**
	(4,742)	**(392)**	**(1,354)**	**(1,205)**	**(705)**	**(8,398)**
Cross currency swaps	**2,124**	**(384)**	**(569)**	**(557)**	**(614)**	**–**
Net debt at 31 March 2010	**(2,618)**	**(776)**	**(1,923)**	**(1,762)**	**(1,319)**	**(8,398)**
Total cash and cash equivalents	168	39	84	13	118	422
Total gross borrowings (including overdrafts)	(5,712)	(543)	(669)	(1,301)	(906)	(9,131)
	(5,544)	(504)	(585)	(1,288)	(788)	(8,709)
Cross currency swaps	2,695	(400)	(1,232)	(400)	(663)	–
Net debt at 31 March 2009[1]	(2,849)	(904)	(1,817)	(1,688)	(1,451)	(8,709)

1 As restated (see note 28).

27d. Major non-cash transactions

2010

The acquisition of the outstanding 28.1% minority in the group's Polish subsidiary, Kompania Piwowarska SA, in exchange for the issue of 60 million ordinary shares in SABMiller plc was a significant non-cash transaction in the year.

2009

The contribution of the Miller Brewing Company's US and Puerto Rico operations to the MillerCoors joint venture in exchange for a 58% economic interest in the resulting joint venture was a significant non-cash transaction during the year.

Notes to the consolidated financial statements continued

28. Restatement of the balance sheet at 31 March 2009

The initial accounting under IFRS 3, 'Business Combinations', for the Pabod and Voltic acquisitions had not been completed as at 31 March 2009. During the year ended 31 March 2010, adjustments to provisional fair values in respect of these acquisitions were made. As a result, comparative information for the year ended 31 March 2009 has been presented in the consolidated financial statements as if the adjustments to provisional fair values had been made from the respective transaction dates. The impact on the prior year income statement has been reviewed and no material adjustments to the income statement are required as a result of the adjustments to provisional fair values. The following table reconciles the impact on the balance sheet reported as at 31 March 2009 to the comparative balance sheet presented in the consolidated financial statements.

Balance Sheet

	At 31 March 2009 US$m	Adjustments to provisional fair values US$m	**At 31 March 2009 As restated US$m**
Assets			
Non-current assets			
Goodwill	8,734	(18)	**8,716**
Intangible assets	3,729	13	**3,742**
Property, plant and equipment	7,404	2	**7,406**
Investment in joint ventures	5,495	–	**5,495**
Investment in associates	1,787	–	**1,787**
Available for sale investments	29	–	**29**
Derivative financial instruments	695	–	**695**
Trade and other receivables	125	–	**125**
Deferred tax assets	161	–	**161**
	28,159	(3)	**28,156**
Current assets			
Inventories	1,242	(1)	**1,241**
Trade and other receivables	1,576	–	**1,576**
Cash and cash equivalents	409	13	**422**
Other current assets	233	–	**233**
	3,460	12	**3,472**
Total assets	31,619	9	**31,628**
Liabilities			
Current liabilities			
Derivative financial instruments	(35)	–	**(35)**
Borrowings	(2,148)	–	**(2,148)**
Trade and other payables	(2,396)	(4)	**(2,400)**
Current tax liabilities	(463)	–	**(463)**
Provisions	(299)	–	**(299)**
	(5,341)	(4)	**(5,345)**
Non-current liabilities			
Derivative financial instruments	(107)	–	**(107)**
Borrowings	(7,470)	–	**(7,470)**
Trade and other payables	(186)	–	**(186)**
Deferred tax liabilities	(2,029)	(1)	**(2,030)**
Provisions	(373)	–	**(373)**
	(10,165)	(1)	**(10,166)**
Total liabilities	(15,506)	(5)	**(15,511)**
Net assets	16,113	4	**16,117**
Total equity	16,113	4	**16,117**

29. Acquisitions and disposals

The following significant business combinations took effect during the year:

In April 2009 control was assumed over Bere Azuga in Romania and the group had a 100% interest as at 31 March 2010.

In July 2009 the group acquired an effective 40% interest in Ambo Mineral Water Share Company in Ethiopia.

In September 2009 the group acquired a maheu business, a non-alcoholic traditional beverage, in Zambia, in which it has an effective 62% interest.

In February 2010 the group completed the cash acquisition of the assets of the Rwenzori water business in Uganda, in which it has an effective 80% interest.

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 2010:

	Carrying value pre-acquisition US$m	Provisional fair value US$m
Intangible assets	–	33
Property, plant and equipment	47	37
Inventories	6	5
Trade and other receivables	2	2
Cash and cash equivalents	18	18
Borrowings	(14)	(14)
Trade and other payables	(7)	(11)
Deferred tax liabilities	–	(1)
Provisions	–	(5)
	52	64
Minority interests		(27)
Net assets acquired		37
Provisional goodwill		72
Consideration		**109**

Goodwill represents amongst other things, tangible and intangible assets yet to be recognised separately from goodwill as the fair value exercises are still in progress, potential synergies and the value of the assembled workforce.

	US$m
Consideration satisfied by:	
Cash consideration	78
Available for sale investment transferred to investment in subsidiary undertaking (see note 15)	11
Cash and cash equivalents acquired	18
Deferred consideration relating to current year acquisitions	4
Deferred consideration paid relating to prior year acquisitions	(2)
	109

From the date of acquisition to 31 March 2010 the following amounts have been included in the group's income and cash flow statements for the year:

	US$m
Income statement	
Revenue	16
Operating loss	(1)
Profit/(loss) before tax	–
Cash flow statement	
Cash utilised in operations	(15)
Net interest received/(paid)	–
Purchase of property, plant and equipment	(8)

If the date of the acquisitions made during the year had been 1 April 2009, then the group's revenue, operating profit and profit before tax for the year ended 31 March 2010 would have been as follows:

	US$m
Income statement	
Revenue	18,048
Operating profit	2,625
Profit before tax	2,930

Notes to the consolidated financial statements continued

29. Acquisitions and disposals continued

Minority interests

The following minority interests were acquired for cash consideration of US$1 million and non-cash consideration of US$1,197 million, generating additional goodwill of US$1,125 million. The purchase of shares from minorities in the consolidated cash flow statement includes deferred consideration relating to purchases of minority interests in the prior year.

Company	% acquired	Effective % holding after acquisition of minority interest	Form of consideration	Country
Kompania Piwowarska SA	28.1	100%	Shares	Poland
Cervecería San Juan SA	0.5	86%	Cash	Peru
Cervecería Nacional SA	0.1	97%	Cash	Panama

Disposals

Disposal of Miller subsidiary into the MillerCoors joint venture in the prior year

On 30 June 2008, SABMiller plc and Molson Coors Brewing Company announced that they had completed the transaction to combine the US and Puerto Rico operations of their respective subsidiaries, Miller and Coors, in a joint venture to create MillerCoors, a stronger, brand-led US brewer in the increasingly competitive US marketplace. MillerCoors began operating as a combined entity on 1 July 2008. SABMiller has a 58% economic interest in MillerCoors and Molson Coors has a 42% economic interest. Voting interests are shared equally between SABMiller and Molson Coors, and each of SABMiller and Molson Coors has equal board representation. A profit of US$437 million arose on the disposal of the US and Puerto Rico operations of the Miller business into the MillerCoors joint venture. The profit was calculated as 58% of the fair value of the business contributed to the joint venture by Coors Brewing Company less 42% of the value of net assets contributed to the joint venture by SABMiller plc and transaction costs.

The net assets contributed by SABMiller plc to the MillerCoors joint venture were comprised as follows:

	US$m
Goodwill	3,998
Intangible assets	232
Property, plant and equipment	1,043
Other non-current assets	117
Non-current assets	5,390
Current assets	414
Overdraft	(2)
Other current liabilities	(413)
Provisions	(15)
Current liabilities	(430)
Other non-current liabilities	(4)
Provisions	(734)
Non-current liabilities	(738)
Net assets contributed to joint venture	4,636

Other disposals during the prior year

On 26 February 2009, the disposal of the Agua Brisa water business in Colombia was completed for cash consideration of US$92 million. On 26 March 2009, the disposal of the Bolivian soft drinks business was completed for cash consideration of US$27 million.

The net assets disposed of for these disposals were comprised as follows:

	US$m
Non-current assets	22
Current assets[1]	13
Current liabilities	(4)
Non-current liabilities	(1)
Net assets	30

1 Including cash and cash equivalents of US$4 million.

30. Commitments, contingencies and guarantees

a. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases at 31 March 2010 are as follows:

	2010 US$m	2009 US$m
Land and buildings		
Within one year	**50**	50
Later than one year and less than five years	**109**	83
After five years	**33**	46
	192	179
Plant, vehicles and systems		
Within one year	**32**	26
Later than one year and less than five years	**54**	62
After five years	**37**	8
	123	96

b. Other commitments

	2010 US$m	2009 US$m
Capital commitments not provided in the financial information		
Contracts placed for future expenditure for property, plant and equipment	**261**	403
Contracts placed for future expenditure for intangible assets	**2**	2
Share of capital commitments of joint ventures	**37**	65
Other commitments not provided in the financial information		
Contracts placed for future expenditure	**2,086**	1,499
Share of joint ventures' other commitments	**482**	606

Contracts placed for future expenditure in 2010 primarily relate to minimum purchase commitments for raw materials and packaging materials, which are principally due between 2010 and 2015. Additionally, as part of the business capability programme the group has entered into contracts for the provision of IT, communications and consultancy services and in relation to which the group had commitments of US$142 million at 31 March 2010.

The group's share of joint ventures' other commitments primarily relate to MillerCoors' various long-term non-cancellable advertising and promotion commitments.

c. Contingent liabilities and guarantees

	2010 US$m	2009 US$m
Guarantees to third parties provided in respect of trade loans[1]	**16**	28
Guarantees to third parties provided in respect of bank facilities	**9**	8
Share of associates' contingent liabilities	**–**	1
Share of joint ventures' contingent liabilities	**8**	10
Litigation[2]	**14**	14
Other contingent liabilities	**–**	2
	47	63

1 Guarantees to third parties provided in respect of trade loans
These primarily relate to guarantees given by Grolsch to banks in relation to loans taken out by trade customers.

2 Litigation
The group has a number of activities in a wide variety of geographic areas and is subject to certain legal claims incidental to its operations. In the opinion of the directors, after taking appropriate legal advice, these claims are not expected to have, either individually or in aggregate, a material adverse effect upon the group's financial position, except insofar as already provided in the consolidated financial statements.

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.

Notes to the consolidated financial statements continued

31. Pensions and post-retirement benefits

The group operates a number of pension schemes throughout the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The majority of the schemes are funded and the schemes' assets are held independently of the group's finances. The assets of the schemes do not include any of the group's own financial instruments, nor any property occupied by or other assets used by the group. Pension and post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. Generally, the projected unit method is applied to measure the defined benefit scheme liabilities.

The group also provides medical benefits, which are mainly unfunded, for retired employees and their dependants in South Africa, The Netherlands and Latin America. The defined benefit pension plans and medical and other post-retirement benefit plans of the Miller Brewing Company were transferred to the MillerCoors joint venture on 30 June 2008.

The total pension and post-retirement medical benefit costs recognised in the income statement, and related net liabilities on the balance sheet are as follows:

	2010 US$m	2009 US$m
Defined contribution scheme costs	83	83
Defined benefit pension plan costs	23	16
Post-retirement medical and other benefit costs	13	19
Accruals for defined contribution plans (balance sheet)	3	2
Provisions for defined benefit pension plans (balance sheet)	187	137
Provisions for other post-retirement benefits (balance sheet)	103	80

The group operates various defined contribution and defined benefit schemes. Details of the main defined benefit schemes are provided below:

South Africa pension schemes

The group operates a number of pension schemes throughout South Africa. Details of the major schemes are provided below:

The ABI Pension Fund, Suncrush Pension Fund and Suncrush Retirement Fund are funded schemes of the defined benefit type based on average salary with assets held in separately administered funds. The surplus apportionment schemes for the ABI Pension Fund, the Suncrush Pension Fund and Suncrush Retirement Fund have been approved by the Financial Services Board.

The active and pensioner liabilities in respect of the ABI Pension Fund and the Suncrush Retirement Fund have been settled. The only liabilities are in respect of the surplus apportionment scheme and unclaimed benefits. Once the surplus liabilities have been settled, the Funds will be deregistered and liquidated. The Trustees have resolved that any surplus remaining in the Suncrush Retirement Fund should be transferred to the Suncrush Pension Fund, although this has not been approved.

Latin America pension schemes

The group operates a number of pension schemes throughout Latin America. Details of the major scheme are provided below:

The Colombian Labour Code Pension Plan is an unfunded scheme of the defined benefit type and covers all salaried and hourly employees in Colombia who are not covered by social security or who have at least 10 years of service prior to 1 January 1967. The plan is financed entirely through company reserves and there are no external assets. The most recent actuarial valuation of the Colombian Labour Code Pension Plan was carried out by independent professionally qualified actuaries at 28 February 2010 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 shown below and take into consideration changes in the Colombian economy.

Grolsch pension scheme

The Grolsch pension plan, named Stichting Pensioenfonds van de Grolsche Bierbrouwerij, is a funded scheme of the defined benefit type, based on average salary with assets held in separately administered funds. The latest valuation of the Grolsch pension fund was carried out at 31 March 2010 by an independent actuary using the projected unit credit method. The principal assumptions used in the valuation are listed below.

31. 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	
		South Africa %	Latin America %	Grolsch %	Other %	South Africa %	Other %
At 31 March 2010							
Discount rate		**–**	**8.8**	**5.0**	**4.9**	**9.5**	**8.8**
Salary inflation		**–**	**4.0**	**2.5**	**3.6**	**–**	**–**
Pension inflation		**–**	**4.0**	**2.5**	**3.1**	**–**	**–**
Healthcare cost inflation		**–**	**–**	**–**	**–**	**8.0**	**4.0**
Mortality rate assumptions							
– Retirement age:	Males	**–**	**55**	**65**	**–**	**63**	**55**
	Females	**–**	**50**	**65**	**–**	**63**	**50**
– Life expectations on retirement age:							
Retiring today:	Males	**–**	**20**	**21**	**–**	**16**	**20**
	Females	**–**	**25**	**22**	**–**	**20**	**25**
Retiring in 20 years:	Males	**–**	**–**	**22**	**–**	**16**	**–**
	Females	**–**	**–**	**23**	**–**	**20**	**–**
At 31 March 2009							
Discount rate		–	10.7	5.8	5.4	9.0	10.7
Salary inflation		–	5.2	2.5	3.5	–	–
Pension inflation		–	5.2	2.5	3.0	–	–
Healthcare cost inflation		–	–	–	–	7.5	5.2
Mortality rate assumptions							
– Retirement age:	Males	–	55	65	–	63	55
	Females	–	50	65	–	63	50
– Life expectations on retirement age:							
Retiring today:	Males	–	20	19	–	16	20
	Females	–	25	21	–	20	25
Retiring in 20 years:	Males	–	–	21	–	16	–
	Females	–	–	22	–	20	–

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
Present value of scheme liabilities at 1 April 2008	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	–	–	–	–
Benefits paid	(15)	(19)	(18)	(10)	(4)	(66)	(7)	–	(7)	(14)
Contributions paid by plan participants	–	–	(1)	2	–	1	–	(1)	(1)	(2)
Current service cost	3	–	(2)	7	3	11	2	1	1	4
Past service costs	–	–	–	–	–	–	(2)	–	–	(2)
Interest costs	17	4	13	14	2	50	8	4	5	17
Actuarial losses/(gains)	6	8	(17)	(49)	(1)	(53)	–	–	1	1
Settlements and curtailments	–	–	(6)	2	(1)	(5)	–	–	–	–
Transfer (to)/from other provisions	–	–	(19)	–	2	(17)	–	–	(1)	(1)
Contributed to joint venture	(1,112)	–	–	–	–	(1,112)	(520)	–	–	(520)
Exchange adjustments	–	(8)	(44)	(50)	(5)	(107)	–	(8)	(16)	(24)
Present value of scheme liabilities at 31 March 2009	–	40	109	241	29	419	–	38	42	80
– Portion of defined benefit obligation that is unfunded	–	–	107	–	21	128	–	38	42	80
– Portion of defined benefit obligation that is partly or wholly funded	–	40	2	241	8	291	–	–	–	–
Benefits paid	–	(17)	(14)	(10)	(4)	(45)	–	–	(7)	(7)
Contributions paid by plan participants	–	–	–	3	–	3	–	(2)	(2)	(4)
Current service cost	–	–	1	5	2	8	–	1	2	3
Interest costs	–	4	13	14	1	32	–	4	4	8
Actuarial (gains)/losses	–	(7)	5	43	–	41	–	4	(4)	–
Transfer (to)/from other provisions	–	–	(1)	–	1	–	–	–	–	–
Exchange adjustments	–	11	35	3	2	51	–	14	9	23
Present value of scheme liabilities at 31 March 2010	**–**	**31**	**148**	**299**	**31**	**509**	**–**	**59**	**44**	**103**
– Portion of defined benefit obligation that is unfunded	**–**	**–**	**146**	**–**	**24**	**170**	**–**	**59**	**44**	**103**
– Portion of defined benefit obligation that is partly or wholly funded	**–**	**31**	**2**	**299**	**7**	**339**	**–**	**–**	**–**	**–**

Notes to the consolidated financial statements continued

31. 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	Grolsch US$m	Total US$m
Plan assets at 1 April 2008	942	82	324	1,348
Expected return on plan assets	19	5	17	41
Benefits paid	(15)	(19)	(10)	(44)
Employer contributions	2	–	7	9
Actuarial losses	(31)	–	(47)	(78)
Settlements	–	(1)	–	(1)
Contributed to joint venture	(917)	–	–	(917)
Exchange adjustments	–	(10)	(49)	(59)
Plan assets at 31 March 2009	–	57	242	299
Expected return on plan assets	–	5	14	19
Benefits paid	–	(18)	(10)	(28)
Employer contributions	–	(7)	8	1
Actuarial gains	–	–	33	33
Exchange adjustments	–	16	4	20
Plan assets at 31 March 2010	**–**	**53**	**291**	**344**

The fair value of assets in pension schemes and the expected rates of return were:

	South Africa		Latin America		Grolsch		Other		Total
	US$m	Long-term rate of return	US$m	Long-term rate of return	US$m	Long-term rate of return	US$m	Long-term rate of return	US$m
At 31 March 2010									
Equities	**1**	**12.0**	**–**	**–**	**90**	**8.0**	**–**	**–**	**91**
Bonds	**1**	**9.0**	**–**	**–**	**180**	**4.0**	**–**	**–**	**181**
Cash	**51**	**7.0**	**–**	**–**	**1**	**–**	**–**	**–**	**52**
Property and other	**–**	**–**	**–**	**–**	**20**	**–**	**–**	**–**	**20**
Total fair value of assets	**53**		**–**		**291**		**–**		**344**
Present value of scheme liabilities	**(31)**		**(148)**		**(299)**		**(31)**		**(509)**
Surplus/(deficit) in the scheme	**22**		**(148)**		**(8)**		**(31)**		**(165)**
Unrecognised pension asset due to limit	**(22)**		**–**		**–**		**–**		**(22)**
Pension liability recognised	**–**		**(148)**		**(8)**		**(31)**		**(187)**
At 31 March 2009									
Equities	4	12.0	–	–	97	7.0	–	–	101
Bonds	–	–	–	–	145	5.0	–	–	145
Cash	50	7.0	–	–	–	–	–	–	50
Property and other	3	12.0	–	–	–	–	–	–	3
Total fair value of assets	57		–		242		–		299
Present value of scheme liabilities	(40)		(109)		(241)		(29)		(419)
Surplus/(deficit) in the scheme	17		(109)		1		(29)		(120)
Unrecognised pension asset due to limit	(17)		–		–		–		(17)
Pension (liability)/asset recognised	–		(109)		1		(29)		(137)

31. 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		
	South Africa US$m	Latin America US$m	Grolsch US$m	Other US$m	Total US$m	South Africa US$m	Other US$m	Total US$m
At 31 March 2010								
Present value of scheme liabilities	**(31)**	**(148)**	**(299)**	**(31)**	**(509)**	**(59)**	**(44)**	**(103)**
Fair value of plan assets	**53**	**–**	**291**	**–**	**344**	**–**	**–**	**–**
	22	**(148)**	**(8)**	**(31)**	**(165)**	**(59)**	**(44)**	**(103)**
Unrecognised assets due to limit	**(22)**	**–**	**–**	**–**	**(22)**	**–**	**–**	**–**
Net liability recognised on balance sheet	**–**	**(148)**	**(8)**	**(31)**	**(187)**	**(59)**	**(44)**	**(103)**
At 31 March 2009								
Present value of scheme liabilities	(40)	(109)	(241)	(29)	(419)	(38)	(42)	(80)
Fair value of plan assets	57	–	242	–	299	–	–	–
	17	(109)	1	(29)	(120)	(38)	(42)	(80)
Unrecognised assets due to limit	(17)	–	–	–	(17)	–	–	–
Net (liability)/asset recognised on balance sheet	–	(109)	1	(29)	(137)	(38)	(42)	(80)

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 completed. In addition, the net gain of US$1 million (2009: US$1 million) which would be taken to the income statement and net actuarial gain which would be taken directly to other comprehensive income of US$7 million (2009: loss of US$8 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	Grolsch US$m	Other US$m	Total US$m	Miller US$m	South Africa US$m	Other US$m	Total US$m
At 31 March 2010									
Current service cost	**–**	**(1)**	**(5)**	**(2)**	**(8)**	**–**	**(1)**	**(2)**	**(3)**
Interest costs	**–**	**(13)**	**(15)**	**(1)**	**(29)**	**–**	**(4)**	**(6)**	**(10)**
Expected return on plan assets	**–**	**–**	**14**	**–**	**14**	**–**	**–**	**–**	**–**
	–	**(14)**	**(6)**	**(3)**	**(23)**	**–**	**(5)**	**(8)**	**(13)**
At 31 March 2009									
Current service cost	(3)	2	(7)	(3)	(11)	(2)	(1)	(1)	(4)
Past service cost	–	–	–	–	–	2	–	–	2
Interest costs	(17)	(13)	(14)	(2)	(46)	(8)	(4)	(5)	(17)
Expected return on plan assets	19	–	17	–	36	–	–	–	–
Settlements and curtailments	–	6	(2)	1	5	–	–	–	–
	(1)	(5)	(6)	(4)	(16)	(8)	(5)	(6)	(19)

Notes to the consolidated financial statements continued

31. Pensions and post-retirement benefits continued

The amounts recognised in the statement of comprehensive income are as follows:

	Defined benefit pension plans					Medical and other post-retirement benefits			
	Miller 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
At 31 March 2010									
Actual return on plan assets	**–**	**–**	**47**	**–**	**47**	**–**	**–**	**–**	**–**
Less: expected return on plan assets	**–**	**–**	**(14)**	**–**	**(14)**	**–**	**–**	**–**	**–**
Experience gains/(losses) arising on									
scheme assets	**–**	**–**	**33**	**–**	**33**	**–**	**–**	**–**	**–**
scheme liabilities	**–**	**–**	**(43)**	**–**	**(43)**	**–**	**(1)**	**–**	**(1)**
Changes in actuarial assumptions	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(3)**	**4**	**1**
Other actuarial gains	**–**	**1**	**–**	**–**	**1**	**–**	**–**	**–**	**–**
	–	**(5)**	**(10)**	**–**	**(15)**	**–**	**(4)**	**4**	**–**
At 31 March 2009									
Actual loss on plan assets	(11)	–	(30)	–	(41)	–	–	–	–
Less: expected return on plan assets	(19)	–	(17)	–	(36)	–	–	–	–
Experience (losses)/gains arising on									
scheme assets	(30)	–	(47)	–	(77)	–	–	–	–
scheme liabilities	(11)	–	49	–	38	(9)	(1)	–	(10)
Changes in actuarial assumptions	4	17	–	1	22	9	1	1	11
Other actuarial losses	–	–	–	–	–	–	–	(2)	(2)
	(37)	17	2	1	(17)	–	–	(1)	(1)

The cumulative amounts recognised in other comprehensive income are as follows:

	2010 US$m	2009 US$m
Cumulative actuarial losses recognised at beginning of year	**(160)**	(142)
Net actuarial losses recognised in the year	**(15)**	(18)
Cumulative actuarial losses recognised at end of year	**(175)**	(160)

History of actuarial gains and losses

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Experience gains/(losses) of plan assets	**33**	(77)	(90)	28	31
Percentage of plan assets	**10%**	26%	7%	3%	3%
Experience (losses)/gains of scheme liabilities	**(44)**	28	2	(62)	4
Percentage of scheme liabilities	**7%**	6%	0%	3%	0%
Fair value of plan assets	**344**	299	1,348	1,112	1,038
Present value of scheme liabilities	**(612)**	(499)	(2,338)	(2,064)	(1,939)
Deficit in the schemes	**(268)**	(200)	(990)	(952)	(901)
Unrecognised assets due to limit	**(22)**	(17)	(27)	(47)	(73)
Net liability recognised in balance sheet	**(290)**	(217)	(1,017)	(999)	(974)

Contributions expected to be paid into the group's major defined benefit schemes during the annual period after 31 March 2010 are US$22 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:

	2010	
	Increase US$m	Decrease US$m
Current service costs	**1**	**–**
Interest costs	**2**	**(1)**
Accumulated post-employment medical benefit costs	**11**	**(9)**

32. Related party transactions

a. Parties with significant influence over the group: Altria Group, Inc. (Altria) and the Santo Domingo Group (SDG)

Altria is considered to be a related party of the group by virtue of its 27.2% equity shareholding. There were no transactions with Altria during the year.

SDG is considered to be a related party of the group by virtue of its 14.2% equity shareholding in SABMiller plc. During the year the group made a donation of US$30 million to the Fundacion Mario Santo Domingo (2009: US$69 million), pursuant to the contractual arrangements entered into at the time of the Bavaria transaction in 2005, under which it was agreed that the proceeds of the sale of surplus non-operating property assets owned by Bavaria SA and its subsidiaries would be donated to various charities, including the Fundacion Mario Santo Domingo. At 31 March 2010, US$nil million (2009: US$nil) was owing to the SDG.

b. Associates and joint ventures

The MillerCoors joint venture is deemed to be a related party from 1 July 2008. Transactions with the MillerCoors joint venture include the sale of hops and lager to and the purchase of lager from MillerCoors. MillerCoors has also carried out contract brewing on behalf of group companies. Further details relating to transactions with MillerCoors are included within the analysis of transactions with joint ventures below.

	2010 US$m	2009 US$m
Purchases from associates[1]	**(193)**	(251)
Purchases from joint ventures[2]	**(72)**	(50)
Sales to associates[3]	**28**	44
Sales to joint ventures[4]	**44**	28
Dividends received from associates[5]	**109**	151
Dividends received from joint ventures[6]	**707**	454
Royalties received[7]	**2**	1
Management and guarantee fees[8]	**(1)**	(2)
Receipt from sale of distribution rights[9]	**–**	14

1 The group purchased canned Coca-Cola products for resale from Coca-Cola Canners of Southern Africa (Pty) Limited (Coca-Cola Canners) and purchased inventory from Distell Group Ltd (Distell) and Associated Fruit Processors (Pty) Ltd (AFP) in South Africa.

2 The group purchased lager from MillerCoors.

3 The group made sales of lager to Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun), Empresa Cervejas De N'Gola SARL (ECN), Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd (Castel), Delta Corporation Ltd and Distell.

4 The group made sales to MillerCoors and Pacific Beverages (Pty) Ltd.

5 The group received dividends from Castel of US$40 million (2009: US$39 million), Kenya Breweries Ltd US$11 million (2009: US$15 million), Coca-Cola Canners US$5 million (2009: US$4 million), Distell US$19 million (2009: US$17 million), Tsogo Sun US$28 million (2009: US$73 million), ECN US$3 million (2009: US$nil) and Grolsch (UK) Ltd of US$3 million (2009: US$3 million).

6 The group received dividends from MillerCoors.

7 The group received royalties from MillerCoors and Pacific Beverages (Pty) Ltd.

8 The group paid management and guarantee fees to MillerCoors.

9 The group sold distribution rights to MillerCoors.

At 31 March	2010 US$m	2009 US$m
Amounts owed by associates[1]	**3**	27
Amounts owed by joint ventures[2]	**4**	2
Amounts owed to associates[3]	**(38)**	(25)
Amounts owed to joint ventures[4]	**(23)**	(29)

1 Amounts owed by Grolsch (UK) Ltd, Castel and AFP.

2 Amounts owed by MillerCoors and Pacific Beverages (Pty) Ltd.

3 Amounts owed to Coca-Cola Canners.

4 Amounts owed to MillerCoors.

c. Transactions with key management

The group has a related party relationship with the directors of the group and members of the excom as key management. At 31 March 2010, there were 25 (2009: 23) members of key management. Key management compensation is provided in note 6c.

Notes to the consolidated financial statements continued

33. Principal subsidiaries, associates and joint ventures

The principal subsidiary undertakings of the group as at 31 March were as follows:

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital 2010	2009
Corporate				
SABMiller Holdings Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Finance BV[1]	Netherlands	Holding company	**100%**	100%
SABSA Holdings (Pty) Ltd	South Africa	Holding company	**100%**	100%
SABMiller Africa and Asia BV[1]	Netherlands	Holding company	**100%**	100%
SABMiller International BV	Netherlands	Trademark owner	**100%**	100%
SABMiller Latin America Ltd	United Kingdom	Holding company	**100%**	100%
Latin American operations				
Bavaria SA[2]	Colombia	Brewing/Soft drinks	**99%**	99%
Cervecería Uníon SA	Colombia	Brewing	**98%**	98%
Cervecería del Valle SA	Colombia	Brewing	**99%**	99%
Union de Cervecerías Peruanas Backus y Johnston SAA[2]	Peru	Brewing	**93%**	93%
Cervecería San Juan SA[2]	Peru	Brewing/Soft drinks	**86%**	86%
Cervecería Nacional (CN) SA[2]	Ecuador	Brewing	**96%**	95%
Latin Development Corporation[3]	Panama	Holding company	**–**	99%
Cervecería Nacional SA[2]	Panama	Brewing	**97%**	97%
Bevco Ltd	British Virgin Islands	Holding company	**100%**	100%
Cervecería Hondureña, SA de CV	Honduras	Brewing/Soft drinks	**99%**	99%
Industrias La Constancia, SA de CV	El Salvador	Brewing/Soft drinks	**100%**	100%
European operations				
SABMiller Europe BV[1]	Netherlands	Holding company	**100%**	100%
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	**100%**	100%
S.p.A. Birra Peroni	Italy	Brewing	**100%**	100%
Ursus Breweries SA	Romania	Brewing	**99%**	99%
Compania Cervecera de Canarias SA	Spain	Brewing	**51%**	51%
Dreher Sörgyárak Zrt	Hungary	Brewing	**100%**	100%
SABMiller RUS LLC	Russia	Brewing	**100%**	100%
Kompania Piwowarska SA[4]	Poland	Brewing	**100%**	72%
Plzeňský Prazdroj as	Czech Republic	Brewing	**100%**	100%
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	**100%**	100%
Pivovary Topvar as	Slovakia	Brewing	**100%**	100%
Grolsche Bierbrouwerij Nederland BV	Netherlands	Brewing	**100%**	100%
CJSC Sarmat	Ukraine	Brewing	**100%**	100%
SABMiller Netherlands Cooperative WA	Netherlands	Holding company	**100%**	100%
North American operations				
SABMiller Holdings Inc	USA	Holding company	**100%**	100%
Miller Brewing Company	USA	Holding company	**100%**	100%
African operations				
SABMiller Africa BV	Netherlands	Holding company	**62%**	62%
SABMiller Botswana BV	Netherlands	Holding company	**62%**	62%
SABMiller (A&A) Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Investments II BV	Netherlands	Holding company	**80%**	–
Accra Breweries Ltd[2]	Ghana	Brewing	**43%**	43%
Ambo International Holdings Ltd	Mauritius	Holding company	**60%**	–
Ambo Mineral Water Share Company	Ethiopia	Soft drinks	**40%**	–
Botswana Breweries (Pty) Ltd	Botswana	Sorghum brewing	**31%**	31%
Cervejas de Moçambique SARL[2]	Mozambique	Brewing	**49%**	49%
Coca-Cola Bottling Luanda SARL	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%
Heinrich's Syndicate Ltd	Zambia	Soft drinks	**62%**	62%
Kgalagadi Breweries (Pty) Ltd	Botswana	Brewing/Soft drinks	**31%**	31%

33. Principal subsidiaries, associates and joint ventures continued

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital 2010	2009
African operations continued				
Lesotho Brewing Company (Pty) Ltd	Lesotho	Brewing/Soft drinks	**24%**	24%
National Breweries plc[2]	Zambia	Sorghum brewing	**43%**	43%
Nile Breweries Ltd	Uganda	Brewing	**60%**	60%
Pabod Breweries Ltd	Nigeria	Brewing	**57%**	57%
Rwenzori Bottling Company Ltd	Uganda	Soft drinks	**80%**	–
Southern Sudan Beverages Ltd	Sudan	Brewing	**80%**	80%
Swaziland Brewers Ltd	Swaziland	Brewing	**37%**	37%
Tanzania Breweries Ltd[2]	Tanzania	Brewing	**33%**	33%
Voltic International Inc	British Virgin Islands	Holding company	**80%**	80%
Voltic (GH) Ltd	Ghana	Soft drinks	**80%**	80%
Voltic Nigeria Ltd	Nigeria	Soft drinks	**80%**	80%
Zambian Breweries plc[2]	Zambia	Brewing/Soft drinks	**54%**	54%
Asian operations				
SABMiller Asia BV	Netherlands	Holding company	**100%**	100%
SABMiller (Asia) Ltd	Hong Kong	Holding company	**100%**	100%
SABMiller (A&A 2) Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller India Ltd	India	Holding company	**100%**	100%
Skol Breweries Ltd	India	Brewing	**99%**	99%
SABMiller Breweries Private Ltd	India	Brewing	**100%**	100%
SABMiller Vietnam Company Ltd	Vietnam	Brewing	**100%**	100%
South African operations				
The South African Breweries Ltd	South Africa	Brewing/Soft drinks/Holding company	**100%**	100%
The South African Breweries Hop Farms (Pty) Ltd	South Africa	Hop farming	**100%**	100%
The South African Breweries Maltings (Pty) Ltd	South Africa	Maltsters	**100%**	100%
Appletiser South Africa (Pty) Ltd	South Africa	Fruit juices	**100%**	100%

1 Operates and resident for tax purposes in the United Kingdom.
2 Listed in country of incorporation.
3 This entity was merged into Bavaria SA on 27 April 2009.
4 SABMiller Poland BV, a wholly owned subsidiary of the group, held 100% of Kompania Piwowarska SA at 31 March 2010 (31 March 2009: 71.9%).

The group comprises a large number of companies. The list above includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. With the exception of those noted above, the principal country in which each of the above subsidiary undertakings operates is the same as the country in which each is incorporated.

Where the group's nominal interest in the equity share capital of an undertaking is less than 50%, the basis on which the undertaking is a subsidiary undertaking of the group is as follows:

African operations

The group's effective interest in the majority of its African operations was diluted as a result of the disposal of a 38% interest in SABMiller Africa BV on 1 April 2001, in exchange for a 20% interest in the Castel group's African beverage interests. Investments in new territories are generally being made with the Castel group's African beverage operations on an 80:20 basis. The operations continue to be consolidated due to SABMiller Africa BV's and SABMiller Investments II 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 (2009: 10.1%) is held via a 16.8% interest (2009: 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.

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.

Notes to the consolidated financial statements continued

33. Principal subsidiaries, associates and joint ventures continued

Associates and joint ventures

The principal associates and joint ventures of the group as at 31 March are as set out below. Where the group's interest in an associate or a joint venture is held by a subsidiary undertaking which is not wholly owned by the group, the subsidiary undertaking is indicated in a note below.

Name	Country of incorporation	Nature of relationship	Principal activity	Effective interest in ordinary share capital 2010	2009
European operations					
Grolsch (UK) Ltd	United Kingdom	Associate	Brewing	**50%**	50%
North American operations					
MillerCoors LLC[1]	USA	Joint venture	Brewing	**58%**	58%
African operations					
Delta Corporation Ltd[2, 3]	Zimbabwe	Associate	Brewing/Soft drinks	**23%**	22%
Kenya Breweries Ltd[3, 4]	Kenya	Associate	Brewing	**12%**	12%
Société des Brasseries et Glacières Internationales[5]	France	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Brasseries Internationales Holding Ltd[5]	Gibraltar	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Marocaine d'Investissements et de Services[5, 6]	Morocco	Associate	Brewing	**40%**	40%
Société de Boissons de l'Ouest, Algerien[5, 7]	Algeria	Associate	Soft drinks	**40%**	40%
Skikda Bottling Company[5, 7]	Algeria	Associate	Soft drinks	**40%**	40%
Société des Nouvelles Brasseries[5, 7]	Algeria	Associate	Brewing	**40%**	40%
Algerienne de Bavaroise[5, 7]	Algeria	Associate	Brewing	**40%**	40%
Empresa Cervejas De N'Gola SARL	Angola	Associate	Brewing	**28%**	28%
Asian operations					
China Resources Snow Breweries Ltd[5]	British Virgin Islands	Associate	Holding company for brewing subsidiaries located in China	**49%**	49%
Pacific Beverages (Pty) Ltd[5]	Australia	Joint venture	Sales and distribution	**50%**	50%
South African operations					
Coca-Cola Canners of Southern Africa (Pty) Ltd[5]	South Africa	Associate	Canning of beverages	**32%**	32%
Distell Group Ltd[2, 4]	South Africa	Associate	Wines and spirits	**29%**	29%
Hotels and Gaming					
Tsogo Sun Holdings (Pty) Ltd	South Africa	Associate	Holding company for Hotels and Gaming operations	**49%**	49%

1 SABMiller shares joint control of MillerCoors with Molson Coors Brewing Company under a shareholders' agreement. Voting interests are shared equally between SABMiller and Molson Coors, and each of SABMiller and Molson Coors has equal board representation. Under the agreement SABMiller is entitled to a 58% economic interest in MillerCoors and Molson Coors has a 42% economic interest.

2 Listed in country of incorporation.

3 Interests in these companies are held by SABMiller Africa BV which is held 62% by SABMiller Holdings Ltd.

4 These entities report their financial results for each 12 month period ending 30 June.

5 These entities report their financial results for each 12 month period ending 31 December.

6 SABMiller acquired a 25% direct interest in this holding company on 18 March 2004 which has controlling interests in three breweries, a malting plant and a wet depot in Morocco. This 25% interest together with its 20% interest in the Castel group's African beverage interests, gives SABMiller an effective participation of 40% and the other 60% is held by the Castel group's Africa beverage interests.

7 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.

The principal country in which each of the above associated undertakings operates is the same as the country in which each is incorporated. However, Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd's (Castel) principal subsidiaries are in Africa and China Resources Snow Breweries Ltd's principal subsidiaries are in the People's Republic of China.

Statement of directors' responsibilities

in respect of the company financial statements

The directors are responsible for preparing the Annual Report, the remuneration report and the company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the company for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Companies Act 2006 requires directors to provide the company's auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. Each of the directors, having made appropriate enquiries, confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

A copy of the financial statements of the company is placed on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of SABMiller plc

We have audited the company financial statements of SABMiller plc for the year ended 31 March 2010 which comprise the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, set out on page 143, the directors are responsible for the preparation of the company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the company financial statements are prepared is consistent with the company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of SABMiller plc for the year ended 31 March 2010.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 June 2010

Balance sheet of SABMiller plc

at 31 March

	Notes	2010 US$m	2009 US$m
Fixed assets			
Tangible fixed assets	2	**79**	56
Investments in subsidiary undertakings	3	**16,424**	11,626
Derivative financial instruments	8	**409**	687
		16,912	12,369
Current assets			
Debtors	4	**8,100**	8,360
Derivative financial instruments	8	**15**	5
Short-term deposits	5	**545**	401
		8,660	8,766
Creditors – amounts falling due within one year	6	**(2,084)**	(3,109)
Net current assets		**6,576**	5,657
Total assets less current liabilities		**23,488**	18,026
Creditors – amounts falling due after more than one year	7	**(9,842)**	(5,889)
Net assets		**13,646**	12,137
Capital and reserves			
Share capital		**165**	159
Share premium		**6,312**	6,198
Merger relief reserve		**4,586**	3,395
Hedging reserve		**(4)**	(10)
Profit and loss reserve		**2,587**	2,395
Total shareholders' funds	9	**13,646**	12,137

The balance sheet was approved by the board of directors on 3 June 2010 and was signed on its behalf by:

Graham Mackay
Chief Executive

Malcolm Wyman
Chief Financial Officer

The notes on pages 146 to 155 form part of the financial statements.

Advantage has been taken of the provisions of section 408(3) of the Companies Act 2006 which permit the omission of a separate profit and loss account for SABMiller plc. The profit for the parent company for the year was US$1,044 million (2009: US$1,457 million).

Notes to the company financial statements

1. Accounting policies

a. Statement of compliance

SABMiller plc (the company) is a public limited company incorporated in Great Britain and registered in England and Wales. The company financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments, in accordance with the Companies Act 2006 and with accounting standards applicable in the United Kingdom (UK GAAP). A summary of the significant company accounting policies is set out below.

The company has not presented a cash flow statement or provided details of certain related party transactions as permitted under FRS 1 (revised) 'Cash Flow Statements' and FRS 8 (Amendment) 'Related Party Disclosures' respectively. In addition, the company has also taken advantage of the exemption from providing financial instruments disclosures as permitted by FRS 29 (Amendment) 'Financial Instruments: Disclosure'.

b. Investments in subsidiary undertakings

These comprise investments in shares and loans that the directors intend to hold on a continuing basis in the company's business. The investments are stated at cost less provisions for impairment. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11.

c. Foreign currencies

The financial statements are presented in US dollars which is the company's functional and presentational currency.

The South African rand (ZAR) and British pound (GBP) exchange rates to the US dollar used in preparing the company financial statements were as follows:

	Weighted average rate		Closing rate	
	ZAR	GBP	ZAR	GBP
Year ended 31 March 2010	7.78	1.60	7.30	1.52
Year ended 31 March 2009	8.87	1.72	9.61	1.43

Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being included in operating profit, other than those arising on financial liabilities which are recorded within net finance costs.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. All other non-monetary items denominated in a foreign currency are translated at the rate of exchange ruling at the balance sheet date.

d. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of accumulated depreciation and impairment losses.

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other tangible fixed assets, depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value of each asset, evenly over its expected useful life as follows:

Office equipment	2–30 years
Leasehold land and buildings	Shorter of the lease term or 50 years

The company regularly reviews its depreciation rates to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book value of the asset.

e. Impairment

In accordance with FRS 11 'Impairment of fixed assets and goodwill', fixed assets are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The review is performed by comparing the carrying value of the fixed asset to its recoverable amount, being the higher of the net realisable value and value in use. The net realisable value is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market based discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of fixed assets are written down by any impairment amount, the loss is recognised in the profit and loss account in the period in which it is incurred. Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the profit and loss account in the period in which it occurs and the carrying value of the asset is increased.

The increase in the carrying value of the asset will only be up to the amount that it would have been had the original impairment not occurred. For the purpose of conducting impairment reviews, income generating units are considered to be groups of assets and liabilities that generate income, and are largely independent of other income streams. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

1. Accounting policies continued

f. Financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the company assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired. If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset. Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net interest payable over the life of the instrument.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are included in debtors in the balance sheet.

(ii) Cash and short-term deposits
Cash and short-term deposits include cash in hand, bank deposits repayable on demand, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within creditors – amounts falling due within one year.

(iii) Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and fixed assets and creditors on the face of the balance sheet, depending on when they are expected to mature. For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the profit and loss account. See note k for the company's accounting policy on hedge accounting.

(iv) Trade creditors
Trade creditors are initially recognised at fair value and subsequently measured at amortised cost.

Trade creditors are classified as creditors falling due within one year unless the company has an unconditional right to defer settlement for at least 12 months from the balance sheet date.

(v) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note k).

(vi) Financial guarantees
FRS 26 (Amendment) requires that issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, are to be initially recognised at their fair value and subsequently measured at the higher of the amount initially recognised less cumulative amortisation recognised and the amount determined in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'.

Financial guarantee contracts are defined in FRS 26 as contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

g. Revenue recognition

(i) Interest income
Interest income is recognised on an accruals basis using the effective interest method.

(ii) Dividend income
Dividend income is recognised when the right to receive payment is established.

h. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the company financial statements continued

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 at date of grant of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the fair value of the award at the date of grant, as calculated by binomial model calculations and Monte Carlo simulations.

The charge is not reversed if the options have not been exercised because the market value of the shares is lower than the option price at the date of grant. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised, unless the options are satisfied by treasury or EBT shares.

The issuance by the company to its subsidiaries of a grant over the company's options represents additional capital contributions by the company to its subsidiaries, except to the extent the company is reimbursed. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued allocated over the underlying grant's vesting period.

k. Hedge accounting

The derivative instruments used by the company, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the company in line with the company's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the company is required to document the relationship between the hedged item and the hedging instrument. The company is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is re-performed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The company designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of highly probable forecast transactions or commitments (cash flow hedge).

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are recycled to the income statement. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, whilst providing effective economic hedges under the company's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the profit and loss account. The company does not hold or issue derivative financial instruments for speculative purposes.

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the company's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the profit and loss account in the period incurred. Gains or losses on fair value hedges that are regarded as highly effective are recorded in the profit and loss account together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised as a separate component of equity. The ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

Details of the group's financial risk management objectives and policies are provided on pages 107 to 113.

l. Operating leases

Rentals paid on operating leases are charged to the income statement 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 income statement as incurred.

2. Tangible fixed assets

	Assets in course of construction US$m	Short leasehold land and buildings US$m	Office equipment and software US$m	Total US$m
Cost				
At 1 April 2008	6	16	46	68
Additions	14	2	2	18
Transfers	(3)	–	3	–
At 31 March 2009	17	18	51	86
Additions	35	1	4	40
Transfers	(13)	–	13	–
At 31 March 2010	**39**	**19**	**68**	**126**
Accumulated depreciation				
At 1 April 2008	–	5	11	16
Depreciation	–	2	12	14
At 31 March 2009	–	7	23	30
Depreciation	–	3	14	17
At 31 March 2010	**–**	**10**	**37**	**47**
Net book amount				
At 1 April 2008	6	11	35	52
At 31 March 2009	17	11	28	56
At 31 March 2010	**39**	**9**	**31**	**79**

3. Investment in subsidiary undertakings

	Shares US$m	Loans US$m	Total US$m
At 1 April 2008	9,605	3,824	13,429
Exchange adjustments	–	(37)	(37)
Additions	182	94	276
Capital contribution relating to share-based payments	29	–	29
Disposals	(2,015)	(56)	(2,071)
At 31 March 2009	7,801	3,825	11,626
Exchange adjustments	–	3	3
Additions	4,976	163	5,139
Capital contribution relating to share-based payments	31	–	31
Disposals	(11)	(364)	(375)
At 31 March 2010	**12,797**	**3,627**	**16,424**

The investment in subsidiary undertakings is shown as follows (all interests are 100% unless stated otherwise):

Name	Country of incorporation	Principal activity	2010 US$m	2009 US$m
SABMiller Holdings Ltd	United Kingdom	Group holding company	**5,435**	5,435
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	**39**	39
SAB Finance (Cayman Islands) Ltd	Cayman Islands	Finance company	**–**	–
Safari Ltd	Jersey	Finance company	**–**	–
SAB Holdings AG	Switzerland	Holding company	**–**	–
SABMiller Management BV	Netherlands	Management services to fellow group companies	**–**	–
SABMiller Africa & Asia BV	Netherlands	Holding company	**168**	168
Appletiser International BV	Netherlands	Holding company	**–**	–
SABMiller Safari	United Kingdom	Finance company	**506**	506
Pilsner Urquell International BV	Netherlands	Holding company	**–**	–
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	**1,561**	1,572
SABMiller Africa BV[1]	Netherlands	Holding company	**–**	–
SABMiller Botswana BV[1]	Netherlands	Holding company	**–**	–
SABMiller Asia Ltd	Hong Kong	Holding company	**–**	–
Racetrack Colombia Finance SA	Colombia	Finance company	**–**	–
SABMiller Poland BV[2]	Netherlands	Holding company	**4,976**	–
SABMiller Horizon Ltd	United Kingdom	Agent company	**–**	–
			12,685	7,720
Capital contribution relating to share-based payments			**112**	81
			12,797	7,801

1 62% effective interest in ordinary share capital.

2 SABMiller plc acquired its interest in SABMiller Poland BV from a group undertaking on 29 May 2009 and through its subsidiary SABMiller Poland BV acquired the remaining 28.1% minority interest in its Polish subsidiary, Kompania Piwowarska SA, in exchange for 60 million ordinary shares of SABMiller plc. At 31 March 2010, SABMiller plc held a 100% interest in SABMiller Poland BV.

Notes to the company financial statements continued

4. Debtors

	2010 US$m	2009 US$m
Amounts owed by subsidiary undertakings	**7,976**	8,277
Other debtors	**124**	83
	8,100	8,360

Included in the table above are debtors due after more than one year of US$0.5 million (2009: US$6 million).

5. Short-term deposits

	2010 US$m	2009 US$m
Short-term deposits	**545**	401

The effective interest rate on short-term deposits is 3.94% (2009: 5.12%).

6. Creditors amounts falling due within one year

	2010 US$m	2009 US$m
Bank overdrafts	**191**	46
Bank loans	**53**	–
Commercial paper[1]	**420**	423
US$300 million LIBOR + 0.3% Notes due 2009[2]	**–**	301
Amounts owed to subsidiary undertakings	**1,264**	2,260
Taxation and social security	**26**	5
Derivative financial instruments (see note 8)	**72**	7
Other creditors	**9**	13
Payroll-related creditors	**8**	13
Accruals and deferred income	**40**	40
Dividends payable to shareholders	**1**	1
	2,084	3,109

1 In October 2006, SABMiller plc entered into a US$1,000 million commercial paper programme for general corporate purposes. Debt issued under the programme was guaranteed by the US guarantors and SABMiller Finance BV until 30 June 2008. Since 1 July 2008, debt issued under the programme is not guaranteed.

2 Further information relating to the notes is detailed in note 21 to the consolidated financial statements of the group.

7. Creditors amounts falling due after more than one year

	2010 US$m	2009 US$m
US$1,100 million 5.5% Notes due 2013[1]	**1,119**	1,129
€1,000 million 4.5% Notes due 2015[2]	**1,365**	–
US$300 million 6.625% Guaranteed Notes due 2033[2]	**352**	396
US$600 million 6.2% Notes due 2011[2]	**608**	608
US$850 million 6.5% Notes due 2016[2]	**939**	966
US$550 million 5.7% Notes due 2014[2]	**591**	598
US$700 million 6.5% Notes due 2018[2]	**747**	778
PEN150 million 6.75% Notes due 2015[2]	**53**	–
US$2,000 million multi-currency revolving credit facility (RCF)[2]	**–**	735
US$600 million multi-currency revolving credit facility (RCF)[2]	**250**	600
€140 million revolving credit facility (RCF)	**132**	–
Loans from subsidiary undertakings[3]	**3,620**	–
Derivative financial instruments (see note 8)	**62**	66
Other creditors	**–**	–
Deferred income	**4**	13
	9,842	5,889

7. Creditors amounts falling due after more than one year continued

	2010 US$m	2009 US$m
The maturity of creditors falling due after more than one year is as follows:		
Between 1 and 2 years	**903**	687
Between 2 and 5 years	**6,902**	3,062
After 5 years	**2,037**	2,140
	9,842	5,889

1 On 30 June 2008, notes previously held by Miller Brewing Company and guaranteed by SABMiller plc and SABMiller Finance BV were novated to SABMiller plc and the guarantee terminated. The notes mature on 15 August 2013. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount. The notes are redeemable in whole but not in part at the option of the issuer upon occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

In addition, interest rate swaps to pay floating and receive fixed interest previously held by Miller Brewing Company have been novated to SABMiller plc which have been designated as fair value hedges to hedge exposure to changes in the fair value of the fixed rate borrowings. As a result, fair value gains or losses on the hedged borrowings have been recognised in SABMiller plc from the date the interest rate swaps were novated (this differs from the date of inception in the consolidated financial statements of the group).

2 Further information relating to the RCFs and the notes is detailed in note 21 to the consolidated financial statements of the group.

3 Loans from subsidiary undertakings are unsecured and bear interest at a rate of 12 month US LIBOR plus 5 or 10 bps, depending upon the country where the company making the loan is located.

Fair value gains or losses on borrowings and derivative financial instruments held to hedge interest rate risk on borrowings are recognised in the profit and loss account (see note 8).

8. Derivative financial instruments

	Assets 2010 US$m	Liabilities 2010 US$m	Assets 2009 US$m	Liabilities 2009 US$m
Current derivative financial instruments				
Forward foreign currency contracts	**1**	**(17)**	5	(5)
Interest rate swaps designated as cash flow hedges	**–**	**(4)**	–	(2)
Cross currency swaps	**14**	**(51)**	–	–
	15	**(72)**	5	(7)
Non-current derivative financial instruments				
Interest rate swaps designated as fair value hedges	**252**	**–**	379	–
Interest rate swaps designated as cash flow hedges	**–**	**–**	–	(12)
Cross currency swaps	**157**	**(62)**	308	(54)
	409	**(62)**	687	(66)

Derivatives designated as hedging instruments

(i) Cash flow hedges

The company has entered into an interest rate swap designated as a cash flow hedge to manage the interest rate on borrowings.

The fixed interest rates paid are 3.535% and the floating rates received are LIBOR plus zero bps (2009: fixed interest rates paid varied from 3.4% to 5.4% and the floating rates received were LIBOR plus zero bps). As at 31 March 2010, the carrying values of the hedged borrowings were US$250 million (2009: US$400 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 interest rate swaps have the same critical terms.

As at 31 March 2010, the fixed interest rates received vary from 4.5% to 6.625% (2009: 5.5% to 6.625%) and floating interest rates paid vary from LIBOR/EURIBOR plus 71.6 bps to LIBOR/EURIBOR plus 198.8 bps (2009: LIBOR plus 71.6 bps to LIBOR plus 198.8 bps) on the notional amount. As at 31 March 2010, the carrying value of the hedged borrowings was US$3,129 million (2009: US$2,553 million).

Notes to the company financial statements continued

8. Derivative financial instruments continued

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 and the Czech Republic.

(ii) Cross currency swaps

The company has entered into several cross currency swaps to manage the group's exposure to foreign exchange risk relating to subsidiaries in South Africa, Poland, the Czech Republic, The Netherlands, Russia and Colombia.

Analysis of notional amounts on all outstanding financial instruments held by the company is as follows:

	2010 m	2009 m
Forward foreign currency contracts		
– SA rand	**1,703**	1,575
– Czech koruna	**5,500**	–
Interest rate swaps		
– Fair value hedges		
– US dollar	**2,225**	2,225
– Euro	**500**	–
– Cash flow hedges		
– US dollar	**250**	400
Cross currency swaps		
– SA rand	**2,799**	2,799
– Polish zloty	**1,092**	636
– Czech koruna	**2,258**	7,788
– Euro	**608**	817
– Russian rouble	**2,900**	2,900
– Colombian peso	**272,220**	272,220

Fair values of financial assets and financial liabilities

	Book value 2010 US$m	Fair value 2010 US$m	Book value 2009 US$m	Fair value 2009 US$m
Current borrowings	**664**	**664**	770	770
Non-current borrowings	**9,776**	**10,336**	5,809	6,181

Derivatives, cash and cash equivalents, short-term deposits, debtors and creditors (excluding borrowings) are not included in the table above because their book values are an approximation of their fair values. The fair value of the company's fixed rate loans are calculated by discounting expected future cash flows using the appropriate yield curve. The book values of floating rate borrowings approximate to their fair value.

Fair value (loss)/gain on financial instruments recognised in the profit and loss account

	2010 US$m	2009 US$m
Derivative financial instruments:		
Forward foreign currency contracts	**(91)**	24
Interest rate swaps designated as fair value hedges	**(134)**	244
Cross currency swaps	**(238)**	446
	(463)	714
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	**118**	(232)
Total fair value (loss)/gain on financial instruments recognised in the profit and loss account	**(345)**	482

9. Reconciliation of movements in shareholders' funds

	Share capital US$m	Share premium US$m	Merger relief US$m	Hedging reserve US$m	EBT US$m	Treasury shares US$m	Profit and loss account US$m	Total US$m
At 1 April 2008	158	6,176	3,395	(1)	(90)	–	3,044	12,682
Issue of share capital	1	22	–	–	–	–	–	23
Profit for the financial year	–	–	–	–	–	–	1,457	1,457
Dividends paid	–	–	–	–	–	–	(877)	(877)
Cash flow hedges – fair value losses	–	–	–	(9)	–	–	–	(9)
Purchase of own shares	–	–	–	–	(37)	–	–	(37)
Purchase of own shares for treasury	–	–	–	–	–	(1,178)	–	(1,178)
Utilisation of EBT shares	–	–	–	–	23	–	(23)	–
Credit entry relating to share-based payments	–	–	–	–	–	–	47	47
Capital contribution relating to share-based payments	–	–	–	–	–	–	29	29
At 31 March 2009	159	6,198	3,395	(10)	(104)	(1,178)	3,677	12,137
Issue of share capital	6	114	1,191	–	–	–	–	1,311
Profit for the financial year	–	–	–	–	–	–	1,044	1,044
Dividends paid	–	–	–	–	–	–	(924)	(924)
Cash flow hedges – fair value gains	–	–	–	6	–	–	–	6
Purchase of own shares	–	–	–	–	(8)	–	–	(8)
Transfer to EBT	–	–	–	–	(81)	81	–	–
Utilisation of EBT shares	–	–	–	–	48	–	(48)	–
Credit entry relating to share-based payments	–	–	–	–	–	–	49	49
Capital contribution relating to share-based payments	–	–	–	–	–	–	31	31
At 31 March 2010	**165**	**6,312**	**4,586**	**(4)**	**(145)**	**(1,097)**	**3,829**	**13,646**

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under FRS 26, were losses of US$45 million (2009: US$80 million).

On 26 February 2009, non-voting convertible shares held by Safari Ltd (a special purpose vehicle established and financed by a wholly owned subsidiary of SABMiller plc) were converted into ordinary shares and then acquired by the company to be held as treasury shares. The purchase price for each share was £10.54.

In February 2010, 5.3 million treasury shares with an original cost to the company of US$81 million were transferred into EBT reserve at no gain or loss to the company.

The US$1,191 million increase in the merger relief reserve in the year ended 31 March 2010 relates to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of minority interests in the group's Polish business.

Further information relating to the share capital, share premium, the treasury shares and the EBT reserve of the company is detailed in notes 25 and 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.

Notes to the company financial statements continued

10. Profit and loss information

Employees

Employee costs recognised in the profit and loss during the year were as follows:

	2010 US$m	2009 US$m
Wages and salaries	66	52
Share-based payments	24	19
Social security costs	9	9
Other pension costs	6	5
	105	85

For further information relating to share-based incentive schemes see note 25 to the consolidated financial statements of the group.

For information relating to directors' remuneration please refer to the remuneration report on pages 59 to 67.

Details of key management remuneration is provided in note 6 to the consolidated financial statements of the group.

The average monthly number of employees for the year is shown on a full-time equivalent basis and includes executive directors:

	2010 Number	2009 Number
Number of employees	314	273

Details of auditors' remuneration are provided in note 3 to the consolidated financial statements of the group.

Operating leases

Operating lease charges recognised in the profit and loss during the year were as follows:

	2010 US$m	2009 US$m
Plant and machinery	3	1
Other	7	5

11. Other information

Deferred tax assets have not been recognised in respect of the following:

	2010 US$m	2009 US$m
Tax losses	21	–
Capital allowances in excess of depreciation	12	9
Accruals and provisions	1	–
Share-based payments	17	11
Cash flow hedges	1	3
	52	23

	2010 US$m	2009 US$m
Capital expenditure contracted but not provided	5	3

The company has guaranteed borrowings in respect of certain subsidiary undertakings. Guarantee fees received from 100% owned subsidiaries were US$1 million (2009: US$1 million). Refer to note 12 for guarantee fees paid to related parties.

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows:

	2010 US$m	2009 US$m
Land and buildings:		
Between two and five years	2	1
After five years	4	4
Other:		
Between two and five years	2	1

12. Related party transactions

The company has taken advantage of the exemption provided under FRS 8 not to disclose transactions with subsidiaries which are wholly owned. During the year the company had transactions with related parties as follows:

	2010 US$m	2009 US$m
Interest received from subsidiaries	1	–
Interest paid to subsidiaries	–	(1)
Income from recharges to subsidiaries[1]	43	–
Management and guarantee fees paid[2]	(1)	–

1 The company received income from recharges related to business capability programme costs.

2 The company paid management and guarantee fees to the group's joint venture, MillerCoors LLC, during the year.

	2010 US$m	2009 US$m
Amounts owed by subsidiaries	38	8
Amounts owed to subsidiaries	(2)	(1)
Loans to subsidiaries	30	–
Loans from subsidiaries	(56)	(14)

Five-year financial review

for the years ended 31 March

	2010 US$m	2009[1] US$m	2008 US$m	2007 US$m	2006 US$m
Income statements					
Group revenue	**26,350**	25,302	23,828	20,645	17,081
Revenue	**18,020**	18,703	21,410	18,620	15,307
Operating profit	**2,619**	3,148	3,448	3,027	2,575
Net finance costs	**(563)**	(706)	(456)	(428)	(299)
Share of associates' and joint ventures' post-tax results	**873**	516	272	205	177
Taxation	**(848)**	(801)	(976)	(921)	(779)
Minority interests	**(171)**	(276)	(265)	(234)	(234)
Profit for the year attributable to equity shareholders	**1,910**	1,881	2,023	1,649	1,440
Adjusted earnings	**2,509**	2,065	2,147	1,796	1,497
Balance sheets					
Non-current assets	**33,609**	28,156	31,947	25,683	24,286
Current assets	**3,895**	3,472	4,135	3,053	2,829
Total assets	**37,504**	31,628	36,082	28,736	27,115
Derivative financial instruments	**(321)**	(142)	(531)	(209)	(178)
Borrowings	**(9,414)**	(9,618)	(9,658)	(7,231)	(7,602)
Other liabilities and provisions	**(7,170)**	(5,751)	(7,649)	(6,295)	(5,750)
Total liabilities	**(16,905)**	(15,511)	(17,838)	(13,735)	(13,530)
Net assets	**20,599**	16,117	18,244	15,001	13,585
Total shareholders' equity	**19,910**	15,376	17,545	14,406	13,043
Minority interests in equity	**689**	741	699	595	542
Total equity	**20,599**	16,117	18,244	15,001	13,585
Cash flow statements					
EBITDA	**3,974**	4,164	4,518	4,031	3,348
Net working capital movements	**563**	(493)	(242)	(13)	(57)
Net cash generated from operations	**4,537**	3,671	4,276	4,018	3,291
Net interest received/(paid) (net of dividends received)	**175**	(116)	(410)	(385)	(248)
Tax paid	**(620)**	(766)	(969)	(801)	(869)
Net cash inflow from operating activities	**4,092**	2,789	2,897	2,832	2,174
Net capital expenditure	**(1,491)**	(2,072)	(1,927)	(1,351)	(984)
Net other investments	**8**	(10)	5	(2)	(2)
Net investments in subsidiaries, joint ventures and associates	**(509)**	(538)	(1,439)	(429)	(2,644)
Net cash inflow/(outflow) before financing and dividends	**2,100**	169	(464)	1,050	(1,456)
Net cash (outflow)/inflow from financing	**(799)**	620	1,240	(455)	1,733
Dividends paid to shareholders of the parent	**(924)**	(877)	(769)	(681)	(520)
Effect of exchange rates	**90**	22	(113)	(18)	11
Increase/(decrease) in cash and cash equivalents	**467**	(66)	(106)	(104)	(232)
Per share information (US cents per share)					
Basic earnings per share	**122.6**	125.2	134.9	110.2	105.0
Diluted earnings per share	**122.1**	124.6	134.2	109.5	104.3
Adjusted basic earnings per share	**161.1**	137.5	143.1	120.0	109.1
Net asset value per share[2]	**1,203.2**	969.9	1,108.3	912.0	828.0
Total number of shares in issue (millions)	**1,654.7**	1,585.4	1,583.1	1,579.6	1,575.2
Other operating and financial statistics					
Return on equity (%)[3]	**12.6**	13.4	12.2	12.5	11.5
EBITA margin (%)	**16.6**	16.3	17.4	17.4	17.2
Normalised EBITDA margin (%)	**20.2**	20.6	21.1	21.6	21.9
Interest cover (times)	**8.7**	6.6	9.2	9.2	11.4
Free cash flow (US$m)	**2,010**	97	545	934	(904)
Total borrowings to total assets (%)	**25.1**	30.4	26.8	25.2	28.0
Cash flow to total borrowings (%)	**48.2**	38.2	44.3	55.6	43.3
Revenue per employee (US$000's)	**256.9**	272.5	309.8	278.1	284.7
Average monthly number of employees	**70,131**	68,635	69,116	66,949	53,772

1 Restated for the adjustments made to the provisional fair values relating to the Pabod and Voltic acquisitions.

2 Net asset value per share is calculated by expressing shareholders' equity as a percentage of the closing number of shares in issue.

3 This is calculated by expressing adjusted earnings as a percentage of total shareholders' equity.

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Group revenue					
Segmental analysis					
Latin America	**5,905**	5,495	5,251	4,392	2,165
Europe	**5,577**	6,145	5,248	4,078	3,258
North America	**5,228**	5,227	5,120	4,887	4,912
Africa	**2,716**	2,567	n/a	n/a	n/a
Asia	**1,741**	1,565	n/a	n/a	n/a
Africa and Asia	**4,457**	4,132	3,367	2,674	2,221
South Africa:					
– Beverages	**4,777**	3,955	4,446	4,274	4,204
– Hotels and Gaming	**406**	348	396	340	321
Group	**26,350**	25,302	23,828	20,645	17,081
Operating profit (excluding share of associates and joint ventures)					
Segmental analysis					
Latin America	**1,270**	1,057	953	810	387
Europe	**840**	900	947	730	567
North America	**12**	230	462	366	454
Africa	**316**	354	n/a	n/a	n/a
Asia	**(34)**	(2)	n/a	n/a	n/a
Africa and Asia	**282**	352	330	272	257
South Africa: Beverages	**826**	704	962	1,043	1,011
Corporate	**(139)**	(97)	(94)	(101)	(86)
Group operating profit – before exceptional items	**3,091**	3,146	3,560	3,120	2,590
Exceptional (charge)/credit					
Latin America	**(156)**	45	(61)	(64)	(11)
Europe	**(202)**	(452)	–	(24)	–
North America	**–**	409	(51)	–	–
Africa	**(3)**	–	n/a	n/a	n/a
Asia	**–**	–	n/a	n/a	n/a
Africa and Asia	**(3)**	–	–	–	–
South Africa: Beverages	**(53)**	–	–	–	–
Corporate	**(58)**	–	–	(5)	(4)
	(472)	2	(112)	(93)	(15)
Group operating profit – after exceptional items	**2,619**	3,148	3,448	3,027	2,575
EBITA					
Segmental analysis					
Latin America	**1,386**	1,173	1,071	915	436
Europe	**872**	944	952	733	569
North America	**619**	581	477	375	454
Africa	**565**	562	n/a	n/a	n/a
Asia	**71**	80	n/a	n/a	n/a
Africa and Asia	**636**	642	568	467	422
South Africa:					
– Beverages	**885**	764	1,026	1,102	1,062
– Hotels and Gaming	**122**	122	141	100	84
Corporate	**(139)**	(97)	(94)	(101)	(86)
Group	**4,381**	4,129	4,141	3,591	2,941

Definitions

Financial definitions

Adjusted earnings
Adjusted earnings are calculated by adjusting headline earnings (as defined below) for the amortisation of intangible assets (excluding software), integration and restructuring costs, the fair value movements in relation to capital items for which hedge accounting cannot be applied and other items which have been treated as exceptional but not included above or as headline earnings adjustments together with the group's share of joint ventures' and associates' adjustments for similar items. The tax and minority interests in respect of these items are also adjusted.

Adjusted net finance costs
This comprises net finance costs excluding fair value movements in relation to capital items for which hedge accounting cannot be applied and any exceptional finance charges or income.

Adjusted profit before tax
This comprises EBITA less adjusted net finance costs and less the group's share of associates' and joint ventures' net finance costs on a similar basis.

Constant currency
Constant currency results have been determined by translating the local currency denominated results for the year ended 31 March at the exchange rates for the prior year.

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

EBITA margin (%)
This is calculated by expressing EBITA as a percentage of group revenue.

EBITDA
This comprises the net cash generated from operations before working capital movements. This includes cash flows relating to exceptional items.

EBITDA margin (%)
This is calculated by expressing EBITDA as a percentage of revenue.

Effective tax rate (%)
The effective tax rate is calculated by expressing tax before tax on exceptional items and on amortisation of intangible assets (excluding software), including the group's share of associates' and joint ventures' tax on the same basis, as a percentage of adjusted profit before tax.

Free cash flow
This comprises net cash generated from operating activities less cash paid for the purchase of property, plant and equipment, intangible assets and shares from minorities, net investments in associates and joint ventures and dividends paid to minority interests plus cash received from the sale of property, plant and equipment and intangible assets and dividends received.

Group revenue
This comprises revenue together with the group's share of revenue from associates and joint ventures.

Headline earnings
Headline earnings are calculated by adjusting profit for the financial period attributable to equity holders of the parent for items in accordance with the South African Circular 8/2007 entitled 'Headline Earnings'. Such items include impairments of non-current assets and profits or losses on disposals of non-current assets and their related tax and minority interests. This also includes the group's share of associates' and joint ventures' adjustments on the same basis.

Interest cover
This is the ratio of normalised EBITDA to adjusted net finance costs.

Net debt
This comprises gross debt (including borrowings, borrowings-related derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts).

Normalised EBITDA
This comprises EBITDA together with dividends received from MillerCoors.

Normalised EBITDA margin
This is calculated by expressing normalised EBITDA as a percentage of revenue plus the group's share of MillerCoors' revenue.

Organic information
Organic results and volumes exclude the first 12 months' results and volumes relating to acquisitions and the last 12 months' results and volumes relating to disposals.

Total Shareholder Return (TSR)
TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends.

Sales volumes
In the determination and disclosure of sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries and its equity accounted percentage of all associates' and joint ventures' volumes. Contract brewing volumes are excluded from volumes although revenue from contract brewing is included within group revenue. Volumes exclude intra-group sales volumes. This measure of volumes is used for lager volumes, soft drinks volumes, other alcoholic beverage volumes and beverage volumes and is used in the segmental analyses as it more closely aligns with the consolidated group revenue and EBITA disclosures.

In the determination and disclosure of aggregated sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries, associated companies and joint ventures. Contract brewing volumes are excluded from aggregated volumes although revenue from contract brewing is included within group revenue. Aggregated volumes exclude intra-group sales volumes. This measure is used for aggregated beverage volumes and for aggregated lager volumes.

KPI definitions – How we measure

Total Shareholder Return (TSR) versus median of peer group over three-year periods
TSR performance is measured by taking the percentage growth in our TSR over the three-year period to the date aligned with the related vesting date of performance share awards for the excom, and deducting the percentage growth in the TSR of the median of our peer group over the same period.

Growth in adjusted earnings per share (EPS)
Growth in adjusted EPS is measured by comparing the adjusted EPS for the current year with that of the prior year. Adjusted EPS is measured using adjusted earnings divided by the basic number of shares in issue. Adjusted earnings are measured using the definition on page 158.

Free cash flow
Free cash flow is measured using the definition on page 158.

Proportion of our total lager volume from markets in which we have No.1 or No.2 national market share positions
Lager volumes generated in markets where we have a number one or number two national beer market share position divided by total lager volumes. Lager volumes are measured as defined on page 158.

Proportion of group EBITA from developing and emerging economies
EBITA generated in developing and emerging economies divided by group EBITA before corporate costs. EBITA is defined on page 158. Developing and emerging economies are as defined by the International Monetary Fund (IMF).

Organic growth in lager volumes
Organic growth in lager volumes is measured by comparing lager volumes in the year with those in the prior year excluding the effects of acquisitions and disposals (organic information is defined on page 158). Lager volumes are measured as defined on page 158.

Group revenue growth (organic, constant currency)
Growth in group revenue compared to the prior year is measured on a constant currency basis (as defined on page 158) and excluding the effects of acquisitions and disposals (organic information is defined on page 158). Group revenue is defined on page 158.

EBITA growth (organic, constant currency)
EBITA growth compared to the prior year is measured on a constant currency basis (as defined on page 158) and excluding the effects of acquisitions and disposals (organic information is defined on page 158). EBITA is defined on page 158.

EBITA margin
EBITA margin is defined on page 158.

Hectolitres of water used at our breweries per hectolitre of lager produced
Water used at our breweries divided by the volume of lager produced. All consolidated subsidiaries are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Fossil fuel emissions from energy used at our breweries per hectolitre of lager produced
Fossil fuel emissions are measured by the total amount of carbon dioxide (CO_2) in kilogrammes generated by our breweries divided by the volume of lager produced. The total amount of CO_2 is the sum of direct emissions produced by the combustion of fuel (e.g. coal, oil, gas) and indirect emissions from the use of electricity and steam. Emissions are calculated using the internationally recognised WRI/WBCSD Greenhouse Gas Protocol. All consolidated subsidiaries are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Cumulative financial benefits from our business capability programme
Incremental cash flows generated as a result of the adoption of new processes and systems including incremental revenues, reduced cost of goods sold and overheads, reduced investment in working capital and lower cost of capital investments.

KPI explanation of changes

The group has reviewed its key performance indicators during the year. As a consequence, a number of new KPIs have been introduced and are presented in this Annual Report. The changes reflect an increased focus on cash generation and total shareholder return; the implementation of the business capability programme; and the group's new target for reduction in fossil fuel emissions. They also recognise the importance attached to the group's position in developing and emerging markets and to leading market share positions in individual country markets. As the reporting of premium and international premium brand performance is currently under review, no group KPI has been presented in this Annual Report.

Definitions continued

Non-financial definitions

Combined Code
The Combined Code on Corporate Governance, published by the UK Financial Reporting Council.

Economy segment
Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which fall below an index of 90 form the economy segment. Normally, all brands in this segment will be local brands.

International brewers index
The index of International brewers charts the share price progression of an index of the company's closest peers in the global brewing industry – Anheuser-Busch InBev (Anheuser-Busch and InBev included separately, until the acquisition of Anheuser-Busch by InBev on 17 November 2008), Carlsberg, Heineken and Molson Coors, relative to 1 April 2005. The index is weighted relative to the market capitalisation of the brewers as at 1 April 2005.

Mainstream segment
Taking the leading brand in the most popular pack type as the standard (=100), the mainstream segment is formed of brands with a weighted average market price which fall into the 90-109 band. Mainstream brands tend to be local.

PET
PET is short for polyethylene terephthalate, a form of plastic which is used for bottling alcoholic and non-alcoholic drinks.

Premium segment (worthmore segment in the USA)
Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which have an index of 110+ form the premium segment. The premium segment comprises both local and international brands.

STRATE
STRATE stands for Share Transactions Totally Electronic and is an unlisted company owned by JSE Limited and Central Securities Depository Participants (CSDP) and exists to allow share transactions in South Africa to be settled electronically.

Ordinary shareholding analyses

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 31 March 2010:

	Number of shareholders	Percentage of share capital
Portfolio size		
1 – 1,000	32,990	0.62
1,001 – 10,000	7,870	1.46
10,001 – 100,000	1,482	3.17
100,001 – 1,000,000	596	11.50
1,000,001 and over	128	83.25
	43,066	100.00
Category		
Banks	220	2.41
Endowment Funds	384	0.26
Individuals	30,475	1.62
Insurance Companies	98	1.62
Investment Companies	23	0.66
Medical Aid Schemes	33	0.06
Mutual Funds	455	6.05
Nominees and Trusts	9,313	50.48
Pension Funds	617	9.21
Other Corporate Entities	1,448	27.63
	43,066	100.00

Substantial shareholdings

As at 2 June 2010, we had received the following notifications of interests in voting rights of the issued share capital of the company pursuant to Rule 5.1.2 of the Disclosure and Transparency Rules:

	Number of shares	Percentage of issued share capital	Adjusted[1] percentage of issued share capital
Altria Group, Inc.	430,000,000	27.39	27.16
BevCo Ltd	225,000,000	14.98	14.21
Public Investment Corporation	67,663,248	4.49	4.27
Kulczyk Holding S.A.	60,000,000	3.82	3.79

1 Numbers of shares shown reflect the notifications of interests received by the company. Following the increase in issued share capital during the course of the year, notably the issue of shares to Kulczyk Holding S.A., we have shown the adjusted proportion of the enlarged issued ordinary share capital that these holdings would represent if calculated using our latest total voting rights figure.

The Companies Act 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 5.32% shareholding in the company and Legal & General held, approximately, a 3.04% shareholding in the company. At year end, Public Investment Corporation and Kulczyk Holding S.A. held, approximately, 5.14% and 3.41% respectively.

Shareholders' diary

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
Ordinary:		
Interim	November	December
Final	May	August

Unsolicited investment advice – warning to shareholders

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. A 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors was around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at **www.fsa.gov.uk/register**
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered.
- Report the matter to the FSA either by calling 0300 500 5000 or by completing an online form at: **http://www.moneymadeclear.org.uk/news/scams/share_scams.html**

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.

South African shareholders may report such approaches to the Financial Services Board (FSB) on:

Toll Free: 0800 110443
Facsimile: 012 347 0221
E-mail: Info@fsb.co.za

Complete the FSB online complaint form which can be found on their website **www.fsb.co.za**

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(Registration No. 3528416)

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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, current goals and expectations relating to its future financial condition, performance and results. These statements contain the words 'anticipate', 'believe', 'intend', 'estimate', 'expect' and words of similar meaning. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the company's products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the company's present and future business strategies and the environment in which the company will operate in the future. These forward-looking statements speak only as at the date of this document. The company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The past business and financial performance of SABMiller plc is not to be relied on as an indication of its future performance.

FSC
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Supporting responsible use
of forest resources
www.fsc.org Cert no. SGS-COC-0620
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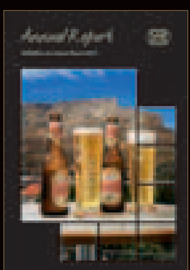
100%

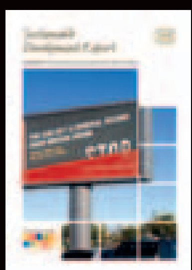
This paper is made from 100% post-consumer recycled fibre.
It has been certified according to the rules of the Forest Stewardship Council (FSC) and it is produced at a mill that is certified to the ISO 14001 environmental management standards, through a totally chlorine free process (TCF). The inks used are all vegetable oil based.

Printed by The Pureprint Group, ISO 14001, FSC certified and CarbonNeutral®

Designed by Likemind www.likemind.com



Annual Report 2010
This report is also available on our website, go to www.sabmiller.com/annualreport



Sustainable Development Report 2010
This report is available on our website, go to www.sabmiller.com/sdreporting

www.sabmiller.com
For more information on the group and latest news, go to www.sabmiller.com