SABMiller plc
Annual Report 2012

Building locally, winning globally, delighting consumers

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Performance highlights
Driving strong results in developing markets

Group revenue[a]
+11%
2012: US$31,388m
2011: US$28,311m

Revenue[b]
+12%
2012: US$21,760m
2011: US$19,408m

EBITA[c]
+12%
2012: US$5,634m
2011: US$5,044m

Dividends per share[d]
+12%
2012: 91.0 US cents
2011: 81.0 US cents

Profit before tax
+55%
2012: US$5,603m
2011: US$3,626m

Adjusted EPS[e]
+12%
2012: 214.8 US cents
2011: 191.5 US cents

Net debt[f]
+152%
2012: US$17,862m
2011: US$7,091m

Lager volumes
+5%
2012: 229m hectolitres
2011: 218m hectolitres

Free cash flow[g]
+23%
2012: US$3,048m
2011: US$2,488m

[a] Group revenue includes the attributable share of associates' and joint ventures' revenue of US$9,628 million (2011: US$8,903 million).

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

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

[d] 2012 final dividend is subject to shareholder approval at the annual general meeting.

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

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

[g] Note 28b to the consolidated financial statements provides a reconciliation of net cash from operating activities to free cash flow.

Further information
Go online for more details

This report covers the financial year ended 31 March 2012. It is also available on our website as a downloadable PDF
www.sabmiller.com/annualreport

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

Cover: Carlton Draught
Our 'brewery fresh' Carlton Draught is a leading brand in the portfolio of Carlton and United Breweries (CUB), the Australian beverage business of Foster's acquired in December 2011. This year the brand produced a strong performance and consolidated its market share.

Five minute read
Our business in brief

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

Our strategic direction

SABMiller has become a global leader by doing business locally, pursuing operational excellence and offering high-quality products backed by innovation and a commitment to sustainability.

Our success is built on a clear strategic direction, a shared vision and mission and a common set of values.

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

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

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

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

For more information on our strategic priorities and how we measure against them, see pages 20 and 21.

Our brands and business

At the heart of our business is a passion for producing quality beers. In creating and building our brands, we draw on deep insights into local culture and consumers and seek to win with products that tap into local preferences.

Our focus on local businesses with tailored brand portfolios makes us, we believe, the most local of the global brewers.

Local brands
Typically brewed and consumed in the same community, beer is an inherently local business. At SABMiller we respect and nurture the history and heritage of local brands and give our businesses considerable freedom to meet local needs. We're also innovators – be it new, affordable brands made from locally grown ingredients, craft beers for the aficionado or the concept of the 'local premium' for consumers aspiring to affordable luxury.

Global brands
Our four global brands have their own distinct provenance and characteristics. They comprise the stylishly Italian Peroni Nastro Azzurro; the world's original golden beer, the Czech-brewed Pilsner Urquell; the Northern European Grolsch; and the embodiment of American urban cool, Miller Genuine Draft.

For more information on the performance of our brands, see pages 25 to 35.

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

A lighter version of Águila, the classic Colombian beer, Águila Light is a popular option for the consumer looking to experience a lighter taste and a beer that is very easily drinkable.

Our performance in 2012

We delivered another year of strong financial results. Successful development of our brand portfolios and intensified sales execution, together with rising consumer spending, drove strong performance in most of our developing markets.

Total beverage volumes grew 6% totalling 286 million hectolitres, with our lager volumes up 5% and soft drinks volumes up 8%. Reported group revenue rose by 11%.

Operational highlights

- Reported EBITA grew 12%, with organic, constant currency EBITA growth of 8%:
  - Latin America EBITA[1] grew by 14% as a result of volume growth, pricing and mix
  - Europe EBITA[1] declined by 9% due to lower volumes, adverse mix and increased raw material costs
  - Strong pricing and favourable mix increased North America EBITA[1] by 2% despite lower volumes
  - Volume growth, strong pricing and mix drove Africa's EBITA[1] growth of 16%
  - Asia Pacific EBITA[1] increased by 30% with good growth in both China and India
  - South Africa: Beverages EBITA[1] grew 14% due to price and mix benefits and focus on cost productivity
- EBITA margin increased by 10 basis points (bps) to 17.9%
- Foster's contributes to results from mid-December 2011; integration proceeding well

For more information on our financial performance, see pages 37 to 44.

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

How we create value

We create long-term value by establishing leading positions in key markets; by investing in, and building, attractive brands and brand portfolios; and by taking a local approach to running our businesses, based on effective operating processes.

We concentrate on building brands and businesses and make acquisitions only where they have the potential to add value.

The strategy in action

Building value depends on being in the right markets, both high-growth, emerging economies and profitable, mature markets. It means having the right brand portfolio – one that spans a range of consumer segments, drinking occasions and price points. It also calls for value-creating partnerships and an operating process that supports local accountability and facilitates the sharing of best practice.

For more information on our strategy and how we create value, see pages 14 to 20.

Inclusive growth

We believe we create best value for our shareholders by also bringing value to the communities in which we operate. Because our business is not separate from society but embedded within it, the success of SABMiller is inextricably linked to the wellbeing of the wider community. So along with creating jobs and paying taxes, we seek to stimulate local enterprise, to support economic development, to collaborate with governments and others on shared challenges and to help tackle the effects of alcohol abuse – all essential underpinnings of our ongoing licence to trade.

For more information on our approach to sustainable development, see pages 46 to 49.

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Group at a glance
Our operations around the world

Expanding from our roots in Africa, we've built leading positions in all regions of the world in both emerging and developed markets. Last year our businesses sold 229 million hectolitres of lager, over 90% of which was sold in markets in which we're the number one or number two brewer.

Latin America

32%
Contribution to group EBITA[1] 2012

17 breweries[2]
14 bottling plants[2]
26,933 employees[3]

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

For further information see page 25

Europe

14%
Contribution to group EBITA[1] 2012

17 breweries[2]
14,095 employees[3]

- Our primary brewing operations cover eight countries – the Czech Republic, Hungary, Italy, Poland, Romania, Slovakia, Spain (Canary Islands) and the Netherlands.
- In the majority of these countries, we are the number one or two brewer by market share.
- A further 16 countries including Russia, Turkey and the Ukraine are covered in a strategic alliance with Anadolu Efes through either brewing, soft drinks or export operations.
- We export significant volumes to a further eight European markets, of which the largest are the UK and Germany.
- Regional office: Zug, Switzerland.

For further information see page 27

North America

13%
Contribution to group EBITA[1] 2012

8 breweries[2]
8,812 employees[3]

- MillerCoors is a joint venture with Molson Coors Brewing Company, formed in 2008 by bringing together the US and Puerto Rican operations of both groups.
- Headquartered in Chicago, MillerCoors is the second largest brewer in the USA, with 29% of the beer market.
- Our wholly owned Miller Brewing International business is based in Milwaukee, USA and exports our brands to Canada and Mexico and throughout the Americas.
- Regional office: Chicago, USA.

For further information see page 29

Peroni Nastro Azzurro
Origin: Italy
First brewed: 1963
www.peroniitaly.com

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

Africa

13%

Contribution to group EBITA[1] 2012

32 breweries[2]
19 bottling plants[2]
13,596 employees[3]

- Our brewing and beverage operations in Africa cover 15 countries. A further 21 are covered through a strategic alliance with the Castel group and we also have an associated undertaking in Zimbabwe.
- In most of these countries we are the number one brewer by market share.
- We bottle soft drinks for The Coca-Cola Company in 20 of our African markets (in alliance with Castel in 14 of these markets).
- Regional office: Johannesburg, South Africa.

For further information see page 30

Asia Pacific

6%

Contribution to group EBITA[1] 2012

23 breweries[2]
2 bottling plants[2]
3,804 employees[3]

- CR Snow, our partnership with China Resources Enterprise, Limited, is the largest brewer in China.
- With the acquisition of Foster's in December 2011, we have a major business in Australia. CUB[4] only contributed to our results from mid-December 2011.
- We are the second largest brewer in India.
- We have an operation in Vietnam and we export to various markets including South Korea and Cambodia.
- Regional office: Hong Kong.

For further information see page 32

South Africa

22%

Contribution to group EBITA[1] 2012

7 breweries[2]
6 bottling plants[2]
11,939 employees[3]

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

For further information see page 34

[1] Excluding corporate costs.
[2] The number of breweries and bottling plants relates to subsidiaries only (except North America which relates to MillerCoors).
[3] See note 6 to the consolidated financial statements. The average number of employees relates to subsidiaries only (except North America which reflects MillerCoors only and where employee numbers are as at 31 March 2012).
[4] CUB (Carlton and United Breweries) is the Australian beverage business of Foster's.

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Castle Milk Stout
Relaunched in South Africa's local premium market this year with a 'Savour the moment' marketing campaign, the newly packaged Castle Milk Stout has achieved good growth at a higher price point than before.

Chairman's statement
Significant progress and strong results

Castle Lager
Origin: South Africa
First brewed: 1895
www.sab.co.za

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

"The year has seen further excellent progress. Growing consumer demand in developing markets has helped to secure another strong set of results and our global footprint has continued to expand."

Meyer Kahn, Chairman

Dear Shareholder,
In my final letter as Chairman, I am delighted to report another year of significant progress and strong results. As we predicted 12 months ago, markets were difficult in Europe and North America but consumer demand continued to grow in most developing economies. Through successful marketing, product innovation and skilful commercial execution, we were able to build on our position in the world's developing consumer markets.

Results and dividend
Beverage volumes totalled 286 million hectolitres, up 6% with lager volumes up 5% and soft drinks volumes up 8%. Group revenue grew by 11% (7% on an organic, constant currency basis) as a result of higher volumes, focused price increases and our efforts to increase the premium element in our brand mix.

Reported earnings before interest, tax and amortisation (EBITA) grew by 12% (8% on an organic, constant currency basis) and EBITA margin was 10 bps ahead of the prior year at 17.9%. Group revenue growth offset increases in raw material costs while marketing investment rose in line with revenue and fixed costs increased as a result of expenditure on sales and systems capabilities. Profit before tax was up 55%, after the inclusion of exceptional gains in the year.

Finance costs were 7% higher than the prior year and the effective tax rate was 27.5%. Adjusted earnings per share were up 12% at 214.8 US cents, while basic earnings per share were 266.6 US cents.

The group's free cash flow was US$3,048 million, an increase of US$560 million over the prior year. Working capital cash inflows of US$258 million continued recent positive trends.

Capital expenditure was US$1,639 million, a rise of US$324 million as we increased production capacity, particularly in Africa. Net debt at 31 March 2012 was US$17,862 million. This was higher than the previous financial year-end, primarily due to the Foster's acquisition.

The board has recommended a final dividend of 69.5 US cents per share to be paid to shareholders on 17 August 2012. This brings the total dividend for the year to 91 US cents, an increase of 10 US cents (12%) over the prior year.

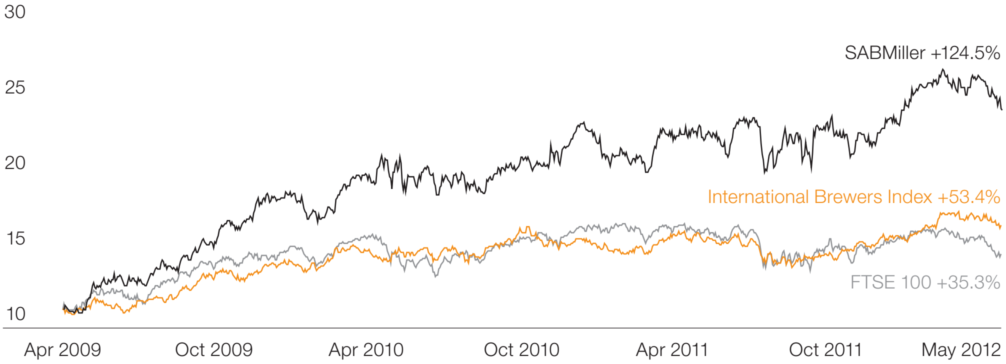
Operational highlights
The year saw strong performance in most of our developing markets. Latin America and Africa were particularly notable while South Africa and Asia Pacific also generated significant, profitable growth. With the exception of Europe, all beverage divisions contributed to EBITA growth.

Latin America produced EBITA growth of 15% (14% on an organic, constant currency basis). Lager volumes increased by 8% on an organic basis with soft drinks volumes growing 10% on the same basis. Strong revenue growth reflected a combination of higher volumes, selective price increases and favourable mix, though these were partly offset by higher commodity costs. The region also benefited from manufacturing efficiencies.

91 US cents
Total dividend per share, an increase of 12%

Chairman's statement continued

Share price performance
from 1 April 2009 to 24 May 2012 (£ sterling)



Source: Factset and Datastream as at 24 May 2012
Note: Share prices are rebased to SABMiller; the International Brewers Index charts the share price progression of an index of the company's closest peers in the global brewing industry – Anheuser-Busch InBev, Carlsberg, Heineken and Molson Coors, relative to 1 April 2009. The index is weighted relative to the market capitalisation of the brewers as at 1 April 2009

In **Europe**, EBITA declined by 6% (9% on an organic, constant currency basis) while lager volumes fell by 1% on an organic basis. Poland and Romania were particularly affected by discounting and poor consumer sentiment, with EBITA down in both countries. Other markets generally saw stronger financial performance with good growth in premium brands. Across the region, EBITA was affected by significant increases in raw material costs. Against this background, our regional manufacturing project continued to deliver cost efficiencies.

In **North America**, EBITA grew by 2%. MillerCoors' sales to wholesalers fell by 3% with sales to retailers down 2% as economic pressures continued to affect key consumer groups. The Tenth and Blake crafts and imports division saw double-digit growth. The increase in EBITA was mainly a result of revenue growth from pricing and favourable brand mix along with cost savings partly offset by higher raw material and distribution costs and investment in systems.

In **Africa**, lager volumes increased by 13% and soft drinks volumes by 11% on an organic basis. EBITA grew by 15% (16% on an organic, constant currency basis), driven by volume growth, pricing and mix benefits, cost efficiencies and the raw material cost benefits of local agricultural programmes. These were partly offset by higher sales and marketing investment, inflationary pressures and currency weakness.

Lager volumes in **Asia Pacific** increased by 4% on an organic basis, with reported volumes significantly higher as a result of both the inclusion of Foster's since 16 December 2011 and acquisitions in China. Reported EBITA grew by 247%, mainly due to the addition of Foster's. On an organic, constant currency basis, EBITA grew by 30% with good growth in both China and India.

In **South Africa**, lager and soft drinks volumes both grew by 2%. Reported EBITA was up by 9% (14% on a constant currency basis), benefiting from favourable pricing and mix and with supply chain productivity offsetting the impact of higher raw material costs. Further reductions in operating costs enabled the business to fund higher market-facing investments in support of its brands.

Continuing expansion
The year saw further progress in expanding our geographic footprint and brewing capacity, consistent with our strategy of creating a balanced and attractive global spread of businesses.

The main advance was the acquisition of Foster's in Australia. With 11 breweries including cideries, Foster's is a substantial business and our largest-ever acquisition by value.

The Foster's deal gives us a highly cash-generative brewing business with a portfolio of iconic brands and a leading position in a stable and profitable beer market. Adding to its attractions are Australia's sound economic growth prospects and expanding population. In addition, the business provides opportunities for financial and operational improvement as we apply our global skills and the benefits of scale in areas such as procurement. We have already identified AUD180 million in operating profit synergies and a range of initiatives for boosting performance. We welcome Foster's employees into the group and I thank them for their cooperation and hard work during the integration process.

286m hl
Total beverage volumes sold during the year

AUD180m
Cost savings identified in Australian acquisition

Kilimanjaro
Origin: Tanzania
First brewed: 1996
www.kilitimetz.com

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

The year's second major transaction was our strategic alliance with the Turkish beer and soft drinks business, Anadolu Efes, under which we have transferred our Russian and Ukrainian beer businesses to Anadolu Efes in return for a 24% stake in the enlarged Anadolu Efes group. Anadolu Efes will now be the vehicle for both groups' investments in Turkey, Russia, the Commonwealth of Independent States (CIS), Central Asia and the Middle East. As well as leading the beer and soft drinks markets in Turkey, Anadolu Efes has strong positions in Kazakhstan, Moldova and Georgia, all of which are developing fast. In Russia, the combined business has a strong number two position and is benefiting from greater scale, an attractive portfolio of brands and cost synergy opportunities amounting to at least US$120 million. The two partners will share best practice and Anadolu Efes will develop SABMiller's international brands across the territory.

We have also developed our strategic alliance with Castel in Africa. We are now responsible for the operational management of the Nigerian businesses while Castel has taken over the running of the Angolan businesses.

In China, our CR Snow joint venture continued its expansion with a number of bolt-on additions including the acquisition of the remaining interest in Hangzhou Xihu Breweries from Asahi Breweries. The moves further consolidate CR Snow's leading position.

Along with widening our geographic footprint, we have continued to invest in capacity. In response to rising demand in Africa, we have already invested US$1,500 million in the continent over the last five years. But such is Africa's rate of growth that demand continues to outstrip supply and we now need even more capacity. We have consequently embarked on a US$260 million programme to build a new brewery in Uganda and add capacity in Ghana, Zambia and Tanzania. The projects announced last year – the new brewery in Nigeria and the major expansion in South Sudan – are progressing well.

In November 2011, we also announced a US$295 million capital investment programme to increase capacity and support future brewery expansion at our Peruvian subsidiary.

As a result of this continued expansion, we now have operations in over 75 countries on six continents with breweries in such far-flung places as the Gobi Desert, the High Andes, the banks of the Nile and the Tasman coast.

Building a global leader
As one of the world's largest and most respected brewers with strong positions in every region, SABMiller has come a long way from its origins at the foot of Africa. On the eve of my retirement, I am proud of the group's achievements over the years.

Looking back, the trigger for our international growth was the recognition by the board of South African Breweries, as it was then, that global consolidation was about to hit the worldwide beer business as it had done other consumer goods sectors such as food and soft drinks. At this point in the late 1980s, the beer industry largely consisted of local and regional businesses, many still run by the founding families. We saw an opportunity to lead the consolidation that we knew was coming and we took it.

Starting close to home in Africa, we began to acquire brewing assets – typically from governments wanting to privatise. Many had been neglected under public ownership, so were relatively cheap to buy. Our strategy was then to establish market leadership and build local brands. Next we applied the rigorous operational disciplines learned in South Africa to drive down costs, achieve world-class standards in our breweries and distribute our products more efficiently. From a position of leadership, we then sought to enhance the industry's business practices, market responsibly and initiate local social investment programmes.

"We've continued to expand our geographic footprint, consistent with our strategy of creating a balanced and attractive global spread of businesses."

Moving out from Africa, we began acquiring businesses in newly liberalised Eastern Europe and the vast emerging market of China. As our growth continued, we clearly needed access to further capital. In 1999, therefore, we took the major step of moving to London and listing on the London Stock Exchange. Further expansion followed. In 2002, the addition of Miller in the USA took us into the global beer industry's biggest profit pool. Despite widespread scepticism that a brewer from South Africa could succeed in the world's most sophisticated consumer market, we knew the move was necessary if SABMiller was to continue playing a decisive role in the industry's consolidation. And succeed we did.

US$260m
Investment in new capacity in Africa

Chairman's statement continued

In the past decade we have added Birra Peroni in Europe, the Bavaria group in Latin America, Foster's in Australia and many other brewers and brands, from the small and specialised to the pan-regional. The decision to move out from South Africa and to take on the world has succeeded beyond the expectations of those of us involved at the time.

Of course we cannot measure our success simply by the territory we cover. As brewers, we succeed by making beers that are the first choice of our consumers, wherever they live and whatever their circumstances. So as well as building our geographic portfolio and striving to be the best operationally, we have had to develop our skills in creating, marketing and nurturing great brands that add to our consumers' enjoyment of life. Again, we can claim to have succeeded.

“Given that SABMiller's success depends on flourishing local communities, we aim to be a force for good in the societies in which we operate.”

By running successful businesses, we have also contributed to the social and economic wellbeing of the countries in which we operate. We have always known that business and society are inter-dependent and that SABMiller's growth depends on flourishing local communities. So as well as creating jobs and paying taxes, we have constantly sought to stimulate local enterprise and to work with governments, NGOs and others on issues of common concern such as water, energy and food security. We have also taken a lead in tackling the abuse of alcohol by small minorities of consumers in our various markets. I'm proud to think that SABMiller has been a consistent force for good in its local communities.

Our success in all these areas is reflected in the value we have created for our shareholders. £100 invested in SABMiller in 1999 would have grown to £790 as at 31 March 2012, compared with just £200 if invested in our peer group median and just £144 if invested in the FTSE 100 index. Over this period, our rolling annualised five-year total shareholder return has been a remarkable 19.0% compared with 1.9% for the FTSE 100 index.

The group's results, both in the past year and longer term, are testimony to the high calibre of our directors, managers and employees. They are, undoubtedly, among the best in the industry and I thank them all – along with our business partners – for the skills and dedication that have helped to establish such an enviable and sustained record.

An abiding lesson of my career is that beer is a personal business. More than any other, it's about people, friendship, camaraderie and a sense of connection with fellow workers, customers, consumers and communities. Appropriately in an industry devoted to enjoyment, my career at SABMiller has been tremendous fun and I've been privileged to work with a great many talented, principled and remarkable people, my current board colleagues among them. While it would be invidious to single out individuals, I must pay tribute to Graham Mackay who's been instrumental in building the group we know today. I leave with enormous gratitude for his friendship and support, knowing that the business continues in excellent hands.

Succession and board changes

My retirement will take effect at this year's Annual General Meeting on 26 July 2012. At that point, Graham Mackay will take over as Executive Chairman for an interim period of one year and Alan Clark, currently Managing Director of SABMiller Europe, will become an executive director and Chief Operating Officer. At the end of the interim period, the intention is that Graham will become Non-Executive Chairman and that Alan will succeed him as Chief Executive.

We acknowledge the recommendation in the UK Corporate Governance Code that a chief executive should not go on to be chairman of the same company and that the roles of chairman and chief executive should not be exercised by the same individual. Nevertheless, after long deliberation, we believe that these appointments are in the best interests of SABMiller and its shareholders.

In selecting my successor, the board carefully considered the requirements of the job in the context of the group's size and geographic spread. We agreed that the new Chairman must be able to provide stability and continuity, must understand both the global brewing industry and the particular challenges of the emerging markets in which we operate, must be familiar with our ways of working and able to enhance our corporate culture and operational performance and must be competent to oversee the completion of the business capability programme currently under way. Against these criteria, the nomination committee concluded that Graham Mackay was the outstanding candidate.

£790

Return on £100 invested in SABMiller in 1999

19.0%

Rolling annualised five-year total shareholder return since 1999

Carlton Dry
Origin: Australia
First brewed: 2007
www.carltondry.com.au

Carlton Dry's exceptional dry finish is achieved through a special brewing process, removing sugars over an extended period of time. This creates a remarkably smooth, crisp finish with less carbohydrate than other full-strength beers.

This decision has the unanimous support of the directors and the strong backing of our two major shareholders and was made after discussions with major institutional investors. Graham is highly regarded in the industry and among our stakeholders and we firmly believe he's the right person to lead the board and to represent SABMiller externally at the highest level.

Alan Clark, similarly, is ideally qualified to succeed Graham as Chief Executive and his appointment is unanimously supported by your directors. His 22 years with the group include positions as Marketing Director for the South African beer business and Managing Director of the group's soft drinks operations in South Africa. In 2003 he joined the group's executive committee and was appointed Managing Director of SABMiller Europe. During his tenure he built this business into one of the group's strongest and fastest-growing divisions, recording successive years of double-digit earnings growth between 2003 and 2009. In the tough conditions of the last three years, he has successfully protected the division's profitability through cost management and operational improvements.

Any individual stepping up from an operating role to the chief executive's position in a global group will inevitably need time to absorb the complexities of the business. This is particularly so in light of the group's many external relationships and partnerships and the varied challenges it faces in different markets and regions around the world. Accordingly, the board has decided that a staged handover of responsibilities will ensure appropriate continuity and best serve the interests of the group and its shareholders. Hence the one-year interim period before the intended change of roles at the 2013 Annual General Meeting.

"The senior management changes are consistent with the group's long-standing policy of developing strong leaders within the business."

Job specifications setting out the respective authorities and responsibilities of the Executive Chairman and Chief Operating Officer have been agreed by the board and the directors are confident that Graham and Alan will continue to work effectively together during the transition and thereafter. Any risk of an over-concentration of decision-making powers in one person will be mitigated by the fact that John Manser, our senior independent non-executive director and chairman of the audit committee, will in addition become Deputy Chairman of the board.

Alan's successor as Managing Director of SABMiller Europe will be Sue Clark who has been our Director of Corporate Affairs and a member of the group executive committee since 2003. Sue has a deep understanding of the group and its culture and the right mix of skills to take our European business forward.

In December 2011 Ari Mervis was appointed Managing Director Asia Pacific and Chief Executive Officer of Foster's with responsibility for integrating Foster's into the SABMiller group. Having been Managing Director of SABMiller Asia since 2007, Ari continues his role as Chairman of our Chinese joint venture, CR Snow.

All these appointments are consistent with the group's long-standing policy of developing strong leaders within the business. Having also appointed five new independent non-executive directors over the past four years, we remain committed to our policy of progressively renewing the board and the independent directors in terms of age, gender and balance of skills. In line with that policy, it is also the board's intention now to begin the process of recruiting a new independent non-executive director, with the expectation that in due course he or she could become the senior independent director in succession to Mr Manser.

Rob Pieterse will retire after this year's Annual General Meeting after four years as an independent non-executive director. Rob has been a diligent director and we are sorry to lose him – though we will still have the benefit of his wisdom in his capacity as Chairman of the supervisory board of Royal Grolsch NV in the Netherlands. We are grateful for his contribution during his time at SABMiller and we wish him the very best for the future.

Outlook
Trading conditions are expected to be broadly unchanged with further growth in our developing markets but no more than modest improvements in consumer spending in some more developed economies. We will continue to develop and differentiate our brand portfolios, taking opportunities to improve sales mix and raise prices selectively. Unit input costs are expected to rise in mid-single digits in constant currency terms.

Focus will be maintained on cost effectiveness, including synergy delivery in Australia, and on expanding our globally-managed procurement programmes. While healthy cash generation will again be a priority, targeted investments in production capacity, marketing and sales capability and business systems will continue in order to drive medium-term growth.

Meyer Kahn
Chairman

Global beer market trends

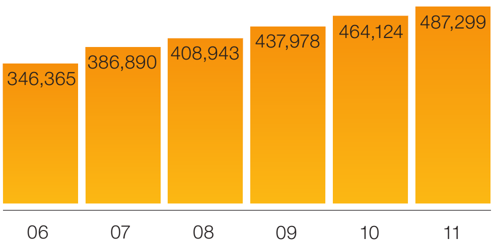
Growing importance of brand development, innovation and partnerships

Growth and development trends in the global beer market were generally unchanged in 2011. Emerging markets were still the principal source of volume growth while developed markets faced weak consumer demand as a result of difficult economic conditions and shifting consumer trends.

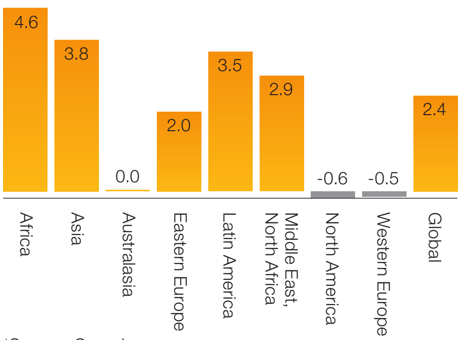
The better performing markets, regardless of their stage of development, continued to be those in which industry leaders used brand development, innovation and partnerships to capture latent opportunities and stay ahead of changing consumer trends.

The biggest beer market, China, accounted for 43% of the world's volume growth. China's top five brewers accounted for 63% of total industry volumes. However, beer pricing remains low in China and profit margins are thin. Consolidation of the fragmented Chinese beer industry remains an important long-term trend and one that will lead eventually to greater industry profitability.

China beer market growth* hl 000s
China total industry volumes 2006-11



Beer growth trends by volume* %
Forecast five-year compound annual growth rate (CAGR) by region – 2012-16



*Source: Canadean

In contrast to China's high growth in volumes but low profitability, South America, impressively, saw growth in both volumes and profitability. In the continent's biggest market, Brazil, beer sales were resilient in the face of softer consumer trends and the development of premium brands remains an opportunity – as it also does in Argentina. In Peru and Colombia, where the premium segment is better established, brewers continue to attract young adult consumers and to raise the image of the beer category as a whole. A trend from informal spirits to beer was evident in Peru which still offers sizeable growth opportunities for beer from adjacent categories. Latin America as a whole continues to offer excellent growth and profitability opportunities from an already strong and profitable base.

“In Australia we expect to see renewed focus on innovation and the development of mainstream, premium and import brands.”

In South Africa, brand development work among mainstream and premium brands solidified the leading brewer's share in 2011. Elsewhere in Africa, the ability to form effective partnerships continues to be an important component of growth for some companies and the opportunity to 'formalise' informal beverages is a major factor in markets where affordability is critical. Industry leaders SABMiller, Castel and The Coca-Cola Company remain aligned in their pursuit of the opportunities provided by beverage volume growth in these low-scale markets.

In the USA, volumes declined 0.6% in 2011 as unemployment remained high, particularly among young, legal drinking age men. Newer craft beers and some imports continued to thrive at the upper end of the price spectrum at the expense of more sessionable and longer-established light beer brands.

Australia has new opportunities following SABMiller's acquisition of Foster's. We expect to see renewed focus on innovation and the development of mainstream, premium and import brands.

European consumer trends remain challenging. Difficult long-term demographic trends, a shift to home consumption in markets such as the UK and near-term austerity measures all combine to limit growth. Mergers and acquisitions remain a factor in the Czech Republic while partnerships have played a role in markets such as Russia where premium brands remain promising.

Capturing the opportunity in both developed and emerging markets requires three key skills – brand development, innovation and the ability to forge successful partnerships in markets where joint ventures are necessary. Very few brewers excel at all three. Investors looking for long-term returns in the beer industry need to be able to distinguish those firms that are truly ahead of the field in these intangible, elusive and sophisticated disciplines.

Independent industry consultant
May 2012

Coors Light
The premium light, frost-brewed Coors Light is the world's most refreshing beer. This year's growth has been supported by the new 'super-cold' indicator bar on the temperature-sensitive label along with innovative, 'aluminium pint' packaging. Coors Light is now the number two brand in the USA.

Chief Executive's review
Consistent strategy delivers growth

"We create value by being in the right markets, having the right brand portfolios, creating the right operating processes and building the right partnerships."

Graham Mackay, Chief Executive

The group has delivered another strong performance, driven this year by the successful development of our brands and brand portfolios, better sales execution and rising consumer confidence in most of our developing markets. It's particularly pleasing to see the progress we've made in growing revenue and improving margins, as these are two of our key drivers of value.

Group revenue grew by 11% as a result of higher beverage volumes, selective price increases and rising sales of our premium brands. EBITA increased by 12% (8% on an organic, constant currency basis), with the reported EBITA margin rising 10 bps to 17.9%.

Despite the challenges of the financial crisis, our strategic direction has remained constant. While it naturally evolves over time, the strategy we're pursuing continues to be relevant and has enabled us to succeed even in trying circumstances. Our four strategic priorities, together with the measures we use to track progress and how we've performed this year, are set out on pages 20 and 21.

To provide greater insight into how the business generates value for its shareholders and to meet the requirements of the UK Corporate Governance Code, this year's annual report offers further detail on our business model. Page 15 details the key components of this model – being in the right markets, having the right brand portfolio, creating the right operating processes and building the right partnerships. The past year has seen strong progress in each case.

Being in the right markets
In line with our first strategic priority, we've continued to build a balanced and attractive global spread of businesses – one that combines generally profitable, mature markets with high-growth, developing markets characterised by strong economic fundamentals and rising levels of disposable income.

"We're well represented in many of the world's fastest-growing countries."

At the mature end of the portfolio, we have leading positions in some of the world's most profitable developed markets, for example through MillerCoors in the USA. Here the focus is on enhancing value and building profit margins by offering local premium and global brands and developing craft beers and other malt-based beverages.

In emerging markets, we're well represented (either directly or through partnerships and alliances) in the world's fastest-growing countries, including China, India and many African markets. We also have a strong presence in the developing regions of Latin America and Central and Eastern Europe. In these markets our focus is on volume and value growth, achieved by providing high-quality, aspirational brands at a range of prices to cater for all income levels. At 76%, the proportion of our group EBITA coming from developing or emerging economies remains the highest in the brewing sector.

76%
Proportion of group EBITA from developing or emerging economies

Pilsner Urquell
Origin: Czech Republic
First brewed: 1842
www.pilsner-urquell.com

The world's first Pilsner from the Czech city of Pilsen. Pilsner Urquell has a distinctive bitterness and full-bodied taste that delight discerning beer drinkers around the world. The name means 'Pilsner from the original source'.

Our business model

Our strategic priorities

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

How we create value

Being in the right markets

Our geographic portfolio of businesses combines both developed and emerging markets, exposing us to a range of profitable and high-growth countries. Having leading positions in both, across the world, is important in creating value.

What this means in practice
We operate in a range of markets with different characteristics
In mature markets – those generally characterised by above-average profit pools – our focus is on enhancing value and improving margins.

In emerging markets – with above-average growth potential – we aim to deliver volume and value growth and to expand the beer category.

Having the right brand portfolio

We seek to build a portfolio of lager brands that meets the diverse needs of local consumers in each market. In selected markets where value can be created we operate a full-beverage portfolio including carbonated soft drinks, water and non-alcoholic malt drinks.

What this means in practice
Price ladders
In each market, we aim to offer consumers a range of beer brands with different attributes and tastes at price points from economy to premium – so capturing consumers as they move both up and down the price scale.

Market segmentation
On a market-by-market basis, we identify different consumer needs and drinking occasions and define our products (both alcoholic and non-alcoholic) accordingly.

Long-term sustainable value creation

Building the right partnerships

We recognise that our success is dependent upon a broad number of partnerships. In each of our partnerships, we seek value-creating opportunities which benefit both parties.

Our approach enables us to optimise all aspects of our value chain from local and global suppliers to mom and pop stores, key account customers and distributors. It has also facilitated our global expansion and we have a number of associations and successful joint ventures with industry partners.

What this means in practice
Successful partnerships
We have mutually beneficial and, in some cases, long-standing relationships, typified by a high degree of trust and respect.

For example, we have well established partnerships with our suppliers. Where possible and cost effective, we choose to source our brewing raw materials – barley, sorghum and, more recently, cassava – from local suppliers and we work with farming communities to stimulate local economic growth and boost local jobs and incomes.

Creating the right operating processes

We believe that the focus for management in each market should be their local commercial priorities. Our culture and operating processes encourage shared learning within and across the businesses. They also ensure continuous improvement in performance through the measurement and application of SABMiller best practice.

What this means in practice
Local accountability
We believe that accountability is clear and personal. Full accountability for the commercial aspects of the business resides with local management teams in each market.

Sharing best practice
The SABMiller Ways are procedures and protocols designed to codify and transfer best practice across the business. They cover all aspects of our operations from marketing and manufacturing to finance and corporate affairs. Progress in the areas covered by the Ways is measured by key performance indicators (KPIs) to ensure continuous improvement.

Chief Executive's review continued

Of course, not all countries categorise neatly as mature or developing. Australia is normally considered a developed market but has economic and demographic growth more akin to a developing market. This fact was one of the main attractions when it came to acquiring the Foster's business in December 2011.

The Foster's acquisition has been a significant transaction for the group. One of our first actions after taking ownership was to integrate our existing Australian business, Pacific Beverages, into CUB (Carlton and United Breweries, the Australian beverage business of Foster's) and a key focus in the coming year will be the integration of CUB into SABMiller. We've completed our detailed integration plans and have identified a range of opportunities to increase CUB's revenues and reduce its costs. These include better management of channels and key accounts and a stronger focus on CUB's core brands with sharper, more distinctive brand positionings. The application of SABMiller's best operating practices and the benefits of the group's global scale in procurement and other areas are expected to save AUD180 million per year, by year four.

"I'm confident that the Foster's acquisition will add significant value to the group."

While current trading may be more challenging than we anticipated and some of the negative and long-standing trends affecting the Australian beer category in general will not be reversed overnight, everything we've seen so far confirms our original assessment of the Foster's opportunity. There is a lot of hard work ahead, but I'm confident that the acquisition will add significant value to the group.

Having the right brand portfolio
Creating the right brand portfolio relates to our second strategic priority which is to win in the local market by offering attractive portfolios tailored to local needs and preferences. Within each market, we aim to address a growing range of consumer segments and drinking occasions while catering for different levels of disposable income – offering consumers a price ladder from affordable to premium and seeking to capture or retain their loyalty as they move either up or down.

In each country, the core of the portfolio and the main contributors to volume are the **mainstream** brands. Priorities here are to sharpen the differentiation between our various offerings and continually to refresh and polish our brands to keep them relevant and appealing. Recent years have seen major successes around the world.

MillerCoors in the USA has shown how continued innovation can convincingly reinforce a brand's existing claims and keep it fresh and interesting for consumers. In the case of Coors Light, the challenge was to consolidate the brand's ownership of the 'cold refreshment' concept and strengthen its emotional as well as its functional appeal. Innovations included a more sophisticated temperature-sensitive label combined with new packaging and advertising. Coors Light has responded by becoming the number two brand in the USA and is on track for a seventh consecutive year of growth in both volume and share. Miller Lite is set to benefit from a new positioning, packaging innovations such as a punch-top, 'taste-flow' can and new advertising that includes digital programmes on Facebook, Twitter, Google and YouTube.

SAB in South Africa has also been putting energy and resources into its mainstream brands. When the FIFA World Cup came to the country in 2010, the business used the opportunities presented by the tournament to rejuvenate its 115-year-old Castle brand. With Castle Lager sponsoring the national football team, SAB created a campaign to rally the nation and position the brand as representing the best of South Africa. This activity and the more recent campaign, 'It all comes together with a Castle', have pushed the brand's growth rate into double-digits.

When the Poker brand in Colombia needed refreshing, the key was not to lose the trust of the brand's low-income and relatively traditional consumers by changing too much at once. So the programme began with clear messages that the product would remain the trusted friend that consumers had known since 1929. As bottles and labels were updated, the 'friendship' message was reinforced. Previously a regional brand, Poker is now a leader across Colombia and one of the most profitable brands in Bavaria's portfolio.

In China, our CR Snow joint venture has succeeded in creating the country's first national beer brand by concentrating resources behind a single name. From small beginnings, it decided 10 years ago to make its Snow brand the country's number one brand by volume by 2006 and to achieve national scale by 2011. In a market ripe for consolidation, it began building local strongholds into regional areas of leadership. It also developed brand variants to address specific occasions and price points and emphasised Snow's cultural associations to reinforce its national status. In 2011, sales volumes by CR Snow passed 100 million hectolitres. Today, Snow is the biggest brand by volume, not just in China, but in the world.

100m+ hl
2011 sales volumes by CR Snow in China

Poker
Origin: Colombia
First brewed: 1929
www.cervezapoker.com

Poker is a traditionally brewed lager beer, with a smooth taste that has a touch of sweetness, making it the perfect brew to share during great moments with friends. Poker is a leading brand in Colombia.

The trend towards **premium** brands continues, driven in part by urbanisation and the rise of the middle class in developing markets. International premium brands account for 7.5% of the global beer market while local premiums make up 11.4%. SABMiller is active in both segments and is seeing good results. Revenue growth in premium brands is one of our key performance indicators against strategic priority two (see page 20) and this year has seen growth of 14%.

Our international premium portfolio comprises Peroni Nastro Azzurro, Miller Genuine Draft, Pilsner Urquell and Grolsch. Thanks to their provenance, fame and brand equity, these brands command prices at the top of the ladder in most of their markets around the world.

Unlike the mass marketing appropriate to mainstream brands, international premiums require slow, deliberate 'seeding' in each new market to maintain their exclusivity. Following the 2008 launch of Grolsch in South Africa, for example, SAB has been recruiting small numbers of social opinion leaders, exposing them to the Grolsch experience and equipping them to become word-of-mouth advocates among their peers. Feedback from the programme indicates a growing affinity for Grolsch among target consumers and the brand's share in premium bars and restaurants has been rising.

In Slovakia, the challenge has been to revive an international premium – in this case Pilsner Urquell – in response to a steep decline in the Slovak beer market and a competitor piggy-backing on Pilsner Urquell's brand heritage. The work has involved positioning the brand as the 'best of the best', strengthening its association with special occasions and offering a better experience to discerning consumers by delivering fresh, unpasteurised Pilsner Urquell direct from the brewery to opinion-leading pubs. Two years on, the brand's market share has made significant progress.

The local premium segment – 'the premium beer from here' – trades on local provenance and pride and widens the choice for consumers looking for affordable luxury. It offers attractive margins and growth and is a segment in which SABMiller has particular strengths. Again we can point to a run of successes.

Our Lesotho business, Maluti Mountain Brewery, recently reinvigorated its Maluti Premium Lager to counter new, premium competition arriving from South Africa. Trading on the brand's local heritage, the business developed a 'pride in origins' positioning along with new packaging and a national promotion celebrating Lesotho's best-known locations. Having outstripped all volume forecasts, the product now has a premium market share of over 70% and is one of the most profitable brands in the brewery's portfolio.

Tanzania Breweries Ltd also took action in the local premium segment when the merger of two rivals created a powerful new competitor. In a two-pronged response, it revitalised its existing, mainly mainstream brands and expanded its premium offering with the introduction of Castle Lite, so meeting the need for a lower-calorie beer and capturing new drinking occasions.

Local premium brands continue to stimulate innovation. In Latin America, for instance, seasonal offerings such as the Negra, Dorada and Roja variations of Club Colombia and seasonal derivatives of Cusqueña in Peru have underpinned double-digit volume growth in the premium segment.

Another important trend is the growing interest in craft beers from consumers who value the distinctive heritage and character that these brands offer. Capitalising on the trend, we recently reached agreement with the Van Steenberge brewery in Belgium to distribute its St Stefanus brand around the world. Named after the monastery to which the brewery is linked, St Stefanus is our first 'abbey' beer and an attractive offering for beer connoisseurs.

In the USA, MillerCoors' crafts and imports division, Tenth and Blake, continues to go from strength to strength, delivering double-digit growth this year. A key factor has been the popularity of seasonal variants of Blue Moon and Leinenkugel's, particularly the very successful Leinenkugel's Summer Shandy. To expand its portfolio, Tenth and Blake has acquired The Crispin Cider Company, capitalising on the fact that cider is now the fastest growing category in the US beer industry.

At the base of the price ladder, we're developing a new generation of **affordable** brands to cater for the aspirations of low-income consumers in emerging markets. These are typically made from locally grown raw materials and offer a safe, quality alternative to informal and illicit beers and spirits.

In 2011 our business in Mozambique launched Impala, the first-ever commercial beer made from cassava. Although cassava is widely grown in Mozambique, the challenge of transporting the crop and the fact that it deteriorates rapidly after harvesting make it difficult for subsistence farmers to benefit from any surplus. This problem has now been solved by the use of a mobile unit which travels to the cassava growing regions and processes the root on the farm, ready for the brewing process. As a result, some 1,500 smallholders will now have a market for their crop. With the government recognising the economic benefits and reducing the excise on Impala, more low-income consumers will be able to make the transition from home brews to commercial beer.

Chief Executive's review continued

If the key to affordability in Africa is locally-sourced ingredients, our businesses in Latin America are achieving the same ends and capturing more drinking occasions by launching different-sized packaging. In some cases they've introduced smaller units: the 225 ml bottles for Águilita and Pilsener, for example, can sell at a lower price and also be drunk before the beer loses its chill. In other cases, the solution is larger packaging. For Poker, Águila and Águila Light, the roll-out of 750 ml bottles designed for sharing is attracting Colombian consumers looking for affordability, both in bars and restaurants and when drinking at home.

Although we are first and foremost a beer business, we have opportunities to expand into adjacent categories such as malt and other non-alcoholic drinks. Our water and malt drink businesses in Africa continue to grow and we recently launched two new malt drinks, Maltizz in Colombia and ActiMalta in Honduras and El Salvador.

Creating the right operating processes
Our geographic footprint and strong brands will only benefit the business if we have the systems and skills to extract value from them. In creating the right operating process, we're guided by our belief that beer is an inherently local product and that SABMiller's success depends on local management being able to pursue their own commercial priorities.

“It's important to remove non-commercial activities from each business so that local managers can focus on their customers, consumers and communities.”

We constantly seek to improve our local sales execution and levels of customer service. The Operations review on pages 25 to 35 gives examples of our progress in these areas across the business during the year.

As competition intensifies and regulatory and other pressures increase, winning in the local market is becoming more complex. It's therefore important to remove non-commercial activities from each business so that local managers can focus without distraction on their customers, consumers and communities.

To this end, we're implementing a comprehensive business capability programme – not just to ease the load on local teams but also to boost efficiency, raise standards, capitalise on our scale and create a more connected organisation.

The past year has seen continued progress. Our global procurement organisation, Trinity, has contributed significant savings and we're extending its remit to cover more of our purchasing than simply brewing materials. Further benefits have come from regional programmes such as the consolidation of our manufacturing and supply chain in Europe and the introduction of new sales and distribution systems in Latin America.

Our global IS project has developed further during the year. The latest stage covering back, middle and front-office processes was deployed in its first market, Ecuador, in November 2011 and the next full deployment will be in Poland.

Net operating benefits from our business capability programme once again exceeded our expectations, reaching US$159 million for the year. As a consequence, we've raised our 2014 target for net operating benefits to US$450 million per year by the end of that year. Further details of the benefits and the investment we're making to deliver them are set out in the Chief Financial Officer's review on pages 37 to 44.

We've been further capitalising on our scale with programmes designed to codify, share and enhance our business capabilities. In recent years we've been working on a series of eight SABMiller Ways – procedures and protocols for transferring best practice across the business and covering all aspects of our operations from marketing and manufacturing to finance and corporate affairs. We now have ongoing programmes to build specific skills in line with the Ways, with particular emphasis this year on commercial and marketing capabilities at the local level. To ensure continuous improvement, we've introduced key performance indicators to measure our progress in the main areas covered by the Ways and results are reviewed every quarter.

Building the right partnerships
More than most other industries, the beer business is about being rooted in the community and connected to a wide variety of partners and stakeholders. Partnerships are crucial to our success. We devote great care and effort to building alliances throughout our value chain and believe that SABMiller is unusual in the industry in its partnership skills.

At industry partner level we have successful and long-standing alliances with businesses such as Castel in Africa, CRE in China and Molson Coors in the USA, all characterised by mutual respect and a willingness to work together for mutual value. This year we've joined forces with Anadolu Efes and have further strengthened our alliance with Castel.

Other partnerships are aimed at achieving ‘inclusive growth’ in local communities. By this we mean building value chains that stimulate economic development and cultivate the entrepreneurial skills of local partners so that they can contribute to our business and we can help them develop theirs.

An example of this approach is our *Farming Better Futures* programme, under which we're seeking to increase the local sourcing of agricultural raw materials in Africa, India and Latin America. Three years ago, all the barley we used in Zambia had to be imported. Today, Zambia is growing enough barley not only to meet its own needs but also to become a net exporter and the new barley industry has created employment for over 4,000 rural workers. In Africa as a whole, we're committed to increasing the local sourcing of raw materials to

US$450m
2014 target net operating benefits from our business capability programme

Castle Milk Stout
Origin: South Africa
First brewed: 1935
www.sab.co.za

Castle Milk Stout is brewed as a lager, unlike most stout. The 'milk' refers to lactose sugars added during the brewing process. It has a thick texture, strong flavour and full, satisfying taste with a hint of caramel. Roasted dark malt provides its distinctive colouring, and the creamy-smooth head comes from special yeast.

50% in the next two years – a move that will raise the number of farming jobs directly supported by our operations from 100,000 to an estimated 150,000. In India, we aim to source all our barley locally within the next five years.

Building local supply chains in this way requires close collaboration with farmers and others and helps to create jobs and prosperity for local communities. For every person we employ in Uganda, for instance, we generate over 200 jobs in the supply chain and the broader economy.

“We devote great care and effort to building alliances and partnerships throughout our value chain.”

Downstream from our breweries, we seek value-enhancing partnerships across the spectrum from large, sophisticated supermarket chains and major distributors to neighbourhood stores, bar and tavern proprietors and owner-drivers. In many markets, such alliances help further in stimulating enterprise and boosting employment. We also contribute through corporate social investment which this year totalled US$34 million, a significant portion of which is focused on supporting local entrepreneurs, particularly in Colombia and South Africa.

Recognising that our business is not separate from society but embedded within it, we play our part in tackling shared challenges such as water, energy and food security. Our first responsibility is to run our own operations as resource-efficiently as possible and here again we're making progress. In the past year, our water consumption per hectolitre of lager produced was 4.0 hectolitres, a 5% reduction on the previous 12 months. Over the same period, our fossil fuel emissions totalled 12.4 kgCO$_2$e per hectolitre of lager produced, a year-on-year drop of 10%.

Looking beyond our own operations, we know we can only find long-term solutions to issues such as water scarcity in partnership with governments, NGOs, civil society and others. A case in point is our global *Water Futures* partnership with WWF and the German development agency, GIZ, now engaged in watershed protection schemes around the world. Other partnerships – including programmes with police forces and public health bodies – are making us more effective in addressing alcohol abuse.

In summary, the year has seen solid progress with the key components of our business model – being in the right markets, having the right brand portfolio, creating the right operating processes and building the right partnerships. Our work in these four areas has continued to generate long-term value for our shareholders.

Addressing risks
We recognise that running a global business presents complex risks. Our aim is to maximise the opportunities and minimise the threats that any given risk presents so as to generate the greatest return for our shareholders. To this end we have a well-developed risk-management process (detailed on pages 65 to 67) for identifying, monitoring and managing the principal risks we face (these are listed on pages 22 and 23).

The latest annual review of our principal risks has resulted in two changes to the list. The economic environment is no longer presented as a separate risk as we feel that the challenges of the global economy since the global financial crisis of 2008 have become a normal part of operating a global business and should be met through our strategic planning and business processes. We have also removed 'volatility in the price of raw materials' from our list of principal risks as this is now the focus of the Trinity procurement organisation.

Looking ahead
While it's difficult to predict the impact of the uncertain economic environment on consumer sentiment, the beer sector has, in the past, proved itself resilient in difficult times.

Our underlying financial position remains strong, as does our medium-term outlook for growth in volume, revenue and profitability. As I said last year, I believe we have the skills, resources and capabilities to continue generating value for our shareholders and other stakeholders.

Graham Mackay
Chief Executive

Four strategic priorities
Guiding our progress, driving our growth

Our four strategic priorities define how SABMiller will achieve its overall financial goal. While they naturally evolve and their relative importance changes in line with market conditions, these priorities continue to guide our short, medium and long-term growth.

Financial goal

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

Strategic priority

Creating a balanced and attractive global spread of businesses	The wide geographic spread of our operations allows us to benefit from growth in volumes and value in beer markets around the world. We continue to look for opportunities to strengthen our geographic footprint in both developing and developed markets through greenfield entries, alliances, mergers and acquisitions.
Developing strong, relevant brand portfolios that win in the local market	We seek to develop attractive brand portfolios that meet consumers' needs in each of our markets. This includes expanding our offerings to address new consumer segments and drinking occasions, strengthening our mainstream brands, building a differentiated portfolio of global and local premium brands and channelling the right brands to the right outlets at the right time and price.
Constantly raising the profitability of local businesses, sustainably	Our aim is to keep enhancing our operational performance through top-line growth and continuous improvement in costs and productivity. It's also important that we maintain and advance our reputation, protect our licence to trade and develop our businesses sustainably for the benefit of our stakeholders.
Leveraging our skills and global scale	Our global spread presents increasing opportunities to gain value from the scale and skills of the group, not least by leveraging our scale and expertise in procurement, standardising our back-office functions and integrating our front-office systems. We are also benefiting from ongoing collaboration and the sharing of skills between our businesses.

Key performance indicators
Measuring our progress

Leinenkugel's Summer Shandy
Origin: USA
First brewed: 2007
www.leinie.com

Brewed with an adventurous blend of select malted wheat and barley, lemonade flavour and a hint of Wisconsin honey, Leinenkugel's Summer Shandy has delivered summertime refreshment to US beer drinkers since 2007.

The key performance indicators (KPIs) outlined below are used to monitor progress against our overall financial goal and our four strategic priorities.

Further detail is contained in the Chief Executive's review, the Chief Financial Officer's review and the Sustainable Development review. Detailed definitions are on page 181.

What we measure	Why we measure	How we have performed		
		2012	2011	2010
Total Shareholder Return in excess of the median of our peer group over three-year periods	Monitor the value created for our shareholders over the longer term relative to alternative investments in the drinks industry	**89%**	73%	52%
Growth in adjusted earnings per share	Determine the improvement in underlying earnings per share for our shareholders	**12%**	19%	17%
Free cash flow	Track cash generated to pay down debt, return to our shareholders and invest in acquisitions	**US$3,048m**	US$2,488m	US$2,028m

What we measure	Why we measure	How we have performed		
The proportion of our total lager volume from markets in which we have No.1 or No.2 national market share positions	Gain an overall picture of the relative strength of our market positions	**93%**	94%	94%
The proportion of group EBITA from developing and emerging economies	Assess the balance of our earnings exposure between regions of the world economy with highest growth potential and more mature regions	**76%**	79%	78%
Organic growth in lager volumes	Track underlying growth of our core business	**3%**	2%	0%
Group revenue growth (organic, constant currency)	Assess the underlying rate of growth in sales value of our brand portfolios	**7%**	5%	4%
Revenue growth in premium brands (constant currency)	Monitor progress in building our portfolio of global and local premium brands	**14%**	7%	7%
EBITA growth (organic, constant currency)	Track our underlying operational profit growth	**8%**	12%	6%
EBITA margin	Monitor our underlying operational profitability	**17.9%**	17.8%	16.6%
Hectolitres of water used at our breweries per hectolitre of lager produced	Gauge our progress in reducing the amount of water used in our breweries	**4.0 hl/hl**	4.2 hl/hl	4.3 hl/hl
Fossil fuel emissions from energy use at our breweries per hectolitre of lager produced	Assess progress towards reducing fossil fuel emissions at our breweries	**12.4 kg CO_2e/hl**	13.8 kg CO_2e/hl	14.2 kg CO_2e/hl
Cumulative financial benefits from our business capability programme	Track the payback from our investment in the group business capability programme	**US$890m**	US$620m	US$350m

Principal risks

Monitoring and managing the risks we face

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

Principal risk	Context	Specific risks we face
Industry consolidation	The global brewing and beverages industry is expected to continue to consolidate. There will continue to be opportunities to enter attractive growth markets, to realise synergy benefits from integration and to leverage our global scale.	• Failing to participate in value-adding transactions. • Paying too much to acquire a business. • Not implementing integration plans successfully.
Change in consumer preferences	Consumer tastes and behaviours are constantly evolving, and at an increasingly rapid rate. Competition in the beverage industry is expanding and becoming more fragmented, complex and sophisticated.	• Failing to ensure the strength and relevance of our brands with consumers and customers. • Failing to respond in an adequate and timely manner to rapidly changing consumer preferences and behaviours. • Failing to continue to improve our commercial capabilities to deliver brand propositions that meet consumer, shopper and customer needs.
Management capability	We believe that our people are our enduring advantage and therefore it is essential that we develop and maintain global management capability.	• Failing to identify, develop and retain a sufficient pipeline of talented managers for the present and future needs of the group.
Regulatory changes	With increasing and high-profile debate over alcohol consumption in many markets, the alcohol industry is coming under increasing pressure from national and international regulators, NGOs and tax authorities.	• Regulation places increasing restrictions on the availability and marketing of beer. • Tax and excise changes cause pressure on pricing.
Acquisition of Foster's	Following the Foster's acquisition, we have committed to delivering an integration plan with value creation defined by specific, communicated medium-term targets, synergies and cost savings from the Foster's business.	• Failing to deliver integration objectives and commercial and operational excellence targets communicated as part of the integration plan. • Failing to achieve the synergy and cost saving commitments of the transaction.
Delivering business transformation	The group continues to execute a major business capability programme that will simplify processes, reduce costs and allow local management teams to focus more closely on their markets.	• Failing to derive the expected benefits from the projects currently under way. • Failing to contain programme costs or ensure execution is in line with planned timelines.

Kozel 11
Origin: Czech Republic
First brewed: 2005
www.kozel.cz

The Velke Popovice brewery in Central Bohemia first produced Kozel in 1874. Kozel 11 is the most recent variant launched in 2005. A traditional lager beer with a pleasantly bitter taste, gentle malt and hoppy aroma and a perfect sparkle.

Possible impact	Mitigation	Associated strategic priorities
Lower growth rate, profitability and financial returns.	• Potential transactions are subject to rigorous analysis. Only opportunities with potential to create value are pursued. • Proven integration processes, procedures and practices are applied to ensure delivery of expected returns. • Activities to deliver synergies and leverage scale are in place, monitored closely and continuously enhanced. • Develop non-traditional capabilities to enter and grow profitably in new markets.	• Creating a balanced and attractive global spread of businesses. • Constantly raising the profitability of local businesses, sustainably.
Market positions come under pressure, lower top-line growth rates and profitability.	• Ongoing evaluation of our brand portfolios in every market to ensure that they target current and future opportunities for profitable growth. • Building our brand equities through innovation and compelling marketing programmes. • Ensuring we have deep understanding of changing consumer and industry dynamics in key markets, enabling us to respond appropriately to issues which may impact our business performance. • Continued enhancement of the SABMiller Marketing Way which sets out the best-practice approach for our commercial processes. • Focus on monitoring and benchmarking commercial performance and developing the critical commercial capabilities that are required in order to win in local markets.	• Developing strong, relevant brand portfolios that win in the local market. • Constantly raising the profitability of local businesses, sustainably. • Leveraging our skills and global scale.
Lower long-term profitable growth.	• Further develop our leadership talent pipeline through our Global Talent Management model and strategic people resourcing. • Sustaining a strong culture of accountability, empowerment and personal development. • Standardisation of key processes and best practices across the group through the roll-out of the SABMiller Ways. • Recognising strong performance through appropriate reward structures.	• Developing strong, relevant brand portfolios that win in the local market. • Constantly raising the profitability of local businesses, sustainably. • Leveraging our skills and global scale.
Lower growth, profitability and contribution to local communities in some countries.	• Rigorous adherence to the principle of self-regulation backed by appropriate policies and management review. • Constructive engagement with government and all external stakeholders on alcohol-related issues. • Investment to improve the economic and social impact of our businesses in local communities and working in partnership with local governments and NGOs.	• Creating a balanced and attractive global spread of businesses. • Developing strong, relevant brand portfolios that win in the local market. • Constantly raising the profitability of local businesses, sustainably.
Lower growth rates and profitability. Damage to our reputation for strong commercial capability and for making value-creating acquisitions.	• Embedding of the SABMiller Ways (processes, systems and tools) throughout the Foster's business. • Ongoing monitoring of progress versus the integration plan, including frequent and regular tracking of key performance indicators.	• Creating a balanced and attractive global spread of businesses. • Developing strong, relevant brand portfolios that win in the local market. • Constantly raising the profitability of local businesses, sustainably. • Leveraging our skills and global scale.
Increased programme costs, delays in benefit realisation, business disruption.	• Senior leadership closely involved in monitoring progress and in making key decisions. • Mechanisms in place to track both costs and benefits. • Rigorous programme management and governance processes with dedicated resources and clear accountability.	• Constantly raising the profitability of local businesses, sustainably. • Leveraging our skills and global scale.

Poker
Dating back to 1929, the mainstream Poker brand is part of Colombian culture. Its strong positioning as 'The friend that unites friends' has helped to transform it from a regional brand into one of the country's market leaders.

Operations review – Latin America

Latin America

“Strong volume and EBITA growth resulted from improving affordability of key lager brands, building our brand portfolios and expanding the premium segment.”

Karl Lippert
President, SABMiller Latin America

Financial summary	2012	2011	%
Group revenue (including share of associates) (US$m)	**7,158**	6,335	13
EBITA[1] (US$m)	**1,865**	1,620	15
EBITA margin (%)	**26.1**	25.6	
Sales volumes (hl 000)			
Lager	**41,596**	38,266	9
Lager (organic)	**41,264**	38,266	8
Soft drinks	**17,418**	15,809	10

[1] In 2012 before exceptional charges of US$119 million being business capability programme costs of US$85 million and integration and restructuring costs of US$34 million (2011: US$106 million being business capability programme costs).

Strategic focus areas

- Drive strong top-line growth by expanding consumer occasions and entering adjacent categories
- Increase share of alcohol and capitalise on differentiated and expanded brand and package portfolios
- Optimise and extend distribution network and sales reach
- Protect our licence to trade and business sustainability
- Pursue operational excellence and efficiency in our businesses, optimising resources and costs

Latin America delivered a strong performance with lager volume growth of 9% (8% on an organic basis) and soft drinks volumes improving by 10%. This is attributable to our focus on the affordability of lager in a number of our markets, differentiated brand portfolios and the expansion of our premium segment, in the context of economic growth across the region. Volume growth, combined with selective price increases and mix benefits, increased group revenue by 13%. Higher commodity costs were partly offset by improved manufacturing efficiencies and continued distribution productivity gains. Increased investment behind our brands was funded through ongoing fixed cost productivity improvements. EBITA grew 15% and EBITA margin improved 50 bps (up 70 bps on an organic, constant currency basis).

In **Colombia** lager volumes grew by 7% reflecting healthy consumer spending, the implementation of new marketing campaigns and our strategy of price restraint in mainstream brands. Our share of the alcohol market improved in the last quarter, ending the year in line with the prior year, benefiting from increased marketing support and the narrowing of the relative prices between lager and spirits. The light beer category saw continued growth with Águila Light volumes up 44%. Our premium brands also grew robustly, with the local premium brand franchise, Club Colombia, improving volumes by 30% and new variants attracting consumers to the category. Our non-alcoholic malt products saw double digit volume growth following the successful introduction of a smaller pack for our brand, Pony Malta, and the addition of our new more refreshing malt brand, Maltizz.

“In Peru, our direct sales model allowed us to capture growth opportunities while generating operational efficiencies.”

Peru had another good year aided by healthy economic growth. Lager volumes rose 10% as consumers continued to trade up from the informal alcohol sector. The roll-out last year of our business capability programme enabled direct sales service model allowed us to capture growth opportunities while generating operational efficiencies and differentiated value propositions to our customers. As a consequence, lager market share grew in both volume and value share terms to 93% and 95% respectively. Our flagship mainstream brand, Cristal, increased volumes by 22% reflecting the strong resonance of this brand underpinned by its support of national soccer. Our premium portfolio also performed well with volume growth of 22%, and the Cusqueña brand extended its appeal through a number of seasonal variants and its association with Peruvian heritage and the centenary of the rediscovery of Machu Picchu. In the soft drinks category we saw volume growth of 34%, as our non-alcoholic malt brand, Maltin Power, benefited from campaigns highlighting its nutritional attributes.

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

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

Maltizz
Origin: Colombia
First produced: 2011
www.maltizz.com

All the natural goodness of malt is encapsulated in this super-refreshing carbonated soft drink. Maltizz has a unique taste that appeals to the consumer whole family and makes a pleasant accompaniment to main meals.

Operations review – Latin America continued

Ecuador saw lager volume growth of 7% as the expanded direct service model assisted with the capture of new growth opportunities. Lager market share of alcohol rose to above 50%. In addition to cycling the Sunday trading ban of June 2010, growth was driven by improved product availability of cold beer at the point of sale and continuing expansion of our presence in festivals and events. Our upper mainstream offering, Pilsener Light, saw volume growth of 87%, supported by the introduction of a larger pack. Our local premium brand, Club, further strengthened its position as the leading premium lager brand in Ecuador with volume growth of 15% through new activations and upsizing of the bottle. The non-alcoholic malt brand, Pony Malta, continued its success with its PET and smaller packs performing well, resulting in volume growth of 38%.

In **Honduras** lager volumes were up 9% versus the prior year. Growth was underpinned by our affordability strategy, in the traditional trade with a larger multiserve bottle, and in the modern trade with affordable can pricing, for both mainstream brands, Imperial and Salva Vida. The super premium category saw healthy growth, with Miller Lite doubling its volumes. Our alcohol market share continued to increase reaching a historic high of 53%. Soft drinks volumes grew by 7% boosted by further cooler penetration and brand activations and the success of multiserve packs. During the year we launched Actimalta in the non-alcoholic malt category with good acceptance from our target consumers. The juices and tea categories introduced last year saw volume growth of over 40%.

“Our alcohol market share in Honduras continued to increase, reaching a historic high of 53%.”

In **Panama** our lager volume growth of 2% and revenue mix benefited from the performance of premium brands, with Miller Lite and Miller Genuine Draft (MGD) showing strong acceptance amongst targeted consumers. MGD has established itself as the leader in the super premium segment and Miller Lite the leader in the premium segment. Mainstream brands Atlas and Balboa benefited from investment behind new brand campaigns and improved in-outlet execution. Soft drinks volumes grew by 4% boosted by the milk category and a strong performance from sparkling soft drinks, through increased availability of cold products at the point of sale.

In **El Salvador** domestic lager volumes saw double digit volume growth, driven by the more affordable bulk pack of our flagship mainstream brand, Pilsener. Our local premium brand, Suprema, also saw healthy volume growth of 30%, which together with the repositioning of Golden Light in the upper mainstream segment, significantly improved revenue mix. As a consequence, our alcohol market share increased to 32%. Soft drinks volumes grew by 7%, mainly due to the success of multiserve packs. In January 2012 we expanded into the non-alcoholic malt category with our brand Actimalta.

In **Argentina** we saw healthy volume growth of our mainstream brand Isenbeck, which on a full year comparative basis grew by 13%. The integration and upgrading of our capabilities in Argentina is progressing.

Port Royal
Origin: Honduras
First brewed: 1984
www.sabmiller.com

Port Royal is a refined and refreshing premium beer with export quality. It is brewed to give a smooth, refined and ultra-refreshing flavour. It is a favourite brand in Honduras due to its outstanding image and reputation.

Club Premium Lager
Origin: Ecuador
First brewed: 1966
www.sabmiller.com

Brewed to international standards using top quality ingredients, Club Premium is Ecuador’s premium beer. The Metcalfe Scarlett barley and super Sterier hops are aromatic and rich in essential oils giving the beer a unique quality appreciated by discerning drinkers.

Operations review – Europe

Europe

“Poland and Romania had a challenging year, but our other markets in Europe generally delivered stronger financial performance.”

Alan Clark
Managing Director, SABMiller Europe

Financial summary	**2012**	2011	%
Group revenue (including share of associates) (US$m)	**5,482**	5,394	2
EBITA[1] (US$m)	**836**	887	(6)
EBITA margin (%)	**15.3**	16.4	
Sales volumes (hl 000)			
Lager	**43,951**	44,193	(1)
Lager (organic)	**43,157**	43,519	(1)
Soft drinks	**533**	82	549
Soft drinks (organic)	**97**	81	19

[1] In 2012 before net exceptional gains of US$1,135 million being net profit on disposal of businesses of US$1,181 million, a refund of a previous anti-trust fine of US$42 million and business capability programme costs of US$88 million (2011: exceptional charges of US$261 million being impairments of US$98 million, integration and restructuring costs of US$52 million and business capability programme costs of US$111 million).

Strategic focus areas

- Drive superior organic revenue growth and margin expansion through growing perceived category benefits and value per serving
- Structure and shape the category by driving our full brand portfolios in growth segments in key markets through innovative 360 degree marketing programmes
- Continue to drive differentiation through innovating in product, packaging and dispense systems
- Design for scale, cost advantage and focus

In Europe, full year lager volumes declined by 1% on both a reported and an organic basis. Volumes in our businesses in Poland and Romania fell by 4% and 8% respectively, although other markets generally saw improved volume trends. Beer markets continued to be affected by consumer downtrading and industry focus on economy brands and packs, together with growth in modern trade and discounter channels, and declining on-premise channels. In the second half, planned destocking of wholesaler inventories was carried out in Poland and Romania, impacting our lager volume performance. Organic information includes 11 months of trading for Russia and Ukraine prior to the conclusion of the transaction with Anadolu Efes and excludes our share of the enlarged Anadolu Efes group for the period since the transaction. Reported results include our share of March trading for Anadolu Efes.

Reported EBITA declined by 6% overall with EBITA down in Poland and Romania. Profitability across the region was impacted by significant increases in raw material costs and negative brand mix, with reductions in group revenue per hl in Poland and Romania mainly due to adverse sales mix. Overall Europe's group revenue per hl grew 1% on both a reported and an organic, constant currency basis, reflecting selective price increases and against a backdrop of structural shifts to the economy segment and the modern trade channel in certain markets. Operational cost efficiencies including those from our global procurement and regional manufacturing projects continued to deliver benefits. Marketing expenditure was marginally below the prior year which included the 2010 FIFA World Cup activations. Reported EBITA was helped by the weakening of the US dollar against central and eastern European currencies compared with the prior year. On an organic, constant currency basis EBITA was down 9% with a margin decline of 160 bps.

“Beer markets continued to be affected by consumer downtrading and an industry focus on economy brands and packs.”

In **Poland** lager volumes were down 4% impacted by competitor price reductions and promotional activities along with planned destocking of wholesaler inventories. The beer market has been increasingly characterised by downtrading together with continued development of the modern trade, especially discounters, resulting in growth of the economy segment. In this environment our economy brand Wojak has performed well and gained market share however key mainstream brands and the premium segment have been negatively affected. Group revenue per hl declined by 1% on a constant currency basis which, combined with the adverse volume performance, resulted in a decline in EBITA.

Grolsch
Origin: Netherlands
First brewed: 1615
www.grolsch.com

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

Kozel 10
Origin: Czech Republic
First brewed: 1870
www.kozel.cz

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

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Operations review – Europe continued

In the **Czech Republic** lager volumes were level with the prior year despite ongoing weakness in the on-premise channel and a drop in consumer sentiment during the year. Our super premium and premium segments have performed well with Pilsner Urquell growing despite its on-premise bias, benefiting from strengthening brand equity, successful trade activities and expanded tank beer distribution. Premium segment performance was boosted by Kozel 11, with particularly strong performance in the on-premise channel as a result of outlet expansion. While the mainstream segment remains under pressure, the introduction of PET packaging for key brands has enabled an improvement in the segment's trends. Group revenue per hl was in line with the prior year on a constant currency basis due to the strong performance of super premium and premium brands, despite ongoing price pressure and a channel mix shift in favour of off-premise. EBITA on a constant currency basis was in line with the prior year as raw material cost increases were offset by operational cost efficiencies.

In **Romania** lager volumes declined by 8% in a market in which consumers have downtraded. This emphasis on the economy segment and bulk packs has involved heavy discounting and led to adverse brand and pack mix. Our performance was also impacted by planned wholesaler destocking in the second half of the year. Our mainstream brand Timisoreana has been most significantly impacted in this environment, although the rate of decline slowed in the second half supported by effective promotional activity. The premium segment has also been affected by competitor activities. Our economy brand Ciucas has grown slightly with strong performance of the recently launched 2.5L PET pack. Group revenue per hl declined by 3% on a constant currency basis which together with the volume decline resulted in lower EBITA.

“Our economy brands in Hungary took advantage of downtrading trends while our super premium brands performed well.”

Lager volumes were up 2% in **Russia** on an organic basis, with growth in the super premium segment as Essa performed particularly well benefiting from a successful can launch. In the premium segment our local brand Zolotaya Bochka remained under pressure, however Kozel continued to grow despite strong competition in the Czech beer segment. Local economy brands performed ahead of the market driving overall growth of our economy segment, and we successfully launched a new mainstream offering, Zwei Meister. Organic, constant currency group revenue per hl grew by 6% which, along with volume performance, resulted in EBITA ahead of the prior year, despite increased raw material costs.

In **Ukraine** lager volumes grew 42% on an organic basis, as a result of the continued good performance of the core brand Sarmat, Zolotaya Bochka and the introduction of mainstream brand Amsterdam.

Domestic lager volumes were level with the prior year in **Italy** despite the impact of a deteriorating economic outlook. Declines in the first half of the year were recovered in a stronger second half supported by increased promotional activity. Peroni grew ahead of the prior year benefiting from expansion of draught volumes. EBITA benefited from fixed cost efficiencies. On 13 June 2011 we disposed of our Italian distribution operation.

“In the United Kingdom, the continued expansion of Peroni Nastro Azzurro resulted in lager volume growth of 8%.”

In the **United Kingdom** the continued growth of Peroni Nastro Azzurro through expansion in the on-premise channel has resulted in lager volume growth of 8%. This was achieved despite a decline in the beer market and lower MGD volumes as distribution was refocused on key regions. EBITA grew strongly supported by good revenue per hl growth in the on-premise channel.

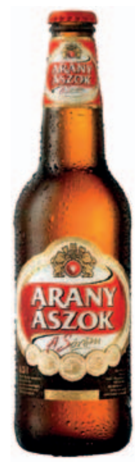
In the **Netherlands** domestic lager volumes were level with the prior year in a competitive environment characterised by discounting and promotional activity in the highly consolidated off-premise channel and reflecting the impact of economic uncertainty on consumer confidence. EBITA was ahead of the prior year, benefiting from restructuring, despite a slight decline in group revenue per hl.

In **Hungary**, lager volumes were up 5% boosted by strong promotional support due to the Arany Ászok ‘Golden Friday’ on-premise activation. Our economy brands took advantage of downtrading trends, while our super premium brands performed well, led by Pilsner Urquell. In the **Canaries**, the trading environment remained challenging with improved performance during the summer in the tourist areas leading to total volume growth of 1%. Lager volumes in **Slovakia** grew by 2% supported by particularly strong performance in the modern trade channel and in the super premium segment with a number of successful promotions for Pilsner Urquell.

St Stefanus
Origin: Belgium
First brewed: 1295*
www.st-stefanus.be

St Stefanus, a Belgian ‘abbey’ speciality beer, matures in the bottle, developing a fuller flavour over time, enabling consumers to keep the beer to suit their taste. It is a 100% natural, unpasteurised and unfiltered beer that is carefully brewed with devotion and craftsmanship.

*Original Augustijn abbey beer



Arany Ászok
Origin: Hungary
First brewed: 1989
www.aranyaszok.hu

Arany Ászok, one of the most popular brands in Hungary, is characterised by a gentle, delicious, full taste created with the right balance of hops, high quality pilsner malt, maize grits, yeast and crystal clear spring water, giving a richer than average flavour.

Operations review – North America

North America

“Lager volumes were soft, but improved pricing and brand mix plus further efficiencies drove EBITA growth.”

Tom Long
Chief Executive Officer, MillerCoors

Financial summary	**2012**	2011	%
Group revenue (including share of joint ventures) (US$m)	**5,250**	5,223	1
EBITA[1] (US$m)	**756**	741	2
EBITA margin (%)	**14.4**	14.2	
Sales volumes (hl 000)			
Lager – excluding contract brewing	**41,346**	42,336	(2)
Lager – excluding contract brewing (organic)	**41,341**	42,336	(2)
MillerCoors' volumes			
Lager – excluding contract brewing	**39,848**	40,949	(3)
Lager – excluding contract brewing (organic)	**39,843**	40,949	(3)
Sales to retailers (STRs)	**39,760**	40,757	(2)
Contract brewing	**4,549**	4,458	2

[1] In 2012 before exceptional charges of US$35 million being the group's share of MillerCoors' impairment of the Sparks brand (2011: US$5 million being the group's share of MillerCoors' integration and restructuring costs).

Strategic focus areas

- Win in premium lights with strengthened positioning of Coors Light, Miller Lite and Miller 64
- Through Tenth and Blake Brewing Company extend and grow MillerCoors' import and craft portfolio
- Create value through strong revenue management
- Create leading capability and superior growth in retail sales
- Support the three-tier distribution system to drive effectiveness and value

The North America segment includes the group's 58% share in MillerCoors and 100% of Miller Brewing International. Total North America EBITA increased by 2%, driven by strong revenue management and focused sales and marketing execution, in a market where consumer sentiment remained cautious.

MillerCoors

For the year ended 31 March 2012 MillerCoors' US volume STRs declined by 2%, as the mainstream beer segment continued to be impacted by economic pressure on key consumer demographics. Domestic sales to wholesalers (STWs) were down by 3%. EBITA increased as revenue growth more than offset lower volumes, increased costs of goods sold and higher fixed costs.

Premium light brand volumes declined by low single digits, with growth in Coors Light offset by a decline in Miller Lite. MillerCoors' Tenth and Blake division saw double digit growth driven particularly by the continued success of Blue Moon and Leinenkugel's and their seasonal variants, together with Peroni Nastro Azzurro. The below premium segment was down by mid single digits, as consumers continue to trade up to other segments.

MillerCoors' group revenue per hl grew by 3%, due to front line pricing and aided by favourable brand mix. Cost of goods sold per hl increased moderately, despite the ongoing benefit of synergies and cost savings, due to higher freight costs, packaging innovations, brand mix and rising commodity prices.

Marketing, general and administrative costs were in line with the prior year, as higher fixed costs were offset by the rephasing of certain marketing programmes into the new financial year.

“MillerCoors' Tenth and Blake division saw double-digit growth, driven particularly by the continued success of Blue Moon and Leinenkugel's.”

MillerCoors delivered US$18 million of incremental integration synergies, mainly through savings from brewery and procurement related projects and freight optimisation as the integration synergies programme completed on 30 June 2011. In the year to 31 March 2012 other cost savings of US$88 million were realised, driven by various initiatives, primarily in the integrated supply chain function. The integration of The Crispin Cider Company and its affiliate Fox Barrel Cider Company is progressing well.

Total annualised integration synergies and other cost savings of US$790 million have been realised since the inception of the joint venture on 1 July 2008. This consists of synergies of US$546 million and other cost savings of US$244 million. MillerCoors exceeded the target of US$750 million in total annualised synergies and other cost savings one year earlier than originally planned.

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

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

Blue Moon
Origin: USA
First brewed: 1995
www.bluemoonbrewingco.com

Blue Moon Belgian White is an artfully crafted beer, with a cloudy white, opaque appearance. Brewed in the Belgian style it has a refreshing, medium-bodied, unfiltered wheat ale taste spiced with fresh coriander and orange peel creating a unique experience and an uncommonly smooth finish.

Operations review – Africa

Africa

“Lager volumes grew 13% on an organic basis, benefiting from good economic conditions and our investments to expand both our local sales coverage and our brand portfolios.”

Mark Bowman
Managing Director, SABMiller Africa

Financial summary	**2012**	2011	%
Group revenue (including share of associates) (US$m)	**3,686**	3,254	13
EBITA[1] (US$m)	**743**	647	15
EBITA margin (%)	**20.2**	19.9	
Sales volumes (hl 000)			
Lager	**17,374**	15,288	14
Lager (organic)	**17,033**	15,016	13
Soft drinks	**13,475**	12,373	9
Soft drinks (organic)	**13,039**	11,785	11
Other alcoholic beverages	**5,330**	5,080	5
Other alcoholic beverages (organic)	**5,283**	5,080	4

[1] In 2012 before net exceptional gains of US$185 million being profit on disposal of business of US$67 million, profit on disposal of investment in associate of US$103 million and the group's share of the profits on transactions in associates of US$23 million, net of US$8 million business capability programme costs (2011: US$4 million being business capability programme costs).

Strategic focus areas

- Drive growth in beer and soft drinks through full brand portfolios, wider price ranges and expansion into adjacent categories
- Step up investment behind our mainstream brands and differentiated premium portfolio
- Increase share of alcohol through accessible brand and package offerings
- Further develop sales and distribution to enhance our outlet presence and extend our geographic coverage
- Mitigate high imported input costs through innovation and local supply chains

Africa delivered another strong full year performance with lager volume growth of 14% (13% on an organic basis), despite experiencing capacity constraints in a number of markets. Projects are currently under way in Uganda, Tanzania, Zambia, Ghana and South Sudan to increase capacity. Volume growth was achieved through increased investment in sales and marketing to support differentiated brand portfolios and an expansion of our local geographic footprint, underpinned by broadly favourable economic conditions. The Castle portfolio continues to grow strongly across the region, with volumes up 27%. Keen focus has been given to our affordable products with the introduction of draught formats, smaller pack offerings and innovative products like Impala, a cassava-based beer. Soft drinks volumes grew by 9% (11% on an organic basis) driven by good performances in Ghana, South Sudan and Zambia as well as by our associates Castel and Delta in Zimbabwe.

“Continued cost focus and local agricultural programmes helped partly to cushion the impact of rising international commodity prices.”

Volume growth translated into EBITA growth of 15% (16% on an organic, constant currency basis). Group revenue per hl benefited from strong growth of the premium segment as well as price increases, at levels typically somewhat below inflation. EBITA margin consequently improved by 30 bps despite the expansion of sales and marketing capability, rising inflation and weaker local currencies. Margin improvement was achieved through a continued cost focus and our local agricultural programmes, which helped to partly cushion the impact of rising international commodity prices.

Despite cycling a strong comparative, lager volumes in **Tanzania** grew by 15% attributable to the successful mainstream brand renovations of Safari and Kilimanjaro, as well as strong premium segment growth driven by Castle Lite. Our Mbeya brewery continues to serve the incremental growth in the south while an enhanced sales force, as well as increased cooler penetration, have led to market share gains. Grand Malt, a non-alcoholic offering, has performed particularly well.

In **Mozambique** robust mainstream growth driven by a packaging upgrade for 2M and the continued expansion of our footprint in the north enabled by our Nampula Brewery helped grow lager volumes by 9%. A key focus area for this year was the expansion of affordable offerings with the launch of Manica draught and the innovative cassava-based Impala.

Safari
Origin: Tanzania
First brewed: 1977
www.sabmiller.com

With four Gold Monde Selection awards, Safari Lager is the most awarded beer in Tanzania. It has a full flavour, full-bodied, rich golden colour and taste and is a brand that defines real masculinity in Tanzania.

Club
Origin: Ghana
First brewed: 1992
www.sabmiller.com

Club lager is Ghana's original and authentic beer, which celebrates Ghana and the positive Ghanaian spirit. It is brewed using the finest malt, maize and hops, making it a crisp and fresh lager.

Operations review – Africa continued

Improved availability, a wider geographical distribution reach and healthy economic conditions enabled **Zambia** lager volume growth of 17% despite production capacity constraints. Our key mainstream brands, Mosi and Castle Lager, have continued to perform well while the premium Castle Lite experienced very strong growth. Construction of the new brewery at Ndola is well under way and commissioning is anticipated in the second half of the new financial year. Soft drinks volumes grew by 10%.

Lager volumes in **Uganda** grew by 19% supported by an enhanced distribution network into western Uganda, rigorous in-trade execution and a strong mainstream and affordable portfolio. Our mainstream brands, Nile Special and Club Pilsener, both continued to perform well. The rate of growth slowed in the second half of the year as a result of capacity constraints, to be addressed by our new greenfield brewery located in Mbarara, western Uganda, which is currently under construction.

“In Zambia, our key mainstream brands have continued to perform well while the premium Castle Lite experienced very strong growth.”

The consistent growth of **Ghana’s** Club lager helped drive further volume gains while soft drinks volume growth remained buoyant. **South Sudan** delivered strong lager and soft drinks volume growth while the capacity expansion project announced early in 2011 is on track for completion in the first quarter of the new financial year.

Delta Corporation, our associate in **Zimbabwe**, experienced strong double digit growth across all beverage categories, which was achieved by improved availability assisted by previous capacity upgrades. Lager volumes have now exceeded the historical peak levels experienced in the 1990s. During the year, we purchased additional shares in Delta, bringing our shareholding to 40% (25% group effective economic interest).

“Capacity constraints in Uganda will be addressed by our new greenfield brewery, currently under construction.”

With effect from 1 January 2012, together with Castel we implemented a number of organisational changes in our African operations as part of our strategic alliance agreement. Operational management of the Nigerian business is now with SABMiller and the Angolan businesses with Castel. Castel acquired Star Breweries in Madagascar in the second quarter of the year. **Castel’s** full year lager volumes, excluding the successful management combination of our Angola businesses and their Madagascar acquisition, grew by 11% with good volume performances in Cameroon, the Democratic Republic of Congo, Ethiopia and Tunisia.

Nile Special
Origin: Uganda
First brewed: 1951
www.nilebreweries.com

The flagship brand of Nile Breweries for over 50 years and an eight times Gold award and three times Grand Gold winner at the Brussels-based Monde Selection International, Nile Special has been trusted over the generations for its satisfying full-bodied character and consistency.

Mosi
Origin: Zambia
First brewed: 1975
www.sabmiller.com

Named after the mighty Mosi oa Tunya (Victoria Falls) Mosi is the iconic Zambian beer. Brewed for over 30 years it is a clean, crisp and refreshing lager with a pleasant bitterness and delicate hop aroma.

Operations review – Asia Pacific

Asia Pacific

“China and India delivered good growth, although their contribution was overshadowed in the reported numbers by the inclusion of Foster’s from mid-December.”

Ari Mervis
Managing Director, SABMiller Asia Pacific

Financial summary	2012	2011	%
Group revenue (including share of associates and joint ventures) (US$m)	**3,510**	2,026	73
EBITA[1] (US$m)	**321**	92	247
EBITA margin (%)	**9.1**	4.6	
Sales volumes (hl 000)			
Lager	**58,121**	51,270	13
Lager (organic)	**53,292**	51,240	4

[1] In 2012 before net exceptional charges of US$70 million being transaction-related costs of US$109 million, integration and restructuring costs of US$26 million, business capability programme costs of US$1 million and a gain on remeasurement of existing interest in joint venture on acquisition of US$66 million (2011: US$nil).

Strategic focus areas

- Integrate the Foster’s acquisition and deliver the commercial and operational targets
- Further build market leadership in China and enhance profitability
- Continue to drive Snow, the largest beer brand in China, with additional premium variants to increase revenue
- Pursue market liberalisation in India and focus investment on growth and profitability in selected states

In Asia Pacific lager volumes for the full year increased by 4% on an organic basis, with reported volume growth of 13% enhanced by the inclusion of Foster’s and regional acquisitions in China. Reported EBITA more than trebled and group revenue per hl grew by 53% due to the inclusion of Foster’s. EBITA increased by 30%, on an organic, constant currency basis, driven by favourable growth in both China and India. Group revenue per hl on the same basis improved by 14% compared with the prior year, with good increases in China and India. EBITA margin increased by 450 bps on a reported basis (50 bps on an organic, constant currency basis).

In **China**, lager volumes grew 9% (4% on an organic basis) with acquisitions enhancing market share, as CR Snow sold in excess of 100 million hectolitres in a 12 month period for the first time. Volumes grew in all regions with CR Snow’s newly acquired breweries in Jiangsu, Liaoning, Henan and Shanghai, together with new breweries commissioned in the year, contributing positively to the reported volume growth.

Overall CR Snow continued to expand its market share although organic growth was affected by heavy and prolonged rains that affected certain key provinces. Good market share increases were delivered in Anhui, Zhejiang, Jiangsu, Tianjin, Liaoning, Guizhou, Shanghai and Heilongjiang, although market share was lost in Sichuan.

“For the first time, CR Snow sold in excess of 100 million hectolitres in a 12 month period.”

Group revenue per hl increased by 13%, benefiting from high single digit price increases implemented towards the end of the previous financial year to recover cost increases, as well as significant positive brand mix. CR Snow continued to expand its presence in the premium segment through the expansion of Snow Draft in particular.

Investment in brand marketing and sales capability together with rising costs of raw materials, higher labour costs and adverse changes to consumption tax legislation have increased operating costs but EBITA margin slightly increased on an organic basis. Loss-making acquisitions reduced reported EBITA margins.

Victoria Bitter
Origin: Australia
First brewed: 1854
www.vb.com.au

Victoria Bitter (VB) has long been Australia’s favourite beer, and is specially brewed to deliver full flavour when ice cold. A gentle fruitiness in the aroma complements the sweet malt on the mid-palate balancing perfectly with crisp, clean hop bitterness delivering satisfying refreshment like no other.

Snow Brave the World
Origin: China
First brewed: 2006
www.snowbeer.com.cn

A bright, clean-drinking, well balanced beer, yellow-green in colour with a white head and a lacy ‘cling’ on the glass, Snow Brave the World exemplifies the proud, adventurous spirit of modern China.

Operations review – Asia Pacific continued

India's lager volumes grew 3%. Volumes declined in the first half of the year affected by dampened consumer demand, following substantial excise increases in key states, and certain trading restrictions imposed in Andhra Pradesh which were subsequently removed in September 2011. In the second half of the year volumes grew at a more robust 16%. Market share increases were achieved in the key high margin focus states of Haryana and Pondicherry.

Revenue per hl increased by 8% (13% on a constant currency basis), reflecting price increases and focus on higher margin brands, packs and states as well as new product launches including Miller High Life, the introduction of PET containers and additional variants of Foster's and Royal Challenge. Although marketing investment increased to support these launches, EBITA more than doubled compared with the prior year.

Lager volumes in **Vietnam** were below the prior year, but revenue increased reflecting a focus on higher margin brands, channels and geographies. Gambrinus was launched as a premium brand and Peroni Nastro Azzurro as a super premium brand during the year in support of this strategy.

"Pacific Beverages has been integrated into the newly acquired Foster's business, realising immediate operating and commercial synergies."

In **Australia** Pacific Beverages delivered strong volume growth in the period leading up to the acquisition of the remaining 50% interest in the joint venture in January 2012. This was achieved through greater penetration of the on-premise channel, with our key premium brand Peroni Nastro Azzurro, as well as continued growth in the off-premise channel nationally. Following the acquisition of the remaining interest, Pacific Beverages was integrated into the newly acquired Foster's business, realising immediate operating and commercial synergies.

As a result of the Foster's acquisition, certain licence and import arrangements with a combined annual volume base of approximately 915,000 hl were terminated towards the end of the financial year. The loss of these rights was a known risk at the time of the acquisition.

"India's lager volumes grew 3% and market share increases were achieved in key, high-margin states."

CUB[1] lager volumes in Australia were 4% below the prior year on a *pro forma*[1] full year basis, reflecting continued subdued consumer sentiment. CUB continued to grow its presence in the expanding New World regular mainstream segment with robust growth of Carlton Dry and the successful launch of the Great Northern Brewing Co brand. The traditional regular mainstream segment, which includes Victoria Bitter, declined at a higher rate than the market, however Carlton Draught managed to consolidate share. Premium volumes performed more strongly, with encouraging results from focused execution and expansion of the owned premium portfolio including Crown Lager. Volume improvements in the rapidly expanding craft segment were driven by Matilda Bay Fat Yak Pale Ale.

Group revenue per hl increased by 3% in the last quarter on a *pro forma* basis, benefiting from focused revenue management across the brand portfolio following a period of low price realisation. On a *pro forma* basis EBITA declined due to the lower volumes and increased commercial investment in the market. Results benefited from the early delivery of synergies of US$6 million with an estimated annualised run-rate of US$40 million. Overall operating profit synergies of AUD180 million per year are anticipated by year four. Integration costs over this period are expected to be below AUD220 million, of which AUD150 million is expected to impact the income statement.

Haywards 5000
Origin: India
First brewed: 1983
www.sabmiller.com

Haywards 5000 is brewed with the choicest of malts and hops. It perfectly combines strength with quality, resulting in the hallmark of original and authentic strong beer to which other Indian beer brands aspire.

Fat Yak
Origin: Australia
First brewed: 2008
www.matildabay.com

Displaying a lovely golden amber colour, the first impression is the distinctive hop-driven fruity and herbaceous aromas, giving characteristic passion fruit and melon notes. The taste is refreshingly clean on the palate which leaves you looking forward to your next Fat Yak.

[1] CUB (Carlton and United Breweries) pro forma volumes and financial information are based on results for CUB reported under IFRS for the period from 1 April 2010 to 31 March 2011 (full year) or 1 January 2011 to 31 March 2011 (quarter). Adjustments have been made to reflect SABMiller group accounting policies. CUB is the Australian beverage business of the recently acquired Foster's group.

Operations review – South Africa

South Africa: Beverages

“Sustained investment in our brands, combined with better retail execution and customer service, drove growth in volumes, EBITA and market share.”

Norman Adami
Chairman and Managing Director, SAB Ltd

Financial summary	2012	2011	%
Group revenue (including share of associates) (US$m)	**5,815**	5,598	4
EBITA[1] (US$m)	**1,168**	1,067	9
EBITA margin (%)	**20.1**	19.1	
Sales volumes (hl 000)			
Lager	**26,859**	26,306	2
Soft drinks	**17,979**	17,574	2
Other alcoholic beverages	**1,565**	1,467	7

[1] In 2012 before net exceptional charges of US$41 million being Broad-Based Black Economic Empowerment scheme costs of US$29 million and business capability programme charges of US$12 million (2011: US$188 million being business capability programme costs of US$39 million and charges incurred in relation to the Broad-Based Black Economic Empowerment scheme of US$149 million).

Strategic focus areas

- Leverage scale to drive productivity and reinvest savings in market-facing activities
- Engage the competition in all alcohol categories
- Ensure that key brands resonate
- Shape a culture of partnership and superior service offering in all classes of trade
- Ensure societal leadership

Our South Africa beverages business delivered strong EBITA and EBITA margin growth as the business strategy launched in 2009 continued to deliver good results. This was achieved despite a consumer and economic environment which remained difficult, although the business benefited from the timing of the Easter peak trading period.

South Africa lager volumes returned to growth in the second half of the year, resulting in full year lager growth of 2%. We outpaced the industry and had gained market share by the end of the year, as a result of sustained brand investment, improved retail execution and better customer service. Our targeted brand investments included product and packaging innovations and actions to meet the demands of specific market segments. The investment in market-facing activities was funded largely by cost efficiencies. Lager volume growth was further supported by the expanded distribution footprint and effective supply chain management.

“Castle Lite strengthened its leadership position as the country’s most popular premium brand.”

Continued intensive through-the-line marketing investment behind the core brands drove good performance from both premium and mainstream segments. Castle Lite, the fastest growing scale brand in South Africa, strengthened its leadership position as the country’s most popular premium brand driven by the continued communication of its ‘Extra Cold’ proposition. The premium category also benefited from Castle Milk Stout’s good growth following its repositioning as a local premium brand during the year. Castle Lager’s volume growth accelerated to double digits during the second half, propelled by the success of the ‘It all comes together with a Castle’ campaign. Carling Black Label further slowed its decline, with volumes level with the prior year during the second half of the year. The brand’s improved performance was supported by its recognition as an award-winning champion beer, drawing attention to its quality credentials.

In addition to the continued extensive social responsibility efforts, two significant new initiatives were launched during the year. These were the ‘Responsible Trader Programme’ where more than 16,500 traders were trained; and a programme to tackle underage drinking, called ‘You Decide’, which was rolled out to almost 300 schools reaching more than 187,000 teenagers.

Carling Black Label
Origin: Canada
First brewed in South Africa: 1966
www.carlingblacklabel.co.za

Carling Black Label is the best-selling beer in South Africa. A full-flavoured lager with low bitterness and a distinctive, fruity aroma. It is refreshing and highly rewarding to drink, making it a ‘champion beer’ preferred by consumers and international experts alike.

Castle Lite
Origin: South Africa
First brewed: 1994
www.sab.co.za

Castle Lite is differentiated from other premium beers through its low calorie content and its lower levels of bitterness which ensure a light aftertaste and decreased levels of carbon dioxide, resulting in the drinker feeling less full.

Operations review – South Africa continued

Soft drinks volumes grew by 2% for the full year, as the second half saw benefits from the continued execution of focused channel plans, improved customer service and better weather conditions. Sparkling soft drinks volumes benefited from good performance of two litre PET packs and several growth initiatives, particularly those targeted at restoring the 1.25 litre returnable glass bottle to growth. Growth in still drinks exceeded that of the total soft drinks portfolio, reflecting strong gains in the Glaceau and Powerade brands.

Appletiser volumes benefited from the introduction of new PET packs, driving strong revenue growth and an improved EBITA performance.

Our associate Distell's international and domestic volumes continued to exhibit good performance particularly from ciders and ready-to-drink brands, with slower growth in the wine portfolio and spirits volumes remaining level. The higher volumes resulted in group revenue and EBITA growth and margins expanded further as foreign currency conversion gains offset increases in certain raw materials and excise duties.

“We continued to focus on reducing operating costs in order to fund increased market and consumer-facing investments.”

Group revenue for our South Africa beverages business grew by 9% on a constant currency basis with group revenue per hl up by 6% on the same basis. This was as a result of price increases to recover beer excise increases, as well as the strong performance of the local premium brands.

Across the business, productivity continued to improve and we continued to focus on reducing operating costs, in order to fund increased market and consumer-facing investments, as well as expanding our EBITA margin. The soft drinks business more than offset the effect of increasing commodity costs, specifically increases in sugar and resin prices, through productivity gains from improvements in its supply chain and packaging redesigns. Reported EBITA grew by 9% and by 14% in constant currency, as EBITA margin rose to 20.1%, an improvement of 100 bps compared with the prior year.

South Africa: Hotels and Gaming

Financial summary	2012	2011	%
Group revenue (share of associates) (US$m)	**487**	481	1
EBITA[1] (US$m)	**135**	137	(2)
EBITA margin (%)	**27.7**	28.5	
Revenue per available room (Revpar) – US$	**69.39**	73.74	(6)

[1] In 2012 before exceptional gains of US$23 million being the group's share of profits on transactions in associates (2011: US$26 million being the group's share of the loss on the merger transaction).

SABMiller is a 39.7% shareholder in the Tsogo Sun Group, which is listed on the Johannesburg Stock Exchange. The full year results reflect our share of the enlarged group following the merger with Gold Reef Resorts Ltd at the end of the previous financial year.

Our share of Tsogo Sun's reported revenue grew by 1% over the prior year, with constant currency growth of 6%. Revenue growth was adversely impacted by a strong prior year performance, boosted by the 2010 FIFA World Cup. The operations of Tsogo Sun remain highly geared towards the South African consumer in gaming and towards the corporate market in hotels, with both sectors experiencing difficult trading conditions.

The gaming industry in South Africa experienced a satisfactory first half year with a more robust second half assisting full year growth of 7%. The biggest gaming province, Gauteng, grew by 6% compared with 2% in the prior year with the KwaZulu-Natal region growing by 8% over the 5% reported in 2011. Tsogo Sun improved market share in both Gauteng and KwaZulu-Natal.

The South African hotel industry remained under pressure during the early part of the year, with trading in the second half reflecting signs of improvement. South African market occupancies averaged 57% in the year compared with 58% for the prior year including the impact of the FIFA World Cup. Group-wide occupancies ended the year at 62% against prior year occupancy rates of 59%. US dollar revenue per available room (revpar) declined by 6% and by 2% on a constant currency basis, as a result of higher rates achieved during the FIFA World Cup in the prior year.

EBITA ended 2% down on the prior year but grew by 3% on a constant currency basis. EBITA margin declined as a result of utility price increases which together with other cost increases, outstripped the rate of revenue growth.

Kozel 11

This year our premium Kozel 11 brand performed strongly in bars and restaurants in the Czech Republic as a result of expanding to more outlets. It also captured new off-trade opportunities by launching Kozel 11 in 1.25 litre PET plastic bottles to meet the growing demand from consumers wanting to share with family and friends at home.

Chief Financial Officer's review
Another strong performance

Grolsch
Origin: Netherlands
First brewed: 1615
www.grolsch.com

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

"We achieved further strong adjusted earnings per share growth in the year, up 12%, on top of the 19% achieved in the prior year. Free cash flow at US$3,048 million improved further and was ahead of last year by US$560 million."

Jamie Wilson, Chief Financial Officer

Financial highlights

- Group revenue up 11% to US$31,388 million
- EBITA of US$5,634 million, an increase of 12%
- EBITA margin of 17.9%, 10 bps higher than the prior year
- Adjusted profit before tax of US$5,062 million, an increase of 13%; profit before tax of US$5,603 million, up 55%
- Adjusted EPS of 214.8 US cents increased by 12%; basic EPS of 266.6 US cents
- Total dividend for the year of 91 US cents per share, up 12%
- Free cash flow improved by US$560 million to US$3,048 million
- Net debt of US$17,862 million, an increase of US$10,771 million from prior year

Shareholder value

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

We achieved further strong adjusted earnings per share growth in the year, up 12%, on top of the 19% achieved in the prior year. Free cash flow at US$3,048 million improved further and was ahead of last year by US$560 million.

Over the three years to 31 March 2012, we achieved a TSR of 151%, compared with the median of the comparator group of 62%. In addition, since SABMiller moved its primary listing to the London Stock Exchange in March 1999, and over the past five years, we have significantly outperformed the FTSE 100 in sterling terms, as demonstrated in the table below.

TSR growth

	Last five years to 31 March		Since listing in March 1999 to 31 March	
	2012 %	2011 %	**2012 %**	2011 %
SABMiller plc	**154**	119	**690**	579
FTSE 100	**10**	19	**44**	42

Key performance indicators (KPIs)

We use a range of KPIs to monitor progress against our four strategic priorities and our financial goal, as noted on pages 20 and 21. Our KPIs and other performance indicators include non-GAAP performance measures to assess underlying performance. These use constant exchange rates for measuring revenue and profit growth; organic measures to exclude acquisition and divestment effects; adjusted profit measures to exclude exceptional items and amortisation of certain intangible assets; and adjusted EBITDA as a key cash flow measure (which includes dividends from the MillerCoors joint venture and excludes the cash impact of exceptional items). Detailed definitions of these terms can be found on pages 180 and 181, and for certain items reconciliations to the nearest equivalent GAAP measure are provided below or in the notes to the consolidated financial statements.

Chief Financial Officer's review continued

Volumes
The successful development of our brand portfolios and intensified sales execution, together with rising consumer spending drove strong volume performance in most of our developing markets, with Latin America and Africa being particularly notable. Europe's performance was affected by volume declines in Poland and Romania. Total volumes, including lager, soft drinks and other alcoholic beverages volumes, were up 4% on the prior year on an organic basis and up 6% on a reported basis. Lager volumes were up 3% on the prior year on an organic basis and 5% on a reported basis.

	Reported			Organic
	2012 hl m	2011 hl m	% change	% change
Total volumes	**286**	270	6	4
Lager volumes	**229**	218	5	3

Aggregated beverage volumes, which include 100% of the volumes of all of our consolidated subsidiaries, associated companies and joint ventures, grew 7% to 421 million hectolitres and aggregated lager volumes increased 6% to 339 million hectolitres. This reflected strong volume growth in our associates, CR Snow in China and Castel in Africa, together with the impact of the transaction with Anadolu Efes.

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

Revenue
Group revenue was US$31,388 million (including the group's share of associates' and joint ventures' revenue of US$9,628 million). This represented an increase of 11% (7% on an organic, constant currency basis) driven by higher volumes, focused price increase and favourable brand mix.

As can be seen in chart (b) increased volumes and improved price and mix have contributed evenly to the growth in group revenue, with price/mix gains in all divisions, most notably Africa, Asia Pacific and South Africa: Beverages. Currency movements during the year had no net effect on reported group revenue, mainly due to the strength of European and Latin American currencies being offset by currency weakness in the South African rand, Indian rupee and African currencies. Acquisitions have positively impacted group revenue in the year by almost 5% on the prior year base as adjusted for disposals.

In the past five years, we have grown group revenue, both on an organic basis and by acquisition. The compound annual organic growth rate in volumes has been 2.4% (2011: 3.5%), and we have leveraged this growth through price and mix benefits to generate compound annual group revenue growth of 7.1% (2011: 7.8%) over that period.

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

Input costs
Cost of goods sold for the year increased approximately 3% on the prior year, on a constant currency per hectolitre basis. Raw material input costs increased at a slightly higher rate in the second half of the year reflecting ongoing increases in global barley and energy prices. The impact of recent increases in commodity prices has been mitigated partially from savings achieved through our global procurement programme. Distribution costs, however, grew at a slower rate in the second half of the year as efficiency initiatives throughout our distribution network, and especially in South Africa, gained traction and partly offset crude oil price increases.

We expect raw material input costs to increase by mid-single digits on a per hectolitre basis in the forthcoming financial year. This will principally be driven by the anticipated increases in the global grain and sugar market prices, moderated by our forward cover positions, but could be lower dependent on the European barley harvest. Packaging costs are expected to grow at a slightly slower rate, as our procurement function is expected to continue to deliver savings.

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

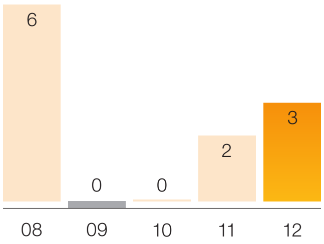
We delivered a strong financial performance in 2012 with EBITA growth of 8% on an organic, constant currency basis, with all beverage divisions except for Europe contributing to the increase. Reported EBITA (including the impact of acquisitions) grew 12% compared with the prior year, to US$5,634 million. Chart (d) shows the increase in EBITA for each of the last five years with each year's growth shown in constant currency after excluding the impact of acquisitions and disposals.

EBITA margin
EBITA margin at 17.9% was 10 bps higher than the prior year. Chart (e) on page 39 shows EBITA margin by division. Asia Pacific and South Africa: Beverages made particular progress, up 450 bps and 100 bps respectively, the former benefiting from the inclusion of Foster's.

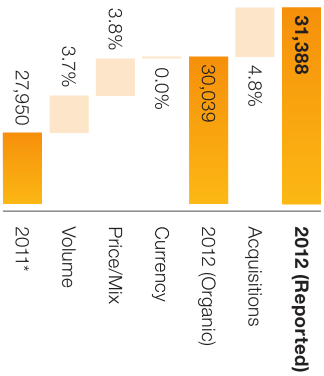
Exceptional items
Items that are material either by size or incidence are classified as exceptional items. Further details on these items can be found in note 4 to the consolidated financial statements.

Net exceptional credits of US$1,037 million before finance costs and tax were reported during the year (2011: charges of US$467 million) and included net exceptional credits of US$11 million (2011: charges of US$31 million) related to the group's share of associates' and joint ventures' exceptional charges.

(a) Lager: organic volume growth %

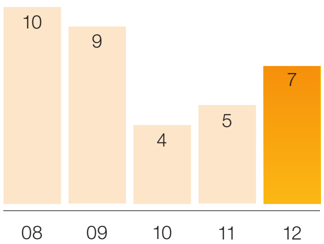


(b) Group revenue US$m
Components of performance

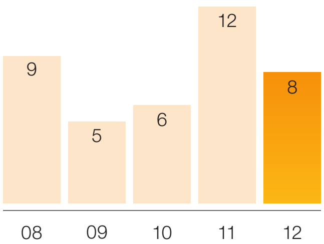


*Adjusted for disposals.

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



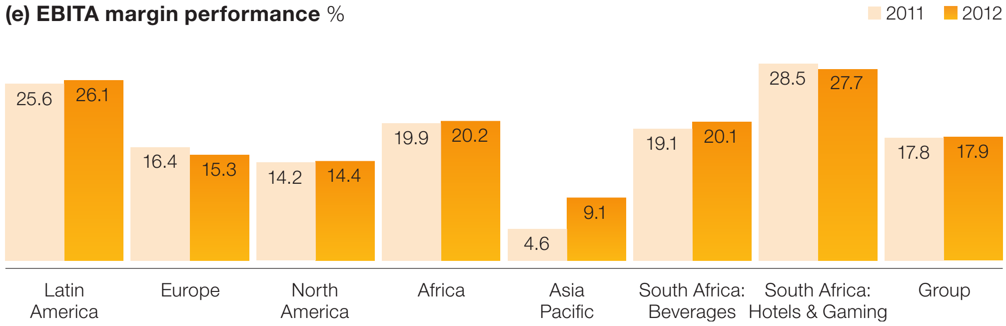
(d) EBITA growth %
Organic, constant currency basis



Pure Blonde
Origin: Australia
First brewed: 2004
www.pureblonde.com.au

Pure Blonde uses pure ingredients to deliver a smooth, crisp, aromatic lager. Specially brewed longer to create a full flavoured beer with 70% less carbohydrate than regular strength beer and no compromise on taste.

(e) EBITA margin performance %



The net exceptional credits included:

- US$1,195 million gain on the disposal of our Russian and Ukrainian businesses to Anadolu Efes in Europe;
- US$67 million gain on the disposal of our Angolan businesses to the Castel group in Africa;
- US$66 million gain on the Pacific Beverages transaction in Asia Pacific;
- US$103 million gain on the disposal of our Kenyan associate in Africa;
- US$42 million gain on the repayment of an EU fine paid by Grolsch before we acquired it;
- US$14 million loss on the disposal of a business in Europe;
- US$235 million charge related to the business capability programme in Latin America, Europe, Africa, Asia Pacific; South Africa: Beverages, and Corporate;
- US$109 million of transaction-related costs in relation to the Foster's acquisition;
- US$60 million charge related to integration and restructuring costs in Asia Pacific and Latin America; and
- US$29 million of costs of the Broad-Based Black Economic Empowerment scheme in South Africa.

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

- US$35 million being our share of MillerCoors' Sparks brand impairment;
- US$10 million credit being our share of South Africa: Hotel and Gaming's gain on the Formula 1 transaction;
- US$13 million share of South Africa: Hotel and Gaming's release of deferred contingent consideration; and
- US$23 million share of Castel's gain on the disposal of its Nigerian subsidiary.

Finance costs

Net finance costs were US$562 million, a 7% increase on the prior year's US$525 million mainly as a result of the increase in borrowings following the Foster's acquisition. Finance costs in the current year included a net gain of US$2 million (2011: loss of US$7 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 net exceptional finance costs of US$22 million including transaction-related net costs of US$26 million in relation to financing fees and premiums on derivative instruments used to hedge currency risk partially offset by mark to market gains on derivative financial instruments connected with the Foster's transaction, and exceptional interest income of US$4 million associated with the successful outcome of litigation in Europe.

The mark to market gain and the net exceptional finance costs have been excluded from adjusted finance costs and adjusted earnings per share. Adjusted net finance costs are reconciled to net finance costs in the table below. They were 5% higher than in 2011. Interest cover has increased to 11.4 times from 10.8 times in the prior year.

	2012 US$m	2011 US$m
Net finance costs	**562**	525
Mark to market gain/(loss) on capital items	**2**	(7)
Exceptional finance costs	**(22)**	–
Adjusted finance costs	**542**	518

We expect finance costs in the 2013 financial year to increase, as a result of higher net debt levels.

Tax

The effective rate of tax for the year (before amortisation of intangible assets other than software and exceptional items) was 27.5% compared with a rate of 28.2% in the prior year. This reduction in the rate resulted from a combination of factors including:

- the successful conclusion of our Russian court proceedings;
- reorganisation gains as a result of the Foster's acquisition;
- changes in tax legislation; and
- the resolution of various uncertain tax positions.

In the medium term we expect the effective tax rate to be between 27% and 29%, reflecting a level which we believe is sustainable given the current tax structure and composition of the group.

The corporate tax charge for the year was US$1,126 million. This differed from the tax paid because the payment of a tax liability can fall outside the financial year, and because of deferred tax accounting treatments. Uncertainty of interpretation and application of tax law in some jurisdictions also contributes to differences between the amounts paid and those charged to the income statement.

Chief Financial Officer's review continued

In terms of total taxes borne and collected by the group, including excise and indirect taxes, these amounted to US$9,400 million (2011: US$8,400 million) in the year. The various business combinations and disposals of businesses during the year impacted this analysis. The composition and divisional analysis is shown in charts (f) and (g).

During the year approximately US$2,500 million of taxes have been paid to African tax authorities (including South Africa).

Profit and earnings

Adjusted profit before tax of US$5,062 million increased by 13% over the prior year primarily as a result of higher volumes, price increases and the effect of premiumisation partially offset by increases in raw material costs and expenditure on sales, marketing and systems capabilities. On a statutory basis, profit before tax of US$5,603 million was 55% higher than the prior year. The table below reconciles EBITA to adjusted profit before tax and to the statutory profit before tax.

	2012 US$m	2011 US$m	% change
EBITA	**5,634**	5,044	12
Adjusted finance costs	**(542)**	(518)	(5)
Share of associates' and joint ventures' finance costs	**(30)**	(35)	14
Adjusted profit before tax	**5,062**	4,491	13
Exceptional items (excluding finance cost exceptionals)	**1,037**	(467)	
Adjustments to finance costs	**(20)**	(7)	
Amortisation	**(264)**	(209)	(26)
Share of associates' and joint ventures' tax and non-controlling interests	**(212)**	(182)	(16)
Profit before tax	**5,603**	3,626	55

Adjusted earnings increased by 13% to US$3,400 million. With the weighted average number of basic shares in issue for the year of 1,583 million, up slightly from last year's 1,576 million, we achieved strong adjusted earnings per share growth in both our reporting currency of US dollars and also in the currencies in which our shares are quoted, as demonstrated in the table below.

	2012	2011	% change
US cents	**214.8**	191.5	12
UK pence	**134.4**	123.4	9
South African cents	**1,607.0**	1,369.6	17

A reconciliation of the statutory measure of profit attributable to equity shareholders with adjusted earnings is shown in note 8 to the consolidated financial statements. On a statutory basis, basic earnings per share were 74% up on the prior year primarily as a result of the exceptional gains in the year.

Dividends

The board has proposed a final dividend of 69.5 US cents to make a total of 91 US cents per share for the year – an increase of 12% over the prior year. This represents dividend cover of 2.4 times based on adjusted earnings per share (2011: 2.4 times). Our guideline is to achieve dividend cover of between 2.0 and 2.5 times adjusted earnings. The relationship between the growth in dividends per share and adjusted earnings per share is demonstrated in chart (h).

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

Business combinations and similar transactions

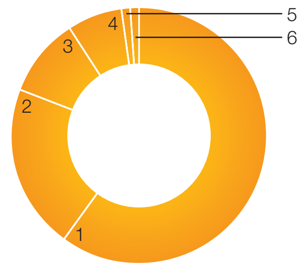
On 16 December 2011 we acquired a 100% interest in Foster's Group Ltd (Foster's) in Australia at an enterprise value of US$11,786 million, comprising cash consideration of US$10,598 million, together with acquired net debt and non-controlling interests, less a net present value attributed to cash receivable for historical tax losses. The acquisition provides us with exposure to Australia's strong economic growth prospects; a leading position in the stable and profitable Australian beer industry; and the opportunity to apply our capabilities and scale to improve Foster's financial and operating performance.

With effect from 1 January 2012 together with Castel we implemented a number of organisational changes in our African operations as part of our strategic alliance agreement. As a result we acquired a 27.5% interest in BIH Brasseries Internationales Holding (Angola) Ltd (BIH Angola) in exchange for contributing our Angolan businesses, Coca-Cola Bottling Luanda SARL, Coca-Cola Bottling Sul de Angola SARL, Empresa de Cervejas N'Gola Norte SA, and our interest in our associate Empresa de Cervejas N'Gola SARL, into BIH Angola. Castel acquired the remaining 72.5% in BIH Angola, having contributed its Angolan businesses into BIH Angola. We acquired a 65% interest (effective 33% interest) in International Breweries plc in Nigeria, from Brasseries Internationales Holding Ltd (BIH), part of the Castel group, in exchange for cash and a dilution of our effective interests in our existing Nigerian businesses, Pabod Breweries Ltd and Voltic Nigeria Ltd.

Following the Foster's acquisition, on 13 January 2012 we acquired the remaining 50% interest which we did not already own in Pacific Beverages Pty Ltd (Pacific Beverages) in Australia from Coca-Cola Amatil Limited (CCA) for cash consideration of US$343 million. The acquisition took our effective interest in Pacific Beverages to 100%.

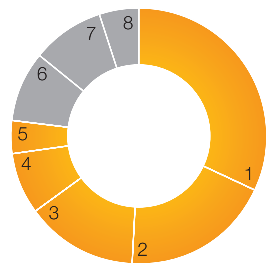
On 6 March 2012 we completed our strategic alliance with Anadolu Group and Anadolu Efes Biracilik ve Malt Sanayii AS (Anadolu Efes). Our Russian beer business, SABMiller RUS LLC, and Ukrainian beer business, PJSC Miller Brands Ukraine, were contributed to Anadolu Efes in exchange for a 24% equity stake in the enlarged Anadolu Efes group. Anadolu Efes is now the

(f) Tax borne and collected by category



1 Excise	60%
2 Other Indirect taxes	21%
3 Taxes on profits	10%
4 Employment taxes	7%
5 Tax withheld at source	1%
6 Taxes on property	1%

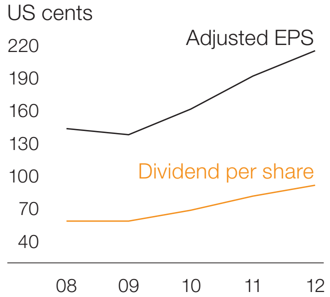
(g) Tax borne and collected by region



Emerging and developing economies	
1 Latin America	32%
2 South Africa	19%
3 Europe	14%
4 Africa	8%
5 Asia Pacific	4%
Developed economies	
6 USA	9%
7 Europe	9%
8 Asia Pacific	5%

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

US cents



Hansa Pilsener
Origin: South Africa
First brewed: 1975
www.sab.co.za

The light refreshment of Hansa comes from the centuries-old pilsener style of brewing beer. The uniquely crisp, clean taste is attributable to the kiss of the Saaz hop; only grown in the Czech Republic and the most expensive hop in the world.

vehicle for both group's investments in Turkey, Russia, the CIS, Central Asia and the Middle East. The alliance will result in the enlarged Anadolu Efes strengthening its market position in the large Russian beer market; it is the leading beverage producer in Turkey and has leading market positions in the growth beer markets of Kazakhstan, Moldova and Georgia.

During the year SABMiller Africa BV increased its interest in Delta Corporation Limited in Zimbabwe from 36.75% to 40%, to give an effective interest of 25%.

In January 2012 we acquired an additional 2.9% effective interest in Tanzania Breweries Ltd following a public offer through the Dar-es-Salaam Stock Exchange. This increased our effective interest to 36%.

On 13 June 2011 we completed the disposal of our distribution business in Italy, which was classified as a disposal group held for sale at 31 March 2011, and which generated a US$14 million exceptional loss on disposal, primarily being the recycling of the foreign currency translation reserve associated with this business.

On 25 November 2011 we disposed of our 12% effective interest in our associate, Kenya Breweries Limited, for cash consideration of US$205 million.

Cash flow and investment highlights

Net cash generated from operations before working capital movements (EBITDA) of US$4,979 million was 11% higher than the prior year. EBITDA excludes cash contributions from joint ventures and also includes the effects of cash flows from exceptional items. To consider cash generation on an underlying basis, we use an adjusted EBITDA measure which excludes the cash flow impact of exceptional items and includes the dividends received from MillerCoors (which is a proxy for our share of MillerCoors' EBITDA). Adjusted EBITDA of US$6,183 million grew by 10% compared with the prior year. Adjusted EBITDA margin, including the group's share of MillerCoors' revenue, improved 10 bps in the year to 23.0%.

	2012 US$m	2011 US$m
EBITDA (see note 28a)	**4,979**	4,502
Plus cash outflows from exceptional items	**308**	293
Plus MillerCoors dividend	**896**	822
Adjusted EBITDA	**6,183**	5,617
Revenue	**21,760**	19,408
Plus share of MillerCoors' revenue	**5,116**	5,106
	26,876	24,514
Adjusted EBITDA margin	**23.0%**	22.9%

We achieved a cash inflow from working capital of US$258 million, principally as a result of the extension of supplier credit terms as contracts are renegotiated by our procurement organisation. Cash generated from operations increased by 15% over the prior year, to US$5,237 million.

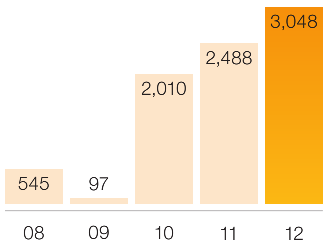
Tax paid in the year increased marginally to US$893 million from US$885 million in the prior year. The increase arose essentially from a higher tax base this year together with additional withholding taxes paid.

Net interest paid has decreased compared with the prior year at US$407 million primarily reflecting an increase in accrued interest arising from the bond issue in January 2012 and the exclusion of certain non-recurring items that occurred in the prior year.

Capital expenditure on property, plant and equipment for the year was US$1,473 million (2011: US$1,189 million), or US$1,639 million (2011: US$1,315 million) including the purchase of intangible assets. Selectively we have continued to make investments, particularly in Africa where capacity constraints have been experienced. New breweries are currently being constructed in Nigeria, Uganda and Zambia and there has been capacity expansion in Peru and South Sudan. Capital expenditure of approximately US$1,600 million is expected in the next financial year.

Free cash flow improved by US$560 million to US$3,048 million, benefiting from higher cash generated from operating activities partly offset by higher capital expenditure. Free cash flow over the last five years is shown in chart (i).

(i) Free cash flow
US$m



Business Capability Programme

In addition to the exceptional costs of the business capability programme noted above, the programme incurred capital expenditure in the year of US$122 million (2011: US$87 million). The programme has already led to accumulated improvements in working capital of US$549 million, and to net operating benefits in the year of US$159 million (2011: US$67 million), bringing the accumulated amount of operating benefits to US$243 million. These include benefits generated from the global procurement programme, the regional manufacturing operation in Europe and from sales and distribution systems in Latin America. Including cost avoidance benefits and the net operating benefits of prior years, the accumulated benefits from the programme now amount to US$890 million.

Based on plans to extend the scope and depth of globally-managed procurement in particular, we have revised our benefit estimates and now expect that accumulated net operating benefits will reach US$250 million in the year to March 2013, US$400 million in the following year, and an annual run rate of approximately US$450 million by March 2014.

Chief Financial Officer's review continued

Balance sheet

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

Total assets increased to US$55,651 million from the prior year's US$39,114 million (restated to reflect adjustments to provisional fair values of business combinations in the prior year), primarily as a result of the acquisitions and business combinations in the year.

Goodwill increased by US$8,174 million, compared with the restated prior year amount, as a result of goodwill arising on the business combinations in Asia Pacific and Africa and the impact of foreign exchange rate changes on goodwill denominated in currencies other than the US dollar partly offset by the goodwill on the disposal of businesses in Europe and Africa.

Intangible assets increased by US$5,537 million compared with the restated prior year amount primarily reflecting intangibles recognised as a result of business combinations in particular in Australia, foreign exchange movements and additions primarily related to the business capability programme, partially offset by amortisation.

Gross debt at 31 March 2012 increased to US$18,607 million from US$8,162 million at 31 March 2011. Gross debt comprises borrowings together with the fair value of derivative assets or liabilities held to manage interest rate and foreign currency risk of borrowings. Net debt (comprising gross debt net of cash and cash equivalents) increased to US$17,862 million from US$7,091 million at 31 March 2011. The increased level of net debt resulted primarily from the debt financing of the Foster's acquisition, together with debt acquired with Foster's, partially offset by strong free cash flow. As at 31 March 2012, we held cash and cash equivalent investments of US$745 million (2011: US$1,071 million).

An analysis of net debt is provided in note 28c to the consolidated financial statements. Our gearing (presented as a ratio of net debt to equity) has increased to 68.7% from 31.2% at 31 March 2011.

Total equity increased from US$22,759 million at 31 March 2011 to US$26,013 million at 31 March 2012. The increase was primarily due to the profit for the year, share issues, a credit of US$158 million related to share-based payment charges, currency translation movements on foreign currency investments, partly offset by dividend payments.

Financial structure and liquidity

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

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

The following table summarises our funding structure at 31 March 2012.

	2012 US$m	2011 US$m
Overdrafts	**(139)**	(258)
Borrowings	**(19,067)**	(8,193)
Derivatives	**620**	298
Finance leases	**(21)**	(9)
Gross debt	**(18,607)**	(8,162)
Cash and cash equivalents	**745**	1,071
Net debt	**(17,862)**	(7,091)
Maturity of gross debt:		
Within one year	**(1,061)**	(1,358)
Between one to two years	**(1,958)**	(590)
Between two and five years	**(10,263)**	(4,383)
Over five years	**(5,325)**	(1,831)

The average maturity of the gross committed debt portfolio is 6.9 years (2011: 4.0 years).

On 7 April 2011 SABMiller plc entered into a five year US$2,500 million committed syndicated facility, with the option of two one-year extensions. Subsequently the facility was extended in part such that US$2,236 million is now due to mature in April 2017. This facility replaced the existing US$2,000 million and US$600 million committed syndicated facilities, which were both voluntarily cancelled.

On 1 July 2011 the US$600 million 6.2% Notes due 2011 matured and were repaid from existing cash.

2M
Origin: Mozambique
First brewed: 1965
www.sabmiller.com

Named after the original Mac Mahon brewery, 2M is Mozambique's most popular mainstream beer brand. Pronounced 'dosh-em' locally it is a truly sessionable and sociable beer with a light, crisp, and refreshing taste.

On 9 September 2011 SABMiller Holdings Inc, a wholly owned indirect subsidiary of SABMiller plc, entered into a US$12,500 million committed syndicated facility to finance the acquisition of Foster's and related purposes. The facility consisted of four tranches; a US$8,000 million one-year term facility with the option of two six-month extensions; a US$2,500 million three-year term facility; a US$1,000 million five-year term facility; and a US$1,000 million five-year revolving credit facility. In December 2011 the group drew US$7,850 million under the one-year term facility; AUD2,000 million (approximately US$2,021 million) and US$100 million under the three-year term facility and US$750 million under the five-year term facility. The undrawn balance of those facilities was cancelled and the amount of the revolving credit facility was reduced to US$500 million.

On 17 January 2012 SABMiller Holdings Inc issued bonds to the value US$7,000 million, in four tranches: US$1,000 million 1.85% Notes due January 2015, US$2,000 million 2.45% Notes due January 2017, US$2,500 million 3.75% Notes due January 2022 and US$1,500 million 4.95% Notes due January 2042, guaranteed by SABMiller plc. The proceeds of the bonds were used to repay US$7,000 million under the one-year term facility.

In March 2012 SABMiller Holdings Inc repaid the remaining US$850 million balance outstanding on the one-year term facility, which was then cancelled.

Our committed undrawn borrowing facilities have increased from US$3,164 million at 31 March 2011 to US$3,810 million at 31 March 2012. We have sufficient headroom to enable us to conform to covenants on our existing borrowings and sufficient undrawn committed financing facilities to service our operating activities and ongoing capital investment. Maturing debt in the next 24 months includes a ZAR1,600 million bond maturing in July 2012, COP370,000 million and COP338,500 million bonds maturing in September 2012 and May 2013 respectively, US$1,100 million and US$550 million bonds maturing in August 2013 and January 2014 and a number of local bank facilities. Current committed headroom is sufficient to cover all maturing borrowings over the next 24 months. We have continued to be able to access sufficient and significant funding from a number of sources and expect to renew maturing facilities as they fall due.

Currency, interest rate, commodity and credit risk management

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

Currency risk

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

Our debt profile at 31 March 2012 (after taking account of cross currency swaps) is illustrated in chart (j).

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

Interest rate risk

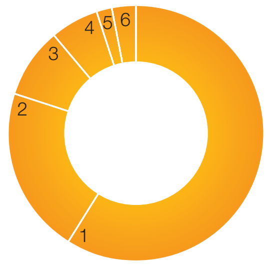
Our policy is to borrow (directly or synthetically) principally in floating rates, reflecting our view that floating rates are generally lower than fixed rates in the medium term. However, in order to mitigate the impact of an upward change in interest rates, the extent to which group debt may be in floating rates is restricted to below 75% of consolidated net debt and is in addition managed to a measure based on the potential impact of adverse moves in interest rates. This policy excludes borrowings arising from recent acquisition activity and inflation-linked debt. As at 31 March 2012, 45% of net borrowings were at fixed rates taking into account financial derivatives, compared with 44% at 31 March 2011. Exposure to movements in interest rates on group borrowings is managed through interest rate swaps and forward rate agreements as well as borrowings in fixed and floating rate instruments.

The weighted average interest rate for the total gross debt portfolio at 31 March 2011 decreased to 4.9% (2011: 5.9%) primarily reflecting the cost-effective financing package put in place for the Foster's acquisition.

Commodity risk

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

(j) Net debt profile



1 US dollars	59%
2 Australian dollars	21%
3 Euro	9%
4 Colombian peso	6%
5 SA rand	2%
6 Other currencies	3%

Chief Financial Officer's review continued

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

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

Currency
The exchange rates to the US dollar used in the preparation of the consolidated financial statements are detailed in the table on page 44. Most of the major currencies in which we operate strengthened against the US dollar on a weighted average basis over the year with the exception of the South African rand. In terms of closing rates, European currencies as well as the South African rand weakened, while the Colombian peso and Peruvian nuevo sol strengthened.

	Year ended 31 March **2012**	2011	% change
Average rate			
Australian dollar	**0.95**	1.06	12
South African rand	**7.48**	7.15	(4)
Colombian peso	**1,831**	1,881	3
Euro	**0.72**	0.76	5
Czech koruna	**17.65**	19.04	8
Peruvian nuevo sol	**2.73**	2.81	3
Polish zloty	**2.99**	3.01	1
Closing rate			
Australian dollar	**0.97**	0.97	–
South African rand	**7.67**	6.77	(12)
Colombian peso	**1,792**	1,879	5
Euro	**0.75**	0.71	(6)
Czech koruna	**18.52**	17.27	(7)
Peruvian nuevo sol	**2.67**	2.80	5
Polish zloty	**3.13**	2.84	(9)

Accounting policies
The principal accounting policies used by the group are shown as note 1 to the consolidated financial statements.

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.

Jamie Wilson
Chief Financial Officer

Kilimanjaro
'You are now in Kilimanjaro country' was the headline of the integrated marketing campaign behind the successful renovation of the Kilimanjaro brand in Tanzania this year. The result has been significant growth in Kilimanjaro's volumes and market share.

Sustainable development
Generating inclusive growth

SABMiller has become one of the world's leading brewers by building strong local businesses that contribute to their local economies. We seek to generate 'inclusive growth': creating long-term returns by building value chains that drive economic growth and stimulate social development while using scarce natural resources efficiently.

Economic contribution across our value chain
Beer is a local product – typically brewed, sold and consumed in the same community. By delivering high-quality products that consumers enjoy, our businesses create jobs, pay taxes, develop local skills and encourage enterprise.

In the year, SABMiller generated US$23,921 million of economic value, of which the majority was distributed through the course of our business to our employees, shareholders and investors, suppliers and governments, as well as to local communities through our corporate social investment activities.

Across our value chains we seek opportunities to build our local supply chain. In our developing markets we are working to build the capability of local farmers in order to increase local sourcing. In Africa, research by Professor Ethan Kapstein of INSEAD, and other experts, indicates that our commitment to increasing the local sourcing of raw materials to 50% over the next two years will raise the number of direct farming jobs supported by our operations from 100,000 to 150,000.

This year we published a number of independent studies to assess our socio-economic impact. In Europe, for example, a recent study by Ernst & Young found that a total of 202,000 jobs can be attributed to the production and sale of our beers – including over 98,000 in the hospitality sector alone. For each person employed by SABMiller in Europe, 17 jobs are generated outside the brewing industry.

We recognise there is a growing interest in the amount of tax paid by multinational companies. We seek to be fully transparent in our tax returns and related disclosures to revenue authorities. We have a strong governance process and our group tax policy guides the way we manage tax affairs across the group. The corporate tax charge for the year was US$1,126 million – an effective tax rate of 27.5%.

In the year total taxes borne and collected by the group amounted to US$9,400 million (2011: US$8,400 million). This includes excise taxes, transactional taxes and taxes borne by employees as well as our share (based on equity interest) of taxes paid by our US joint venture. We consider this wider calculation to be an important and appropriate indication of the tax contribution of our operations and the fiscal impact these have on the countries in which we do business.

The group's presence in many developing economies provides major sources of employment and income and therefore tax revenues. Of the taxes we pay, 77% go to governments in emerging and developing countries and 23% are paid in developed economies.

The growing resource challenge
This year, two of our fastest-growing regions were the emerging and developing markets of Africa and Latin America, which saw lager volumes increasing on an organic basis by 13% and 8% respectively. The growth of 'middle class' consumers from two to five billion worldwide by 2030[1], with improved incomes and enhanced quality of life, is a key driver of our future growth.

"Beer is a local product – typically brewed, sold and consumed in the same community."

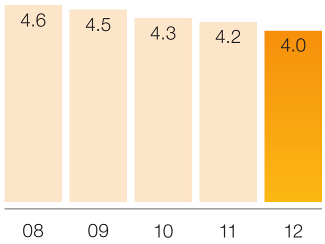
That said, the demands that this growth will place on the world's finite resources mean that business, government and civil society must work together to develop practical, local solutions that generate inclusive growth while conserving water and energy and managing land use. Successfully addressing the triple challenge of water, food and energy security means taking a holistic view and balancing the many competing demands, trade-offs and interactions.

Businesses such as ours are well placed to innovate and drive efficiencies. We have extensive programmes in place to improve water and energy efficiency and reduce waste across our breweries.

The water efficiency of our lager operations has improved by 5% over the last year, and 13% since we set our target to reduce water consumption by 25% by 2015 in 2008.

Across our operations we aim to become 50% more carbon-efficient by 2020. Our carbon emissions from fossil fuel use have reduced by 10% per hectolitre of lager produced this year, and by 17% since we set our target in 2008. In India, converting fossil fuel boilers to biomass across three breweries has reduced the emissions associated with boiler fuel in these three plants by 90% since 2008.

Water to lager ratio
(hl water/hl lager)



–5%
Water to lager ratio down 5% to 4.0 hl/hl

[1] *The emerging middle class in developing countries*, Homi Kharas, OECD Development Centre Working Paper No. 285, January 2010. 'Middle class' is defined as having daily per capita spending of US$10 to US$100.

Impala
Origin: Mozambique
First brewed: 2011
www.sabmiller.com

Impala is the world's first commercial-scale cassava-based beer. Brewed using 70% cassava sourced from smallholder farmers in Mozambique creating new employment for over 1,500 smallholder farmers and their families. Impala uses conventional brewing techniques and has a crisp, refreshing taste.

We continue to drive down brewery waste and improve the sustainability of our packaging. For example, in the past year in Italy, Birra Peroni reduced the weight of its Peroni Gran Riserva 330 ml bottle by 40% (from 310g to 185g), saving 750 tonnes of glass and about 600 tonnes of CO_2e a year.

Building strong partnerships
We devote great care and effort to building alliances throughout our value chain, and recognise that partnerships are crucial to our success.

Focusing solely on improving efficiency at our operations will not on its own secure adequate long-term water, agricultural supplies, and energy for our breweries. The resource challenges we jointly face with local communities are complex and interconnected. We can only effectively tackle these challenges by sharing knowledge and working in partnership with experts from non-governmental organisations (NGOs), governments and academic institutions to deliver innovative solutions at a local level.

Our Water Futures partnership, established with WWF and the German development agency, GIZ, is one example of a public-private partnership devoted to managing shared water risk and to demonstrating the link between water, food and energy security. This year we doubled the reach of the partnership, extending to four new markets: Colombia, Honduras, India and the USA.

"We devote great care and effort to building alliances throughout our value chain, and recognise that partnerships are crucial to our success."

We continue to build our affordability strategy in Africa, based on locally sourced crops such as sorghum and cassava. This year in Mozambique we partnered with DADTCO (Dutch Agricultural Development and Trading Company) to develop a mobile processing unit that enabled us to launch the world's first commercial-scale, cassava-based clear beer – Impala. In recognition of its contribution to agricultural and economic development in Mozambique the government introduced a new excise category for beer made from cassava. This, combined with the reduced production costs associated with using a local crop, enables us to sell Impala at 70% of the price of mainstream lager, attracting consumers who might otherwise consume illicit alcohol.

In South Africa we are a strategic partner in Project Promote, working with SABCOHA (South African Business Coalition on HIV and AIDS) and The Global Fund to deliver condoms to taverns through SAB's distribution infrastructure. Since the start of the project 18 months ago, just under 8.5 million condoms have been delivered to 4,600 taverns across South Africa, helping to avert an estimated 17,000 new HIV infections.

Beer in society
Each day our beers are enjoyed by millions of consumers. There is, sadly, a small minority of consumers who do not drink responsibly and who pose a risk to themselves, their families and their communities.

Alcohol abuse and associated societal issues such as violence, drunk-driving, underage drinking and the impact on non-communicable diseases are a cause of concern around the world. Most critically for SABMiller, the increasing focus by both governments and NGOs on these social and health challenges is leading to increased regulatory intervention and a stronger expectation for businesses to play a greater role in leading action to tackle these problems.

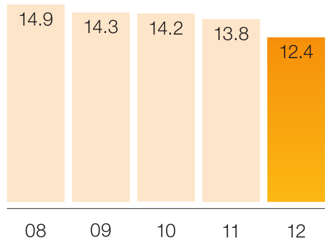
As a brewer we recognise that, along with the wider community, we have a role to play in tackling alcohol abuse. We have clear principles that guide the way we operate as a business, and we uphold high standards in all aspects of alcohol production and marketing.

Our local businesses are committed to engaging in partnerships to encourage responsible drinking, remind consumers about the impact of alcohol-related harm and address the wider societal issues resulting from alcohol abuse. In Europe, for example, we have implemented comprehensive commitments to the EU Alcohol and Health Forum to provide information to consumers through packaging labels, marketing materials, online tools and mobile apps.

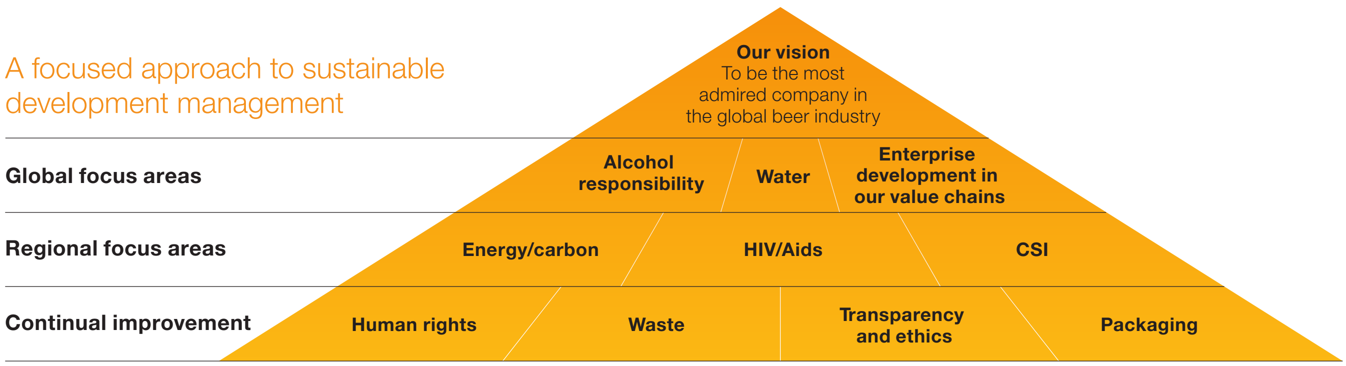
–10%

Fossil fuel emissions from energy use at our breweries down 10% to 12.4 $kgCO_2e$ per hl

CO_2e emissions from fossil fuel energy used on site
($kgCO_2e$/hl lager)



A focused approach to sustainable development management



Overview
Business review
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Shareholder information

Sustainable development continued

Integrating sustainable development into business planning
Sustainable development is integral to the way we do business. One of SABMiller's four strategic priorities is to 'constantly raise the profitability of local businesses, sustainably'.

We structure the measurement of sustainable development through our 10 priorities, which inform how we focus our efforts and prioritise our resources. At a global level particular focus is given to the three most material areas for our business: alcohol responsibility, water, and enterprise development in our value chain. It is these areas that we believe have the greatest potential to impact on business value, and create the greatest benefits for the communities in which we work.

"We structure the measurement of sustainable development through our 10 priorities, which inform how we focus our efforts and prioritise our resources."

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

The group corporate accountability and risk assurance committee (CARAC), a sub-committee of the SABMiller plc board, is responsible for overseeing progress against our 10 sustainable development priorities. Our Sustainability Assessment Matrix (SAM) provides a detailed assessment of sustainable development performance twice a year, which informs both business planning and corporate governance through our regional and group CARACs.

During the year, the group's average SAM score increased from 2.9 to 3.2, with scores increasing across all priorities as our local businesses focused on advancing the sustainable development issues most material to their particular markets. More detailed information on our scores by country and priority can be found at www.sabmiller.com/sd.

Transparency and ethics
High standards of ethical behaviour and transparency underpin all that we do. We have a Code of Business Conduct and Ethics which applies to all employees across the group as well as third parties acting on our behalf. This year, we strengthened our anti-bribery procedures by introducing a new Anti-Bribery Policy, which supplements and builds on the requirements of the Code, and helps to ensure that we meet our obligations under the new UK Bribery Act 2010.

We place a high value on reporting and communicating in an open and honest way to our stakeholders, and have produced a sustainable development report for over 10 years. This year we commissioned an independent report into the future of sustainability reporting, *Multiple Messages*, which highlighted the need for a flexible, multi-channel approach to reporting. Fifteen of our businesses produce their own sustainability reports; Italy and Botswana produced reports for the first time, and many others provide information online. Botswana's report won 'Best Corporate Social Responsibility Reporter' at the national PricewaterhouseCoopers Annual Reporting Awards.

3.2
The average score achieved against our Sustainability Assessment Matrix was 3.2

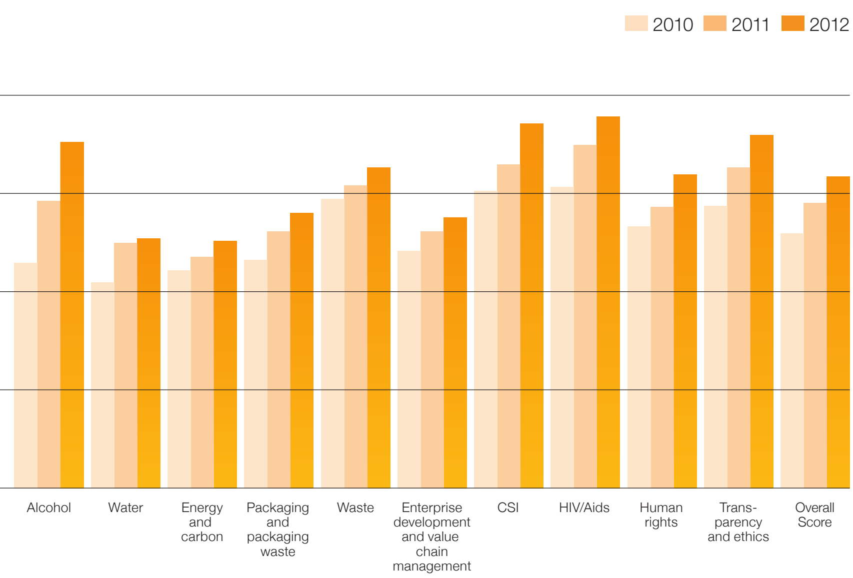
Online
For more information on our approach to sustainable development and our performance, go to our 2012 Sustainable Development Report at www.sabmiller.com

Ten Priorities. One Future.

Stairway level assessment criteria

5	**Leading edge:** Performance that represents genuine global leadership on an issue.
4	**Best practice:** Achieving what is currently considered to be global best practice in a particular field.
3	**Developing leadership:** Applying a comprehensive approach including innovative tools and widespread engagement.
2	**Progressing:** Ensuring consistent performance is achieved in a particular field.
1	**Minimum standard:** All operations must achieve level 1, or have a plan in place to do so, as it represents management of our key sustainable development risks.

Sustainable development group average scorecard 2012



Cusqueña
Origin: Peru
First brewed: 1912
www.cusquena.com.pe

Peru's premium beer is brewed with the highest quality malt, yeast and hops to create excellent harmony in terms of aroma, body, bitterness and taste. Cusqueña retains the mystery and magic of its origin in Cusco and appeals to consumers who value the best brands.

Building a Zambian barley industry

Zambian Breweries has been working with farmers to build a Zambian barley industry.

Three years ago, our Zambian business imported 100% of the barley needed for its breweries.

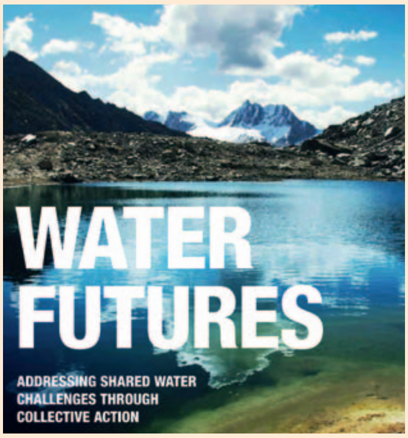
With a climate that supports a strong wheat industry, Zambian Breweries saw an opportunity to build a national barley industry, improving the security of its barley supply and reducing costs by sourcing locally. The business developed partnerships with technical experts and built relationships within the established Zambian farming industry to design a barley farming model. Working in collaboration with CHC Commodities, experts in crop storage and post-harvest management, in 2009 a successful pilot established the capability of farmers in Zambia to produce a high-yielding, high-quality crop.

Zambian Breweries now works with 21 commercial farmers, who employ over 4,000 rural workers. The barley they produce is used in the production of the company's premium beer brands – Mosi, Mosi Gold, Castle Lager and Carling Black Label.

Despite the strong wheat price, against which barley competes for acreage, Zambian barley costs about US$100 per tonne less than imported barley.

Next year, we expect the Zambian barley industry to produce a surplus of about 10,000 tonnes, which can be exported to local markets such as Uganda and Tanzania.

Managing shared water risk in Peru



Through the Water Futures partnership SABMiller works with NGOs such as WWF and The Nature Conservancy in eight markets to protect the watersheds on which our business depends.

This year the local Water Futures partnership in Peru undertook a series of studies to examine the water resources available in the basins that supply each of Backus' breweries. The first, in the Rímac river basin in Lima, identified a number of projects to improve water security for the region. Backus is now reviewing a number of aquifer sustainability projects including:

- Improving the infrastructure of canals and river beds
- Reusing treated water to irrigate public green areas such as parks
- Establishing a Rímac River Water Observatory – an expert technical panel to monitor and assess the aquifer.

Other local businesses and communities also depend on the watershed, and Backus' water risk cannot be addressed in isolation. This year Backus became a founding partner in the Aquafondo, established by The Nature Conservancy. The fund (which has an initial start-up capital of US$900,000) will invest in conservation, water protection measures, education and communication projects in Lima. Backus is working to encourage more businesses and institutions to join the alliance, to safeguard shared water supplies for the future.

Supporting small retailers in Colombia

The Bavaria Foundation's Destapa Futuro programme is the largest private initiative promoting entrepreneurship in Colombia.

It seeks to boost economic development across the country by supporting high potential entrepreneurs.

This year, the Bavaria Foundation has been tackling one of the main barriers to starting a small business – the lack of access to credit. The Foundation has worked with local banks to provide micro-finance for shopkeepers so they can strengthen their businesses, increase their revenues and improve their quality of life. More than 4,000 shopkeepers have benefited in two years with US$6 million made available in micro-credit financing.

Over the last five years the Bavaria Foundation has helped to create over 280 businesses through the Destapa Futuro programme, supporting over 1,100 entrepreneurs by investing over US$8 million in seed capital and US$2 million for training and mentoring.

The investment, practical advice and mentoring provided means that 93% of the businesses supported through the programme are still operating.

In turn, the entrepreneurs who have benefited from the programme have created over 5,000 jobs.

People
Succeeding by valuing and empowering our employees

We believe that a healthy, engaged, well-trained and motivated workforce is a key competitive advantage.

Being a flexible, fair and equitable employer
SABMiller employs some 70,000 people from diverse cultures and backgrounds across six continents. We aim to attract, develop and retain high-calibre people with the skills, attributes and drive to help SABMiller achieve its strategic objectives, both now and in the future. We seek to treat all our employees and contractors fairly and with respect, and to provide a safe and positive working environment.

All our employees are compensated with a fair wage and comprehensive benefits and have access to development opportunities both within their role and towards career progression.

In many countries, we offer our employees free medical healthcare if they need it. In countries where HIV/Aids is prevalent, our employees and their dependants have access to voluntary testing and counselling, as well as managed healthcare programmes including free anti-retroviral drugs. As at 31 March 2012, our businesses in countries of high prevalence had 1,847 peer educators, one for every 13 employees.

We have clear policies and processes relating to diversity and encourage a culture that respects and tolerates individual differences.

In an industry traditionally perceived as male-dominated, we have various initiatives for ensuring better representation for women. As at 31 March 2012, a total of 19.0% of our employees were female (2011: 19.5%) and 27.8% of our executives and managers were women. Five of the last seven independent non-executive directors appointed to the SABMiller plc board were female and women currently comprise 33% of the independent non-executive directors on the board.

We acknowledge our employees' right to union representation and 36.4% of our workforce are union members. Many of our businesses have developed productive partnerships with trade unions on collective bargaining and other issues.

This year, independent experts reviewed our human rights policies, procedures and performance measurement in light of the new UN Protect, Respect and Remedy framework for Business and Human Rights. They found that, in general, we are ahead of many businesses in this respect, particularly in our independent assessments of human rights issues across the value chain, for example through the Oxfam Poverty Footprint Report. They also identified opportunities for improvement in areas such as verification of supplier performance. In response, our global procurement company, Trinity, has joined SEDEX, a not-for-profit organisation promoting ethical and responsible business practices in global supply chains.

In South Africa we actively support Broad-Based Black Economic Empowerment (BBBEE). Through the BBBEE ownership programme, SAB Zenzele, we have created almost 40,000 shareholders among our staff and retailers. Retailers who acquired the minimum allocation of shares for R100 at the start of the programme in 2010 have, to date, received R875 in dividends, almost nine times their initial investment.

70,000
We employ about 70,000 people across six continents

Promoting diversity at MillerCoors

MillerCoors has been working to improve the advancement of women in the company.

Women represent 20% of all vice-president and executive level roles at MillerCoors. To increase female representation MillerCoors is taking three steps:

First, they are seeking to hire more women. Recruiters are encouraged to look for talented female candidates, and this year 62% of all candidate lists for new hires included at least one woman. During the year 83% of people hired through the Sales Management Development Program were women, creating a strong talent pipeline of women for senior roles in the future.

Secondly, they aim to provide a supportive environment for personal growth. Every function has established guidelines and principles to promote greater flexibility, introducing new ideas such as telecommuting. This year the average number of training hours completed by women also increased by almost 50%.

Thirdly, women are encouraged to share their own experiences with others. Since 2010, of the 115 women who have participated in group mentoring, 36 were promoted and 30 made lateral moves to develop broader or deeper skills.

Cascade Pure
Origin: Australia
First brewed: 2008
www.cascadebreweryco.com.au

Cascade Pure has a light golden colour with a fresh hop aroma courtesy of locally-grown Tasmanian galaxy hops. Being environmentally friendly matters more than low carbs, but this all malt lager offers both. Pure's carbon footprint is 100% offset, delivering a carbon neutral beer.

Safety, health and wellbeing of our employees

Each of our businesses is responsible for ensuring a safe working environment in its breweries, bottling plants and offices. This year we joined the World Economic Forum's workplace wellness alliance, a consortium of companies committed to advancing wellness in the workplace. We adapt our wellness programmes to meet changing needs. This year we piloted a new Wellness Development Programme covering sexually transmitted infections, hepatitis B and C, malaria and tuberculosis in Botswana, South Africa, Swaziland and Tanzania.

We aim to provide a safe working environment in our breweries, bottling plants and offices and have robust systems, including regular audits, for identifying and minimising the risk of accidents and monitoring and addressing incidents when they occur. This year better reporting on health and safety has resulted in noticeable improvements in health and safety performance in several markets including Hungary, Italy and Uganda. That said, we recorded 1,713 industrial injuries, 18% more than in 2011, largely due to an increase in injuries reported in Latin America in line with new reporting protocols. Across our business, we recorded 17,735 days lost through injury – a 34% increase on 2011 – also due to improved reporting.

It is with regret that we report 11 employee and contractor fatalities this year. Two of these related to accidents while undertaking maintenance or repairs, five related to accidents involving vehicles, and four related to robberies or assaults on our staff while on sales or trade visits. In each case, we have undertaken an investigation and, where applicable, implemented measures to minimise the likelihood of such an incident recurring. We have also established a group health and safety working group, which will report to the group CARAC.

Business success through high performance

We recognise and reward strong performance. Every year, each employee sets stretching individual objectives in conjunction with their manager. These goals are linked to local company objectives to ensure that everyone is contributing to, and has clear accountability for, the delivery of business strategy.

Bonus payments and salary increases are linked to performance against individual goals and are calculated against a combination of individual achievement and overall company performance.

Promoting talent and personal development

We aim to offer appropriate career development opportunities to all our employees and encourage them to take ownership of, and manage, their own development. In the year ended 31 March 2012, we provided an average of 4.0 training days for every employee, an increase on the previous year.

Through our global learning strategy, we offer over 400 courses from specific functional programmes to management development and leadership programmes. These range from e-learning courses to programmes facilitated by leading educational institutions. Our European Management Development Programme (EMDP), for example, has been designed in partnership with Ashridge Business School. A quarter of participants in the 2010 programme were promoted within one year, taking new knowledge and innovative thinking into the business in their new roles.

4 days

4 days of training per employee on average

Educating our employees on alcohol responsibility

We provide regular education on alcohol responsibility for our employees, all of whom are required to adhere to our Alcohol Code of Conduct.

As at 31 March 2012, our businesses had trained over 50,000 employees in alcohol responsibility worldwide. We are also committed to training all new employees on alcohol responsibility as they join SABMiller.

We have developed a two-part, specially designed programme, which local businesses can adapt to address local circumstances:

- Alcohol, Behaviour and Communication (AB&C) training is designed for everyone at SABMiller.
- Alcohol Intelligence Quotient (AIQ) provides additional in-depth training for people in marketing, sales, trade marketing, legal and communication functions globally.

This year we introduced an online refresher course, part of which asks participants to make a personal pledge on alcohol responsibility. In Hungary we received 370 pledges from 400 e-learning participants in just one month, including pledges about being a role model at work and at home, and pledges to stop people from driving home if they've been drinking when out with friends.

Board of directors

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

Graham Mackay
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.

He will become Executive Chairman of SABMiller plc at the conclusion of the 2012 annual general meeting, with the intention that he will continue in that role for one year, before becoming Non-Executive Chairman at the 2013 annual general meeting.

Jamie Wilson
LL.B.(Hons), CA, ATII ● ▲
Chief Financial Officer

Jamie Wilson joined SABMiller in 2005 and was elected as a director and appointed as Chief Financial Officer in 2011. He has held a number of senior positions in the group, including Senior Vice President, Market Development and Strategy, Miller Brewing Company, USA; Managing Director, SABMiller Russia; Managing Director for SABMiller's Central European businesses, and Finance Director for SABMiller Europe.

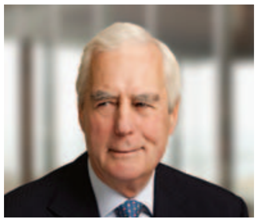
Before joining SABMiller he held a number of senior roles in the global beverage industry, notably Group Finance Director and Managing Director – Operations of Highland Distillers plc; Executive Chairman of Maxxium; Managing Director of Orpar SA, the parent company of Remy Cointreau; Strategy/Finance Director for Scottish Courage Ltd; and Strategy/Project Director for Scottish & Newcastle plc.

Meyer Kahn 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.

Mr Kahn will retire at the 2012 annual general meeting.



John Manser
CBE, DL, FCA ● ■ ◆ ▼
Senior Independent Director

John Manser joined the board in 2001. He is Chairman of Shaftesbury PLC and was Chairman of Intermediate Capital Group plc and Deputy Chairman of Colliers CRE plc until 2010. He was previously Chairman of Delancey PLC, Hiscox Investment Management Ltd 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.

He will become Deputy Chairman of SABMiller plc at the conclusion of the 2012 annual general meeting.

Miles Morland
■ ◆ ▼

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
BSc, MPA, MBA, Ph.D ●

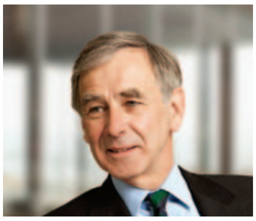
Dambisa Moyo joined the board in 2009. She is an international economist and commentator on the global economy and worked at Goldman Sachs for eight years. A Non-Executive Director of Barclays PLC and Barrick Gold Corporation, Dambisa previously worked at the World Bank in Washington, D.C.

She is a Patron for Absolute Return for Kids (ARK), a hedge fund supported children's charity.

Carlos Alejandro Pérez Dávila 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., President of Caracol TV S.A. and serves on the board and executive committee of Valorem S.A. He is also a Director of 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
●

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

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

He will retire at the 2012 annual general meeting.

Cyril Ramaphosa
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, Lonmin plc, Standard Bank, Optimum Coal Holdings Limited and Alexander Forbes.

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.

Mark Armour
MA, FCA ◆ ▼

Mark Armour joined the board in 2010. He is the Chief Financial Officer of Reed Elsevier Group plc and of its two parent companies, Reed Elsevier PLC and Reed Elsevier NV. He will retire from Reed Elsevier at the end of 2012. From July 2012 he will join the board of The Financial Reporting Council (FRC).

Prior to joining Reed Elsevier in 1995 he was 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 FRC which produced the Smith Report on Audit Committees in 2003.

Geoffrey Bible
FCA (Aust), ACMA ■

Geoffrey Bible joined the board in 2002 as a nominee of Altria Group, Inc. 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.

Dinyar Devitre
BA (hons), MBA ▼

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

Lesley Knox
MA ◆ ▼

Lesley Knox joined the board in 2011. She is a non-executive Director of Centrica plc and is a Trustee of the Grosvenor Estates and Chairman of Grosvenor Group Limited. She originally qualified as a solicitor and then spent 15 years with Kleinwort Benson from 1981 to 1996, first in corporate finance, where she became a director in 1986, and then as Chief Executive of the institutional asset management business. In 1997 she moved to the British Linen Bank, becoming Governor in 1999, and was subsequently a founder director of British Linen Advisers from 1999 to 2003. She was until April 2012 Chairman of Alliance Trust plc and has held a variety of non-executive directorships with international and British companies, and is involved with a number of arts and charitable organisations.

John Manzoni
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 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 2003. He is a member of the Accenture Energy Advisory Board.

Alejandro Santo Domingo Dávila 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, WNET (Channel Thirteen) and the Wildlife Conservation Society.

Helen Weir
CBE FCMA ▼

Helen Weir joined the board in 2011. She is Group Finance Director of the John Lewis Partnership. Between 2008 and 2011 she was Group Executive Director – Retail at Lloyds Banking Group plc, having originally joined Lloyds as Group Finance Director in 2004. From 2000 until 2004, she was Group Finance Director of Kingfisher plc, and before that Finance Director of B&Q, which she joined in 1995.

She spent her early career at Unilever and McKinsey & Co. She has previously held a number of non-executive directorships, including Royal Mail Holdings and the City of London Investment Trust. She is a member of the Said Business School Advisory Council, and was previously a member of the Accounting Standards Board. She is a Fellow of the Chartered Institute of Management Accountants.

Howard Willard
BA (hons), MBA

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

Alan Clark
MA, DLitt et Phil
Managing Director, SABMiller Europe

Alan 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.

It is proposed that Alan Clark will be elected as an executive director and appointed as Chief Operating Officer of SABMiller plc at the 2012 annual general meeting, with the intention that he will succeed Graham Mackay as Chief Executive at the 2013 annual general meeting.

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

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

Mark Bowman
BCom, MBA
Managing Director, SABMiller Africa

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

Sue Clark
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.

She will become Managing Director of SABMiller Europe in June 2012.

She is a Trustee of the Clore Social Leadership Programme.

John Davidson
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. John was the Chairman for 2010 and 2011 of the GC100 group (the association of general counsel and company secretaries of companies in the FTSE 100).

Domenic De Lorenzo
BCom (hons), CA (SA)
Director, Corporate Finance and Development, SABMiller plc

Domenic De Lorenzo joined SABMiller's corporate finance team in 1996 from UAL Investment Bank in South Africa. He became Director, Corporate Finance and Development for Europe and the Americas in 2000 and the Director of the global team in 2010.

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

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

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

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

Ari Mervis
BCom
Managing Director, SABMiller Asia Pacific and Chief Executive Officer, Foster's

Ari Mervis was appointed Managing Director Asia Pacific and Chief Executive Officer of Foster's in 2011, having been Managing Director of SABMiller Asia since 2007. He joined SAB's soft drinks division, ABI, in 1989 and has held various senior positions in sales, marketing, finance and general management. He has been Managing Director of Swaziland Bottling Company and Appletiser as well as Managing Director of SABMiller operations in Russia and Australia.

Directors' report

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 31 March 2012.

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

We are required by the Companies Act 2006 to produce a fair review of our business, including a description of the principal risks and uncertainties we face, our development and performance during the year, and our position at the end of the year. These are all covered in the business review on pages 1 to 44 of this annual report. Other key performance indicators and information relating to environmental matters, employee matters and social and community issues required by the business review are set out in our sustainable development review and people section on pages 46 to 51 of this annual report.

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

In May 2011 Birra Peroni agreed to sell its in-house distribution business to the Tuo Group for cash consideration. The disposal was completed in June 2011.

Also in May, SABMiller Africa BV agreed to sell its 20% shareholding in its associate, Kenya Breweries Limited (KBL), to East African Breweries Limited (EABL), subject to EABL disposing of its 20% shareholding in SABMiller Africa BV's subsidiary, Tanzania Breweries Limited (TBL), by way of public offer through the Dar-es-Salaam Stock Exchange. SABMiller International BV also agreed to terminate a brewing and distribution agreement with KBL, with KBL ceasing to distribute SABMiller's brands in Kenya. Pursuant to that agreement, the group disposed of its 20% shareholding (12% effective economic interest) in KBL in November 2011 for cash consideration of US$205 million. SABMiller Africa BV applied for all the shares offered in TBL, but the offer was substantially oversubscribed, and after priority applications were made to applicants who were Tanzanian residents or East African residents, SABMiller Africa BV was allocated shares representing an additional 4.72% of TBL, increasing its shareholding to 58% (36% group effective economic interest).

In June 2011 we announced a proposal to acquire Foster's Group Limited (Foster's). Agreement was reached with the Foster's board in September 2011 for a recommended cash offer. The acquisition, via a scheme of arrangement, was approved by the Foster's shareholders in December 2011 and subsequently implemented on 16 December 2011 with the approval of the Supreme Court of Victoria. The cash consideration for the acquisition was US$10,598 million. As part of the proposal to acquire Foster's we separately reached agreement with Coca-Cola Amatil Limited to acquire its 50% share of our joint venture, Pacific Beverages Pty Limited for cash consideration of US$343 million, and this acquisition was completed in January 2012.

In September 2011 SABMiller Holdings Inc, a wholly owned indirect subsidiary of SABMiller plc, entered into a US$12,500 million committed syndicated facility to finance the acquisition of Foster's and related purposes. The facility consisted of four tranches; a US$8,000 million one-year term facility with the option of two six-month extensions; a US$2,500 million three-year term facility; a US$1,000 million five-year term facility; and a US$1,000 million five-year revolving credit facility. In December 2011 the group drew US$7,850 million under the one-year term facility; AUD2,000 million (approximately US$2,021 million) and US$100 million under the three-year term facility and US$750 million under the five-year term facility. The undrawn balance of those facilities was cancelled and the amount of the revolving credit facility was reduced to US$500 million.

In October 2011 we announced our proposed agreement with the Anadolu Group (Anadolu Endüstri Holding A.Ş., Yazıcılar Holding A.Ş. and Özilhan Sınai Yatırım A.Ş.), and Anadolu Efes Biracılık ve Malt Sanayii A.Ş. ('Anadolu Efes') to form a strategic alliance for Turkey, Russia, CIS, Central Asia and the Middle East. The strategic alliance completed in March 2012, under which our Russian and Ukrainian beer businesses were contributed to Anadolu Efes in exchange for a 24% equity stake in the enlarged Anadolu Efes.

In November and December 2011 two of our African subsidiaries Zambian Breweries plc in Zambia and Nile Breweries Ltd in Uganda, launched rights issues. On closing of the rights issue in Uganda our subsidiary's interest increased by 2.7% to 99.8% (group effective economic interest increasing from 60% to 62%). The rights issue in Zambia closed with our interest remaining unchanged (group effective economic interest 54%).

With effect from 1 January 2012, together with Castel, we implemented a number of organisational changes in our African operations as part of our strategic alliance agreement. We combined the operational management of our Angolan businesses with the Angolan businesses of our associate, Castel, with all of the Angolan businesses, in which the group retains an associate interest, being managed from that date by Castel. We acquired a 65% interest (effective 33% interest) in International Breweries plc in Nigeria, from Brasseries Internationales Holding Ltd (BIH), part of the Castel group, in exchange for cash and a dilution of our effective interests in our existing Nigerian businesses, Pabod Breweries Ltd and Voltic Nigeria Ltd.

Also in January 2012, SABMiller Holdings Inc issued bonds to the value of US$7,000 million, in four tranches: US$1,000 million 1.85% Notes due January 2015, US$2,000 million 2.45% Notes due January 2017, US$2,500 million 3.75% Notes due January 2022 and US$1,500 million 4.950% Notes due January 2042, all guaranteed by SABMiller plc. The proceeds of the bonds were used to repay US$7,000 million under the one-year term facility.

In the same month our subsidiary in Mozambique, Cervejas de Moçambique SARL, launched a rights issue. Our interest on closing remained unchanged at 79% (group effective economic interest 49%).

In March 2012 SABMiller Holdings Inc repaid from existing cash resources the remaining US$850 million balance outstanding on the one-year term facility, which was then cancelled.

Directors' report continued

Post balance sheet events
There are no material post balance sheet events.

Directors
The names and biographical details of the current directors are set out on pages 52 and 53. All the current directors served throughout the period, except Ms Knox and Ms Weir (who were both appointed to the board on 19 May 2011) and Mr Wilson (who was appointed to the board on 21 July 2011). Mr Wyman served as a director until his retirement from the board on 21 July 2011. As detailed in our corporate governance report, it is intended that Mr Kahn and Mr Pieterse will retire from the board at the conclusion of the 2012 annual general meeting and that Dr Clark will be proposed for election as a third executive director. Details of the interests in shares and options of the directors who held office during the year and any persons connected to them are set out in the directors' remuneration report on pages 68 to 83.

Corporate governance
The directors' approach to corporate governance, and statements of our application of the UK Corporate Governance Code are set out in the corporate governance report, which forms part of this directors' report, on pages 59 to 67 and in the directors' remuneration report on pages 68 to 83.

Share capital
During the year, our issued ordinary share capital increased from 1,659,040,014 shares of 10 US cents each to 1,664,323,483 shares of 10 US cents each, as a result of the issue of 5,283,469 ordinary shares to satisfy the exercise of options granted under our share incentive plans, details of which are shown in note 26 to the consolidated financial statements. At 31 March 2012 we held a total of 72,068,338 ordinary shares in treasury.

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

During the year 1,406,612 ordinary shares were purchased by the trustee on behalf of the Employees' Benefit Trust (EBT) (at an average price of £22.54 per share) which amounted to 0.09% of the issued ordinary shares of the company, in order to ensure that the EBT continued to hold sufficient ordinary shares to meet potential future obligations in respect of performance shares conditionally awarded under the Performance Share Award Schemes. The total consideration paid amounted to £31,697,759.

Purchase of own shares
At the last annual general meeting, shareholder authority was obtained for us to purchase our own shares up to a maximum of 10% of the number of ordinary shares in issue as at 2 June 2011. This authority is due to expire at the earlier of the next annual general meeting or 21 October 2012, and remains exercisable provided that certain conditions relating to the purchase are met. The notice of annual general meeting proposes that shareholders approve a resolution updating and renewing the authority allowing us to purchase our own shares.

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

Annual general meeting
Our 2012 annual general meeting will be held at Pennyhill Park Hotel, London Road, Bagshot, Surrey GU19 5EU, UK at 11.00am on Thursday 26 July 2012. Copies of the Notice of this meeting may be obtained from our website.

Dividends
An interim dividend of 21.5 US cents per share was paid to shareholders on 9 December 2011, in respect of the year ended 31 March 2012. Details of the final dividend proposed by the board for the year ended 31 March 2012 are set out below:

Amount of final dividend proposed by the board:	69.5 US cents per share
Total proposed dividend for the year ended 31 March 2012:	91 US cents per share

If approved, the final dividend will be payable to shareholders on either section of the register on 10 August 2012 in the following way:

Dividend payable on:	17 August 2012
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:	3 August 2012 for shares traded on the JSE Limited, South Africa. 8 August 2012 for shares traded on the London Stock Exchange (LSE).

The rate of exchange for conversion from US dollars will be calculated on 25 July 2012 and published on the RNS of the LSE and the SENS of the JSE Limited on 26 July 2012.

Since the introduction on 1 April 2012 of a new dividend withholding tax in South Africa dividends paid to shareholders registered on the RSA section of the register will, unless a shareholder qualifies for an exemption, be subject to a dividend withholding tax at a rate of 15%. The dividend withholding tax is only of direct application to shareholders registered on the RSA section of the register, who should direct any questions about the application of the new dividend withholding tax to Computershare Investor Services (Pty) Limited, Tel: +27 11 373-0004.

Note 9 to the consolidated financial statements discloses dividends waived.

Donations
During the year the group contributed US$34 million to corporate social investment programmes, of which US$10,367,220 represented charitable donations. Of this amount charitable donations amounting to US$170,561 were made by SABMiller plc and our UK subsidiary, Miller Brands (UK) Limited, both in the UK and overseas, comprising donations in respect of community development, health and education, the environment and other causes.

To support the democratic process in El Salvador, the group's subsidiary Industrias La Constancia, SA de CV made donations totalling US$175,000, allocated across all political parties participating in the legislative elections at a national level in accordance with rules laid down by the electoral authorities. In addition it donated soft drinks to the value of US$35,000 to those parties for the benefit of volunteers assisting during the elections.

It remains our policy not to make donations to political organisations in the European Union. Other political donations are only made by exception, and where permitted by local laws, and must be consistent with building multi-party democracy.

Ethical business conduct
The SABMiller Code of Business Conduct and Ethics sets out the high ethical standards with which all SABMiller employees are expected to comply, and forms part of our wider programme of policies and procedures throughout the group for combatting bribery and corruption. We are committed to conducting business in a way that is fair, ethical and within the framework of applicable laws and regulations. During the course of the year, we reviewed our policies and procedures in light of the implementation of the UK Bribery Act, related 'adequate procedures' guidance, and developing corporate best practice, and made a number of enhancements, including the roll out of a new group-wide anti-bribery policy. Key aspects covered by our programme include, amongst other matters, our anti-bribery policy, due diligence and other forms of assurance in relation to business partners, training for our employees and monitoring and reporting mechanisms. We offer independent confidential whistleblower hotlines in the countries in which we operate so that our employees can report any breach of our Code, including bribery, fraud or corruption.

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

We are committed to the 10 principles of the United Nations Global Compact, which sets out universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. Our website sets out these principles and our progress towards achieving them.

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

The sustainable development review on pages 46 to 49 gives an overview of the progress against our 10 sustainable development priorities and of the impact of our business on the environment. More detailed information is provided in our sustainable development report 2012, available on our website.

Research and development
To ensure improved overall operational effectiveness, we place considerable emphasis on research and development in our global technical activities. This enables us to develop new products, packaging, processes and manufacturing technologies. Continued progress was made in our research in the key areas of raw materials, brewing, flavour stability, packaging materials and energy and water saving. Our total investment in research and development in the year under review was US$7 million (2011: US$7 million).

Payment of suppliers
Our policy is to pay invoices in accordance with the terms of payment agreed in advance. At the year end, the amount we owed to trade creditors was equivalent to 49.4 days (2011: 48.8 days) of purchases from suppliers.

Overseas branches
SABMiller plc does not have any branches registered overseas.

Going concern and audit
Page 84 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.

Directors' report continued

Substantial shareholdings
Details of notifications received by the company in accordance with the Disclosure and Transparency Rules as at 8 June 2012 and of persons with significant direct or indirect holdings known to the company at the year end are set out in the ordinary shareholding analyses on page 182 of this annual report.

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

Other disclosures required by the Companies Act and the Disclosure and Transparency Rules
We do not have any contractual or other arrangements that individually are essential to the business of the company or the group as a whole.

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

At 31 March 2012 our employees' benefit trusts held 5,941,686 ordinary shares in the company. By agreement with the company, voting rights attached to these shares are not exercised unless shares are beneficially owned by a participant and that participant has instructed the underlying shareholder to vote. As at 31 March 2012 there were no beneficially held shares in our employees' benefit trusts.

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

Our articles of association give the board of directors power to appoint directors. The articles of association may be amended by special resolution of the shareholders. Directors appointed by the board are required to submit themselves for election by the shareholders at the next annual general meeting. Additionally, as disclosed in the corporate governance report on pages 59 to 67, 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.

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

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

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

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

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

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

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

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

John Davidson
General Counsel and Group Company Secretary

For and on behalf of the board of SABMiller plc

11 June 2012

Corporate governance

Introduction

This report describes the directors' approach to corporate governance and how the board applies the UK Corporate Governance Code.

The directors are committed to maintaining the highest standards of corporate governance, which they believe are fundamental to discharging their stewardship responsibilities. In his statement on pages 7 to 11 of the annual report, the Chairman reports personally on how we apply the principles of the Code relating to the role and effectiveness of the board.

Application of the UK Corporate Governance Code
The board applied all of the principles and provisions of the Code throughout the year ended 31 March 2012, except that the audit committee did not consist solely of independent directors. Under our relationship agreement, as approved by shareholders in 2002 and in 2005, Altria Group, Inc. (Altria) has the right to nominate a director to the audit committee, and has nominated Mr Devitre, whom the board does not consider to be an independent director for the purposes of the Code.

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

In April 2012 we announced a number of changes to the board which will take place at the 2012 annual general meeting, including the retirement of Mr Kahn as Chairman; the appointment of Mr Mackay as Executive Chairman for an interim period of one year; and the appointment of Dr Clark as an executive director and as Chief Operating Officer, with the intention that he will succeed Mr Mackay as Chief Executive at the end of that interim period, when Mr Mackay will become non-executive Chairman.

The Code recommends that a chief executive should not go on to be chairman of the same company and that when, exceptionally, a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders. The Code also recommends that the roles of chairman and chief executive should not be exercised by the same individual and that the division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board. Upon announcement of the proposed changes, the board wrote to all shareholders explaining the process that had been followed and setting out the reasons for these appointments.

Before concluding that these appointments were in the best interests of the company and would promote the success of SABMiller for the benefit of shareholders as a whole, the board considered carefully the requirements of the position of chairman in the context of the group's size and geographical spread. The board recognised the need for a chairman who would be able to commit himself fully to the role and provide stability and continuity for a number of years, and that the candidate would need a wide range of skills and expertise. The nomination committee came to the unanimous conclusion that Mr Mackay was the outstanding candidate for the position and the decision to nominate him received the unanimous support of the directors and the strong backing of our two major shareholders, Altria and BevCo Ltd (a holding company of the Santo Domingo Group) and was made after discussion with representatives of major institutional shareholders. The decision to appoint Dr Clark as Chief Operating Officer to facilitate a staged handover of responsibilities recognises the complexities of our global business and our many significant external relationships and partnerships.

The board also considered carefully whether it would be appropriate to appoint an interim chairman for 12 months before Mr Mackay becomes non-executive chairman but concluded this would not be in the best interests of the company or its shareholders as it would not provide the appropriate continuity of strategic direction and oversight that the group requires.

Any risk of an over-concentration of decision making powers in one person will be mitigated by the formal appointment of Mr Manser as Deputy Chairman, the fact that Mr Mackay's appointment as Executive Chairman is for a pre-determined and limited period of one year, and the proposed appointment of Dr Clark as a third executive director. It is also the board's intention now to begin the process of recruiting a new independent non-executive director, with the expectation that in due course he or she could become the senior independent director in succession to Mr Manser.

Leadership and effectiveness

Board of directors: composition, independence and renewal
Composition
The board currently consists of the Chairman (Mr Kahn); nine independent non-executive directors (including Mr Manser, the Senior Independent Director); five non-executive directors who are not considered to be independent; and two executive directors (Mr Mackay, the Chief Executive, and Mr Wilson, the Chief Financial Officer). Short biographies of each of the directors are on pages 52 and 53.

The size and certain aspects of the composition of the board and of the audit, nomination and corporate accountability and risk assurance committees continue to be determined in part by the terms of our relationship agreements with Altria and with BevCo, 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 nominated by the board. The agreement with BevCo allows BevCo to nominate up to two non-executive directors for appointment to the board.

As was the case last year, the number of directors on the board currently exceeds the number permitted under our agreement with Altria. If Dr Clark is elected by shareholders at the forthcoming annual general meeting on 26 July 2012, the board will have three executive directors, which also exceeds the number contemplated by our agreement. Altria has given its consent to these changes in order to facilitate the progressive renewal of the board and the broadening of the diversity of background, gender and experience at board level, and to enable the board's agreed executive succession planning to be implemented. The board is grateful to Altria for its agreement to permit the maximum number of directors and executive directors allowed under the relationship agreement to be exceeded for the time being, and also for its agreement that the board should begin the process of recruiting a new independent director, on the understanding that in the absence of unforeseen circumstances, the size of the board will gradually be reduced over the next two years, to restore the number of directors to that envisaged by the agreement, while still applying the provision of the Code that at least half of the directors (excluding the Chairman) should be independent non-executive directors.

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), although neither Altria nor BevCo currently exercise this right, and Altria has exercised its right to nominate one director for appointment to the audit committee.

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Corporate governance continued

Independence

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

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

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 13 years since the company listed on the London Stock Exchange, and SABMiller has been fortunate to retain the services of several distinguished non-executive directors – the Chairman, Mr Bible, 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.

Nevertheless, the directors are committed to the progressive refreshment of the board in terms of age, gender and balance of skills, with the appointment of five new independent non-executive directors over the past four years, including the appointment of two new independent non-executive directors during the year ended 31 March 2012, with Ms Knox and Ms Weir both joining our board in May 2011. In line with our continuing commitment to this policy, it is the board's intention now to begin the process of recruiting a new independent non-executive director, with the expectation that in due course he or she could become the senior independent director in succession to Mr Manser.

Mr Wilson was elected as a director and appointed as Chief Financial Officer in July, succeeding Mr Wyman who retired at the July 2011 annual general meeting.

In April 2012, we announced that Mr Pieterse had elected to retire and would not offer himself for re-election at the 2012 annual general meeting. Although his decision was accepted with sadness the group will continue to benefit from Mr Pieterse's knowledge and experience on Grolsch's supervisory board.

Also in April, as detailed above, we announced the retirement of Mr Kahn and the consequent succession plans.

The Code recommends that all directors should stand for annual re-election and the board has decided that all directors, save those who are retiring, should stand for re-election at the next annual general meeting.

Directors' attendance (1 April 2011 to 31 March 2012) and committee memberships

		Board		Audit		Remuneration		Nomination		CARAC		AGM
	Independent	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
J M Kahn	N/A	7	7					1	1	2	2	Y
E A G Mackay	N/A	7	7							2	2	Y
M I Wyman	N/A	3	3									Y
J S Wilson	N/A	4	4							2	2	N/A
M H Armour	Yes	7	7	4	4	3	3					Y
G C Bible	No	7	7					1	1			Y
D S Devitre	No	7	7	4	4							Y
L M S Knox	Yes	4	5	2	3	2	2					Y
P J Manser	Yes	6	7	4	4	3	3	1	1	2	2	Y
J A Manzoni	Yes	6	7			3	3	1	1	2	2	Y
M Q Morland	Yes	7	7	4	4	3	3	1	1			Y
D F Moyo	Yes	5	7							1	2	Y
C A Pérez Dávila	No	6	7									Y
R Pieterse	Yes	7	7							2	2	Y
M C Ramaphosa	Yes	6	7					1	1	1	2	Y
A Santo Domingo Dávila	No	7	7					1	1			Y
H A Weir	Yes	5	5	2	3							Y
H A Willard	No	6	7									Y

Mr Manser was unable to attend the board meeting in April 2011. The date of that meeting was moved from that originally scheduled, and he had a longstanding prior commitment on the rearranged date.

Ms Knox was unable to attend the board and audit committee meetings in September 2011 because of an overseas commitment which had been arranged before her appointment to the board.

Ms Weir was unable to attend the audit committee meeting in September 2011 because of a prior commitment which had been arranged before her appointment to the board.

Messrs Manzoni and Pérez and Dr Moyo were unable to attend an additional board meeting held in October 2011 which was called on short notice to consider our alliance with Anadolu Efes.

Dr Moyo was unable to attend the board and CARAC meetings in February 2012 because of an overseas commitment.

Mr Ramaphosa was unable to attend the board meeting in May 2011 and the CARAC meeting in February 2012 because of other business commitments.

Mr Willard was unable to attend the board meeting in February 2012 because of commitments in his new role as Chief Financial Officer of Altria.

The board considers there is an appropriate balance of skills, collective experience, independence, knowledge and gender among the non-executive directors to enable them to discharge their respective duties and responsibilities effectively.

How the board operates

Board meetings and attendance

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

Operation of the board

The board sets the strategic objectives of the group, determines investment policies, agrees on performance criteria, and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through monthly and quarterly performance reporting and budget updates. In addition, members of the executive committee (the executive directors, the divisional managing directors and the directors of key group functions: corporate affairs; corporate finance and development; legal; marketing; and supply chain and human resources) make regular presentations to the board, enabling directors to explore and interrogate specific issues and developments in greater detail.

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

Matters reserved for the board

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

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

Conflicts of interest

The directors are required to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. In accordance with the Companies Act 2006, the articles of association of the company allow the board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. Procedures are in place for the disclosure by directors of any potential conflicts and for the appropriate authorisation to be sought if a conflict arises. These procedures continue to operate effectively. There were no actual or potential conflicts of interest which were required to be authorised by the board during the year ended 31 March 2012.

The roles of executive and non-executive directors

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

Information and training

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

Following the appointment of new directors to the board, directors are briefed on the duties they owe to the company as directors, 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 head office and business unit level and are advised of the legal and other duties they have as directors of a listed company as well as on relevant company policies and governance-related matters.

The company is committed to the continuing development of directors in order that they may build on their expertise and develop an ever more detailed understanding of the business and the markets in which group companies operate. Members of board committees are encouraged to attend internal and external briefings and courses on aspects of their respective committee specialisms and regular updates on relevant legal, regulatory, corporate governance and technical developments are presented to committee members at each meeting and, as appropriate, to the full board. The Chairman considers the training and development needs of the board and discusses these with the respective directors as necessary.

Outside appointments

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

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

Mr Mackay is a non-executive director of Reckitt Benckiser Group plc and is the senior independent director and a member of its remuneration committee. He is also a member of the board of Philip Morris International Inc. and serves on three of its committees: compensation and leadership development, finance, and product innovation and regulatory affairs. The board is satisfied that these duties do not impinge on Mr Mackay's commitment and ability to discharge fully his duties to the company, and that his service on

Corporate governance continued

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.

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

Chairman, Chief Executive and Senior Independent Director

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

As noted in the introduction to this report and in the Chairman's Statement on pages 7 to 11, Mr Kahn will retire at the forthcoming annual general meeting, Mr Mackay will be appointed as Executive Chairman for one year and Dr Clark will be appointed as Chief Operating Officer for an interim period. It is intended that at the annual general meeting in 2013, Mr Mackay will become Non-Executive Chairman, and Dr Clark will become the Chief Executive in his place. Job specifications for the Executive Chairman and the Chief Operating Officer, setting out clearly their respective authorities and responsibilities, have been agreed by the board, and the directors are confident that Mr Mackay and Dr Clark will continue to work closely and effectively together, both during the transitional year and thereafter. As noted, any risk of an over-concentration of decision making powers in one person will be mitigated by the formal appointment of Mr Manser, the Senior Independent Director, as Deputy Chairman, by the fact that the interim appointment of Mr Mackay as Executive Chairman is for a pre-determined and limited period of one year, and by the proposed appointment of Dr Clark as a third executive director. It is also the board's intention now to begin the process of recruiting a new independent non-executive director, with the expectation that in due course he or she could become the Senior Independent Director in succession to Mr Manser.

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

The Chairman is available to consult with shareholders throughout the year and, in the month prior to the annual general meeting, he also invites major shareholders to meet him to deal with any issues. The board is kept informed of the views of shareholders through regular updates from the Chairman, the Company Secretary and the executive directors, as well as through the inclusion in the board papers of reports on commentaries of, and exchanges with, shareholders, investor bodies and analysts. In the year under review, the Chairman hosted a meeting of the non-executive directors without the executive directors being present. The Senior Independent Director also held a meeting of non-executive directors without the presence of the Chairman at which, among other things, the performance of the Chairman was discussed.

Board, committee and director performance evaluation

A formal and rigorous evaluation of the performance and effectiveness of the board and its principal committees is carried out each year, led by the Chairman, with input from the Senior Independent Director, and in consultation with other directors and the Company Secretary. Given the imminent directorate changes, it was not considered appropriate to carry out an externally facilitated performance evaluation for the year under review.

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

In considering the contribution of individual directors for the year under review, performance was assessed against the company's selected criteria of strategy, expertise in their field, ethics and governance factors, commitment, profile, knowledge of the industry, and team contribution, culminating in an overall contribution rating, while recognising the importance of the different roles played by individual directors in bringing a balanced overall view to the board. In reviewing the performance of the board and its committees, the Chairman and the Senior Independent Director were aligned in their conclusion that, measured against the principal duties expected of it, the board and its standing and ad hoc sub-committees continued to operate effectively and to meet in full their obligations to support management, to monitor performance, and to maintain the board's strategic oversight.

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

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

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

The board unanimously recommends to shareholders the election of Dr Clark as a director, in consequence of his appointment as Chief Operating Officer. The board believes that Dr Clark is ideally qualified to succeed Mr Mackay. He has 22 years' experience with the group and has been a member of the executive committee since 2003 when he was appointed as managing director of SABMiller Europe.

Biographical details of all directors and of Dr Clark are included on pages 52 and 53.

Retirement of directors

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

The Company Secretary

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

The board's committees and the executive committee

The executive committee

The board delegates responsibility for determining and implementing the group's strategy and for managing the group to the Chief Executive, Mr Mackay, who is supported by the executive committee (excom), which he chairs. Excom members are appointed by Mr Mackay, after consultation with the board. The other members of excom are the Chief Financial Officer; the divisional managing directors and the directors of key group functions (corporate affairs; corporate finance and development; legal; marketing; and supply chain and human resources). Excom's purpose is to support the Chief Executive in carrying out the duties delegated to him by the board and, in that context, excom co-ordinates brand and operational execution, delivers strategic plans, budgets and financial reports for the board's consideration and, through the Chief Executive, reports on these matters to the board.

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

The audit committee

During the year under review, the audit committee was chaired by Mr Manser, chairman since 2002. Mr Manser qualified as a chartered accountant in 1964 and was made a Fellow of the Institute of Chartered Accountants in 1976. Further biographical information concerning Mr Manser is set out on page 52.

Mr Morland, Mr Devitre and Mr Armour served on the committee throughout the year. Mr Morland has been a member of the committee since 13 April 1999, Mr Devitre since 16 May 2007 and Mr Armour since 1 May 2010. Ms Knox and Ms Weir were appointed to the committee on 19 May 2011. The chairman has recent and relevant financial experience, as do Mr Devitre, having until 31 March 2008 held the position of Chief Financial Officer of Altria, and the other members of the committee. Mr Armour is 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. From July 2012 he will be appointed to the board of the Financial Reporting Council. Ms Knox has had a successful career in investment banking and asset management, and has served in a wide range of non-executive director positions including having been a member and a chairman of a number of audit committees. Ms Weir is Group Finance Director of The John Lewis Partnership and was until May 2011 an executive director of Lloyds Banking Group plc, including four years as group finance director.

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

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

- the annual financial statements and the preliminary results announcement for the year ended 31 March 2011 before their submission to the board for approval, including consideration of the group on a going concern basis, with particular reference to balance sheet and treasury considerations;
- the interim financial statements and interim results announcement for the six months ended 30 September 2011;
- areas of significance in the preparation of the financial statements, including exceptional items, impairment reviews, tax provisions and the treatment of costs relating to the group's business capability programme;
- governance and controls in relation to the business capability programme;
- reports from the external auditors on the annual and interim financial statements, the approval of the audit plan and fee proposal for the 2012 year-end audit;
- developments in accounting standards and the group's responses;
- the progress of the year's internal audit programme and matters arising;
- the effectiveness of the internal audit function and of the Chief Internal Auditor;
- the results of the group's bi-annual letters of representation and management's investigation and follow-up of any instances of non-compliance;
- the internal control environment and risk management systems and the group's statement on internal control systems, prior to endorsement by the board;
- revisions to treasury policies and compliance with risk limits;
- material legal developments;
- whistleblowing systems in place within the group and material whistleblowing reports;
- the effectiveness of the external auditors and the recommendation to the board of the reappointment of PricewaterhouseCoopers LLP as the external auditors;
- the policy on auditor independence and non-audit services, and consideration of the nature, scope and appropriateness of non-audit services supplied by the external auditors; and
- its terms of reference and effectiveness.

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

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

The nomination committee

During the year, the nomination committee was chaired by Mr Kahn. Mr Bible, Mr Manser, Mr Manzoni, Mr Morland, Mr Ramaphosa and Mr Santo Domingo were members of this committee throughout the year. The committee considers the composition of the board and its committees, the retirement, appointment and replacement of directors, and makes appropriate recommendations to the board.

Corporate governance continued

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

Where non-executive vacancies arise, the committee may use the services of external consultants in order to identify suitable candidates for the board to consider. In relation to the most recent non-executive board appointments, an external search firm was retained and produced a strong list of candidates, who were then shortlisted for consideration by the nomination committee on the basis of their relevant corporate or professional skills and experience, from which Ms Knox and Ms Weir were appointed in May 2011.

An external search firm was not used in relation to the appointment of Mr Mackay as Executive Chairman or Dr Clark as Chief Operating Officer. The process followed in connection with these appointments is described above. Mr Manser chaired the nomination committee during its deliberations on the appointment of Mr Mackay as the successor to Mr Kahn as chairman.

The remuneration committee

During the year, the remuneration committee consisted entirely of independent directors: Mr Morland (Chairman), Mr Armour, Mr Manzoni and Mr Manser. Ms Knox was appointed to the remuneration committee with effect from 19 May 2011.

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

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

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

- reviewing trends in global executive remuneration and governance;
- reviewing the key elements and design of the group's long-term incentive schemes (including peer comparator group composition);
- reviewing global benchmarking methodologies and outcomes;
- reviewing and approving performance hurdles for short and long-term incentive awards;
- reviewing and approving long-term incentive awards for executive committee members and other senior employees;
- reviewing executive director shareholding guidelines;
- reviewing and approving total remuneration for the executive directors and executive committee members;
- determining the appropriate remuneration for the newly appointed executive director (Mr Wilson as Chief Financial Officer) and excom member (Mr De Lorenzo, as Director of Corporate Finance and Development); and
- reviewing and approving the directors' remuneration report and recommending it to the board.

More details of the company's remuneration policy and the work of the remuneration committee can be found in the directors' remuneration report on pages 68 to 83.

The corporate accountability and risk assurance committee (CARAC)

Dr Moyo chaired the committee throughout the year. Mr Kahn, Mr Mackay, Mr Manser, Mr Manzoni, Mr Pieterse and Mr Ramaphosa served as members for the entire period. Mr Willard, who has served the committee since September 2009, stepped down from the committee on 7 September 2011 as a result of new commitments in his role as Chief Financial Officer of Altria. Mr Wyman ceased to be a member of the committee on his retirement from the board in July 2011 and was replaced by Mr Wilson. Mr Pieterse will cease to be a member of the committee on his retirement in July 2012 and Mr Bible will join the committee. 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 the committee 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 committee continued to focus on company-specific and industry issues which are critical to protecting the company's licence to operate.

The disclosure committee

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

Accountability

The audit committee

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

Relationship with auditors

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

The company has in place a formal policy on auditor independence and non-audit services, with which the external auditors are required to comply, to ensure that the independence of the auditors is not impaired by the nature of non-audit work. The policy stipulates work which is permitted or not permitted to be performed by the auditors, and provides for appropriate approval and oversight processes. As a further safeguard, PwC confirm in a formal report to the audit committee that processes to ensure compliance with this policy are in place and that these processes are monitored regularly. This report includes a statement that, in their opinion, PwC believe that the nature of their non-audit services has not impaired their independence as auditors. 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 corporate finance transactions, taxation and our major business capability programme.

In December 2010, the FRC issued revised Guidance on Audit Committees as part of the new UK Corporate Governance Code and, as a consequence, the audit committee reviewed and revised the group's policy on auditor independence and non-audit services. A new policy was adopted with effect from 1 April 2011 which classifies all non-audit services into audit related services (being those services which are effectively required by law or regulation), and other non-audit services, and provides that engagements for other non-audit services are subject to formal pre-approval limits, either by the full audit committee or by the chairman of the audit committee, depending on the quantum, and that all requests for approval be accompanied by a detailed justification as to why the appointment of the external auditors to provide the services is in the best interests of the company, and how auditor independence is proposed to be safeguarded in connection with the provision of those services. In the instances where approval was sought for the auditors to provide non-audit services the committee concluded that the auditors' detailed understanding of our group and ability to deliver services in a timely fashion provided a cost-effective method of delivery without compromising auditor independence.

The committee has 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.

Risk management

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

Risk and the board of directors

The directors are ultimately responsible for the group's risk management system and for reviewing its effectiveness. There is a regular schedule for the board to consider the group's significant risks and mitigating actions. 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 22 and 23.

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, reviews on the effectiveness of the risk management system were carried out by excom, as the risk management committee, in April and October 2011 and in April 2012.

Enterprise-wide risk management

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

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

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

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

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

Corporate governance continued

Internal control

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

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

Key features of the systems of internal control are:

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

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

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

These letters form the subject of reports to the audit committee, and cover all subsidiary companies, as well as MillerCoors and Tsogo Sun Holdings Limited 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.

Foster's Group Limited (Foster's) became part of the group during the second half of the year under review. Foster's was a listed company until shortly after its acquisition and was required to comply with relevant regulatory and corporate governance requirements applicable to companies listed on the Australian Securities Exchange. As part of the integration of the Foster's group of companies into the SABMiller group, work is under way to embed systems, controls and procedures to bring them into full alignment with those in place throughout the rest of the group.

The board, with advice from the audit committee, has completed its annual review of the effectiveness of the system of internal control and risk management for the period since 1 April 2011 in accordance with the Turnbull Guidance.

Internal audit

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

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

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

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

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

Remuneration

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

A detailed description of the company's remuneration policies is included in the directors' remuneration report on pages 68 to 83 of this annual report.

Relations with shareholders

All shareholders were again encouraged to attend the annual general meeting held in July 2011, which provided shareholders with the opportunity to ask questions of the board and chairmen of all the board committees. At the meeting, all resolutions were put to a vote on a poll, with the results being published on the company's website, and on the London and Johannesburg stock exchange news services. As the geographic spread of shareholders inevitably means that not every shareholder can attend a meeting in the UK, a video film and a full transcript of the proceedings of the meeting were published on the company's website. Similar arrangements are planned for the forthcoming annual general meeting.

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

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

During April 2012 we also consulted with major shareholders before announcing the proposed appointment of Mr Mackay as Executive Chairman and Dr Clark as Chief Operating Officer. The Chairman, the Senior Independent Director and the Company Secretary conducted a number of calls and personal meetings with major shareholders and institutional investors to discuss the proposals with them. Following the announcement of the appointments, the Senior Independent Director then wrote personally to all shareholders setting out the rationale for the proposed appointments, and explaining why the directors thought it in the best interests of SABMiller to make these appointments.

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

11 June 2012

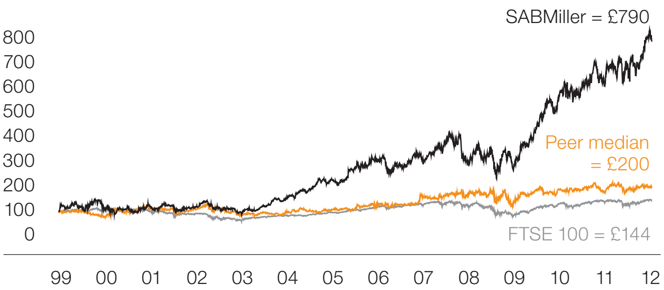
Directors' remuneration report

Chairman of the remuneration committee

"The remuneration committee's main task is to ensure that executive remuneration is aligned with the delivery of the group's strategy for growth over the long term."

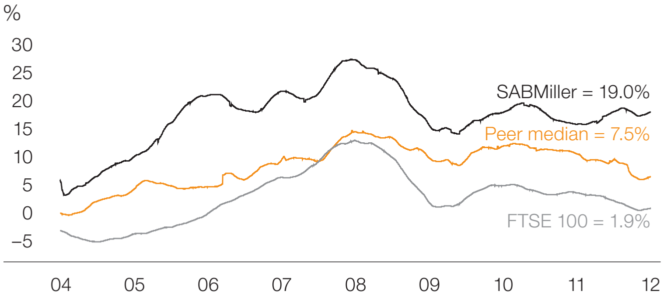
Miles Morland
Chairman of the remuneration committee

Value of £100 invested in SABMiller on listing in London



Note: Spot prices

Rolling annualised 5-year TSR since listing in London



Note: 6-month share price averaging

Dear shareholder

The remuneration committee's main task is to ensure that executive remuneration is aligned with the delivery of the group's strategy for growth over the long term. We believe that the financial rewards to management over the years have been consistent with their achievements, with a direct link to our share price growth, both in absolute and relative terms, and to our strong underlying financial and strategic performance, and that our approach to remuneration will continue to incentivise management to deliver superior performance in future years.

Accordingly, there have been no changes to remuneration policies during the year, except for the adoption for the first time of shareholding guidelines for executive directors. No other changes are proposed for the year ahead.

We are all too well aware of the global economic environment in which SABMiller operates, and the delivery of continuing strong performance in yet another challenging year is a testament to our strong and motivated executive team, led by Chief Executive Graham Mackay, and to our talented employees across the group.

The following charts illustrate this, with SABMiller continuing to outperform both the FTSE 100 and our sector peer group since our listing in London in 1999. £100 invested in SABMiller in 1999 would have grown to £790 as at 31 March 2012, compared with just £200 if invested in our peer group median, or £144 if invested in the FTSE 100 index.

Similarly, our rolling annualised five-year total shareholder return has been a healthy 19% compared with just 1.9% for the FTSE 100.

During the year, I was delighted to welcome Lesley Knox to the committee, and I thank her for her valuable contribution. In July 2011, Malcolm Wyman retired from the board, and Jamie Wilson was appointed in succession as an executive director and Chief Financial Officer. In April 2012, we announced that Alan Clark would be appointed as Chief Operating Officer and as an executive director, and that Graham Mackay would become Executive Chairman, both with effect from the upcoming annual general meeting. These changes caused us to apply and reflect upon our remuneration policies, and I explain our decisions below.

Remuneration policies

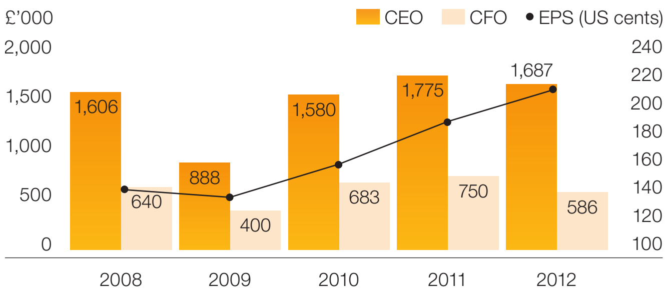
Our core policy continues to be to ensure that all employees are rewarded fairly for their contribution to the group's operating and financial performance, recognising their responsibilities and skills. Fairness in remuneration is appropriate and consistent with SABMiller's values, and builds a relationship with employees which helps to attract, motivate and retain individuals of the necessary calibre with the shared values that lead to our collective success. The company and the committee undertake regular reviews of remuneration to ensure that it remains fair and appropriate for the markets and countries in which we operate and compete for talent.

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

Particularly during these challenging economic times, it is necessary to manage our fixed cost base effectively, including remuneration. Our policy is therefore to set base pay at a level no higher than is necessary, while recognising and rewarding experience in the role. Typically, base pay is set at or around median for the relevant market. A significant proportion of executive pay is variable and subject to stretching performance conditions. Short-term incentives are aligned to the group's strategic priorities, and are based as to 60% on challenging annual financial performance targets and 40% on specific personal and strategic targets, while long-term incentives are directly linked to demonstrable value creation for shareholders. This remuneration structure ensures that high pay is achieved only for high performance and high shareholder returns.

The chart below shows the relationship between adjusted earnings per share and total bonus paid to the CEO and CFOs for each of the 5 years to 31 March 2012.

Pay versus performance
Short-term incentive payouts compared to EPS[1]



[1] Adjusted earnings per share

Application of remuneration policies during the year
The application of these remuneration policies guided us in the determination of an appropriate remuneration package for Jamie Wilson upon his appointment as an executive director and Chief Financial Officer in July 2011 and for Alan Clark in anticipation of his appointment as Chief Operating Officer and as an executive director in July 2012. As can be seen from the table of annualised base pay on page 71, Jamie's base pay for his first year was considerably lower than the then current base pay of his predecessor, Malcolm Wyman, who had served as an executive director since 1999 and as Chief Financial Officer since 2001. This reflects our policy of setting base pay in part according to experience in the role. Jamie is a very experienced and capable professional, but the committee considered it appropriate to set base pay at a lower level during his first year in this role, with the intention of bringing it more into line with the market median after this initial period. In accordance with this philosophy, the committee at its meeting in May 2012 increased Jamie's annual base pay to £720,000, which is in line with the median of the current market and remains slightly below that of his predecessor. Short-term incentives were set and remain in the same proportion, and long-term incentives offer exactly the same opportunity, as is appropriate, given that any amounts resulting from these incentives will be based on actual performance.

Similarly, Alan's pay as Chief Operating Officer has been set, after external and internal benchmarking, at a level which the committee considers appropriate for the transitional year, while he absorbs the complexities of the global business, and builds the relationships and partnerships on which the group's business depends.

The appointment of Jamie Wilson also caused the committee to review the requirement for executive director shareholding guidelines. Previously, no guidelines were considered appropriate or necessary as the executive directors had built up and retained significant shareholdings (being 26 times base pay for Graham Mackay and 17.5 times base pay for Malcolm Wyman at the end of the 2011 financial year) which were far in excess of formal shareholding guidelines adopted by any FTSE 100 company. With Jamie's much shorter tenure with the group, the opportunity to acquire a significant shareholding has obviously not been available, but the committee considers it important that executive directors hold a significant number of shares in the company and therefore a shareholding guideline has now been set at 300% of base pay for the Chief Executive and 200% of base pay for other executive directors.

Review of remuneration policies for the years ahead
We remain satisfied that SABMiller's remuneration policies have been working well, but we will continue to evaluate all policies each year to ensure that they remain appropriate for the future. As indicated in last year's report, our intention is to conduct a more detailed review of all elements of remuneration, including the level and structure of long-term incentives, at approximately three-year intervals, which we believe is the minimum period over which outcomes can be properly evaluated. Accordingly, barring any unforeseen circumstances, the next review will commence during the coming year, with any changes to be implemented from 2013.

Conclusion
We believe that our approach to remuneration, which rewards the achievement of financial and strategic targets aligned to shareholder returns, incentivises employees to deliver results for shareholders that continue to outperform the market. I therefore commend to you this directors' remuneration report and hope that, with your continued support, we will be able to continue to strive to make SABMiller the most admired company in the global beer industry.

Yours sincerely

Miles Morland
Director
Chairman of the remuneration committee

11 June 2012

(The directors' remuneration report continues on pages 70 to 83.)

Directors' remuneration report continued

Information not subject to audit

Composition and terms of reference of the remuneration committee

During the year ended 31 March 2012, the committee met three times. The members of the committee were Mr Morland (chairman), Mr Armour, Mr Manser and Mr Manzoni, with Ms Knox joining the committee on 19 May 2011. In addition, Mr Bible, Mr Kahn, Mr Santo Domingo and Mr Willard joined some meetings as observers. Also present were Mr Mackay (Chief Executive), Mr Davidson (General Counsel and Group Company Secretary), Mr Shapiro (Deputy Company Secretary), and Mr Fairhead (Group Head of Compensation and Benefits), although none were present when their own remuneration was discussed.

In accordance with its terms of reference (which are available on the company's website), the committee determines the basis on which the executive directors are to be paid and the amount of their remuneration. In addition, the committee has oversight of the remuneration strategy for the group as a whole, monitoring the level and structure of remuneration for senior management, and approving all awards under the company's share incentive arrangements. When setting the remuneration of executive directors, the committee considers the specific performance measures for each incentive plan (explained below) as well as overall corporate financial performance, and pays particular regard to environmental, social and governance issues, to ensure that the incentive arrangements do not inadvertently motivate or reward inappropriate outcomes or excessive risk.

Advisers

In the course of its deliberations, the committee considers the views of the Chief Executive on the remuneration and performance of the members of the executive committee. Mr Davidson and Mr Fairhead also provide information to the committee on legal, regulatory and governance issues, equity usage through share incentive plans, and the pay and employment conditions of other employees throughout the group.

Kepler Associates is retained by the committee to provide independent advice on remuneration matters including current market practices, incentive design and performance metrics, and independent monitoring of total shareholder return. Kepler Associates does not provide any other advice or services to the group.

Remuneration policies

As outlined in the committee chairman's introductory letter, the committee's policy is to ensure that all employees are rewarded fairly for their contribution to performance, recognising their responsibilities and skills. In setting remuneration levels, the committee takes into account industry, market and country benchmarks, while recognising and rewarding experience in the role. This approach helps to attract, motivate and retain individuals of the necessary calibre with the shared values that lead to our collective success.

The policy is to pay fixed pay at median for the relevant market, with a significant proportion of performance-related variable pay, comprising both short-term and long-term incentives.

The table and charts below show, for each executive director, the amounts and ratio of fixed pay and performance-related variable pay awarded in respect of the year ended 31 March 2012, assuming target or median performance for long-term incentives awarded during the year. The ratios accord with the committee's policy on structuring executive pay so that a significant proportion of executive pay is variable.

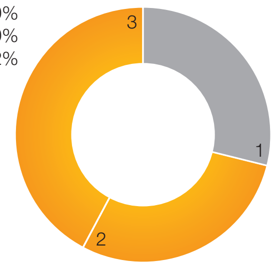
Executive remuneration for the year ended 31 March 2012

	Fixed pay			Performance-related		Total remuneration	Ratio of total reward		
	Base pay £	Notional retirement benefits £	Other benefits £	Short-term incentives (STI) £	Long-term incentives (LTI) £	Total £	Fixed Pay %	Variable STI %	Variable LTI %
EAG Mackay	1,245,000	373,500	110,642	1,687,000	2,503,000	5,919,142	29	29	42
JS Wilson[1]	407,951	120,000	117,043	385,000	1,079,000	2,108,994	31	18	51
MI Wyman[1]	230,595	69,179	161,745	200,618	218,021	880,158	52	23	25

[1] Mr Wilson was appointed, and Mr Wyman retired, as an executive director on 21 July 2011. The figures shown in the table above for Mr Wilson are for the period from 21 July 2011 to 31 March 2012, and those for Mr Wyman are for the period from 1 April 2011 to the date of his retirement as a director on 21 July 2011.

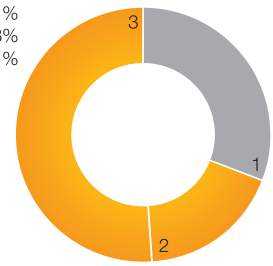
EAG Mackay

1 Fixed pay 29%
2 STI 29%
3 LTI 42%



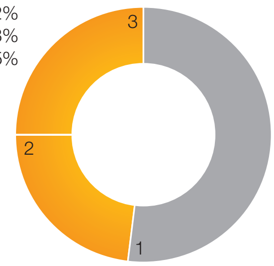
JS Wilson

1 Fixed pay 31%
2 STI 18%
3 LTI 51%



MI Wyman

1 Fixed pay 52%
2 STI 23%
3 LTI 25%



Base pay and benefits

The purpose of base pay is to provide employees with a fixed minimum level of earnings. For this reason, the committee seeks to set base pay levels no higher than is necessary to retain and attract the right employees, while providing an opportunity for above median pay, conditional upon performance, through the company's short-term and long-term incentive plans.

In setting base pay and overall target levels of remuneration for executive directors and other executive committee members, the committee has regard to the 30 companies in the FTSE 100 most closely ranked above and below the company by market capitalisation, as well as to the company's principal international competitors and, where relevant, other companies of comparable size to the company's divisions in countries where the company has a significant presence. To ensure that any increases in base pay are appropriate and affordable, the committee also considers the wider market context and overall company financial performance.

The committee reviews the base pay of executive directors and other executive committee members with effect from the beginning of each financial year. Base pay for each of the executive directors is shown in the table opposite for the year ended 31 March 2012 and for the year ending 31 March 2013, showing the percentage change between those years. The base pay for Mr Mackay as Executive Chairman for the year ending 31 March 2013 has been set on the same basis as his base pay for serving as Chief Executive. His terms and conditions and remuneration as Non-Executive Chairman, when he assumes that role in due course, will be settled by the committee nearer to the time of that appointment and will be appropriate to the role of non-executive chairman. Annualised base pay is shown for ease of comparison, notwithstanding that Mr Wilson and Mr Wyman were executive directors for only part of the year. The proposed annualised base pay is also shown for Dr Clark for comparative purposes, although he will only take up his post as Chief Operating Officer if his election is approved by shareholders at the annual general meeting in July this year. Actual base pay received by each executive director for the year ended 31 March 2012 is shown in the table of directors' emoluments on page 77.

In determining the base pay increase for Mr Mackay for the year ending 31 March 2013, the committee took into consideration base pay of similar roles in other comparable organisations, the 4% average increase in base pay for other UK-based employees, and the overall financial performance of the company, which recorded a 12% increase in adjusted EPS, a 12% increase in EBITA, and the recommended 12.3% increase (or 12.4% in pounds sterling, or 27.3% in rands) in the full year dividend for the year ended 31 March 2012. Accordingly, his annual base pay was increased by 4% to £1,295,000.

For Mr Wilson, the committee set his base pay last year at a lower introductory level, with the intention that it would be reviewed in May 2012 having regard to his performance during his first year in his new role. Taking into consideration performance and base pay for chief financial officers in comparable sized UK companies, the committee determined that his annual base pay should be adjusted to £720,000. In setting Dr Clark's base pay in his new role, the committee had regard to the base pay levels for the other executive directors, as well as for similar roles in comparable sized UK companies, and determined that it should be set at £850,000.

	Annualised base pay		
Executive directors	Year ended 31 March 2012 £	Year ended 31 March 2013 £	Change %
EAG Mackay	1,245,000	1,295,000	4
JS Wilson	600,000	720,000	20
MI Wyman	745,000	n/a	n/a
AJ Clark	n/a	850,000	n/a

For UK-based executive committee members, pay is referenced to appropriate UK benchmarks, as detailed above for executive directors. For executive committee members whose primary responsibilities are for operations outside the UK, total remuneration is referenced to appropriate benchmarks in those locations, but with additional reference to UK pay levels to ensure fairness and equity between executive committee members wherever the company chooses to locate them.

Retirement benefits

It is the company's policy that retirement benefits should wherever possible take the form of defined contribution arrangements, to minimise the company's funding risk. Where feasible, the company applies this policy to new acquisitions. The company's pension contributions for each executive director are fixed at 30% of base pay. Within the UK, amounts up to the annual and lifetime allowances are contributed to the SABMiller plc Staff Pension Scheme, a registered pension scheme, with any amounts in excess of these limits being notionally credited to the company's unfunded retirement benefits scheme, in which the executive directors and other UK-based employees participate. During the year ended 31 March 2012, no amounts were contributed to the SABMiller plc Staff Pension Scheme for any of the executive directors, and the amounts notionally credited to the company's unfunded retirement benefits scheme for each executive director are shown in the footnote to the table of directors' emoluments on page 77.

Other benefits

Executive directors are provided with a company car allowance, medical insurance, long-term disability insurance, death in service benefits, beer allowance, accompanied travel, legal and professional fees relevant to their duties, club subscriptions, and occasional London accommodation. During the year ended 31 March 2012, Mr Wilson also received relocation assistance, and Mr Wyman received a long service award equal to 1½ months' base pay in accordance with the group's policy applied to all employees upon attaining 25 years' service with the group. The value of these benefits is included in the table of directors' emoluments on page 77.

Directors' remuneration report continued

Short-term incentive plan

Short-term incentive plans have been established to reward the achievement of specific annual financial, operational and strategic goals. Payment is made only for performance, thereby enabling the company to control its cost base.

The executive directors and other members of the executive committee participate in an annual short-term incentive plan which delivers a cash bonus based upon the achievement of group or (where applicable) divisional financial targets, and on strategic and personal performance objectives agreed in advance by the committee. For the year ended 31 March 2012 and for the year ending 31 March 2013, the Chief Executive may earn a bonus of up to 175% of base pay, and the Chief Financial Officer may earn a bonus of up to 120% of base pay. For the year ending 31 March 2013, the committee has agreed that the Chief Operating Officer may earn a bonus of up to 150% of base pay. The other executive committee members may earn maximum bonuses of between 120% and 150% of their base pay, depending upon local market practices in the locations in which they are based.

For the year ended 31 March 2012, the group financial performance measures for the executive directors and other UK-based executive committee members were adjusted EPS growth, management EBITA, and group working capital. The performance measures for executive committee members based outside the UK were divisional management EBITA and divisional working capital. These measures were selected by the committee as they encompassed the company's key operating objectives for the year.

Sixty per cent of an executive director's short-term incentive opportunity is based on the degree of achievement of specified financial performance targets, which for the year ended 31 March 2012 was weighted as to 25% to adjusted EPS growth, 25% to management EBITA and 10% to group working capital. The remaining 40% is based upon the degree of achievement of specific strategic and personal performance objectives, agreed at the beginning of each year, and evaluated by the committee at the year end. In determining the resulting bonus amounts, the committee also takes into account overall corporate performance and any other factors that it considers appropriate, including environmental, social and governance issues.

At its meeting on 22 May 2012, the committee reviewed performance against the specific performance targets, and considered overall corporate financial performance, noting a 12% increase in adjusted EPS, a 12% increase in EBITA, and improved working capital cash flows of US$258 million for the year ended 31 March 2012. The committee also assessed the level of achievement against their individual strategic and personal performance objectives by each executive director and other executive committee members.

After consideration, the committee awarded bonuses to the executive directors in the amounts shown below for the year ended 31 March 2012. The bonuses awarded for the previous year and the percentage of maximum bonus opportunity each represents is also shown for comparison. The bonuses for the year ended 31 March 2012 are lower in absolute terms and as a percentage of maximum bonus opportunity, as notwithstanding the group's strong results for the year, the degree of achievement of stretching internal financial performance targets was not as high as in the year ended 31 March 2011.

	Short-term incentive bonus			
	2011		2012	
Executive directors	STI paid for year £	% of maximum bonus opportunity	STI paid for year £	% of maximum bonus opportunity
EAG Mackay	1,775,000	85	1,687,000	77.4
JS Wilson	n/a	n/a	385,000	78.6[1]
MI Wyman	750,000	87	200,618	72.5[1]

[1] Mr Wilson was appointed as an executive director with effect from 21 July 2011, and Mr Wyman retired as an executive director on 21 July 2011. Accordingly, their bonus amounts were pro-rated for the year ended 31 March 2012, and are shown here as a percentage of the pro-rated maximum bonus opportunity for ease of comparison.

For the year ending 31 March 2013, appropriate group financial performance and individual strategic targets were discussed and agreed at the committee's meeting on 22 May 2012, but these are not disclosed in this year's report as they represent commercially sensitive information which if disclosed too early could be detrimental to the company's competitive position. However, performance against these targets will be assessed by the committee at the end of the year, and the outcomes will be disclosed in next year's report.

Long-term incentive plans

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

Long-term incentive plans are an integral part of the company's overall approach to competitive performance-based pay. The plans are designed to create a clear line of sight between executive remuneration and long-term value creation for shareholders. For this reason, long-term incentive plans are the component of pay which represents the largest opportunity for executive directors.

The following share incentive plans are in operation for employees throughout the group, as approved by shareholders at the 2008 AGM.

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

Share option plans

Share options are granted at market price at the time of grant over SABMiller plc ordinary shares as traded on the London Stock Exchange (except for options granted under the South African Executive Share Option Plan 2008 which are denominated in South African rand and are granted over SABMiller plc ordinary shares as traded on the Johannesburg Stock Exchange). Grants of share options are usually made annually to eligible employees at the discretion of the committee taking into account management's recommendations about employees' performance and potential, and also having regard to local market practices.

The performance condition for share options granted during the year ended 31 March 2012 is real growth in earnings per share, with compound annualised adjusted earnings per share growth equivalent to RPI +3% per annum required for any amount to vest, and RPI +5% per annum required for full vesting. Performance tests are applied to two-thirds of the award after three years and one-third of the award after five years. Any part of the award which does not meet its performance target at those times will lapse in full, with no provision for retesting. All share options expire on the tenth anniversary of the grant date. Adjusted earnings per share was selected by the committee as the appropriate performance measure to ensure that share options will vest only if there is a real increase in underlying financial performance of the group over a three and five year period.

The table on page 78 provides details, for each executive director, of the number of share options granted, exercised, lapsed, held and vested during the year ended 31 March 2012 (or until their date of retirement if earlier). The table also provides details of the performance conditions applying to prior year awards held by executive directors.

Share award plan

The SABMiller Executive Share Award Plan 2008 (the Award Plan) provides awards of shares to executive directors and other members of the executive committee, and other eligible senior executives. The remuneration committee has discretion under the Award Plan to determine appropriate performance conditions each year, and in the year ended 31 March 2012, as in the previous year, awards were made to members of the executive committee in two parts.

The first part, described for ease of reference as Performance Share Awards, vests in a single tranche on the third anniversary of the grant date, subject to achieving an adjusted earnings per share (EPS) growth target. For awards made during the year ended 31 March 2012, the 3-year EPS growth target was set at 11% compound annual growth for full vesting, with a threshold growth target of 6% compound annual growth, at which 25% of the shares awards would vest. If the threshold target is not met, the Performance Share Awards will lapse in full, with no retesting.

The second part, described for ease of reference as Value Share Awards, vests on the fifth anniversary of the grant date, subject to a performance condition based on Total Shareholder Return (TSR). Executives will only receive shares under these awards if the growth in the company's market capitalisation exceeds the median growth in market capitalisation of a weighted group of comparator companies (as shown on page 83). No shares will vest if only median performance is achieved, but for every £10 million of additional shareholder value created in excess of the median, a defined number of shares will vest. There is an overall cap on the number of shares vesting at the point at which outperformance of the median equals the company's market capitalisation at the date of grant. Based on the awards granted during the year ended 31 March 2012 aggregate awards would be capped at 0.54% of additional shareholder value created.

TSR was selected by the committee as the appropriate performance measure for Value Shares because of its strong link with shareholder value, while EPS was selected as the performance measure for Performance Shares to ensure that full vesting under the Share Award Plan cannot be achieved unless there is also an increase in the group's underlying financial performance.

The tables on pages 80 and 82 provide details of the number of Performance Share Awards and Value Share Awards granted, vested, lapsed and held during the year ended 31 March 2012 (or until their date of retirement, if earlier), for each executive director.

Stock appreciation rights and the Associated Companies Employees Share Plan

Executive directors do not participate in the Stock Appreciation Rights Plan, which is used principally for a small number of executives based in countries where it may be impractical to operate the share option plan for legal or regulatory reasons. The Associated Companies Employees Share Plan is used to grant long-term share-based incentives to a limited number of employees of certain associated companies in the group who are not eligible to receive awards under the company's share option plans and share award plans because they do not work for subsidiaries of the company.

Employees' Benefit Trust (EBT)

The Share Award Plan and the older performance share schemes are operated in conjunction with the company's EBT. During the year 1,406,612 ordinary shares were purchased by the trustee on behalf of the EBT (at an average price of £22.54 per share) which amounted to 0.09% of the issued ordinary shares of the company, in order to ensure that the EBT continued to hold sufficient ordinary shares to meet potential future obligations in respect of performance shares conditionally awarded under the Performance Share Award Schemes. The total consideration paid amounted to £31,697,759. At 31 March 2012 the number of shares held in the EBT was 5.6 million (2011: 7.4 million), representing 0.35% (2011: 0.47%) of the issued ordinary shares of the company.

On 21 September 2011, pursuant to the authority granted by shareholders at the 2008 annual general meeting, the SABMiller Associated Companies' Employees' Benefit Trust (Associated Companies' EBT) was established in order to facilitate the provision of share-based long-term incentives to employees of companies associated with the SABMiller group but not subsidiaries of the company, and hence not eligible to participate in the company's existing share option and award plans. At 31 March 2012 the number of shares held in the Associated Companies EBT was 0.3 million representing less than 0.01% of the issued ordinary shares of the company.

Directors' remuneration report continued

In aggregate there are therefore 5.9 million shares held in trust as at 31 March 2012 (2011: 7.4 million). These shares are held by the trustee on behalf of the EBT and the Associated Companies EBT to ensure that they hold sufficient ordinary shares to meet potential future obligations in respect of performance and value share awards and share-settled stock appreciation rights. The trustees of the EBT and the Associated Companies EBT have waived their right to receive dividends on shares held by them, and will only vote shares or claim dividends on shares which are beneficially owned by a participant, and only then in accordance with the instructions of the underlying shareholder. As at 31 March 2012, there were no beneficially held shares in the EBT (2011: nil) or in the Associated Companies EBT.

Dilution of share capital

All shares issued in satisfaction of share option exercises over the ten years ended 31 March 2012, and all outstanding share options capable of being satisfied by the issue of new shares, amount to a potential dilution of 3.97% of the issued ordinary shares of the company (excluding shares held in treasury) on 31 March 2012. 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.

Service contracts

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

Mr Wyman retired as an executive director on 21 July 2011. He was retained by the group as a full-time employee until 31 August 2011, and as a part-time employee from 1 September 2011 until 31 March 2012 to provide strategic and tactical advice on various projects including the acquisition of Foster's Group Limited. No compensation was due, or paid, in respect of the termination of Mr Wyman's contract as an executive director or on the termination of his full-time or part-time employment.

	Date of service contract	Date first appointed to the board	Date last elected as a director	Date next due for re-election
EAG Mackay	27/02/1999	08/02/1999	21/07/2011	2012 AGM
MI Wyman	26/02/1999	08/02/1999	22/07/2010	n/a
JS Wilson	17/08/2011	21/07/2011	21/07/2011	2012 AGM

Dr Clark will enter into a new service contract if his election is approved by shareholders at the annual general meeting in July 2012, and its terms will mirror those of Mr Mackay and Mr Wilson as described above.

Shareholding guidelines

As explained in the committee chairman's introductory letter, given the significant shareholdings of Mr Mackay (31 times his base pay at 31 March 2012), and Mr Wyman (just under 20 times his annualised base pay at his date of retirement on 21 July 2011), the committee had not previously considered it necessary to adopt formal shareholding guidelines. However, with the appointment of Mr Wilson as an executive director during the year, and the proposed appointment of Dr Clark, the committee has now set a shareholding guideline of 300% of base pay for the Chief Executive and 200% of base pay for other executive directors, with the expectation that they will retain all shares vesting under the company's share award plans or resulting from the exercise of vested share options (except those shares sold to pay tax on any award or exercise), or otherwise market purchase sufficient shares, to achieve the relevant threshold.

Non-executive directors' fees

The Chairman's fee is determined annually by the committee, taking into account the time commitment required. Other non-executive directors' fees are reviewed annually by the board to ensure that they remain appropriate for the commitments and responsibilities of each role. Consistent with the approach for executive directors, fees are benchmarked against the non-executive directors' fees in the 30 companies in the FTSE-100 most closely ranked above and below the company by market capitalisation, and are determined having regard to an independent review conducted on behalf of the committee by Kepler Associates. On the basis of this review, directors' fees were increased by 3.9% to £80,000 per annum, fees for committee chairmanship and membership were left unchanged, and the senior independent director's fee was increased to £30,000, as the existing fee was shown to have fallen considerably behind the market rate for companies of a similar size in the FTSE 100.

Annual fees for the year ended 31 March 2012 and the proposed fees for the year ending 31 March 2013 are shown in the table on the following page, with actual fees received by each named non-executive director for the year ended 31 March 2012 shown in the table of directors' emoluments on page 77. The increase in the Chairman's fee was determined by reference to the rate of consumer price inflation in South Africa, where the Chairman is resident, and will be payable to Mr Kahn until his retirement at the annual general meeting in July 2012, and hence will be pro-rated for the year ending 31 March 2013. Mr Mackay will not receive any additional fees for acting as Executive Chairman, and his terms and conditions and remuneration for acting as Non-Executive Chairman, when he assumes that role in due course, will be settled by the committee nearer to the time of that appointment and will be appropriate to the role of Non-Executive Chairman. Mr Manser, the Senior Independent Director, will be appointed as Deputy Chairman with effect from the annual general meeting in July 2012, but will not receive any additional fees for acting as Deputy Chairman.

Fee category (per annum)	**Year ended 31 March 2012 £**	Year ending 31 March 2013 £	Change %
Chairman's fee	**290,000**	315,000	8.6
Basic fee	**77,000**	80,000	3.9
Committee chairmen (inclusive)			
– Audit	**30,000**	30,000	0
– Remuneration	**24,000**	24,000	0
– CARAC	**20,000**	20,000	0
– Nomination	**15,000**	15,000	0
Committee members			
– Audit	**15,000**	15,000	0
– Remuneration	**12,000**	12,000	0
– CARAC	**8,000**	8,000	0
– Nomination	**–**	–	0
Senior independent director	**20,000**	30,000	50

In order to carry out his duties effectively, the Chairman is provided with an office, a secretary, a company car and medical insurance. The non-executive directors do not participate in any of the company's incentive plans, nor do they receive retirement or other benefits (other than a beer allowance).

Non-executive directors do not have service contracts, but serve the company under letters of appointment, which may be terminated without liability for compensation. Their dates of appointment are shown in the table below.

Director	Date first appointed to the board	Date of letter of appointment	Date next due for election or re-election
MH Armour	01/05/2010	14/04/2010	2012 AGM
GC Bible	01/08/2002	27/09/2002	2012 AGM
DS Devitre	16/05/2007	16/05/2007	2012 AGM
JM Kahn[1]	08/02/1999	23/02/1999	n/a
LMS Knox	19/05/2011	17/05/2011	2012 AGM
PJ Manser	01/06/2001	20/06/2001	2012 AGM
JA Manzoni	01/08/2004	12/05/2004	2012 AGM
MQ Morland	08/02/1999	23/02/1999	2012 AGM
DF Moyo	01/06/2009	26/05/2009	2012 AGM
CA Pérez Dávila	09/11/2005	12/10/2005	2012 AGM
R Pieterse[1]	15/05/2008	09/06/2008	n/a
MC Ramaphosa	08/02/1999	23/02/1999	2012 AGM
A Santo Domingo Dávila	09/11/2005	12/10/2005	2012 AGM
HA Weir	19/05/2011	17/05/2011	2012 AGM
HA Willard	01/08/2009	01/08/2009	2012 AGM

[1] Mr Kahn and Mr Pieterse were last re-elected to the board in July 2011, but have confirmed their intention not to stand for re-election in 2012.

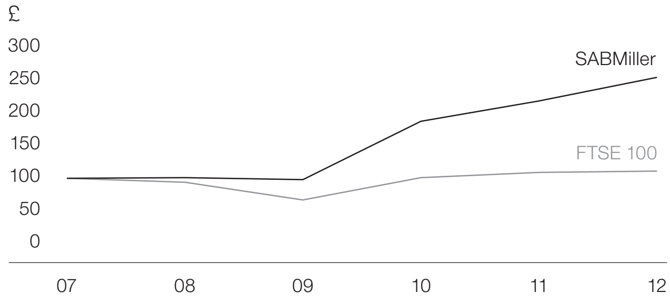
Performance review

The company is required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to include a line graph showing the company's Total Shareholder Return (TSR) performance compared to an appropriate broad equity market index for the preceding five years. The chart below compares the company's TSR with the FTSE 100 Total Return Index over the period from 1 April 2007 to 31 March 2012, assuming an initial investment of £100. The company is a constituent of the FTSE 100 Total Return Index and, accordingly, this is considered to be an appropriate comparison to demonstrate the company's relative performance.

Over this period, £100 invested in SABMiller would have returned £254, while the same amount notionally invested in this index would have returned just £111.

5-year cumulative TSR performance

Value of £100 invested 31 March 2007



Directors' remuneration report continued

Information subject to audit

Directors' interests in shares of the company

Director	Ordinary shares held as at 31 March 2011 (or date of appointment if later)	Ordinary shares acquired during the period	Ordinary shares disposed of during the period	Ordinary shares held as at 31 March 2012 (or date of retirement if earlier)
JM Kahn	1,670,578	–	–	1,670,578
EAG Mackay	1,402,927	280,100[4]	145,652[4]	1,537,375[11]
MI Wyman[1]	567,129	140,000[5]	72,800[5]	634,329
JS Wilson[2]	6,850	–	–	6,850[11]
AJ Clark	–	–	–	–[12]
MH Armour	–	–	–	–
GC Bible	55,000	20,775[6]	–	75,775
DS Devitre	–	–	–	–
LMS Knox[3]	–	3,000[7]	–	3,000
PJ Manser	5,000	–	–	5,000
JA Manzoni	1,211	2,368[8]	–	3,579
MQ Morland	40,000	–	–	40,000
DF Moyo	–	386[9]	–	386
CA Pérez Dávila	–	–	–	–
R Pieterse	–	–	–	–
MC Ramaphosa	4,000[10]	–	–	4,000[10]
A Santo Domingo Dávila	–	–	–	–
HA Weir[3]	–	–	–	–
HA Willard	–	–	–	–

[1] Mr Wyman retired from the board on 21 July 2011, and the table reflects his shareholding on his retirement date.

[2] Mr Wilson was appointed to the board on 21 July 2011, and the period of the table in respect of his shareholding commences on that date.

[3] Ms Knox and Ms Weir were both appointed to the board on 19 May 2011, and the period of the table in respect of their shareholdings commences on 19 May 2011.

[4] Awards vested in respect of 280,100 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.

[5] Awards vested in respect of 140,000 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.

[6] Mr Bible acquired 7,600 shares on 9 December 2011 at a price of £21.68 per share, 7,000 shares on 28 December 2011 at a price of £22.72 per share, 1,950 shares on 4 January 2012 at a price of £23.16 per share, 2,875 shares on 14 March 2012 at a price of £26.53 per share and 1,350 shares on 19 March 2012 at a price of £26.09 per share

[7] Ms Knox acquired 3,000 shares on 21 November 2011 at a price of £21.08 per share.

[8] Mr Manzoni has elected to apply his quarterly director's fees to the regular purchase of SABMiller ordinary shares after the deduction of taxes by way of a trading plan, and accordingly acquired 590 shares on 24 June 2011 at a price of £20.94 per share, 591 shares on 23 September 2011 at a price of £20.47 per share, 644 shares on 20 December 2011 at a price of £21.64 per share, and 543 shares on 23 March 2012 at a price of £25.62 per share. The trading plan will remain in place until revoked by Mr Manzoni. The trading plan instruction cannot be revoked or altered except in open dealing periods with the clearance of the Chairman in accordance with the Model Code.

[9] Dr Moyo acquired 386 shares on 27 March 2012 at a price of £25.90 per share.

[10] Mr Ramaphosa's interest in 4,000 shares is non-beneficial.

[11] In May 2012, Messrs Mackay and Wilson's beneficial holdings increased by 134,448 and 5,425 shares, respectively, following the vesting of awards over 280,100 and 9,000 shares, respectively, and the subsequent sales of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained. There have been no other changes in the directors' beneficial interests as at 11 June 2012.

[12] Dr Clark is proposed for appointment as Chief Operating Officer and for election as a director at the annual general meeting to be held on 26 July 2012. As at 11 June 2012, Dr Clark had a beneficial interest in 173,747 shares.

Directors' emoluments

The directors' emoluments in respect of the year ended 31 March 2012 in total have been audited and are set out in the table below:

Emoluments paid in respect of the year ended 31 March 2012

	2012 Base pay or fees £	2012 Expense allowance £	2012 Benefits £	2012 Total (excluding bonus) £	2012 Bonus £	**2012 Total[1] £**	2011 Total[1] £
Executive directors							
EAG Mackay[2]	1,245,000	–	110,642[3]	1,355,642	1,687,000	**3,042,642**	3,435,202
JS Wilson[4]	407,951	–	117,043	524,994	385,000	**909,994**	–
MI Wyman[5]	230,595	–	161,745	392,340	200,618	**592,958**	1,802,402
Total (A)						**4,545,594**	5,237,604
Non-executive directors							
MH Armour[6]	104,000	–	203	104,203	–	**104,203**	82,240
GC Bible	77,000	–	–	77,000	–	**77,000**	72,000
DS Devitre	92,000	–	148	92,148	–	**92,148**	82,152
ME Doherty[7]	–	–	–	–	–	**–**	61,693
Lord Fellowes[7]	–	–	–	–	–	**–**	38,220
JM Kahn	313,000	–	1,074	314,074	–	**314,074**	287,044
LMS Knox[6]	90,212	–	100	90,312	–	**90,312**	–
PJ Manser	147,000	–	398	147,398	–	**147,398**	121,583
JA Manzoni	97,000	–	462	97,462	–	**97,462**	86,794
MQ Morland	116,000	–	400	116,400	–	**116,400**	102,384
DF Moyo	97,000	–	357	97,357	–	**97,357**	86,583
CA Pérez Dávila	77,000	–	181	77,181	–	**77,181**	72,187
R Pieterse	85,000	–	–	85,000	–	**85,000**	78,000
MC Ramaphosa	85,000	–	199	85,199	–	**85,199**	78,192
A Santo Domingo Dávila	77,000	–	246	77,246	–	**77,246**	72,253
HA Weir[6]	79,803	–	394	80,197	–	**80,197**	–
HA Willard[8]	–	–	382	382	–	**382**	297
Total (B)						**1,541,559**	1,321,622
Grand total (A+B)						**6,087,153**	6,559,226

[1] For the year ended 31 March 2012, no retirement contributions were made for any of the executive directors to the SABMiller plc Staff Pension Scheme or any other registered pension scheme, and for each executive director an amount equal to 30% of his base salary was notionally credited to the company's unfunded retirement benefits scheme (being £373,500, £120,000 and £69,179 for Messrs Mackay, Wilson and Wyman, respectively). For the year ended 31 March 2011, in light of the uncertainty which at the time surrounded the United Kingdom Government's announcement that it was reviewing the tax treatment of retirement contributions, the company paid Mr Mackay and Mr Wyman the equivalent of their pension contributions (being £357,600 and £214,500 respectively) in the form of a cash allowance for the year, with the company and the individuals paying their respective shares of national insurance and income tax on these amounts as if they were salary. These amounts are included in the total emoluments reported for 2011.

[2] Mr Mackay receives annual fees for his service as a non-executive director from Reckitt Benckiser Group plc of £92,000 and from Philip Morris International Inc of US$130,000, respectively, which he is permitted to retain. £13,500 of the fee from Reckitt Benckiser Group plc is applied to the purchase of Reckitt Benckiser Group plc ordinary shares. In addition, Mr Mackay receives from Philip Morris International Inc. an annual award of shares of common stock in Philip Morris International Inc. pursuant to that company's Stock Compensation Plan for Non-Employee Directors, which for the year ended 31 December 2011 had a fair market value of US$160,000 on the date of grant, being 11 May 2011.

[3] The group's apartment in London is made available to Mr Mackay to occupy occasionally, subject to tax on this use for his own account.

[4] Mr Wilson was appointed as a director on 21 July 2011, and accordingly only received pro-rated emoluments from the company as an executive director in respect of the year ended 31 March 2012.

[5] Mr Wyman retired as a director on 21 July 2011 and accordingly only received pro-rated emoluments from the company for his services as an executive director up to that date. Mr Wyman continued as a full-time employee until 31 August 2011, and as a part-time employee for the period from his retirement from full-time employment on 31 August 2011 until 31 March 2012. For his services from 21 July 2012 to 31 March 2012, he received a salary of £246,692, a short-term incentive of £69,382 and other benefits of £34,275. In addition an amount of £30,465 was notionally credited to the company's unfunded retirement benefits scheme. During the year ended 31 December 2011, Mr Wyman received annual fees for his service as a non-executive director from Nedbank Group Limited and Nedbank Limited of ZAR706,000 in total, which he is permitted to retain.

[6] Mr Armour was appointed to the board on 1 May 2010, and accordingly only received pro-rated emoluments from the company in respect of the year ended 31 March 2011. Ms Knox and Ms Weir were appointed to the board on 19 May 2011, and accordingly received no emoluments from the company in respect of the year ended 31 March 2011 and only received pro-rated emoluments from the company in respect of the year ended 31 March 2012.

[7] Ms Doherty resigned as a director with effect from 31 December 2010, and Lord Fellowes retired as a director with effect from 22 July 2010, and accordingly they each received only pro-rated emoluments from the company in respect of the year ended 31 March 2011.

[8] Mr Willard is an executive officer of Altria Group, Inc (Altria) and in terms of the company's agreement with Altria, he does not receive director's fees from the company, but is entitled to a nominal annual beer allowance.

Directors' remuneration report continued

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 2012 the highest and lowest market prices for the company's shares were £19.79 (on 8 August 2011) and £26.60 (on 13 March 2012) respectively and the closing market price on 30 March 2012 was £25.095).

Share options

	Exercisable for 3-10 years from	Subscription price (£)	Outstanding as at 31 March 2011 (or date of appointment if later)	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2012 (or date of retirement if earlier)	Vested and exercisable as at 31 March 2012 (or date of retirement if earlier)
Directors in service as at 31 March 2012								
EAG Mackay	19/05/2006[5]	10.61	230,000	–	–	–	230,000[7]	230,000[7]
	18/05/2007[5]	11.67	230,000	–	–	–	230,000[8]	154,100[8]
	16/05/2008[5]	12.50	230,000	–	–	–	230,000[9]	154,100[9]
	14/11/2008[5]	9.295	60,000	–	–	–	60,000[9]	40,200[9]
	15/05/2009[5]	12.31	290,000	–	–	–	290,000[10]	–
	01/06/2010[5]	19.51	250,000	–	–	–	250,000	–
	01/06/2011[5]	22.495	–	250,000	–	–	250,000	–
			1,290,000	**250,000**	**–**	**–**	**1,540,000[11]**	**578,400**
JS Wilson[1]	20/05/2005[4]	8.28	3,623	–	–	–	3,623	3,623
	16/05/2008[2]	12.50	13,000	–	–	–	13,000	13,000
	15/05/2009[2]	12.31	13,000	–	–	–	13,000[2]	–
	01/06/2010[2]	19.51	13,000	–	–	–	13,000	–
	01/06/2011[5]	22.495	–	100,000	–	–	100,000	–
	01/12/2011[5]	22.40	–	50,000	–	–	50,000	–
			42,623	**150,000**	**–**	**–**	**192,623[11]**	**16,623**
Directors who retired during the financial year								
MI Wyman[3]	20/05/2005[4]	8.28	3,623	–	–	–	3,623	3,623[6]
	19/05/2006[5]	10.61	46,200	–	–	–	46,200[7]	46,200[7]
	18/05/2007[5]	11.67	46,200	–	–	–	46,200[8]	–
	16/05/2008[5]	12.50	140,000	–	–	–	140,000[9]	93,800[9]
	01/08/2008[5]	10.49	35,000	–	–	–	35,000[9]	–
	15/05/2009[5]	12.31	175,000	–	–	–	175,000	–
	01/06/2010[5]	19.51	150,000	–	–	–	150,000	–
	01/06/2011[5]	22.495	–	150,000	–	–	150,000	–
			596,023	**150,000**	**–**	**–**	**746,023**	**143,623**

1 Mr Wilson was appointed to the board on 21 July 2011, and the figures in the above table represent the period commencing from his appointment and concluding at the end of the financial year on 31 March 2012.

2 Share options granted to Mr Wilson prior to the announcement in May 2011 of his appointment to the board are not subject to a separate performance condition. On 15 May 2012, 13,000 share options granted to Mr Wilson on 15 May 2009 vested in full and became exercisable. Share options granted to Mr Wilson on 1 June 2011 were granted in anticipation of his appointment to the board and are subject to the performance condition described in note 5.

3 Mr Wyman retired from the board on 21 July 2011, and the figures in the table above represent the period of the financial year from 1 April 2011 until 21 July 2011 while he was a director. Following Mr Wyman's retirement from full time employment on 31 August 2011 all further vesting ceased, and his unvested share options were pro-rated for time elapsed since grant, and will remain outstanding along with his other remaining share options until 31 March 2013 after which time they will lapse.

4 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.

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

6 On 20 May 2008, share options granted on 20 May 2005 vested in full and became exercisable as the group'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.

7 Two-thirds of the share options granted on 19 May 2006 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2009, and on 19 May 2009 vested in full and became exercisable as the group's adjusted EPS for the year ended 31 March 2009, at 79.7 pence (converted from US$ at the average exchange rate over the period 1 April 2008 to 31 March 2009) was more than 24.2% higher (the aggregate of RPI movement and 5% per annum compound growth) than the adjusted EPS of 61.1 pence for the year ended 31 March 2006 (the base year calculation of the performance condition) converted from US$ at the average exchange rate for the period from 1 April 2005 to 31 March 2006. The mid market close on 19 May 2009 was £12.57. The remaining one-third of the options granted on 19 May 2006 were eligible to be tested against the performance condition described in this report for the five years ended 31 March 2011, and on 19 May 2011 vested in full and became exercisable as the group's adjusted EPS for the year ended 31 March 2011, at 123.4 pence (converted from US$ at the average exchange rate over the period 1 April 2010 to 31 March 2011) was more than 37.2% higher than the adjusted EPS of 61.1 pence for the year ended 31 March 2006 (the base year calculation of the performance condition) converted from US$ at the average exchange rate for the period from 1 April 2005 to 31 March 2006 plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 19 May 2011 was £22.66.

8 Two-thirds of the share options granted on 18 May 2007 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2010, and on 18 May 2010 vested in full and became exercisable as the group'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 remaining one-third of the options granted on 18 May 2007 were eligible to be tested against the performance condition described in this report for the five years ended 31 March 2012, and on 18 May 2012 vested in full and became exercisable as the group's adjusted EPS for the year ended 31 March 2012, at 134.4 pence (converted from US$ at the average exchange rate over the period 1 April 2011 to 31 March 2012) was more than 46% 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 2012 was £24.195.

9 Two-thirds of the share options granted on 16 May 2008 and 14 November 2008 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2011, and on 16 May 2011 and 14 November 2011 respectively vested in full and became exercisable as the group's adjusted EPS for the year ended 31 March 2011, at 123.4 pence (converted from US$ at the average exchange rate over the period 1 April 2010 to 31 March 2011) was 38.0% higher than the adjusted EPS of 71.3 pence for the year ended 31 March 2008 (the base year calculation of the performance condition converted from US$ at the average exchange rate for the period from 1 April 2007 to 31 March 2008) plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 16 May 2011 was £22.495. The mid market close on 14 November 2011 was £22.12. The one-third which remains unvested will be eligible to be tested against the performance condition described in note 5 above for the five years ending 31 March 2013.

10 Two-thirds of the share options granted on 15 May 2009 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2012, and on 15 May 2012 vested in full and became exercisable as the group's adjusted EPS for the year ended 31 March 2012, at 134.4 pence (converted from US$ at the average exchange rate over the period 1 April 2011 to 31 March 2012) was 29.5% higher than the adjusted EPS of 80.0 pence for the year ended 31 March 2009 (the base year calculation of the performance condition converted from US$ at the average exchange rate for the period from 1 April 2008 to 31 March 2009) plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 15 May 2012 was £24.90. The one-third which remains unvested will be eligible to be tested against the performance condition described in note 5 above for the five years ending 31 March 2014.

11 Messrs Mackay and Wilson were granted 250,000 and 150,000 share options respectively at a subscription price of £23.95 per share on 1 June 2012, and Dr Clark was granted 200,000 share options at the same subscription price in anticipation of his appointment as Chief Operating Officer and as an executive director at the annual general meeting on 26 July 2012.

Directors' remuneration report continued

Performance Share Awards

Director	Effective date of award	Share price at effective date of award (£)	Outstanding as at 31 March 2011 (or date of appointment if later)	Awarded during the period	Vested during the period	Lapsed during the period	Outstanding as at 31 March 2012 (or date of retirement if earlier)	Vesting date
Directors in service as at 31 March 2012								
EAG Mackay	19/05/2006[1]	10.61	37,950	–	37,950[7]	–	–	19/05/2011
	18/05/2007[2]	11.67	37,950	–	–	–	37,950[10]	18/05/2012
	16/05/2008[3]	12.50	230,000	–	192,050[8]	–	37,950	16/05/2013
	14/11/2008[3]	9.295	60,000	–	50,100[9]	–	9,900	14/11/2013
	15/05/2009[4]	12.31	290,000	–	–	–	290,000[11]	15/05/2012
	01/06/2010[5]	19.51	125,000	–	–	–	125,000	01/06/2013
	01/06/2011[6]	22.495	–	125,000	–	–	125,000	01/06/2014
			780,900	**125,000**	**280,100**	**–**	**625,800[14]**	
JS Wilson[12]	15/05/2009[4]	12.31	9,000	–	–	–	9,000[11]	15/05/2012
	01/06/2010[5]	19.51	9,000	–	–	–	9,000	01/06/2013
	01/06/2011[6]	22.495	–	50,000	–	–	50,000	01/06/2014
	01/12/2011[6]	22.40	–	25,000	–	–	25,000	01/12/2014
			18,000	**75,000**	**–**	**–**	**93,000[14]**	
Directors who retired during the financial year								
MI Wyman[13]	19/05/2006[1]	10.61	23,100	–	23,100[7]	–	–	19/05/2011
	18/05/2007[2]	11.67	23,100	–	–	–	23,100	18/05/2012
	16/05/2008[3]	12.50	140,000	–	116,900[8]	–	23,100	16/05/2011
	01/08/2008[3]	10.49	35,000	–	–	–	35,000	01/08/2011
	15/05/2009[4]	12.31	175,000	–	–	–	175,000	15/05/2012
	01/06/2010[5]	19.51	75,000	–	–	–	75,000	01/06/2013
	01/06/2011[6]	22.495	–	75,000	–	–	75,000	01/06/2014
			471,200	**75,000**	**140,000**	**–**	**406,200**	

[1] From 2006 to 2009, 50% of performance share awards were subject to a TSR performance condition and 50% to an adjusted EPS growth performance condition. The TSR test is applied to two-thirds of the relevant part of the award after three years and to one-third after five years. The EPS condition is a three-year adjusted EPS growth target, set by reference to historical and forecast adjusted EPS growth for the six members of the comparator group determined by the committee to be the company's closest peers in the global brewing industry, namely Anheuser-Busch, Carlsberg, Heineken, InBev, Molson Coors and Scottish & Newcastle (although Scottish & Newcastle was dropped from this group for the purposes of awards made in 2008 and 2009, and Anheuser-Busch was dropped from this group for the purposes of awards made in 2009). From 2010 onwards, the EPS condition was set by reference to historical and forecast adjusted EPS growth for a broader range of food, beverage and consumer goods companies with a global spread of operations.

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.

[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.

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

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

[5] **2010**
From June 2010 the TSR performance condition was replaced by the value sharing condition referred to on page 83.

[6] **2011**
From June 2010 the TSR performance condition was replaced by the value sharing condition referred to on page 83.

EPS condition

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

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

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

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

2010
The EPS growth target for awards made in 2010 is 9% p.a. for full vesting, with threshold vesting of 25% at 5% p.a., and pro rata vesting between these levels of achievement.

2011
The EPS growth target for awards made in 2011 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.

7 In May 2011, the remaining one-third of the executive directors' 2006 TSR based performance share awards were tested against the TSR performance condition for the five-year period ended 18 May 2011. TSR for this five-year period was 113.1%, which exceeded the peer group median of 58.3% by more than 94% and therefore all of the shares comprised in the remaining one-third of the 2006 awards vested. This resulted in 37,950 and 23,100 TSR awards vesting for Mr Mackay and Mr Wyman respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay and Mr Wyman on 19 May 2011 (when the price was £22.66). Of these, 19,734 and 12,012 shares were sold on 19 May 2011 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. (All of the shares comprised in the first two-thirds of this part of the executive directors' 2006 performance share awards lapsed on 19 May 2009, as TSR for the three-year period ended 18 May 2009 was below median.)

8 Also in May 2011, the executive directors' May 2008 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 100% of maximum which resulted in 115,000 and 70,000 EPS awards vesting for Mr Mackay and Mr Wyman respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that 115,000 and 70,000 shares be released to Mr Mackay and Mr Wyman respectively on 16 May 2011 (when the price was £22.495). Of these, 59,800 and 36,400 shares were sold on 16 May 2011 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. TSR for the three-year period ended 31 March 2011 was 98.4%, which exceeded the peer group median of 25.3% by more than 290% and therefore all of the shares comprised in the first two-thirds of the 2008 awards vested, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 31 March 2013. This resulted in 77,050 and 46,900 TSR awards vesting for Mr Mackay and Mr Wyman respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay and Mr Wyman on 16 May 2011 (when the price was £22.495). Of these, 40,066 and 24,388 shares were sold on 16 May 2011 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively.

9 In November 2011, Mr Mackay's November 2008 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 100% of maximum which resulted in 30,000 EPS awards vesting for Mr Mackay. TSR for the three-year period ended 31 March 2011 was 98.4%, which exceeded the peer group median of 25.3% by more than 290% and therefore all of the shares comprised in the first two-thirds of the 2008 awards vested, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 14 November 2013. This resulted in 20,100 TSR awards vesting. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay on 14 November 2011 (when the price was £22.51). Of the resulting total number of 50,100 shares released, 26,052 shares were sold on 14 November 2011 to cover income tax liabilities owing by Mr Mackay.

10 After the year end, the remaining one-third of the executive directors' 2007 TSR based performance share awards were tested against the TSR performance condition for the five-year period ended 19 May 2012. TSR for this five-year period was 152%, which exceeded the peer group median of 36% by 116% and therefore all of the shares comprised in the remaining one-third of the 2007 awards vested. This resulted in 37,950 TSR awards vesting for Mr Mackay. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay on 18 May 2012 (when the price was £24.755). Of these, 19,734 shares were sold on 18 May 2012 to cover income tax liabilities owing by Mr Mackay.

11 Also after the year end, the executive directors' 2009 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 100% of maximum which resulted in 150,000 and 9,000 EPS awards vesting for Mr Mackay and Mr Wilson respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that 150,000 and 9,000 shares be released to Mr Mackay and Mr Wilson respectively on 15 May 2012 (when the price was £24.965). Of these, 78,000 and 3,575 shares were sold on 15 May 2012 to cover income tax liabilities owing by Mr Mackay and Mr Wilson respectively. TSR for the three-year period ended 31 March 2012 was 151%, which exceeded the peer group median of 62% by 89% and therefore all of the shares comprised in the first two-thirds of the 2009 awards vested, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 31 March 2014. This resulted in 92,150 TSR awards vesting for Mr Mackay. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay on 15 May 2012 (when the price was £24.965). Of these, 47,918 shares were sold on 15 May 2012 to cover income tax liabilities owing by Mr Mackay.

12 Mr Wilson was appointed to the board on 21 July 2011, and the figures in the above table represent the period commencing from his appointment and concludes at the end of the financial year on 31 March 2012.

13 Mr Wyman retired from the board on 21 July 2011, and the figures in the table above represent the period of the financial year from 1 April 2011 until 21 July 2011 while he was a director. Following Mr Wyman's retirement from full-time employment on 31 August 2011, his outstanding performance share awards were pro-rated for time elapsed since their date of grant, and will remain outstanding along with his other remaining share awards and will vest or not on their normal release dates depending on the extent to which the applicable performance conditions are met.

14 On 1 June 2012 Messrs Mackay and Wilson were awarded 125,000 and 75,000 conditional awards of performance shares respectively, subject to the company's adjusted EPS growth performance condition, and Dr Clark was awarded 100,000 conditional awards of performance shares, subject to the company's adjusted EPS growth performance condition, in anticipation of his appointment as Chief Operating Officer and his election as an executive director at the annual general meeting on 26 July 2012.

Directors' remuneration report continued

Value Share Awards

Director	Effective date of award	Share price on effective date of award (£)	Outstanding as at 31 March 2011 (or date of appointment if later) (shares per £10m of additional value)	Awarded during the period (shares per £10m of additional value)	Released during the period (ordinary shares released)	Lapsed during the period (shares per £10m of additional value)	Outstanding as at 31 March 2012 (or date of retirement if earlier) (shares per £10m of additional value)[1]	Earliest possible release date[2]	Final vesting date
Directors in service as at 31 March 2012									
EAG Mackay	01/06/2010	19.51	220	–	–	–	220	01/06/2013	01/06/2015
	01/06/2011	22.495	–	220	–	–	220	01/06/2014	01/06/2016
			220	**220**	**–**	**–**	**440[4]**		
JS Wilson	01/06/2011	22.495	–	100	–	–	100	01/06/2014	01/06/2016
	01/12/2011	22.40	–	30	–	–	30	01/06/2014	01/06/2016
			–	**130**	**–**	**–**	**130[4]**		
Directors who retired during the financial year									
MI Wyman[3]	01/06/2010	19.51	130	–	–	–	130	01/06/2013	01/06/2015
	01/06/2011	22.495	–	130	–	–	130	01/06/2014	01/06/2016
			130	**130**	**–**	**–**	**260[3]**		

1 The number of shares which can be released under a value share award is capped at the level at which the additional shareholder value created in excess of the median growth of the comparator group equals the market capitalisation of the company at the beginning of the performance period. Additional shareholder value created is the amount by which the growth in the company's market capitalisation after taking account of net equity cash flows exceeds the median growth of a weighted peer group index over the five-year performance period. The payout under the value share awards made in the year ended 31 March 2012 for the executive directors and members of the executive committee in the aggregate is capped at circa 0.54% (2011: 0.40%) of additional shareholder value created (over and above the median of the comparator group) for any one cycle. This is the maximum theoretical percentage that can be earned in aggregate by the executive directors and the members of the executive committee, with 99.46% of the extra value created accruing to shareholders. No awards will be released if the growth in the company's market capitalisation after taking account of net equity cash flows is only at the median of the comparator group.

2 Value share awards vest on the fifth anniversary of the grant date, subject to achievement of the performance condition, but participants may elect to request the trustees of the EBT release all or part of the award following their third anniversary of grant, during specified quarterly release windows, each lasting no longer than two weeks. Participants electing to exercise their awards before the fifth anniversary crystallise the number of shares which will vest and cannot retest their awards against any future growth in additional value. These shares will be subject to partial deferral, being released to the participant in a number of equal instalments over the period up to the fifth anniversary of the date of grant, and are subject to forfeiture under certain circumstances should their employment be terminated before the fifth anniversary.

3 Mr Wyman retired from the board on 21 July 2011, and the figures in the table above represent the period of the financial year between 1 April 2011 and 21 July 2011 while he was a director. Following Mr Wyman's retirement from full-time employment on 31 August 2011, his outstanding value share awards were pro-rated for time elapsed since their date of grant, and will remain outstanding along with his other remaining share awards and will vest or not on their normal release dates depending on the extent to which the applicable performance conditions are met.

4 On 1 June 2012 Messrs Mackay and Wilson were awarded 220 and 130 value shares respectively for each £10 million of additional shareholder value created over the five year performance period commencing on 1 April 2012, and Dr Clark was awarded 175 value shares on the same terms in anticipation of his appointment as Chief Operating Officer and as an executive director at the annual general meeting on 26 July 2012.

The following information is not subject to audit

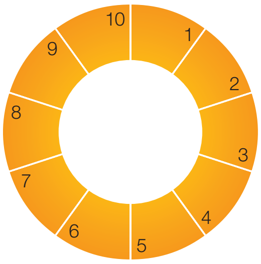
Kepler Associates undertakes each year the assessment of the company's TSR performance relative to the comparator group, and the methodology used and the calculations performed for each award are reported on by the company's auditors.

For the purpose of calculating TSR and additional shareholder value, the share prices and dividends of the comparator companies are converted, as necessary, into sterling at the exchange rates prevailing at the relevant times. The conversion into sterling is intended to remove distortions arising from differing rates of inflation in the countries in which the comparator companies are listed. TSR and the relevant statistical quartiles are determined in accordance with current market practice, using three averaging periods for awards granted before June 2010, and six months for awards granted in June 2010 and subsequently. The longer averaging period was adopted in 2010 to reduce the sensitivity of vesting to short-term stock market volatility. The companies comprising the TSR comparator group for all the performance share awards which had not yet vested or lapsed as at 31 March 2012 are listed below.

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

Current constituents:

Company	Weighting
1 Anheuser-Busch InBev	10%
2 Heineken	10%
3 Molson Coors Brewing Co	10%
4 Carlsberg	10%
5 Diageo	10%
6 Pernod-Ricard	10%
7 Kirin Holdings	10%
8 Asahi Breweries	10%
9 Constellation Brands	10%
10 Sapporo Holdings	10%



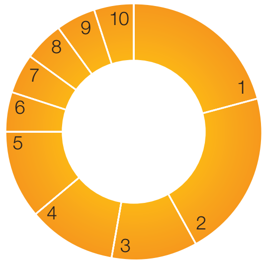
Former constituents removed from the comparator group:
- Anheuser-Busch (acquired by InBev)
- FEMSA UBD (acquired by Heineken)
- Grolsch (acquired by SABMiller)
- Lion Nathan (acquired by Kirin Holdings)
- Scottish & Newcastle (acquired by Heineken and Carlsberg)
- Foster's Group (acquired by SABMiller)

Comparator group for TSR based value share awards granted from June 2010 and thereafter:

For 2010 and subsequent awards, those companies considered to be the most significant competitors of SABMiller (and therefore the best comparators for benchmarking company performance) are weighted more heavily. The weighting of comparators for value share awards granted in June 2010, 2011 and 2012 was:

Current constituents:

Company	Weighting
1 Anheuser-Busch InBev	21%
2 Heineken	21%
3 Molson Coors Brewing Co	11%
4 Carlsberg	11%
5 Diageo	11%
6 Pernod-Ricard	5%
7 Kirin Holdings	5%
8 Asahi Breweries	5%
9 Constellation Brands	5%
10 Sapporo Holdings	5%



Foster's Group was originally a constituent of the comparator group with a 5% weighting. It was removed from the group in December 2011 following the acquisition of Foster's by SABMiller, and its weighting was redistributed in proportion among the other members of the comparator group.

Approval
This report and the recommendations of the remuneration committee were approved by the board on 11 June 2012 as recommended by the remuneration committee on 22 May 2012 and will be submitted to shareholders for approval at the 2012 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 2012 the company applied the provisions of the UK Corporate Governance Code relating to remuneration.

Signed on behalf of the board of directors by

John Davidson
General Counsel and Group Company Secretary

11 June 2012

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 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the SABMiller plc Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern; and
- the part of the corporate governance report relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the directors' remuneration report.

Other matter
We have reported separately on the company financial statements of SABMiller plc for the year ended 31 March 2012 and on the information in the directors' remuneration report that is described as having been audited.

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

11 June 2012

Consolidated income statement
for the year ended 31 March

	Notes	2012 US$m	2011 US$m
Revenue	2	**21,760**	19,408
Net operating expenses	3	**(16,747)**	(16,281)
Operating profit	2	**5,013**	3,127
Operating profit before exceptional items	2	**3,987**	3,563
Exceptional items	4	**1,026**	(436)
Net finance costs	5	**(562)**	(525)
Interest payable and similar charges	5a	**(1,093)**	(883)
Interest receivable and similar income	5b	**531**	358
Share of post-tax results of associates and joint ventures	2	**1,152**	1,024
Profit before taxation		**5,603**	3,626
Taxation	7	**(1,126)**	(1,069)
Profit for the year	28a	**4,477**	2,557
Profit attributable to non-controlling interests		**256**	149
Profit attributable to owners of the parent		**4,221**	2,408
		4,477	2,557
Basic earnings per share (US cents)	8	**266.6**	152.8
Diluted earnings per share (US cents)	8	**263.8**	151.8

All operations are continuing.

The notes on pages 91 to 164 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2012 US$m	2011 US$m
Profit for the year		**4,477**	2,557
Other comprehensive income:			
Currency translation differences on foreign currency net investments		**136**	644
– Increase in foreign currency translation reserve during the year		**153**	644
– Recycling of foreign currency translation reserve on disposals		**(17)**	–
Net actuarial losses on defined benefit plans	32	**(9)**	(28)
Net investment hedges:			
– Fair value losses arising during the year	27b	**(1)**	(137)
Cash flow hedges:	27b	**6**	39
– Fair value gains arising during the year		**–**	16
– Fair value losses transferred to inventory		**2**	2
– Fair value losses transferred to profit or loss		**4**	21
Tax on items included in other comprehensive income	7	**101**	22
Share of associates' and joint ventures' losses included in other comprehensive income	13,14	**(256)**	(50)
Other comprehensive income for the year, net of tax		**(23)**	490
Total comprehensive income for the year		**4,454**	3,047
Attributable to:			
Owners of the parent		**4,199**	2,904
Non-controlling interests		**255**	143
Total comprehensive income for the year		**4,454**	3,047

The notes on pages 91 to 164 are an integral part of these consolidated financial statements.

Consolidated balance sheet
at 31 March

	Notes	2012 US$m	2011[1] US$m
Assets			
Non-current assets			
Goodwill	10	**20,128**	11,954
Intangible assets	11	**9,901**	4,364
Property, plant and equipment	12	**9,299**	9,331
Investments in joint ventures	13	**5,520**	5,813
Investments in associates	14	**4,946**	2,719
Available for sale investments	15	**30**	35
Derivative financial instruments	24	**732**	330
Trade and other receivables	17	**136**	140
Deferred tax assets	21	**117**	184
Loan participation deposit	18	**100**	–
		50,909	34,870
Current assets			
Inventories	16	**1,255**	1,256
Trade and other receivables	17	**2,156**	1,687
Current tax assets		**482**	152
Derivative financial instruments	24	**24**	16
Available for sale investments	15	**1**	–
Cash and cash equivalents	18	**745**	1,067
		4,663	4,178
Assets of disposal group classified as held for sale	19a	**79**	66
		4,742	4,244
Total assets		**55,651**	39,114
Liabilities			
Current liabilities			
Derivative financial instruments	24	**(40)**	(50)
Borrowings	22	**(1,062)**	(1,345)
Trade and other payables	20	**(4,054)**	(3,487)
Current tax liabilities		**(910)**	(658)
Provisions	25	**(717)**	(412)
		(6,783)	(5,952)
Liabilities of disposal group classified as held for sale	19b	**(7)**	(66)
		(6,790)	(6,018)
Non-current liabilities			
Derivative financial instruments	24	**(69)**	(85)
Borrowings	22	**(18,164)**	(7,115)
Trade and other payables	20	**(112)**	(98)
Deferred tax liabilities	21	**(3,917)**	(2,578)
Provisions	25	**(586)**	(461)
		(22,848)	(10,337)
Total liabilities		**(29,638)**	(16,355)
Net assets		**26,013**	22,759
Equity			
Share capital	26	**166**	166
Share premium		**6,480**	6,384
Merger relief reserve		**4,586**	4,586
Other reserves	27b	**1,978**	1,881
Retained earnings	27a	**11,863**	8,991
Total shareholders' equity		**25,073**	22,008
Non-controlling interests		**940**	751
Total equity		**26,013**	22,759

[1] As restated (see note 29).

The balance sheet of SABMiller plc is shown on page 167.
The notes on pages 91 to 164 are an integral part of these consolidated financial statements.
The financial statements were authorised for issue by the board of directors on 11 June 2012 and were signed on its behalf by:

Graham Mackay
Chief Executive

Jamie Wilson
Chief Financial Officer

Consolidated cash flow statement
for the year ended 31 March

	Notes	2012 US$m	2011 US$m
Cash flows from operating activities			
Cash generated from operations	28a	**5,237**	4,568
Interest received		**516**	293
Interest paid		**(923)**	(933)
Tax paid		**(893)**	(885)
Net cash generated from operating activities	28b	**3,937**	3,043
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,473)**	(1,189)
Proceeds from sale of property, plant and equipment		**116**	73
Purchase of intangible assets		**(166)**	(126)
Purchase of available for sale investments		**(1)**	(3)
Proceeds from disposal of available for sale investments		**2**	–
Proceeds from disposal of associates		**205**	–
Proceeds from disposal of businesses (net of cash disposed)		**(23)**	–
Acquisition of businesses (net of cash acquired)		**(10,951)**	(60)
Investments in joint ventures		**(288)**	(186)
Investments in associates		**(52)**	(5)
Repayment of investments by associates		**14**	68
Dividends received from joint ventures	13	**896**	822
Dividends received from associates		**120**	88
Dividends received from other investments		**1**	1
Net cash used in investing activities		**(11,600)**	(517)
Cash flows from financing activities			
Proceeds from the issue of shares		**96**	73
Proceeds from the issue of shares in subsidiaries to non-controlling interests		**107**	34
Purchase of own shares for share trusts		**(52)**	–
Purchase of shares from non-controlling interests		**(27)**	(12)
Proceeds from borrowings		**19,000**	1,608
Repayment of borrowings		**(10,139)**	(2,767)
Capital element of finance lease payments		**(5)**	(5)
Net cash payments on derivative financial instruments		**(52)**	(43)
Dividends paid to shareholders of the parent		**(1,324)**	(1,113)
Dividends paid to non-controlling interests		**(109)**	(102)
Net cash generated from/(used in) financing activities		**7,495**	(2,327)
Net cash (outflow)/inflow from operating, investing and financing activities		**(168)**	199
Effects of exchange rate changes		**(39)**	25
Net (decrease)/increase in cash and cash equivalents		**(207)**	224
Cash and cash equivalents at 1 April	28c	**813**	589
Cash and cash equivalents at 31 March	28c	**606**	813

The notes on pages 91 to 164 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 March

	Called up share capital US$m	Share premium account US$m	Merger relief reserve US$m	Other reserves US$m	Retained earnings US$m	Total shareholders' equity US$m	Non-controlling interests US$m	Total equity US$m
At 1 April 2010	165	6,312	4,586	1,322	7,525	19,910	683	20,593
Total comprehensive income	–	–	–	559	2,345	2,904	143	3,047
Profit for the year	–	–	–	–	2,408	2,408	149	2,557
Other comprehensive income	–	–	–	559	(63)	496	(6)	490
Dividends paid	–	–	–	–	(1,115)	(1,115)	(106)	(1,221)
Issue of SABMiller plc ordinary shares	1	72	–	–	–	73	–	73
Proceeds from the issue of shares in subsidiaries to non-controlling interests	–	–	–	–	–	–	34	34
Buyout of non-controlling interests	–	–	–	–	(10)	(10)	(3)	(13)
Credit entry relating to share-based payments	–	–	–	–	246	246	–	246
At 31 March 2011	166	6,384	4,586	1,881	8,991	22,008	751	22,759
Total comprehensive income	–	–	–	97	4,102	4,199	255	4,454
Profit for the year	–	–	–	–	4,221	4,221	256	4,477
Other comprehensive income	–	–	–	97	(119)	(22)	(1)	(23)
Dividends paid	–	–	–	–	(1,324)	(1,324)	(159)	(1,483)
Issue of SABMiller plc ordinary shares	–	96	–	–	–	96	–	96
Proceeds from the issue of shares in subsidiaries to non-controlling interests	–	–	–	–	–	–	107	107
Non-controlling interests disposed of via business disposal	–	–	–	–	–	–	(64)	(64)
Arising on business combinations	–	–	–	–	–	–	65	65
Dilution of non-controlling interests as a result of business combinations	–	–	–	–	(5)	(5)	5	–
Payment for purchase of own shares for share trusts	–	–	–	–	(52)	(52)	–	(52)
Buyout of non-controlling interests	–	–	–	–	(7)	(7)	(20)	(27)
Credit entry relating to share-based payments	–	–	–	–	158	158	–	158
At 31 March 2012	**166**	**6,480**	**4,586**	**1,978**	**11,863**	**25,073**	**940**	**26,013**

The notes on pages 91 to 164 are an integral part of these consolidated financial statements.

Merger relief reserve

Merger relief reserve comprises US$3,395 million in respect of the excess of value attributed to the shares issued as consideration for Miller Brewing Company over the nominal value of those shares and US$1,191 million relating to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of non-controlling interests in the group's Polish business.

Notes to the consolidated financial statements

1. Accounting policies

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

a) Basis of preparation

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

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

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

b) Recent accounting developments

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

There were no standards, interpretations and amendments adopted by the group since 1 April 2011 which had a significant impact on the group's consolidated results or financial position.

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

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2012 or later periods, but which have not been early adopted by the group and in relation to which the group is yet to assess the full impact:

- Amendment to IAS 19, 'Employee Benefits' is effective from 1 January 2013[1].
- IFRS 9, 'Financial Instruments', is effective from 1 January 2015[1].
- IFRS 10, 'Consolidated Financial Statements', is effective from 1 January 2013[1].
- IFRS 11, 'Joint Arrangements', is effective from 1 January 2013[1].
- IFRS 12, 'Disclosures of Interests in Other Entities' is effective from 1 January 2013[1].
- IFRS 13, 'Fair Value Measurement', is effective from 1 January 2013[1].

[1] Not yet endorsed by the EU.

There are no other standards, interpretations and amendments to existing standards that are not yet effective that would be expected to have a material impact on the consolidated results of operations or financial position of the group.

c) Significant judgements and estimates

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

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

(i) Impairment reviews

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

(ii) Taxation

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

(iii) Pension and post-retirement benefits

Pension accounting requires certain assumptions to be made in order to value the group's pension and post-retirement obligations in the balance sheet and to determine the amounts to be recognised in the income statement and in other comprehensive income in accordance with IAS 19. The calculations of these obligations and charges are based on assumptions determined by management which include discount rates, salary and pension inflation, healthcare cost inflation, mortality rates and expected long-term rates of return on assets. Details of the assumptions used are set out in note 32. The selection of different assumptions could affect the net position of the group and future results.

(iv) Property, plant and equipment

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

(v) Business combinations

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

(vi) Exceptional items

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

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 while not meeting the definition of reportable segments, the group reports separately as segments South Africa: Hotels and Gaming and Corporate as this provides useful additional information.

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

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

Control is presumed to exist when the group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

On the subsequent disposal or termination of a business, the results of the business are included in the group's results up to the effective date of disposal. The profit or loss on disposal or termination is calculated after charging the amount of any related goodwill to the extent that it has not previously been taken to the income statement.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Some of the company's subsidiaries have a local statutory accounting reference date of 31 December. These are consolidated using management prepared information on a basis coterminous with the company's accounting reference date.

(ii) Associates
Associates are entities in which the group has a long-term interest and over which the group has directly or indirectly significant influence, where significant influence is the ability to influence the financial and operating policies of the entity.

The associate, Distell Group Ltd, has a statutory accounting reference date of 30 June. In respect of each year ending 31 March, this company is included based on financial statements drawn up to the previous 31 December, but taking into account any changes in the subsequent period from 1 January to 31 March that would materially affect the results. All other associates are included on a coterminous basis.

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

The group's share of the recognised income and expenses of associates and joint ventures are accounted for using the equity method from the date significant influence or joint control commences to the date it ceases based on present ownership interests.

The group recognises its share of associates' and joint ventures' post-tax results as a one line entry before profit before taxation 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.

(iv) Transactions with non-controlling interests
Transactions with non-controlling interests are treated as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity where there is no loss of control.

(v) Reduction in interests
When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, certain amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that certain amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, or if the ownership interest in a joint venture is reduced but joint control is retained, only the proportionate share of the carrying amount of the investment and of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 2012	Year ended 31 March 2011
Average rate		
Australian dollar (AUD)	**0.95**	1.06
South African rand (ZAR)	**7.48**	7.15
Colombian peso (COP)	**1,831**	1,881
Euro (€)	**0.72**	0.76
Czech koruna (CZK)	**17.65**	19.04
Peruvian nuevo sol (PEN)	**2.73**	2.81
Polish zloty (PLN)	**2.99**	3.01
Closing rate		
Australian dollar (AUD)	**0.97**	0.97
South African rand (ZAR)	**7.67**	6.77
Colombian peso (COP)	**1,792**	1,879
Euro (€)	**0.75**	0.71
Czech koruna (CZK)	**18.52**	17.27
Peruvian nuevo sol (PEN)	**2.67**	2.80
Polish zloty (PLN)	**3.13**	2.84

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

(ii) Transactions and balances

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

(iii) Overseas subsidiaries, associates and joint ventures

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

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

g) Business combinations

(i) Subsidiaries

The acquisition method is used to account for business combinations. The identifiable net assets (including intangibles) are incorporated into the financial statements on the basis of their fair value from the effective date of control, and the results of subsidiary undertakings acquired during the financial year are included in the group's results from that date.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable assets (including intangibles), liabilities and contingent liabilities acquired. Fair values of these assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be acquired or similar obligations entered into, or by discounting expected future cash flows to present value, using either market rates or the risk-free rates and risk-adjusted expected future cash flows.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the group's estimate of the fair value of any deferred consideration payable. Acquisition-related costs are expensed as incurred. Where the business combination is achieved in stages and results in a change in control, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Where the business combination agreement provides for an adjustment to the cost that is contingent on future events, the consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On an acquisition by acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

(ii) Associates and joint ventures

On acquisition the investment in associates and joint ventures is recorded initially at cost. Subsequently the carrying amount is increased or decreased to recognise the group's share of the associates' and joint ventures' income and expenses after the date of acquisition.

Fair values reflecting conditions at the date of acquisition are attributed to the group's share of identifiable assets (including intangibles), liabilities and contingent liabilities acquired. The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the group's estimate of the fair value of any deferred consideration payable.

The date significant influence or joint control commences is not necessarily the same as the closing date or any other date named in the contract.

(iii) Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the 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 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying value of the investment in the associate or joint venture.

h) Intangible assets
Intangible assets are stated at cost less accumulated amortisation on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at their fair value at the date of acquisition. Amortisation is included within net operating expenses in the income statement. Internally generated intangibles are not recognised except for software and applied development costs referred to under software and research and development below.

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

(i) Brands
Brands are recognised as an intangible asset where the brand has a long-term value. Acquired brands are only recognised where title is clear or the brand could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable.

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

(ii) Contract brewing and other licences recognised as part of a business combination
Contractual arrangements for contract brewing and competitor licensing arrangements are recognised as an intangible asset at a fair value representing the remaining contractual period with an assumption about the expectation that such a contract will be renewed, together with a valuation of this extension.

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

(iii) Customer lists and distributor relationships recognised as part of a business combination
The fair value of businesses acquired may include customer lists and distributor relationships. These are recognised as intangible assets and are calculated by discounting the future revenue stream attributable to these lists or relationships.

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

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

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

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

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

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

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

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

(i) Assets in the course of construction
Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as on other property, plant and equipment.

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

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

1. Accounting policies continued

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

- The excess over deposit value is written down over a period of 1 to 10 years.
- Provisions are made against the deposit values for breakages and losses in trade together with a design obsolescence provision held to write off the deposit value over the expected container design period – which is a period of no more than 14 years from the inception of a container design. This period is shortened where appropriate by reference to market dynamics and the ability of the entity to use containers for different brands.

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

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

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

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount.

(v) Capitalisation of borrowing costs
Financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use, are capitalised up to the time of completion of the project.

j) Advance payments made to customers (principally hotels, restaurants, bars and clubs)
Advance payments made to customers are conditional on the achievement of contracted sales targets or marketing commitments. The group records such payments as prepayments initially at fair value and amortises them in the income statement over the relevant period to which the customer commitment is made (typically three to five years). These prepayments are recorded net of any impairment losses.

Where there is a volume target the amortisation of the advance is included in sales discounts as a reduction to revenue and where there are specific marketing activities/commitments the amortisation is included as an operating expense. The amounts capitalised are reassessed annually for achievement of targets and are impaired where there is objective evidence that the targets will not be achieved.

Assets held at customer premises are included within property, plant and equipment and are depreciated in line with group policies on similar assets.

k) Inventories
Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows:

- Raw materials, consumables and goods for resale: Purchase cost net of discounts and rebates on a first-in first-out basis (FIFO).
- Finished goods and work in progress: Raw material cost plus direct costs and a proportion of manufacturing overhead expenses on a FIFO basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Costs of inventories include the transfer from equity of any gains or losses on matured qualifying cash flow hedges of purchases of raw materials.

l) Financial assets and financial liabilities
Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset.

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

There are four categories of financial assets and financial liabilities. These are described as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss include derivative assets and derivative liabilities not designated as effective hedging instruments.

All gains or losses arising from changes in the fair value of financial assets or financial liabilities within this category are recognised in the income statement.

a. Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Notes to the consolidated financial statements continued

1. Accounting policies continued

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 cash generating unit (CGU) using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is reperformed on a pre-tax basis in order to determine the impairment loss to be recorded.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group estimates the recoverable amount of the CGU to which the asset belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

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.

The group presents alternative earnings per share calculations on a headline and adjusted basis. The adjusted earnings per share figure excludes the impact of amortisation of intangible assets (excluding software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Headline earnings per share is calculated in accordance with the South African Circular 3/2009 entitled 'Headline Earnings' which forms part of the listing requirements for the JSE Ltd (JSE).

Notes to the consolidated financial statements continued

1. Accounting policies continued

u) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill (in the case of deferred tax liabilities) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary. Deferred income tax is also recognised in respect of the unremitted retained earnings of overseas associates and joint ventures as the group is not able to determine when such earnings will be remitted and when such additional tax such as withholding taxes might be payable.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

v) Dividend distributions

Dividend distributions to equity holders of the parent are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

w) Employee benefits

(i) Wages and salaries

Wages and salaries for current employees are recognised in the income statement as the employees' services are rendered.

(ii) Vacation and long-term service awards costs

The group recognises a liability and an expense for accrued vacation pay when such benefits are earned and not when these benefits are paid.

The group also recognises a liability and an expense for long-term service awards where cash is paid to the employee at certain milestone dates in a career with the group. Such accruals are appropriately discounted to reflect the future payment dates at discount rates determined by reference to local high-quality corporate bonds.

(iii) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. At a mid-year point an accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year end.

(iv) Share-based compensation

The group operates a variety of equity-settled share-based compensation plans and a cash-settled share-based compensation plan.

The equity-settled plans comprise share option plans (with and without market performance conditions attached), performance share award plans (with market conditions attached) and awards related to the employee element of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. An expense is recognised to spread the fair value of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. In addition the group has granted an equity-settled share-based payment to retailers in relation to the retailer element of the BBBEE scheme. A one-off charge has been recognised based on the fair value at the grant date with a corresponding adjustment to equity. The charge will not be adjusted in the future.

The charges are based on the fair value of the awards as at the date of grant, as calculated by various binomial model calculations and Monte Carlo simulations.

The charges are not reversed if the options and awards are not exercised because the market value of the shares is lower than the option price at the date of grant.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

For the cash-settled plan a liability is recognised at fair value in the balance sheet over the vesting period with a corresponding charge to the income statement. The liability is remeasured at each reporting date, on an actuarial basis using the analytic method, to reflect the revised fair value and to adjust for changes in assumptions such as leavers. Changes in the fair value of the liability are recognised in the income statement. Actual settlement of the liability will be at its intrinsic value with the difference recognised in the income statement.

1. Accounting policies continued

(v) Pension obligations
The group has both defined benefit and defined contribution plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full as they arise outside of the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise, with the exception of gains or losses arising from changes in the benefits regarding past services, which are recognised in the income statement.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The contributions to defined contribution plans are recognised as an expense as the costs become payable. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(vi) Other post-employment obligations
Some group companies provide post-retirement healthcare benefits to qualifying employees. The expected costs of these benefits are assessed in accordance with the advice of qualified actuaries and contributions are made to the relevant funds over the expected service lives of the employees entitled to those funds. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(vii) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

x) Derivative financial instruments – hedge accounting
Financial assets and financial liabilities at fair value through profit or loss include all derivative financial instruments. The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps, cross currency swaps, forward foreign exchange contracts and other specific instruments as necessary under the approval of the board. 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

(iii) Hedges of net investments in foreign operations
Hedges of net investments in foreign operations comprise either foreign currency borrowings or derivatives (typically forward exchange contracts and cross currency swaps) designated in a hedging relationship.

Gains or losses on hedging instruments that are regarded as highly effective are recognised in other comprehensive income. These largely offset foreign currency gains or losses arising on the translation of net investments that are recorded in equity, in the foreign currency translation reserve. The ineffective portion of gains or losses on hedging instruments is recognised immediately in the income statement. Amounts accumulated in equity are only reclassified to the income statement upon disposal of the net investment.

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are reclassified to the income statement. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, whilst providing effective economic hedges under the group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the income statement. The group does not hold or issue derivative financial instruments for speculative purposes.

y) Deposits by customers
Returnable containers in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for branded returnable containers are reflected in the balance sheet within current liabilities. Any estimated liability that may arise in respect of deposits for unbranded containers is shown in provisions.

z) Earnings per share
Basic earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in the group's employee benefit trusts and in treasury during the year.

Diluted earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders of the parent, 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 trusts and in treasury during the year, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

2. Segmental analysis

Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focused geographically and, while not meeting the definition of reportable segments, the group reports separately as segments 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 2012 US$m	EBITA 2012 US$m	Group revenue 2011 US$m	EBITA 2011 US$m
Latin America	**7,158**	**1,865**	6,335	1,620
Europe	**5,482**	**836**	5,394	887
North America	**5,250**	**756**	5,223	741
Africa	**3,686**	**743**	3,254	647
Asia Pacific	**3,510**	**321**	2,026	92
South Africa:	**6,302**	**1,303**	6,079	1,204
– Beverages	**5,815**	**1,168**	5,598	1,067
– Hotels and Gaming	**487**	**135**	481	137
Corporate	**–**	**(190)**	–	(147)
Group	**31,388**	**5,634**	28,311	5,044
Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures'		**(264)**		(209)
Exceptional items – group and share of associates' and joint ventures'		**1,015**		(467)
Net finance costs – group and share of associates' and joint ventures' (excluding exceptional items)		**(570)**		(560)
Share of associates' and joint ventures' taxation		**(170)**		(139)
Share of associates' and joint ventures' non-controlling interests		**(42)**		(43)
Profit before taxation		**5,603**		3,626

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 2012 US$m	Share of associates' and joint ventures' revenue 2012 US$m	Group revenue 2012 US$m	Revenue 2011 US$m	Share of associates' and joint ventures' revenue 2011 US$m	Group revenue 2011 US$m
Latin America	**7,148**	**10**	**7,158**	6,324	11	6,335
Europe	**5,347**	**135**	**5,482**	5,379	15	5,394
North America	**134**	**5,116**	**5,250**	117	5,106	5,223
Africa	**2,299**	**1,387**	**3,686**	2,059	1,195	3,254
Asia Pacific	**1,682**	**1,828**	**3,510**	564	1,462	2,026
South Africa:	**5,150**	**1,152**	**6,302**	4,965	1,114	6,079
– Beverages	**5,150**	**665**	**5,815**	4,965	633	5,598
– Hotels and Gaming	**–**	**487**	**487**	–	481	481
Group	**21,760**	**9,628**	**31,388**	19,408	8,903	28,311

Notes to the consolidated financial statements continued

2. Segmental analysis continued

Operating profit

The following table provides a reconciliation of operating profit to operating profit before exceptional items.

	Operating profit 2012 US$m	Exceptional items 2012 US$m	Operating profit before exceptional items 2012 US$m	Operating profit 2011 US$m	Exceptional items 2011 US$m	Operating profit before exceptional items 2011 US$m
Latin America	**1,617**	**119**	**1,736**	1,391	106	1,497
Europe	**1,939**	**(1,135)**	**804**	596	261	857
North America	**–**	**–**	**–**	16	–	16
Africa	**584**	**(162)**	**422**	361	4	365
Asia Pacific	**54**	**70**	**124**	(22)	–	(22)
South Africa: Beverages	**1,050**	**41**	**1,091**	809	188	997
Corporate	**(231)**	**41**	**(190)**	(24)	(123)	(147)
Group	**5,013**	**(1,026)**	**3,987**	3,127	436	3,563

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 2012 US$m	Share of associates' and joint ventures' operating profit before exceptional items 2012 US$m	Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures' 2012 US$m	EBITA 2012 US$m	Operating profit before exceptional items 2011 US$m	Share of associates' and joint ventures' operating profit before exceptional items 2011 US$m	Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures' 2011 US$m	EBITA 2011 US$m
Latin America	**1,736**	**–**	**129**	**1,865**	1,497	–	123	1,620
Europe	**804**	**11**	**21**	**836**	857	2	28	887
North America	**–**	**711**	**45**	**756**	16	679	46	741
Africa	**422**	**318**	**3**	**743**	365	277	5	647
Asia Pacific	**124**	**132**	**65**	**321**	(22)	108	6	92
South Africa:	**1,091**	**211**	**1**	**1,303**	997	206	1	1,204
– Beverages	**1,091**	**77**	**–**	**1,168**	997	70	–	1,067
– Hotels and Gaming	**–**	**134**	**1**	**135**	–	136	1	137
Corporate	**(190)**	**–**	**–**	**(190)**	(147)	–	–	(147)
Group	**3,987**	**1,383**	**264**	**5,634**	3,563	1,272	209	5,044

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.

	2012 US$m	2011 US$m
Share of associates' and joint ventures' operating profit (before exceptional items)	**1,383**	1,272
Share of associates' and joint ventures' exceptional items	**11**	(31)
Share of associates' and joint ventures' net finance costs	**(30)**	(35)
Share of associates' and joint ventures' taxation	**(170)**	(139)
Share of associates' and joint ventures' non-controlling interests	**(42)**	(43)
Share of post-tax results of associates and joint ventures	**1,152**	1,024

2. Segmental analysis continued

EBITDA

The following table provides a reconciliation of EBITDA (the net cash generated from operations before working capital movements) to adjusted EBITDA. A reconciliation of profit for the year for the group to EBITDA after cash exceptional items for the group can be found in note 28a.

	EBITDA 2012 US$m	**Cash exceptional items 2012 US$m**	**Dividends received from MillerCoors 2012 US$m**	**Adjusted EBITDA 2012 US$m**	EBITDA 2011 US$m	Cash exceptional items 2011 US$m	Dividends received from MillerCoors 2011 US$m	Adjusted EBITDA 2011 US$m
Latin America	**2,068**	**112**	**–**	**2,180**	1,853	103	–	1,956
Europe	**1,067**	**58**	**–**	**1,125**	1,021	125	–	1,146
North America	**22**	**–**	**896**	**918**	27	–	822	849
Africa	**564**	**13**	**–**	**577**	517	4	–	521
Asia Pacific	**159**	**88**	**–**	**247**	17	–	–	17
South Africa: Beverages	**1,267**	**13**	**–**	**1,280**	1,143	42	–	1,185
Corporate	**(168)**	**24**	**–**	**(144)**	(76)	19	–	(57)
Group	**4,979**	**308**	**896**	**6,183**	4,502	293	822	5,617

Other segmental information

	Capital expenditure excluding investment activity[1] 2012 US$m	**Investment activity[2] 2012 US$m**	**Total 2012 US$m**	Capital expenditure excluding investment activity[1] 2011 US$m	Investment activity[2] 2011 US$m	Total 2011 US$m
Latin America	**522**	**(34)**	**488**	438	55	493
Europe	**324**	**17**	**341**	265	(2)	263
North America	**–**	**288**	**288**	–	171	171
Africa	**398**	**(82)**	**316**	211	24	235
Asia Pacific	**69**	**10,931**	**11,000**	54	15	69
South Africa:	**284**	**–**	**284**	275	(68)	207
– Beverages	**284**	**–**	**284**	275	–	275
– Hotels and Gaming	**–**	**–**	**–**	–	(68)	(68)
Corporate	**42**	**1**	**43**	72	3	75
Group	**1,639**	**11,121**	**12,760**	1,315	198	1,513

[1] Capital expenditure includes additions of intangible assets (excluding goodwill) and property, plant and equipment.

[2] Investment activity includes acquisitions and disposals of businesses, net investments in associates and joint ventures, purchases of shares in non-controlling interests and purchases and disposals of available for sale investments.

	Depreciation and amortisation	
	2012 US$m	2011 US$m
Latin America	**445**	461
Europe	**298**	309
Africa	**128**	126
Asia Pacific	**117**	29
South Africa: Beverages	**168**	176
Corporate	**26**	23
Group	**1,182**	1,124

Notes to the consolidated financial statements continued

2. Segmental analysis continued

Geographical information

The UK is the parent company'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

	2012 US$m	2011 US$m
UK	**359**	316
Australia	**1,025**	–
Colombia	**3,481**	3,145
South Africa	**5,150**	4,965
USA	**124**	108
Rest of world	**11,621**	10,874
Group	**21,760**	19,408

Non-current assets

	2012 US$m	2011[1] US$m
UK	**354**	333
Australia	**14,577**	101
Colombia	**8,727**	8,355
South Africa	**2,760**	2,939
USA	**5,777**	5,968
Rest of world	**17,865**	16,660
Group	**50,060**	34,356

[1] As restated (see note 29).

Non-current assets by location exclude amounts relating to derivative financial instruments and deferred tax assets.

3. Net operating expenses

	2012 US$m	2011 US$m
Cost of inventories recognised as an expense	**5,049**	4,640
– Changes in inventories of finished goods and work in progress	**18**	25
– Raw materials and consumables used	**5,031**	4,615
Excise duties[1]	**5,047**	4,263
Employee costs (see note 6a)	**2,502**	2,240
Depreciation of property, plant and equipment	**909**	904
– Owned assets	**669**	662
– Under finance lease	**3**	3
– Containers	**237**	239
Net profit on disposal of businesses	**(1,242)**	–
Profit on disposal of investment in associate	**(103)**	(159)
Gain on remeasurement of existing interest in joint venture on acquisition	**(66)**	–
Profit on disposal of property, plant and equipment	**(15)**	(5)
Amortisation of intangible assets	**273**	220
– Intangible assets (excluding software)	**218**	158
– Software	**55**	62
Other expenses	**4,906**	4,566
– Selling, marketing and distribution costs	**2,562**	2,249
– Repairs and maintenance expenditure on property, plant and equipment	**325**	315
– Impairment of intangible assets	**–**	14
– Impairment of property, plant and equipment	**–**	31
– Impairment of trade and other receivables	**25**	91
– Operating lease rentals – land and buildings	**60**	61
– Operating lease rentals – plant, vehicles and systems	**84**	78
– Research and development expenditure	**7**	7
– Acquisition-related costs	**109**	3
– Other operating expenses	**1,734**	1,717
Total net operating expenses by nature	**17,260**	16,669
Other income	**(513)**	(388)
– Revenue received from royalties	**(43)**	(40)
– Dividends received from investments	**(1)**	(1)
– Other operating income	**(469)**	(347)
Net operating expenses	**16,747**	16,281

[1] Excise duties of US$5,047 million (2011: US$4,263 million) have been incurred during the year as follows: Latin America US$1,843 million (2011: US$1,639 million); Europe US$1,204 million (2011: US$1,160 million); North America US$3 million (2011: US$2 million); Africa US$408 million (2011: US$324 million); Asia Pacific US$626 million (2011: US$219 million) and South Africa US$963 million (2011: US$919 million). The group's share of MillerCoors' excise duties incurred during the year was US$703 million (2011: US$719 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 loss of US$27 million (2011: gain of US$4 million).

Notes to the consolidated financial statements continued

3. Net operating expenses continued

The following fees were paid to a number of different accounting firms as auditors of various parts of the group.

	2012 US$m	2011 US$m
Group auditors		
Fees payable to the group's auditor and their associates for:		
The audit of parent company and consolidated financial statements	**3**	2
The audit of group subsidiaries pursuant to legislation	**8**	8
	11	10
Other services supplied pursuant to legislation	**1**	1
Services relating to taxation	**7**	3
Services relating to information technology[1]	**4**	1
Services relating to corporate finance transactions	**3**	–
Other services[1]	**3**	5
	29	20
Other audit firms		
Fees payable to other audit firms for:		
Auditing of subsidiaries, pursuant to legislation	**1**	2
Services relating to taxation	**2**	3
Services relating to information technology[1]	**8**	5
Services relating to corporate finance transactions	**1**	–
Services relating to internal audit	**1**	–
Other services[1]	**7**	9
	20	19

[1] Principally relating to the business capability programme.

4. Exceptional items

	2012 US$m	2011 US$m
Exceptional items included in operating profit:		
Net profit on disposal of businesses	**1,248**	–
Profit on disposal of investment in associate	**103**	159
Gain on remeasurement of existing interest in joint venture on acquisition	**66**	–
Litigation	**42**	–
Business capability programme costs	**(235)**	(296)
Transaction-related costs	**(109)**	–
Integration and restructuring costs	**(60)**	(52)
Broad-Based Black Economic Empowerment scheme costs	**(29)**	(149)
Impairments	**–**	(98)
Net exceptional gains/(losses) included within operating profit	**1,026**	(436)
Exceptional items included in net finance costs:		
Litigation-related interest income	**4**	–
Transaction-related net costs	**(26)**	–
Net exceptional losses included within net finance costs	**(22)**	–
Share of associates' and joint ventures' exceptional items:		
Profits/(losses) on transactions in associates	**46**	(26)
Impairments	**(35)**	–
Integration and restructuring costs	**–**	(5)
Share of associates' and joint ventures' exceptional gains/(losses)	**11**	(31)
Net taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items	**24**	2

4. Exceptional items continued

Exceptional items included in operating profit

Net profit on disposal of businesses

During 2012 a profit of US$1,195 million arose in Europe on the disposal of the group's Russian and Ukrainian businesses in exchange for a 24% interest in the enlarged Anadolu Efes group; a profit of US$67 million arose in Africa on the disposal of the group's Angolan operations in exchange for a 27.5% interest in BIH Angola; partially offset by a loss of US$14 million incurred in Europe primarily in relation to the recycling of the foreign currency translation reserve on the disposal of the distribution business in Italy.

Profit on disposal of investment in associate

During 2012 a profit of US$103 million was realised on the disposal of the group's investment in its associate, Kenya Breweries Ltd, in Africa.

In 2011 a profit of US$159 million arose on the partial disposal of the group's shareholding in Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun) as part of the Tsogo Sun/Gold Reef Resorts Ltd (GRR) merger.

Gain on remeasurement of existing interest in joint venture on acquisition

During 2012 the group acquired the remaining 50% interest which it did not already own in Pacific Beverages Pty Ltd (Pacific Beverages) from Coca-Cola Amatil Limited. This resulted in a US$66 million gain arising on the remeasurement to fair value of the group's existing interest.

Litigation

During 2012 in Europe a US$42 million anti-trust fine paid by Grolsch prior to its acquisition by SABMiller plc was annulled by the EU General Court and the payment refunded.

Business capability programme costs

The business capability programme will streamline finance, human resources and procurement activities through the deployment of global systems and introduce common sales, distribution and supply chain management systems. Costs of US$235 million have been incurred in the year (2011: US$296 million).

Transaction-related costs

During 2012 costs of US$109 million were incurred in relation to the Foster's Group Ltd (Foster's) transaction.

Integration and restructuring costs

During 2012 US$34 million of restructuring costs were incurred in Latin America, principally in Ecuador, Peru and the regional office, and US$26 million of integration costs were incurred in Asia Pacific following the Foster's and Pacific Beverages acquisitions.

In 2011 in Europe US$52 million of restructuring costs were incurred in Romania, the Netherlands, the Canary Islands and Italy.

Broad-Based Black Economic Empowerment scheme costs

US$29 million (2011: US$149 million) of costs have been incurred in relation to the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. This represents the ongoing IFRS 2 share-based payment charge in respect of the employee element of the scheme and in the prior year also, the one-off IFRS 2 charge in respect of the retailer element, together with the costs associated with the transaction.

Impairments

In 2011 impairment charges of US$98 million were incurred in Europe including charges following the classification of the in-house distribution business in Italy as held for sale and the closure of the Cluj brewery in Romania.

Exceptional items included in net finance costs

Litigation-related interest income

During 2012 US$4 million of interest was received in relation to the refund of the anti-trust fine in Europe.

Transaction-related net costs

During 2012 net costs of US$26 million were incurred primarily related to the Foster's transaction and included fees relating to financing facilities and premiums on derivative instruments which were partially offset by mark to market gains on derivative financial instruments taken out in anticipation of the transaction and where hedge accounting could not be applied.

Share of associates' and joint ventures' exceptional items

Profits/(losses) on transactions in associates

During 2012 Tsogo Sun released deferred consideration relating to a prior acquisition of which the group's share was US$13 million; US$10 million profit arose on Tsogo Sun's fair value accounting on the change in control on the acquisition of the outstanding stake in the Formula 1 chain; and a US$23 million profit arose in Africa being the group's share of Castel's profit on disposal of its subsidiary in Nigeria.

In 2011 the group's share of the impairment loss on Tsogo Sun's existing holding in GRR as a result of the merger transaction between these two businesses and costs associated with the transaction was US$26 million.

Impairments

During 2012 the group's share of MillerCoors' impairment of the Sparks brand amounted to US$35 million.

Integration and restructuring costs

In 2011 the group's share of MillerCoors' integration and restructuring costs was US$5 million primarily related to severance costs.

Net taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items

Net taxation credits of US$24 million (2011: US$2 million) arose in relation to exceptional items during the year and include US$13 million (2011: US$2 million) in relation to MillerCoors although the tax credit is recognised in Miller Brewing Company (see note 7).

Notes to the consolidated financial statements continued

5. Net finance costs

	2012 US$m	2011 US$m
a. Interest payable and similar charges		
Interest payable on bank loans and overdrafts	**170**	123
Interest payable on derivatives	**156**	163
Interest payable on corporate bonds	**463**	408
Interest element of finance lease payments	**1**	1
Net exchange losses/(gains) on financing activities	**13**	(14)
Net exchange losses on dividends[1]	**–**	9
Fair value losses on financial instruments:		
– Fair value losses on standalone derivative financial instruments	**144**	153
– Ineffectiveness of net investment hedges[1]	**4**	4
Exceptional interest payable and similar charges[1]	**96**	–
Other finance charges	**46**	36
Total interest payable and similar charges	**1,093**	883
b. Interest receivable and similar income		
Interest receivable	**55**	48
Interest receivable on derivatives	**226**	212
Fair value gains on financial instruments:		
– Fair value gains on standalone derivative financial instruments	**170**	92
– Fair value gains on dividend-related derivatives[1]	**3**	6
Net exchange gains on dividends[1]	**3**	–
Exceptional interest receivable and similar income[1]	**74**	–
Total interest receivable and similar income	**531**	358
Net finance costs	**562**	525

[1] These items have been excluded from the determination of adjusted earnings per share. Adjusted net finance costs are therefore US$542 million (2011: US$518 million).

Refer to note 23 – Financial risk factors for interest rate risk information.

6. Employee and key management compensation costs

a. Employee costs

	2012 US$m	2011 US$m
Wages and salaries	**2,038**	1,837
Share-based payments	**161**	130
Social security costs	**193**	172
Pension costs	**112**	114
Post-retirement benefits other than pensions	**13**	5
	2,517	2,258

Of the US$2,517 million employee costs shown above, US$15 million (2011: US$18 million) has been capitalised within intangible assets and property, plant and equipment.

b. Employee numbers

The average monthly number of employees are shown on a full-time equivalent basis, excluding employees of associated and joint venture undertakings and including executive directors.

	2012 Number	2011 Number
Latin America	**26,933**	25,691
Europe	**14,095**	14,239
North America	**76**	51
Africa	**13,596**	13,481
Asia Pacific	**3,804**	3,358
South Africa	**11,939**	11,897
Corporate	**701**	495
Group	**71,144**	69,212

6. Employee and key management compensation costs continued

c. Key management compensation

The directors of the group and members of the executive committee (excom) are defined as key management. At 31 March 2012 there were 27 (2011: 24) key management.

	2012 US$m	2011 US$m
Salaries and short-term employee benefits	**32**	26
Post-employment benefits	**2**	1
Share-based payments	**36**	31
	70	58

The key management figures given above include the directors.

d. Directors

	2012 US$m	2011 US$m
Aggregate emoluments £6,087,153 (2011: £6,559,226)	**10**	10
Aggregate gains made on the exercise of share options or vesting of share awards	**15**	2
Notional contributions to unfunded retirement benefits scheme £562,679 (2011: £nil)	**1**	–
	26	12

Malcolm Wyman retired from the board at the conclusion of the 2011 annual general meeting on 21 July 2011 and from full-time employment on 31 August 2011 after which he continued as a part-time employee up to 31 March 2012. Only his emoluments up to 21 July 2011 are included in the table above.

At 31 March 2012 one director (2011: two) had retirement benefits accruing under money purchase pension schemes. There were no company contributions to money purchase pension schemes during the year (2011: £nil).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 68 to 83.

7. Taxation

	2012 US$m	2011 US$m
Current taxation	**957**	808
– Charge for the year (UK corporation tax: US$39 million (2011: US$11 million))	**986**	817
– Adjustments in respect of prior years	**(29)**	(9)
Withholding taxes and other remittance taxes	**137**	101
Total current taxation	**1,094**	909
Deferred taxation	**32**	160
– Charge for the year (UK corporation tax credit: US$24 million (2011: US$nil))	**60**	183
– Adjustments in respect of prior years	**(3)**	(16)
– Rate change	**(25)**	(7)
Taxation expense	**1,126**	1,069
Tax credit relating to components of other comprehensive income is as follows:		
Deferred tax credit on actuarial gains and losses	**(71)**	(36)
Deferred tax (credit)/charge on financial instruments	**(30)**	14
	(101)	(22)
Total current tax	**1,094**	909
Total deferred tax	**(69)**	138
Total taxation	**1,025**	1,047
Effective tax rate (%)	**27.5**	28.2

See the financial definitions section for the definition of the effective tax rate. The calculation is on a basis consistent with that used in prior years and is also consistent with other group operating metrics. Tax on amortisation of intangible assets (excluding software) was US$72 million (2011: US$58 million).

MillerCoors is not a taxable entity. The tax balances and obligations therefore remain with Miller Brewing Company as a 100% subsidiary of the group. This subsidiary's tax charge includes tax (including deferred tax) on the group's share of the taxable profits of MillerCoors and includes tax in other comprehensive income on the group's share of MillerCoors' taxable items included within other comprehensive income.

Notes to the consolidated financial statements continued

7. Taxation continued

Tax rate reconciliation

	2012 US$m	2011 US$m
Profit before taxation	**5,603**	3,626
Less: share of post-tax results of associates and joint ventures	**(1,152)**	(1,024)
	4,451	2,602
Tax charge at standard UK rate of 26% (2011: 28%)	**1,157**	729
Exempt income	**(413)**	(21)
Other incentive allowances	**(63)**	(20)
Expenses not deductible for tax purposes	**47**	131
Deferred taxation on changes in tax legislation within Europe division countries	**–**	(64)
Deferred tax asset not recognised	**30**	32
Initial recognition of deferred taxation	**(10)**	–
Tax impact of MillerCoors joint venture	**179**	198
Withholding taxes and other remittance taxes	**137**	101
Other taxes	**28**	36
Adjustments in respect of foreign tax rates	**90**	(22)
Adjustments in respect of prior periods	**(32)**	(25)
Deferred taxation rate change	**(25)**	(7)
Deferred taxation on unremitted earnings of overseas subsidiaries	**1**	1
Total taxation expense	**1,126**	1,069

8. Earnings per share

	2012 US cents	2011 US cents
Basic earnings per share	**266.6**	152.8
Diluted earnings per share	**263.8**	151.8
Headline earnings per share	**179.8**	150.8
Adjusted basic earnings per share	**214.8**	191.5
Adjusted diluted earnings per share	**212.5**	190.3

The weighted average number of shares was:

	2012 Millions of shares	2011 Millions of shares
Ordinary shares	**1,661**	1,656
Treasury shares	**(72)**	(72)
EBT ordinary shares	**(6)**	(8)
Basic shares	**1,583**	1,576
Dilutive ordinary shares	**17**	10
Diluted shares	**1,600**	1,586

The calculation of diluted earnings per share excludes 8,362,920 (2011: 9,045,847) 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, 14,799,716 (2011: 12,842,609) share awards that were non-dilutive for the year because the performance conditions attached to the share awards have not been met and nil (2011: 732,869) shares in relation to the employee component of the BBBEE scheme that were non-dilutive for the year. These share incentives could potentially dilute earnings per share in the future.

Incentives involving 12,590,280 shares were granted after 31 March 2012 and before the date of signing of these financial statements.

8. Earnings per share continued

Adjusted and headline earnings

The group presents an adjusted earnings per share figure which excludes the impact of amortisation of intangible assets (excluding software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Adjusted earnings per share has been based on adjusted earnings for each financial year and on the same number of weighted average shares in issue as the basic earnings per share calculation. Headline earnings per share has been calculated in accordance with the South African Circular 3/2009 entitled 'Headline Earnings' which forms part of the listing requirements for the JSE Ltd (JSE). The adjustments made to arrive at headline earnings and adjusted earnings are as follows.

	2012 US$m	2011 US$m
Profit for the year attributable to owners of the parent	**4,221**	2,408
Headline adjustments		
Impairment of business held for sale	**–**	53
Impairment of intangible assets	**–**	14
Impairment of property, plant and equipment	**–**	31
Net profit on disposal of businesses	**(1,242)**	–
Profit on disposal of investment in associate	**(103)**	(159)
Gain on remeasurement of existing interest in joint venture on acquisition	**(66)**	–
Profit on disposal of property, plant and equipment	**(15)**	(5)
Tax effects of these items	**12**	14
Non-controlling interests' share of the above items	**40**	1
Share of joint ventures' and associates' headline adjustments, net of tax and non-controlling interests	**–**	20
Headline earnings	**2,847**	2,377
Business capability programme costs	**235**	296
Broad-Based Black Economic Empowerment scheme costs	**29**	149
Integration and restructuring costs	**60**	52
Transaction-related costs	**109**	–
Litigation	**(42)**	–
Litigation-related interest income	**(4)**	–
Net (gain)/loss on fair value movements on capital items[1]	**(2)**	7
Transaction-related net finance costs	**26**	–
Amortisation of intangible assets (excluding software)	**218**	158
Tax effects of the above items	**(101)**	(71)
Non-controlling interests' share of the above items	**(7)**	(10)
Share of joint ventures' and associates' other adjustments, net of tax and non-controlling interests	**32**	60
Adjusted earnings	**3,400**	3,018

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

9. Dividends

	2012 US$m	2011 US$m
Equity		
2011 Final dividend paid: 61.5 US cents (2010: 51.0 US cents) per ordinary share	**973**	806
2012 Interim dividend paid: 21.5 US cents (2011: 19.5 US cents) per ordinary share	**351**	309
	1,324	1,115

In addition, the directors are proposing a final dividend of 69.5 US cents per share in respect of the financial year ended 31 March 2012, which will absorb an estimated US$1,103 million of shareholders' funds. If approved by shareholders, the dividend will be paid on 17 August 2012 to shareholders registered on the London and Johannesburg registers on 10 August 2012. The total dividend per share for the year is 91.0 US cents (2011: 81.0 US cents).

Treasury shares do not attract dividends and the employee benefit trusts have both waived their right to receive dividends (further information can be found in note 27).

Notes to the consolidated financial statements continued

10. Goodwill

	US$m
Cost	
At 1 April 2010	11,918
Exchange adjustments	348
Acquisitions – through business combinations	43
At 31 March 2011[1]	12,309
Exchange adjustments	187
Acquisitions – through business combinations (provisional) (see note 30)	8,049
Disposals	(63)
Transfers to disposal group classified as held for sale (see note 19)	(29)
At 31 March 2012	**20,453**
Accumulated impairment	
At 1 April 2010	339
Exchange adjustments	16
At 31 March 2011	355
Exchange adjustments	(20)
Disposals	(10)
At 31 March 2012	**325**
Net book amount	
At 1 April 2010	11,579
At 31 March 2011[1]	11,954
At 31 March 2012	**20,128**

[1] As restated (see note 29).

2012
Provisional goodwill arose on the acquisition through business combinations in the year of Foster's and Pacific Beverages in Australia and International Breweries plc in Nigeria. The fair value exercises in respect of these business combinations have yet to be completed.

2011
Goodwill arose on the acquisition through business combinations of Cervecería Argentina SA Isenbeck (CASA Isenbeck) in Argentina and Crown Beverages Ltd (previously Crown Foods Ltd) in Kenya. The fair value exercises in respect of these business combinations are now complete.

Goodwill is monitored principally on an individual country basis and the net book value is allocated by cash generating unit (CGU) as follows.

	2012 US$m	2011[1] US$m
CGUs:		
Latin America:		
– Central America	**819**	830
– Colombia	**4,809**	4,590
– Peru	**1,744**	1,667
– Other Latin America	**243**	245
Europe:		
– Czech Republic	**976**	1,046
– Netherlands	**104**	109
– Italy	**431**	457
– Poland	**1,218**	1,343
– Other Europe	**77**	126
North America	**256**	256
Africa	**256**	181
Asia Pacific:		
– Australia	**8,215**	–
– India	**350**	392
– Other Asia Pacific	**12**	12
South Africa	**618**	700
	20,128	11,954

[1] As restated (see note 29).

10. Goodwill continued

Assumptions

The recoverable amount for a CGU is determined based on value in use calculations. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the CGU using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is reperformed 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 2013-2017	Post-tax discount rates	Long-term growth rates
Latin America	4.2%–18.6%	8.0%–13.1%	2.0%–3.0%
Europe	1.8%–8.9%	7.7%–9.9%	2.0%–3.5%
North America	8.5%	7.1%	2.5%
Africa	1.9%–15.1%	8.3%–12.6%	2.5%–7.1%
Asia Pacific	2.6%–19.2%	7.6%–10.3%	2.3%–7.0%
South Africa	2.8%	8.8%	3.0%

Impairment reviews results

As a result of the annual impairment reviews, no impairment losses have been recognised in the year (2011: US$nil).

Sensitivities to assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonably possible change in a single assumption will not cause an impairment loss in any of the group's CGUs.

Notes to the consolidated financial statements continued

11. Intangible assets

	Brands US$m	Computer software US$m	Other US$m	Total US$m
Cost				
At 1 April 2010	4,724	430	71	5,225
Exchange adjustments	106	21	4	131
Additions – separately acquired	20	102	4	126
Acquisitions – through business combinations	10	–	–	10
Transfers	–	3	(3)	–
Transfers from property, plant and equipment	–	8	–	8
Disposals	–	(23)	–	(23)
Transfers to disposal group classified as held for sale	–	(1)	(28)	(29)
At 31 March 2011[1]	4,860	540	48	5,448
Exchange adjustments	303	(32)	12	283
Additions – separately acquired	6	165	–	171
Acquisitions – through business combinations (see note 30)	4,775	–	596	5,371
Transfers from property, plant and equipment	–	3	–	3
Disposals	(28)	(30)	–	(58)
At 31 March 2012	**9,916**	**646**	**656**	**11,218**
Accumulated amortisation and impairment				
At 1 April 2010	617	223	31	871
Exchange adjustments	14	13	3	30
Amortisation	151	62	7	220
Disposals	–	(22)	–	(22)
Impairment	–	–	14	14
Transfers to disposal group classified as held for sale	–	(1)	(28)	(29)
At 31 March 2011	782	275	27	1,084
Exchange adjustments	23	(17)	(2)	4
Amortisation	201	55	17	273
Disposals	(18)	(26)	–	(44)
At 31 March 2012	**988**	**287**	**42**	**1,317**
Net book amount				
At 1 April 2010	4,107	207	40	4,354
At 31 March 2011[1]	4,078	265	21	4,364
At 31 March 2012	**8,928**	**359**	**614**	**9,901**

[1] As restated (see note 29).

During 2012 no impairment charge in respect of intangible assets was incurred (2011: US$14 million related to the impairment of intangible assets transferred to disposal group classified as held for sale).

At 31 March 2012 significant individual brands included within the carrying value of intangible assets are as follows.

	2012 US$m	2011 US$m	Amortisation period remaining (years)
Brand carrying value			
Carlton (Australia)	**2,181**	–	40
Águila (Colombia)	**1,557**	1,529	33
Victoria Bitter (Australia)	**1,101**	–	40
Cristal (Peru)	**646**	634	33
Grolsch (Netherlands)	**451**	492	36

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 2010	543	3,387	8,008	2,105	14,043
Exchange adjustments	3	126	300	87	516
Additions	551	45	352	273	1,221
Acquisitions – through business combinations	–	14	9	–	23
Breakages and shrinkage	–	–	–	(172)	(172)
Transfers	(733)	222	462	49	–
Transfers to intangible assets	(6)	–	(2)	–	(8)
Transfers to disposal group classified as held for sale	–	(5)	(66)	–	(71)
Disposals	–	(46)	(276)	(97)	(419)
At 31 March 2011[1]	358	3,743	8,787	2,245	15,133
Exchange adjustments	(15)	(99)	(350)	(106)	(570)
Additions	801	20	369	306	1,496
Acquisitions – through business combinations (see note 30)	54	342	515	12	923
Breakages and shrinkage	–	–	–	(73)	(73)
Transfers	(563)	118	383	62	–
Transfers to intangible assets	(3)	–	–	–	(3)
Transfers to disposal group classified as held for sale (see note 19)	–	(10)	(44)	–	(54)
Disposals	(48)	(354)	(1,268)	(379)	(2,049)
At 31 March 2012	**584**	**3,760**	**8,392**	**2,067**	**14,803**
Accumulated depreciation and impairment					
At 1 April 2010	–	553	3,552	1,023	5,128
Exchange adjustments	–	33	175	50	258
Provided during the year	–	80	585	239	904
Breakages and shrinkage	–	–	–	(123)	(123)
Impairment	–	10	21	–	31
Transfers to disposal group classified as held for sale	–	(5)	(66)	–	(71)
Transfers	–	–	(3)	3	–
Disposals	–	(4)	(248)	(73)	(325)
At 31 March 2011	–	667	4,016	1,119	5,802
Exchange adjustments	–	(29)	(174)	(57)	(260)
Provided during the year	–	78	594	237	909
Breakages and shrinkage	–	–	–	(26)	(26)
Transfers to disposal group classified as held for sale (see note 19)	–	(2)	(25)	–	(27)
Disposals	–	(42)	(635)	(217)	(894)
At 31 March 2012	**–**	**672**	**3,776**	**1,056**	**5,504**
Net book amount					
At 1 April 2010	543	2,834	4,456	1,082	8,915
At 31 March 2011[1]	358	3,076	4,771	1,126	9,331
At 31 March 2012	**584**	**3,088**	**4,616**	**1,011**	**9,299**

[1] As restated (see note 29).

Included in land and buildings is freehold land with a cost of US$742 million (2011: US$616 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.

	2012 US$m	2011 US$m
Net book amount	**34**	13

Included in the amounts above are the following amounts in respect of borrowing costs capitalised.

	2012 US$m	2011 US$m
At 1 April	**56**	58
Exchange adjustments	**(2)**	2
Amortised during the year	**(1)**	(6)
Capitalised during the year	**–**	2
At 31 March	**53**	56

Borrowing costs of US$nil (2011: US$2 million) were capitalised during the year.

Borrowings are secured by various of the group's property, plant and equipment with an aggregate net book value of US$20 million (2011: US$161 million).

13. Investments in joint ventures

A list of the group's significant investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in note 35 to the consolidated financial statements.

	US$m
At 1 April 2010	5,822
Exchange adjustments	12
Investments in joint ventures	186
Share of results retained	667
Share of losses recognised in other comprehensive income	(52)
Dividends received	(822)
At 31 March 2011	5,813
Investments in joint ventures	288
Transfer to subsidiary undertaking	(100)
Share of results retained	671
Share of losses recognised in other comprehensive income	(256)
Dividends received	(896)
At 31 March 2012	**5,520**

On 13 January 2012 the remaining 50% interest in Pacific Beverages was purchased and from this date the company has been accounted for as a subsidiary.

Summarised financial information for the group's interest in joint ventures is shown below.

	2012 US$m	2011 US$m
Revenue	**5,174**	5,157
Expenses	**(4,502)**	(4,489)
Profit after tax	**672**	668
Non-current assets	**5,613**	5,837
Current assets	**573**	675
Current liabilities	**(528)**	(531)
Non-current liabilities	**(801)**	(783)

14. Investments in associates

A list of the group's significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in note 35 to the consolidated financial statements.

	US$m
At 1 April 2010	2,213
Exchange adjustments	136
Investments in associates	168
Repayment of investments by associates	(68)
Share of results retained	357
Share of gains recognised in other comprehensive income	2
Dividends receivable	(89)
At 31 March 2011	2,719
Exchange adjustments	(107)
Investments in associates	2,056
Repayment of investments by associates	(14)
Acquisitions – through business combinations (see note 30)	65
Disposal of investments in associates	(104)
Share of results retained	481
Dividends receivable	(150)
At 31 March 2012	**4,946**

2012
On 1 January 2012 the group acquired a 27.5% interest in BIH Brasseries Internationales Holding (Angola) Ltd (BIH Angola) in exchange for contributing its Angolan businesses, including its associate, Empresa de Cervejas N'Gola SARL, into BIH Angola. Castel acquired the remaining 72.5% in BIH Angola, having contributed its Angolan businesses into BIH Angola.

On 6 March 2012 the group completed its strategic alliance with Anadolu Efes. The group's Russian business, SABMiller RUS LLC, and Ukrainian business, PJSC Miller Brands Ukraine, were contributed to Anadolu Efes, in exchange for a 24% equity stake in the enlarged Anadolu Efes group.

On 25 November 2011 the group disposed of its effective 12% investment in Kenya Breweries Ltd, generating a profit of US$103 million.

2011
On 24 February 2011 the Tsogo Sun Group merged with GRR, a Johannesburg Stock Exchange listed business, through an all share merger. The transaction was effected through the acquisition by GRR of Tsogo Sun, and the group exchanged its entire 49% shareholding in Tsogo Sun for a 39.68% shareholding in the listed enlarged entity which resulted in a profit of US$159 million on the partial disposal of the group's shareholding in Tsogo Sun and a loss of US$26 million being the group's share of its associate's loss on the merger transaction. The increase in the investments in associates includes US$159 million being the group's share of the fair value uplift on the investment in the enlarged entity.

On 4 November 2010 Tsogo Sun Gaming (Pty) Ltd, a wholly owned subsidiary of the group's associate, Tsogo Sun, repaid the ZAR490 million (US$68 million) preference shares issued to SABSA Holdings (Pty) Ltd, a wholly owned subsidiary of the group.

The analysis of associated undertakings between listed and unlisted investments is shown below.

	2012 US$m	2011 US$m
Listed	**2,536**	662
Unlisted	**2,410**	2,057
	4,946	2,719
As at 31 March the market value of listed investments included above is:		
– Anadolu Efes	**1,985**	–
– Distell Group Ltd	**574**	624
– Delta Corporation Ltd	**204**	188
– Tsogo Sun Holdings Ltd (formerly Gold Reef Resorts Ltd)	**1,032**	1,028

Summarised financial information for associates for total assets, total liabilities, revenue and profit or loss on a 100% basis is shown below.

	2012 US$m	2011 US$m
Total assets	**18,731**	14,046
Total liabilities	**(6,231)**	(5,730)
Revenue	**12,963**	10,921
Net profit	**1,760**	1,276

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 2010	32
Exchange adjustments	1
Additions	3
Impairment	(1)
At 31 March 2011	35
Exchange adjustments	(2)
Additions	1
Disposals	(3)
At 31 March 2012	**31**

	2012 US$m	2011 US$m
Analysed as:		
Non-current	**30**	35
Current	**1**	–
	31	35

In 2011 the impairment related to the full impairment of the available for sale investments transferred to disposal group classified as held for sale.

Available for sale investments are denominated in the following currencies.

	2012 US$m	2011 US$m
SA rand	**16**	18
US dollars	**9**	9
Peruvian nuevo sol	**2**	3
Other currencies	**4**	5
	31	35

An analysis of available for sale investments between listed and unlisted is shown below.

	2012 US$m	2011 US$m
Listed	**3**	3
Unlisted	**28**	32
	31	35

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

	2012 US$m	2011 US$m
Raw materials and consumables	**675**	746
Work in progress	**123**	122
Finished goods and goods for resale	**457**	388
	1,255	1,256

The following amount of inventories are expected to be utilised after 12 months.

	2012 US$m	2011 US$m
Raw materials and consumables	**43**	35

There were no borrowings secured on the inventories of the group (2011: US$nil).

An impairment charge of US$12 million was recognised in respect of inventories during the year (2011: US$20 million).

17. Trade and other receivables

	2012 US$m	2011 US$m
Trade receivables	**1,545**	1,380
Less: provision for impairment	**(140)**	(147)
Trade receivables – net	**1,405**	1,233
Other receivables	**495**	463
Less: provision for impairment	**(12)**	(14)
Other receivables – net	**483**	449
Amounts owed by associates	**205**	12
Amounts owed by joint ventures – trade	**6**	5
Prepayments and accrued income	**193**	128
Total trade and other receivables	**2,292**	1,827

	2012 US$m	2011 US$m
Analysed as:		
Current		
Trade receivables – net	**1,389**	1,219
Other receivables – net	**373**	326
Amounts owed by associates	**205**	12
Amounts owed by joint ventures – trade	**6**	5
Prepayments and accrued income	**183**	125
	2,156	1,687
Non-current		
Trade receivables – net	**16**	14
Other receivables – net	**110**	123
Prepayments and accrued income	**10**	3
	136	140

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

At 31 March 2012 trade and other receivables of US$441 million (2011: US$333 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 US$m	Within 30 days US$m	30-60 days US$m	60-90 days US$m	90-180 days US$m	Over 180 days US$m
At 31 March 2012						
Trade receivables	**1,140**	**129**	**58**	**15**	**23**	**29**
Other receivables	**356**	**16**	**13**	**4**	**18**	**3**
Amounts owed by associates	**72**	**8**	**6**	**–**	**12**	**107**
Amounts owed by joint ventures – trade	**6**	**–**	**–**	**–**	**–**	**–**
At 31 March 2011						
Trade receivables	944	133	53	23	23	37
Other receivables	180	36	8	5	6	9
Amounts owed by associates – trade	12	–	–	–	–	–
Amounts owed by joint ventures – trade	5	–	–	–	–	–

The group holds collateral as security for past due trade receivables to the value of US$28 million (2011: US$33 million) and for past due other receivables of US$nil (2011: US$1 million). Collateral held primarily includes bank guarantees and charges over assets.

At 31 March 2012 trade receivables of US$151 million (2011: US$167 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2012 was US$140 million (2011: US$147 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$1 million (2011: US$4 million).

At 31 March 2012 other receivables of US$13 million (2011: US$15 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2012 was US$12 million (2011: US$14 million) and reflects loans to customers which are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group did not hold collateral as security against specifically impaired other receivables at 31 March 2012 or 31 March 2011.

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.

	2012 US$m	2011 US$m
SA rand	**413**	397
US dollars	**355**	175
Australian dollars	**337**	3
Euro	**241**	229
Colombian peso	**162**	138
Czech koruna	**89**	97
British pound	**79**	87
Polish zloty	**142**	160
Other currencies	**474**	541
	2,292	1,827

Movements on the provisions for impairment of trade receivables and other receivables are as follows.

	Trade receivables		Other receivables	
	2012 US$m	2011 US$m	2012 US$m	2011 US$m
At 1 April	**(147)**	(156)	**(14)**	(11)
Provision for receivables impairment	**(25)**	(89)	**–**	(2)
Receivables written off during the year as uncollectible	**7**	35	**1**	–
Acquisitions – through business combinations	**(5)**	(1)	**–**	–
Disposals	**20**	–	**–**	–
Transfers to disposal group classified as held for sale	**1**	73	**–**	–
Exchange adjustments	**9**	(9)	**1**	(1)
At 31 March	**(140)**	(147)	**(12)**	(14)

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

	2012 US$m	2011 US$m
Short-term deposits	**103**	551
Cash at bank and in hand	**642**	516
	745	1,067

Cash and short-term deposits of US$144 million (2011: US$143 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.

Effective 1 January 2012 the group combined the operational management of its Angolan businesses, in Africa, with the Angolan businesses of its associate, Castel, with all of the Angolan businesses, in which the group retains an associate interest, being managed from that date by Castel. As a result, a participation in a bank loan of US$100 million previously owed by an Angolan subsidiary of the group is no longer entitled to be offset within borrowings. The loan participation has been separately disclosed on the balance sheet as a loan participation deposit, and in the cash flow statement, has not been treated as a cash and cash equivalent as it is not readily convertible into cash in accordance with IAS 7 'Statement of Cash Flows'.

19. Disposal group held for sale

Following the Foster's acquisition, and the subsequent purchase of the 50% interest in Pacific Beverages from Coca-Cola Amatil Ltd, the group has agreed to dispose of Foster's interests in its Fijian beverage operations, Foster's Group Pacific Limited (FGPL), subject to regulatory approvals. Accordingly the assets and liabilities related to FGPL have been presented as held for sale.

In the prior year, the assets and liabilities related to the in-house distribution business in Italy were presented as held for sale, and the disposal group presented within Europe in accordance with IFRS 8 'Operating segments'. The distribution business was disposed of on 13 June 2011.

a. Assets of disposal group classified as held for sale

	2012 US$m	2011 US$m
Goodwill	29	–
Property, plant and equipment	27	–
Inventories	18	19
Trade and other receivables	5	38
Current tax assets	–	5
Cash and cash equivalents	–	4
	79	66

b. Liabilities of disposal group classified as held for sale

	2012 US$m	2011 US$m
Borrowings	1	–
Trade and other payables	3	55
Provisions	1	10
Deferred tax liabilities	2	–
Current tax liabilities	–	1
	7	66

20. Trade and other payables

	2012 US$m	2011[1] US$m
Trade payables	1,262	1,103
Accruals	1,022	760
Deferred income	14	20
Containers in the hands of customers	449	493
Amounts owed to associates – trade	42	24
Amounts owed to joint ventures – trade	17	16
Deferred consideration for acquisitions	12	3
Excise duty payable	383	365
VAT and other taxes payable	248	189
Other payables	717	612
Total trade and other payables	4,166	3,585
Analysed as:		
Current		
Trade payables	1,262	1,103
Accruals	1,022	760
Deferred income	6	6
Containers in the hands of customers	449	493
Amounts owed to associates – trade	42	24
Amounts owed to joint ventures – trade	17	16
Deferred consideration for acquisitions	3	1
Excise duty payable	383	365
VAT and other taxes payable	248	189
Other payables	622	530
	4,054	3,487
Non-current		
Deferred income	8	14
Deferred consideration for acquisitions	9	2
Other payables	95	82
	112	98

[1] As restated (see note 29).

Notes to the consolidated financial statements continued

21. Deferred taxation

The movement on the net deferred tax liability is shown below.

	2012 US$m	2011 US$m
At 1 April	**2,394**	2,210
Exchange adjustments	**60**	45
Acquisitions – through business combinations (see note 30)	**1,460**	1
Transfers to disposal group classified as held for sale (see note 19)	**(2)**	–
Disposals	**(26)**	–
Rate change	**(25)**	(7)
Transfers to current tax	**(17)**	–
Charged to the income statement	**57**	167
Deferred tax on items (charged)/credited to other comprehensive income:		
– Financial instruments	**(30)**	14
– Actuarial gains and losses	**(71)**	(36)
At 31 March	**3,800**	2,394

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 2010	656	(13)	1,210	(97)	599	19	2,374
Exchange adjustments	23	1	27	(1)	–	(4)	46
Acquisitions – through business combinations	–	–	–	–	–	1	1
Rate change	(2)	–	(9)	–	–	1	(10)
Transfers from deferred tax assets	(3)	(5)	–	–	27	(53)	(34)
Charged/(credited) to the income statement	37	10	(41)	43	142	32	223
Deferred tax on items credited/(charged) to other comprehensive income:							
– Financial instruments	–	–	–	7	7	–	14
– Actuarial gains and losses	–	(9)	–	–	(27)	–	(36)
At 31 March 2011	711	(16)	1,187	(48)	748	(4)	2,578
Exchange adjustments	(32)	(1)	96	–	–	(8)	55
Acquisitions – through business combinations (see note 30)	21	–	1,601	5	–	(165)	1,462
Disposals	(49)	–	(2)	–	–	(4)	(55)
Rate change	–	–	–	–	–	(25)	(25)
Transfers to current tax	1	–	–	–	–	(16)	(15)
Transfers to/(from) deferred tax assets	2	–	–	–	–	(23)	(21)
Transfers to disposal group classified as held for sale	–	–	–	(2)	–	–	(2)
Charged/(credited) to the income statement	112	5	(62)	–	37	(51)	41
Deferred tax on items charged to other comprehensive income:							
– Financial instruments	–	–	–	(1)	(29)	–	(30)
– Actuarial gains and losses	–	(2)	–	–	(69)	–	(71)
At 31 March 2012	**766**	**(14)**	**2,820**	**(46)**	**687**	**(296)**	**3,917**

21. Deferred taxation continued

	Fixed asset allowances US$m	Pensions and post-retirement benefit provisions US$m	Provisions and accruals US$m	Other timing differences US$m	Total US$m
Deferred tax assets					
At 1 April 2010	3	7	67	87	164
Exchange adjustments	–	–	1	–	1
Rate change	–	–	–	(3)	(3)
Transfers to deferred tax liabilities	(3)	(5)	(21)	(5)	(34)
(Charged)/credited to the income statement	–	(2)	13	45	56
At 31 March 2011	–	–	60	124	184
Exchange adjustments	1	–	(1)	(5)	(5)
Acquisitions – through business combinations (see note 30)	2	–	–	–	2
Disposals	(4)	–	(7)	(18)	(29)
Transfers to current tax	–	–	–	2	2
Rate change	–	–	1	(1)	–
Transfers from/(to) deferred tax liabilities	2	–	(1)	(22)	(21)
(Charged)/credited to the income statement	(1)	–	5	(20)	(16)
At 31 March 2012	**–**	**–**	**57**	**60**	**117**

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 Pacific, Latin America and Corporate. 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$3,860 million (2011: US$2,568 million) are expected to fall due after more than one year.

Deferred tax assets of US$71 million (2011: US$103 million) are expected to be recovered after more than one year.

	2012 US$m	2011 US$m
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**161**	144
Tax credits	**–**	40
Capital allowances in excess of depreciation	**13**	11
Share-based payments	**25**	29
Other deductible temporary differences	**107**	113
	306	337

Deferred tax assets in respect of tax losses are not recognised unless there is convincing evidence that there will be sufficient profits in future years to recover the assets. A significant part of the tax losses arise in the UK and the value has been calculated at the substantively enacted rate of 24%. It has been announced that the rate will fall annually to 23% and 22% commencing 1 April 2013. The impact of these reductions is not anticipated to have a material impact on the financial statements.

The deferred tax assets will not expire, unlike 2011 where US$40 million tax credits were set to expire if conditions for utilisation were 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$37 million (2011: US$31 million) has been recognised. A deferred tax liability of US$51 million (2011: US$75 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$8,600 million (2011: US$6,900 million) relating to unremitted earnings of overseas subsidiaries where either the overseas profits will not be distributed in the foreseeable future, or, where there are plans to remit overseas earnings of subsidiaries, it is not expected that such distributions will give rise to a tax liability. No deferred tax liability is recognised as the group is able to control the timing of the reversal of these differences and it is probable that they will not reverse in the foreseeable future.

As a result of UK legislation which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional corporate taxes. However, remittance to the UK of those earnings may still result in a tax liability, principally as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate.

Notes to the consolidated financial statements continued

22. Borrowings

	2012 US$m	2011 US$m
Current		
Secured		
Overdrafts	10	21
Obligations under finance leases	5	4
Other secured loans	6	10
	21	35
Unsecured		
ZAR1,600 million 9.935% Notes due 2012[1]	209	–
COP370 billion IPC + 8.18% Ordinary Bonds due 2012[2]	220	–
US$600 million 6.2% Notes due 2011[3]	–	609
Other unsecured loans	484	464
Overdrafts	128	237
	1,041	1,310
Total current borrowings	1,062	1,345

The fair value of current borrowings equals the carrying amount, as the impact of discounting is not significant.

[1] On 19 July 2007 SABSA Holdings (Pty) Ltd issued ZAR1,600 million, 9.935% Guaranteed Notes due July 2012, guaranteed by SABMiller plc. The notes were issued under the ZAR4,000 million (increased to ZAR6,000 million on 24 December 2008) Domestic Medium Term Note Programme established on 17 July 2007. 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] With effect from 31 March 2011 98.7% of the bonds issued by Bavaria SA have been guaranteed by SABMiller plc.

[3] On 28 June 2006, SABMiller plc issued US$600 million, 6.2% Notes due July 2011. The notes were repaid on 1 July 2011.

	2012 US$m	2011 US$m
Non-current		
Secured		
Obligations under finance leases	16	5
Other secured loans	12	152
	28	157
Unsecured		
US$1,000 million 1.85% Notes due 2015[1,2,3]	1,000	–
US$2,000 million 2.45% Notes due 2017[1,2,3]	1,993	–
US$2,500 million 3.75% Notes due 2022[1,2,3]	2,483	–
US$1,500 million 4.95% Notes due 2042[1,2,3]	1,484	–
US$1,100 million 5.5% Notes due 2013[2,3,4,16]	1,124	1,138
€1,000 million 4.5% Notes due 2015[3,5,16]	1,367	1,417
US$300 million 6.625% Notes due 2033[2,3,6,16]	416	361
US$850 million 6.5% Notes due 2016[2,3,7,16]	960	943
US$550 million 5.7% Notes due 2014[2,3,8,16]	588	594
US$700 million 6.5% Notes due 2018[2,3,8,16]	811	759
PEN150 million 6.75% Notes due 2015[3,9,16]	56	53
US$300 million 4.875% Notes due 2014[2,3,10]	335	–
US$700 million 5.125% Notes due 2015[2,3,11]	730	–
US$300 million 7.875% Notes due 2016[3,12]	383	–
US$300 million 5.875% Notes due 2035[2,3,11]	358	–
COP640 billion IPC + 7.3% Ordinary Bonds due 2014[13]	391	387
COP561.8 billion IPC + 6.52% Ordinary Bonds due 2015[13]	320	335
COP370 billion IPC + 8.18% Ordinary Bonds due 2012[13]	–	213
COP338.5 billion IPC + 7.5% Ordinary Bonds due 2013[13]	205	199
ZAR1,600 million 9.935% Notes due 2012[3,14]	–	236
US$2,169 million unsecured loan due December 2014[15]	2,180	–
US$750 million unsecured loan due September 2016[15]	744	–
Other unsecured loans	208	323
	18,136	6,958
Total non-current borrowings	18,164	7,115
Total current and non-current borrowings	19,226	8,460
Analysed as:		
Borrowings	19,067	8,193
Obligations under finance leases	21	9
Overdrafts	138	258
	19,226	8,460

22. Borrowings continued

The fair value of non-current borrowings is US$18,821 million (2011: US$7,587 million). The fair values are based on a combination of market quoted prices and cash flows discounted using prevailing interest rates.

[1] On 17 January 2012 SABMiller Holdings Inc issued US$1,000 million, 1.85% Notes due January 2015, US$2,000 million, 2.45% Notes due January 2017, US$2,500 million, 3.75% Notes due January 2022 and US$1,500 million, 4.95% Notes due January 2042, guaranteed by SABMiller plc.

[2] The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount.

[3] The notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

[4] On 7 August 2003 Miller Brewing Company issued US$1,100 million, 5.5% Guaranteed Notes due August 2013. Since 1 July 2008 SABMiller plc has been the sole obligor of the notes.

[5] 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.

[6] On 7 August 2003 SABMiller plc issued US$300 million, 6.625% Guaranteed Notes due August 2033. Since 10 September 2010 the principal and interest in respect of the notes has not been guaranteed.

[7] On 28 June 2006 SABMiller plc issued US$850 million, 6.5% Notes due July 2016.

[8] On 17 July 2008 SABMiller plc issued US$550 million, 5.7% Notes due January 2014 and US$700 million, 6.5% Notes due July 2018.

[9] On 12 March 2010 SABMiller plc issued PEN150 million, 6.75% Notes due March 2015.

[10] On 5 October 2004 Foster's Finance Corp issued US$300 million, 4.875% Notes due October 2014, guaranteed by Foster's.

[11] On 28 June 2005 FBG Finance Ltd issued US$700 million, 5.125% Notes due June 2015 and US$300 million, 5.875% Notes due June 2035, guaranteed by Foster's.

[12] On 3 June 1996 FBG Finance Ltd issued US$300 million, 7.875% Notes due June 2016, guaranteed by Foster's.

[13] With effect from 31 March 2011 85.5% of the 2014 bonds, 94.0% of the 2015 bonds, 98.7% of the 2012 bonds and 97.4% of the 2013 bonds, all issued by Bavaria SA, have been guaranteed by SABMiller plc.

[14] On 19 July 2007 SABSA Holdings (Pty) Ltd issued ZAR1,600 million, 9.935% Guaranteed Notes due July 2012, guaranteed by SABMiller plc. The notes were issued under the ZAR4,000 million (increased to ZAR6,000 million on 24 December 2008) Domestic Medium Term Note Programme established on 17 July 2007.

[15] On 9 September 2011 the group entered into US$12,500 million, multicurrency committed syndicated facilities primarily for the purpose of acquiring Foster's. By 31 March 2012 US$9,081 million of this facility had been voluntarily cancelled. Of the remaining US$3,419 million facility, US$500 million is a revolving credit facility and undrawn.

[16] On 11 June 2012 SABMiller Holdings Inc entered into a contingent guarantee of the obligations of SABMiller plc in respect of these Notes and certain of its other present and future external borrowings. This guarantee takes effect upon the occurrence of certain insolvency events in relation to SABMiller plc.

Notes to the consolidated financial statements continued

22. Borrowings continued

Undrawn borrowing facilities

The group had the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date.

	2012 US$m	2011 US$m
Amounts expiring:		
Within one year	**774**	967
Between one and two years	**12**	2,118
Between two and five years	**788**	79
In five years or more	**2,236**	–
	3,810	3,164

In April 2011 the group entered into a five-year US$2,500 million committed syndicated facility, with the option of two one-year extensions. In March 2012 the maturity of US$2,236 million of this facility was extended to April 2017. This facility replaced the US$2,000 million and US$600 million committed syndicated facilities, which were both voluntarily cancelled and which are shown in the comparatives in the table above as expiring between one and two years and within one year respectively. The contingent guarantee referred to in footnote 16 on page 125 extends to the obligations of SABMiller plc in respect of this facility.

Maturity of obligations under finance leases

Obligations under finance leases are as follows.

	2012 US$m	2011 US$m
The minimum lease payments under finance leases fall due as follows.		
Within one year	**6**	4
Between one and five years	**17**	5
	23	9
Future finance charges	**(2)**	–
Present value of finance lease liabilities	**21**	9

Maturity of non-current financial liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 March was as follows.

	Borrowings and overdrafts US$m	Finance leases US$m	Net derivative financial assets[1] (note 24) US$m	2012 Total US$m	Borrowings and overdrafts US$m	Finance leases US$m	Net derivative financial assets[1] (note 24) US$m	2011 Total US$m
Amounts falling due:								
Between one and two years	**1,964**	**2**	**(8)**	**1,958**	593	–	(3)	590
Between two and five years	**10,605**	**14**	**(356)**	**10,263**	4,458	5	(80)	4,383
In five years or more	**5,579**	**–**	**(254)**	**5,325**	2,059	–	(228)	1,831
	18,148	**16**	**(618)**	**17,546**	7,110	5	(311)	6,804

[1] Net borrowings-related derivative financial instruments only.

23. Financial risk factors

Financial risk management

Overview

In the normal course of business, the group is exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

This note explains the group's exposure to each of the above risks, aided by quantitative disclosures included throughout these consolidated financial statements, and it summarises the policies and processes that are in place to measure and manage the risks arising, including those related to the management of capital.

The directors are ultimately responsible for the establishment and oversight of the group's risk management framework. An essential part of this framework is the role undertaken by the audit committee of the board, supported by the internal audit function, and by the chief financial officer, who in this regard is supported by the treasury committee and the group treasury function. Amongst other responsibilities, the audit committee reviews the internal control environment and risk management systems within the group and it reports its activities to the board. The board also receives a quarterly report on treasury activities, including confirmation of compliance with treasury risk management policies.

The group treasury function is responsible for the management of cash, borrowings and the financial risks arising in relation to interest rates and foreign exchange rates. The responsibility for the management of commodities exposures lies with the procurement functions within the group, including Trinity Procurement GmbH (Trinity), the group's centralised procurement function. Risk management of key brewing and packaging materials has now been substantially transferred to Trinity. Some of the risk management strategies include the use of derivatives, principally in the form of forward foreign currency contracts, cross currency swaps, interest rate swaps and exchange-traded futures contracts, in order to manage the currency, interest rate and commodities exposures arising from the group's operations. The group also purchases call options where these provide a cost-effective hedging alternative and, where they form part of an option collar strategy, the group also sells put options to reduce or eliminate the cost of purchased options. It is the policy of the group that no trading in financial instruments be undertaken.

The group's treasury policies are established to identify and analyse the financial risks faced by the group, to set appropriate risk limits and controls and to monitor exposures and adherence to limits.

a. Market risk

(i) Foreign exchange risk

The group is subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures into the group's US dollar reporting currency. The group seeks to mitigate this exposure, where cost effective, by borrowing in the same currencies as the functional currencies of its main operating units or by achieving the same effect through the use of forward foreign exchange contracts and currency swaps. An approximate nominal value of US$4,429 million of US dollar borrowings and €255 million of euro borrowings have been swapped into currencies that match the currency of the underlying operations of the group, including South African rand, Peruvian nuevo sol, Czech koruna, Polish zloty, Australian dollar and Colombian peso. Of these financial derivatives, US$2,406 million and €255 million are accounted for as net investment hedges.

The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

The group is also exposed to transactional currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of group entities. These exposures are presently managed locally by group entities which, subject to regulatory constraints or currency market limitations, hedge a proportion of their foreign currency exposure estimated to arise over a period of up to 18 months. Committed transactional exposures that are certain are hedged fully without limitation in time. The group principally uses forward exchange contracts to hedge currency risk.

Notes to the consolidated financial statements continued

23. Financial risk factors continued

The tables below set out the group's currency exposures from financial assets and liabilities held by group companies in currencies other than their functional currencies and resulting in exchange movements in the income statement and balance sheet.

	US dollars US$m	SA rand US$m	Australian dollars US$m	Euro US$m	Other European currencies US$m	Latin American currencies US$m	Other US$m	Total US$m
Financial assets								
Trade and other receivables	25	130	4	46	155	–	61	421
Derivative financial instruments[1]	2,273	40	–	543	231	–	21	3,108
Cash and cash equivalents	50	7	1	22	5	2	21	108
Intra-group assets	278	63	17	1,080	323	–	3	1,764
At 31 March 2012	2,626	240	22	1,691	714	2	106	5,401
Potential impact on earnings – (loss)/gain								
20% increase in functional currency	(345)	(40)	(4)	(211)	(81)	–	(15)	(696)
20% decrease in functional currency	414	47	4	254	97	–	19	835
Potential impact on other comprehensive income – (loss)/gain								
20% increase in functional currency	(93)	(1)	–	(71)	(39)	–	(2)	(206)
20% decrease in functional currency	111	1	–	85	46	–	2	245
Financial liabilities								
Trade and other payables	(160)	(54)	(18)	(159)	(384)	(19)	(21)	(815)
Derivative financial instruments[1]	(236)	(492)	(1,035)	(121)	(709)	(510)	–	(3,103)
Borrowings	(1,692)	–	(2,069)	(1,381)	–	(56)	(62)	(5,260)
Intra-group liabilities	(8)	(79)	(278)	(159)	(189)	–	(2)	(715)
At 31 March 2012	(2,096)	(625)	(3,400)	(1,820)	(1,282)	(585)	(85)	(9,893)
Potential impact on earnings – gain/(loss)								
20% increase in functional currency	349	22	49	287	95	3	15	820
20% decrease in functional currency	(419)	(27)	(59)	(344)	(115)	(4)	(16)	(984)
Potential impact on other comprehensive income – gain/(loss)								
20% increase in functional currency	–	82	517	17	118	95	–	829
20% decrease in functional currency	–	(98)	(621)	(20)	(142)	(113)	–	(994)

[1] These represent the notional amounts of derivative financial instruments.

23. Financial risk factors continued

	US dollars US$m	SA rand US$m	Euro US$m	Other European currencies US$m	Other African currencies US$m	Other US$m	Total US$m
Financial assets							
Trade and other receivables	34	216	42	2	62	92	448
Derivative financial instruments[1]	540	16	488	486	–	69	1,599
Cash and cash equivalents	45	10	121	7	13	14	210
Intra-group assets	143	–	1,338	539	–	29	2,049
At 31 March 2011	762	242	1,989	1,034	75	204	4,306
Potential impact on earnings – (loss)/gain							
20% increase in functional currency	(50)	(40)	(289)	(137)	(13)	(34)	(563)
20% decrease in functional currency	60	48	346	165	15	41	675
Potential impact on other comprehensive income – (loss)/gain							
20% increase in functional currency	(77)	–	(43)	(35)	–	–	(155)
20% decrease in functional currency	92	–	51	42	–	–	185
Financial liabilities							
Trade and other payables	(293)	(111)	(182)	(13)	(27)	(175)	(801)
Derivative financial instruments[1]	(93)	(668)	(355)	(1,195)	–	(117)	(2,428)
Borrowings	(40)	–	(1,515)	–	(43)	(147)	(1,745)
Intra-group liabilities	(12)	(146)	(314)	(306)	(1)	(43)	(822)
At 31 March 2011	(438)	(925)	(2,366)	(1,514)	(71)	(482)	(5,796)
Potential impact on earnings – gain/(loss)							
20% increase in functional currency	73	49	316	140	12	41	631
20% decrease in functional currency	(88)	(59)	(380)	(167)	(14)	(49)	(757)
Potential impact on other comprehensive income – gain/(loss)							
20% increase in functional currency	–	105	78	113	–	39	335
20% decrease in functional currency	–	(126)	(93)	(135)	–	(47)	(401)

[1] These represent the notional amounts of derivative financial instruments.

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$1,224 million at 31 March 2012 (2011: US$927 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, goodwill or to the income statement as appropriate.

The group holds net investment hedges totalling US$5,312 million at 31 March 2012 (2011: US$1,944 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.

Notes to the consolidated financial statements continued

23. Financial risk factors continued

(ii) Interest rate risk
As at 31 March 2012 43% (2011: 40%) of consolidated gross borrowings were in fixed rates taking into account interest rate swaps and forward rate agreements.

The group's policy is to borrow (directly or synthetically) in floating rates, reflecting the fact that floating rates are generally lower than fixed rates in the medium term. However, a minimum of 25% of consolidated net borrowings is required to be in fixed rates for a minimum duration of 12 months and the extent to which group borrowings may be in floating rates is restricted to the lower of 75% of consolidated net borrowings and that amount of net borrowings in floating rates that with a 1% increase in interest rates would increase finance costs by an amount equal to (but not more than) 1.20% of adjusted EBITDA. The policy also excludes borrowings arising from recent acquisitions and any inflation-linked debt, where there will be a natural hedge within business operations.

Exposure to movements in interest rates in group borrowings is managed through interest rate swaps and forward rate agreements. As at 31 March 2012 on a policy adjusted basis, excluding borrowings from recent acquisitions and any inflation-linked debt, 45% (2011: 44%) 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 0.44% (2011: 0.67%) of adjusted EBITDA.

The cash flow interest rate risk sensitivities on variable debt and interest rate swaps were:

	US dollars US$m	SA rand US$m	Australian dollars US$m	Euro US$m	Other European currencies US$m	Colombian peso US$m	Other US$m	Total US$m
At 31 March 2012								
Net debt[1]	**13,141**	**192**	**2,226**	**1,359**	**(34)**	**1,148**	**450**	**18,482**
Less: fixed rate debt	**(12,665)**	**–**	**–**	**(1,367)**	**–**	**–**	**(282)**	**(14,314)**
Variable rate debt	**476**	**192**	**2,226**	**(8)**	**(34)**	**1,148**	**168**	**4,168**
Adjust for:								
Financial derivatives	**3,692**	**183**	**1,083**	**885**	**139**	**–**	**–**	**5,982**
Net variable rate debt exposure	**4,168**	**375**	**3,309**	**877**	**105**	**1,148**	**168**	**10,150**
+/- 100 bps change **Potential impact on earnings**	**42**	**4**	**34**	**9**	**1**	**12**	**2**	**104**
+/- 100 bps change **Potential impact on other comprehensive income**	**–**	**–**	**12**	**–**	**–**	**–**	**–**	**12**
At 31 March 2011								
Net debt[1]	4,011	263	18	1,416	(23)	1,106	598	7,389
Less: fixed rate debt	(4,404)	(236)	–	(1,417)	–	–	(168)	(6,225)
Variable rate debt	(393)	27	18	(1)	(23)	1,106	430	1,164
Adjust for:								
Financial derivatives	1,380	202	–	705	564	–	–	2,851
Net variable rate debt exposure	987	229	18	704	541	1,106	430	4,015
+/- 100 bps change **Potential impact on earnings**	10	2	–	7	5	11	5	40
+/- 100 bps change **Potential impact on other comprehensive income**	–	–	–	3	–	–	–	3

[1] Excluding net borrowings-related derivative instruments.

Fair value sensitivity analysis for fixed income instruments

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed rates of interest that are accounted for at amortised cost are not subject to interest rate risk as defined in IFRS 7.

The group holds derivative contracts with a nominal value of US$6,217 million as at 31 March 2012 (2011: US$2,933 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 2011.

23. Financial risk factors continued

Interest rate profiles of financial liabilities

The following table sets out the contractual repricing included within the underlying borrowings (excluding net borrowings-related derivatives) exposed to either fixed interest rates or floating interest rates and revises this for the repricing effect of interest rate and cross currency swaps.

	2012			2011		
	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	**5,138**	**5,981**	**11,119**	2,959	2,834	5,793
Between one and two years	**1,712**	**(900)**	**812**	–	–	–
Between two and five years	**6,824**	**(3,874)**	**2,950**	3,438	(1,459)	1,979
In five years or more	**5,552**	**(1,207)**	**4,345**	2,063	(1,375)	688
Total interest bearing	**19,226**	**–**	**19,226**	8,460	–	8,460
Analysed as:						
Fixed rate interest	**14,314**	**(5,981)**	**8,333**	6,225	(2,834)	3,391
Floating rate interest	**4,912**	**5,981**	**10,893**	2,235	2,834	5,069
Total interest bearing	**19,226**	**–**	**19,226**	8,460	–	8,460

(iii) Price risk

Commodity price risk

The group is exposed to variability in the price of commodities used in the production or in the packaging of finished products, such as the price of malt, barley, sugar and aluminium. Commodity price risk is managed within minimum and maximum guard rails principally through multi-year fixed price contracts with suppliers and, where appropriate, derivative contracts. The group hedges a proportion of commodity supply and price risk for a period of up to five years. Where derivative contracts are used the group manages exposures principally through exchange-traded futures, forwards and swaps.

At 31 March 2012 the notional value of commodity derivatives amounted to US$36 million (2011: US$21 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 dealing only with counterparties with a minimum credit rating of BBB- by Standard & Poor's and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, a maximum limit of US$4 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$3,657 million (2011: US$2,984 million) which is the total of the group's financial assets.

c. Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group finances its operations through cash generated by the business and a mixture of short-term and medium-term bank credit facilities, bank loans, corporate bonds and commercial paper with a range of maturity dates. In this way, the group ensures that it is not overly reliant on any particular liquidity source or that maturities of borrowings sourced in this way are not overly concentrated.

Subsidiaries have access to local bank credit facilities, but are principally funded by the group.

At 31 March 2012 the group had the following core lines of credit that were available for general corporate purposes.

SABMiller plc:
- US$2,500 million committed syndicated facility, of which US$264 million is due to expire in April 2016 and US$2,236 million is due to expire in April 2017.

SABMiller Holdings Inc:
- US$500 million revolving credit facility, which is due to expire in September 2016.

Notes to the consolidated financial statements continued

23. Financial risk factors continued

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 2012 borrowing capacity under committed bank facilities amounted to US$3,810 million (2011: US$3,164 million).

The table below analyses the group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Over 5 years US$m
At 31 March 2012				
Borrowings	**(1,803)**	**(2,904)**	**(11,763)**	**(8,361)**
Derivative financial instruments	**(18)**	**16**	**(11)**	**(35)**
Trade and other payables	**(3,416)**	**(95)**	**(7)**	**(4)**
Financial guarantee contracts	**(6)**	**(2)**	**(6)**	**(4)**
At 31 March 2011[1]				
Borrowings	(1,689)	(1,096)	(4,380)	(2,003)
Derivative financial instruments	(124)	(18)	(21)	(2)
Trade and other payables	(2,927)	(73)	–	–
Financial guarantee contracts	(5)	(3)	–	–

[1] As restated (see note 29).

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Over 5 years US$m
At 31 March 2012				
Forward foreign exchange contracts				
Outflow	**(399)**	**(12)**	**–**	**–**
Inflow	**401**	**12**	**–**	**–**
Cross currency swaps				
Outflow	**(278)**	**(346)**	**(1,686)**	**(866)**
Inflow	**216**	**331**	**1,637**	**877**
At 31 March 2011				
Forward foreign exchange contracts				
Outflow	(423)	(30)	–	–
Inflow	384	30	–	–
Cross currency swaps				
Outflow	(29)	(33)	(315)	(422)
Inflow	19	23	326	446

Capital management

The capital structure of the group consists of net debt (see note 28c) and shareholders' equity.

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Besides the minimum capitalisation rules that may apply to subsidiaries in different countries, the group's only externally imposed capital requirement relates to the group's core lines of credit which include a net debt to EBITDA financial covenant which was complied with throughout the year.

The group monitors its financial capacity and credit ratings by reference to a number of key financial ratios and cash flow metrics including net debt to adjusted EBITDA and interest cover. These provide a framework within which the group's capital base is managed including dividend policy. If the group fails to meet the financial targets required by the ratings agencies, a credit rating downgrade could impact the average interest rate of borrowings of the group and the future availability of credit to the group.

The group is currently rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services, both with a stable outlook.

23. Financial risk factors continued

Fair value estimation
The following table presents the group's financial assets and liabilities that are measured at fair value.

	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
At 31 March 2012				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	**–**	**756**	**–**	**756**
Available for sale investments	**1**	**18**	**12**	**31**
Total assets	**1**	**774**	**12**	**787**
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**–**	**(109)**	**–**	**(109)**
Total liabilities	**–**	**(109)**	**–**	**(109)**
At 31 March 2011				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	346	–	346
Available for sale investments	1	19	15	35
Total assets	1	365	15	381
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	(135)	–	(135)
Total liabilities	–	(135)	–	(135)

The levels of the fair value hierarchy and its application to the group's financial assets and liabilities are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices):

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives or infrequently traded listed investments) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data:

Specific valuation techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

The following table presents the changes in level 3 instruments for the years ended 31 March.

	Available for sale investments	
	2012 US$m	2011 US$m
At 1 April	**15**	15
Exchange adjustments	**(1)**	–
Additions	**–**	1
Disposals	**(2)**	–
Impairments	**–**	(1)
At 31 March	**12**	15

Notes to the consolidated financial statements continued

24. Derivative financial instruments

Current derivative financial instruments

	2012 Assets US$m	2012 Liabilities US$m	2011 Assets US$m	2011 Liabilities US$m
Embedded derivatives	**–**	**(1)**	–	–
Forward foreign currency contracts – on operating items	**7**	**(13)**	3	(12)
Forward foreign currency contracts – on borrowings[1]	**14**	**(12)**	1	(1)
Forward foreign currency contracts designated as net investment hedges	**–**	**–**	–	(13)
Forward foreign currency contracts designated as cash flow hedges	**3**	**(12)**	8	(11)
Cross currency swaps – on borrowings[1]	**–**	**–**	–	(13)
Commodity contracts designated as cash flow hedges	**–**	**(2)**	4	–
	24	**(40)**	16	(50)

[1] Borrowings-related derivative financial instruments amounting to a net asset of US$2 million (2011: net liability of US$13 million).

Non-current derivative financial instruments

	2012 Assets US$m	2012 Liabilities US$m	2011 Assets US$m	2011 Liabilities US$m
Interest rate swaps designated as fair value hedges[1]	**394**	**(18)**	269	(4)
Interest rate swaps designated as cash flow hedges[1]	**–**	**(4)**	–	(7)
Interest rate swaps – on borrowings[1]	**55**	**(9)**	–	–
Forward foreign currency contracts – on borrowings[1]	**5**	**–**	4	(1)
Forward foreign currency contracts – on operating items designated as net investment hedges	**42**	**(21)**	1	(16)
Forward foreign currency contracts – on borrowings designated as net investment hedges[1]	**–**	**(10)**	–	–
Cross currency swaps – on borrowings[1]	**74**	**–**	50	–
Cross currency swaps designated as cash flow hedges[1]	**18**	**–**	–	–
Cross currency swaps designated as fair value hedges[1]	**113**	**–**	–	–
Cross currency swaps designated as net investment hedges	**31**	**(7)**	6	(56)
Commodity contracts designated as cash flow hedges	**–**	**–**	–	(1)
	732	**(69)**	330	(85)

[1] Borrowings-related derivative financial instruments amounting to a net asset of US$618 million (2011: US$311 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 2012 the notional amount of the US dollar interest rate swaps was US$3,950 million (2011: US$2,225 million). The fixed interest rates received vary from 1.85% to 6.625% (2011: 5.5% to 6.625%) and the floating interest rates paid vary from LIBOR plus 71.6 bps to LIBOR plus 177.8 bps (2011: LIBOR plus 71.6 bps to LIBOR plus 198.8 bps) on the notional amount.

As at 31 March 2012 the notional amount of the euro interest rate swaps was €500 million (2011: €500 million). The fixed interest rates received are 4.5% (2011: 4.5%) and floating interest rates paid vary from EURIBOR plus 177 bps to EURIBOR plus 178 bps on the notional amount (2011: EURIBOR plus 177 bps to EURIBOR plus 178 bps on the notional amount).

Foster's has entered into interest rate swaps and cross currency interest rate swaps, the cumulative effect of which is to receive fixed US dollar interest and pay Australian dollar floating interest, and to convert the profile of the US dollar borrowings into Australian dollars. These swaps have been designated as fair value hedges to hedge the exposure of the Australian operations to changes in the fair value of the US dollar borrowings.

As at 31 March 2012 the notional amount of the interest rate swaps was US$600 million (2011: US$nil). The fixed interest rates received vary from 4.875% to 7.875% and the floating rates paid vary from LIBOR plus 47 bps to LIBOR plus 73 bps on the notional amounts.

24. Derivative financial instruments continued

The notional amount of the cross currency interest rate swaps was US$1,600 million (2011: US$nil). These were:

- US$1,000 million received US dollar fixed rate interest varying from 5.125% to 5.875% and paid floating Australian dollar interest with rates varying from Australian bank bills plus 268 bps to Australian bank bills plus 410 bps; and
- US$600 million received floating US dollar interest with rates varying from LIBOR plus 47 bps to LIBOR plus 71 bps and paid floating Australian dollar interest with rates varying from Australian bank bills plus 87 bps to Australian bank bills plus 117 bps.

As at 31 March 2012 the carrying value of the hedged borrowings was US$6,827 million (2011: US$3,212 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$515 million equivalent (2011: US$99 million). The fair value of these interest rate swaps was a liability of US$4 million (2011: US$7 million). The fixed interest rate paid varies from 4.27% to 4.38% (2011: 4.7%) and the floating rates received are Australian bank bills plus zero bps (2011: EURIBOR plus zero bps). As at 31 March 2012 the carrying value of the hedged borrowings was US$535 million (2011: US$99 million).

The group has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exposures to expected net operating costs including future trade imports and exports. As at 31 March 2012 the notional amounts of these contracts were €317 million, US$557 million, GBP128 million and Czech koruna (CZK) 12 million (2011: €182 million, US$460 million, GBP120 million and CZK299 million).

The group has entered into commodity contracts designated as cash flow hedges to manage the future price of commodities. As at 31 March 2012 the notional amount of forward contracts for the purchase price of corn was US$3 million (2011: US$2 million) and the notional amount of forward contracts for the purchase price of aluminium was US$33 million (2011: US$19 million).

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact the income statement.

	Carrying amount US$m	Expected cash flows US$m	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	More than 5 years US$m
At 31 March 2012						
Interest rate swaps:						
Liabilities	**(4)**	**(4)**	**(1)**	**(2)**	**(1)**	**–**
Forward foreign currency contracts:						
Assets	**3**	**4**	**4**	**–**	**–**	**–**
Liabilities	**(12)**	**(13)**	**(13)**	**–**	**–**	**–**
Commodity contracts:						
Liabilities	**(2)**	**(2)**	**(2)**	**–**	**–**	**–**
	(15)	**(15)**	**(12)**	**(2)**	**(1)**	**–**
At 31 March 2011						
Interest rate swaps:						
Liabilities	(7)	(7)	(2)	(2)	(3)	–
Forward foreign currency contracts:						
Assets	8	9	9	–	–	–
Liabilities	(11)	(12)	(12)	–	–	–
Commodity contracts:						
Assets	4	4	4	–	–	–
Liabilities	(1)	(1)	–	(1)	–	–
	(7)	(7)	(1)	(3)	(3)	–

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24. Derivative financial instruments continued

(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, Australia, the Czech Republic, Poland, Colombia and Peru to hedge the group's exposure to foreign exchange risk on these investments. Net losses relating to forward foreign currency contracts and cross currency swaps of US$1 million (2011: US$137 million) have been recognised in other comprehensive income.

Analysis of notional amounts on financial instruments designated as net investment hedges:

	2012 m	2011 m
Forward foreign currency contracts:		
SA rand (ZAR)	**2,374**	1,459
Czech koruna (CZK)	**6,825**	5,500
Peruvian nuevo sol (PEN)	**631**	328
Australian dollars (AUD)	**1,000**	–
Polish zloty (PLN)	**630**	–
Colombian pesos (COP)	**490,476**	–
Cross currency swaps:		
SA rand (ZAR)	**1,404**	2,799
Polish zloty (PLN)	**433**	649
Czech koruna (CZK)	**–**	2,258

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 2012 the notional amounts of these contracts were €91 million, US$150 million and ZAR37 million (2011: €83 million and US$136 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 2012 the notional amounts of these contracts were €60 million, GBP34 million, Romanian lei (RON) 196 million, Polish zloty (PLN) 189 million, Swiss franc (CHF) 15 million, South African rand (ZAR) 632 million, Czech koruna (CZK) 1,425 million and Australian dollars (AUD) 209 million (2011: €21 million, GBP25 million, Russian rouble (RUB) 2,530 million, RON319 million, PLN230 million, CHF15 million, ZAR66 million and CZK2,500 million).

(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 2012 the notional amounts of these contracts were €317 million (2011: €317 million, RUB1,400 million and PLN443 million).

Fair value gain/(loss) on financial instruments recognised in the income statement

	2012 US$m	2011 US$m
Derivative financial instruments:		
Interest rate swaps	**(8)**	–
Interest rate swaps designated as fair value hedges	**104**	12
Forward foreign currency contracts	**76**	(13)
Forward foreign currency contracts designated as fair value hedges	**8**	3
Cross currency swaps	**27**	(39)
Cross currency swaps designated as net investment hedges	**(4)**	(4)
Other fair value gains	**30**	–
	233	(41)
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	**(104)**	(14)
Total fair value gain/(loss) on financial instruments recognised in the income statement	**129**	(55)

Fair value gains or losses on borrowings, derivative financial instruments held to hedge interest rate risk on borrowings and derivative financial instruments acquired to hedge the risks of the Foster's acquisition are recognised as part of net finance costs. Fair value gains or losses on all other derivative financial instruments are recognised in operating profit.

24. Derivative financial instruments continued

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 2012								
Assets								
Available for sale investments	**–**	**–**	**31**	**–**	**–**	**31**	**30**	**1**
Derivative financial instruments	**756**	**–**	**–**	**–**	**–**	**756**	**732**	**24**
Trade and other receivables	**–**	**2,025**	**–**	**–**	**267**	**2,292**	**136**	**2,156**
Loan participation deposit	**–**	**100**	**–**	**–**	**–**	**100**	**100**	**–**
Cash and cash equivalents	**–**	**745**	**–**	**–**	**–**	**745**	**–**	**745**
Liabilities								
Derivative financial instruments	**(109)**	**–**	**–**	**–**	**–**	**(109)**	**(69)**	**(40)**
Borrowings	**–**	**–**	**–**	**(19,226)**	**–**	**(19,226)**	**(18,164)**	**(1,062)**
Trade and other payables	**–**	**–**	**–**	**(3,521)**	**(645)**	**(4,166)**	**(112)**	**(4,054)**
At 31 March 2011[1]								
Assets								
Available for sale investments	–	–	35	–	–	35	35	–
Derivative financial instruments	346	–	–	–	–	346	330	16
Trade and other receivables	–	1,536	–	–	291	1,827	140	1,687
Cash and cash equivalents	–	1,067	–	–	–	1,067	–	1,067
Liabilities								
Derivative financial instruments	(135)	–	–	–	–	(135)	(85)	(50)
Borrowings	–	–	–	(8,460)	–	(8,460)	(7,115)	(1,345)
Trade and other payables	–	–	–	(3,011)	(574)	(3,585)	(98)	(3,487)

[1] As restated (see note 29).

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25. Provisions

	Demerged entities and litigation US$m	Post-retirement benefits US$m	Taxation-related US$m	Restructuring US$m	Payroll-related US$m	Onerous contracts US$m	Other US$m	Total US$m
At 1 April 2010	78	290	308	32	52	6	42	808
Exchange adjustments	4	10	7	3	2	–	1	27
Acquisitions – through business combinations	6	1	–	–	–	4	–	11
Charged/(credited) to the income statement								
– Additional provision in year	12	28	21	49	15	1	12	138
– Unused amounts reversed	–	(6)	(24)	–	(3)	–	–	(33)
Utilised in the year	(5)	(35)	(10)	(14)	(20)	(4)	(8)	(96)
Actuarial losses recorded in other comprehensive income	–	28	–	–	–	–	–	28
Transfers to disposal group classified as held for sale	(1)	(6)	–	–	–	–	(3)	(10)
At 31 March 2011[1]	94	310	302	70	46	7	44	873
Exchange adjustments	(3)	(1)	(1)	2	1	7	4	9
Acquisitions – through business combinations	13	1	79	149	58	188	37	525
Disposals	(1)	–	–	(10)	(1)	–	(9)	(21)
Charged/(credited) to the income statement								
– Additional provision in year	4	28	3	23	17	2	37	114
– Unused amounts reversed	–	(10)	(54)	(1)	(1)	–	–	(66)
Utilised in the year	(7)	(28)	(26)	(31)	(14)	(13)	(20)	(139)
Actuarial losses recorded in other comprehensive income	–	9	–	–	–	–	–	9
Transfers to disposal group classified as held for sale (see note 19)	–	–	–	–	(1)	–	–	(1)
Transfer between categories	3	–	5	4	(4)	–	(8)	–
At 31 March 2012	**103**	**309**	**308**	**206**	**101**	**191**	**85**	**1,303**
Analysed as:								
Current	65	6	265	195	61	63	62	717
Non–current	38	303	43	11	40	128	23	586
	103	**309**	**308**	**206**	**101**	**191**	**85**	**1,303**

[1] As restated (see note 29).

Demerged entities and litigation
During the year ended 31 March 1998 the group recognised a provision of US$73 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 2012 US$2 million (2011: 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$13 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$90 million (2011: US$76 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 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, Africa and Asia Pacific. The principal assumptions on which these provisions are based are disclosed in note 32.

25. Provisions continued

Taxation-related
The group has recognised various provisions in relation to taxation exposures it believes may arise. The provisions principally relate to non-corporate taxation and interest and penalties on corporate taxation in respect of a number of group companies. Any settlement in respect of these amounts will occur as and when the assessments are finalised with the respective tax authorities.

Restructuring
This includes the remaining provision for restructuring costs related to Europe which management expects to be utilised within five years, and provisions for costs related to pre-existing demerger costs and demerger warranties in Foster's in Australia which are expected to be utilised within one year.

Payroll-related
This principally relates to employee long service awards of US$19 million (2011: US$20 million) within South Africa and US$15 million (US$22 million) within Latin America, which are expected to be utilised on an ongoing basis when service awards fall due. Payroll-related provisions also include US$46 million (2011: US$nil) within Asia Pacific relating to employee entitlement provisions.

Onerous contracts
This includes provisions for unfavourable supply contracts for malt, glass, aluminium cans and concentrated fruit juice for non-alcoholic beverages, as well as provisions for surplus property leases in Australia, which management expect to be utilised within eight years.

Other provisions
Included within other provisions are environmental provisions, insurance provisions and other provisions. These are primarily expected to be utilised within five years.

26. Share capital

	2012 US$m	2011 US$m
Group and company		
Called up, allotted and fully paid share capital		
1,664,323,483 ordinary shares of 10 US cents each (2011: 1,659,040,014)	**166**	166
50,000 deferred shares of £1.00 each (2011: 50,000)	**–**	–
	166	166

	Ordinary shares of 10 US cents each	Deferred shares of £1 each	Nominal value US$m
At 1 April 2010	1,654,749,852	50,000	165
Issue of shares – share incentive plans	4,290,162	–	1
At 31 March 2011	1,659,040,014	50,000	166
Issue of shares – share incentive plans	5,283,469	–	–
At 31 March 2012	**1,664,323,483**	**50,000**	**166**

Changes to authorised share capital
With effect from 1 October 2009 the company adopted new articles of association which removed any previous limit on the authorised share capital. Directors are still limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee shares plans.

Changes to issued share capital
During the year the company issued 5,283,469 (2011: 4,290,162) new ordinary shares of 10 US cents to satisfy the exercise of options granted under the various share incentive plans, for consideration of US$96 million (2011: US$73 million).

Notes to the consolidated financial statements continued

26. Share capital continued

Rights and restrictions relating to share capital

Convertible participating shares

Altria is entitled to require the company to convert its ordinary shares into convertible participating shares so as to ensure that Altria's voting shareholding does not exceed 24.99% of the total voting shareholding.

If such an event occurs, the convertible participating shares will rank pari passu with the ordinary shares in all respects and no action shall be taken by the company in relation to ordinary shares unless the same action is taken in respect of the convertible participating shares. On distribution of the profits (whether by cash dividend, dividend in specie, scrip dividend, capitalisation issue or otherwise), the convertible participating shares will rank pari passu with the ordinary shares. On a return of capital (whether winding-up or otherwise), the convertible participating shares will rank pari passu with the ordinary shares.

Altria is entitled to vote its convertible participating shares at general meetings of the company on a poll on the basis of one-tenth of a vote for every convertible participating share on all resolutions other than a resolution:

(i) proposed by any person other than Altria, to wind-up the company;

(ii) proposed by any person other than Altria, to appoint an administrator or to approve any arrangement with the company's creditors;

(iii) proposed by the board, to sell all or substantially all of the undertaking of the company; or

(iv) proposed by any person other than Altria, to alter any of the class rights attaching to the convertible participating shares or to approve the creation of any new class of shares,

in which case Altria shall be entitled on a poll to vote on the resolution on the basis of one vote for each convertible participating share, but, for the purposes of any resolution other than a resolution mentioned in (iv) above, the convertible participating shares shall be treated as being of the same class as the ordinary shares and no separate meeting or resolution of the holders of the convertible participating shares shall be required to be convened or passed.

Upon a transfer of convertible participating shares by Altria other than to an affiliate, such convertible participating shares shall convert into ordinary shares.

Altria is entitled to require the company to convert its convertible participating shares into ordinary shares if:

(i) a third party has made a takeover offer for the company and (if such offer becomes or is declared unconditional in all respects) it would result in the voting shareholding of the third party being more than 30% of the total voting shareholding; and

(ii) Altria has communicated to the company in writing its intention not itself to make an offer competing with such third party offer, provided that the conversion date shall be no earlier than the date on which the third party's offer becomes or is declared unconditional in all respects.

Altria is entitled to require the company to convert its convertible participating shares into ordinary shares if the voting shareholding of a third party should be more than 24.99%, provided that:

(i) the number of ordinary shares held by Altria following such conversion shall be limited to one ordinary share more than the number of ordinary shares held by the third party; and

(ii) such conversion shall at no time result in Altria's voting shareholding being equal to or greater than the voting shareholding which would require Altria to make a mandatory offer in terms of rule 9 of the City Code.

If Altria wishes to acquire additional ordinary shares (other than pursuant to a pre-emptive issue of new ordinary shares or with the prior approval of the board), Altria shall first convert into ordinary shares the lesser of:

(i) such number of convertible participating shares as would result in Altria's voting shareholding being such percentage as would, in the event of Altria subsequently acquiring one additional ordinary share, require Altria to make a mandatory offer in terms of rule 9 of the City Code; and

(ii) all of its remaining convertible participating shares.

26. Share capital continued

The company must use its best endeavours to procure that the ordinary shares arising on conversion of the convertible participating shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, admitted to listing and trading on the JSE Ltd, and admitted to listing and trading on any other stock exchange upon which the ordinary shares are from time to time listed and traded, but no admission to listing or trading need be sought for the convertible participating shares whilst they remain convertible participating shares.

Deferred shares

The deferred shares do not carry any voting rights and do not entitle their holders to receive any dividends or other distributions. In the event of a winding up deferred shareholders would receive no more than the nominal value. Deferred shares represent the only non-equity share capital of the group.

Share-based payments

The group operates various share incentive plans. The share incentives outstanding are summarised as follows.

Scheme	2012 Number	2011 Number
GBP share options	**16,622,334**	15,088,057
ZAR share options	**13,024,503**	13,686,079
GBP stock appreciation rights (SARs)	**2,820,144**	3,575,370
GBP performance share awards	**6,880,114**	7,364,124
GBP value share awards	**6,877,784**	3,168,200
GBP cash settled awards	**335,940**	–
Total share incentives outstanding[1]	**46,560,819**	42,881,830

[1] Total share incentives outstanding exclude shares relating to the BBBEE scheme.

Further details relating to all of the share incentive schemes can be found in the directors' remuneration report on pages 68 to 83.

The exercise prices of incentives outstanding at 31 March 2012 ranged from £0 to £25.48 and ZAR53.30 to ZAR290.23 (2011: £0 to £22.44 and ZAR43.09 to ZAR225.08). The movement in share awards outstanding is summarised in the following tables.

GBP share options

GBP share options include share options granted under the Executive Share Option Plan 2008, the Approved Executive Share Option Plan 2008, the Executive Share Option (No.2) Scheme, the Approved Executive Share Option Scheme and the International Employee Share Scheme. No further grants can be made under the now closed Executive Share Option (No.2) Scheme, the Approved Executive Share Option Scheme, or the International Employee Share Scheme; although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2010	13,515,685	11.05	–
Granted	4,178,150	19.58	5.87
Lapsed	(521,316)	12.91	–
Exercised	(2,084,462)	10.27	–
Outstanding at 31 March 2011	15,088,057	13.46	–
Granted	4,417,346	22.51	6.47
Lapsed	(679,700)	18.88	–
Exercised	(2,203,369)	11.44	–
Outstanding at 31 March 2012	**16,622,334**	**15.91**	**–**

Notes to the consolidated financial statements continued

26. Share capital continued

ZAR share options

Share options designated in ZAR include share options granted under the South African Executive Share Option Plan 2008 and the Mirror Executive Share Purchase Scheme (South Africa). No further grants can be made under the Mirror Executive Share Purchase Scheme (South Africa) although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price ZAR	Weighted average fair value at grant date ZAR
Outstanding at 1 April 2010	13,447,779	151.23	–
Granted	2,943,850	222.55	88.63
Lapsed	(499,850)	176.93	–
Exercised	(2,205,700)	126.34	–
Outstanding at 31 March 2011	13,686,079	169.64	–
Granted	2,943,373	283.07	105.43
Lapsed	(524,849)	218.17	–
Exercised	(3,080,100)	138.30	–
Outstanding at 31 March 2012	**13,024,503**	**200.73**	**–**

GBP SARs

GBP SARs include stock appreciation rights granted under the Stock Appreciation Rights Plan 2008 and the International Employee Stock Appreciation Rights Scheme. No further grants can be made under the now closed International Employee Stock Appreciation Rights Scheme, although outstanding grants may still be exercised until they reach their expiry date.

	Number of SARs	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2010	4,297,049	9.54	–
Granted	49,900	19.51	5.85
Lapsed	(24,036)	10.81	–
Exercised	(747,543)	9.27	–
Outstanding at 31 March 2011	3,575,370	9.72	–
Granted	64,900	22.50	6.47
Lapsed	(26,583)	11.44	–
Exercised	(793,543)	8.85	–
Outstanding at 31 March 2012	**2,820,144**	**10.25**	**–**

GBP performance share awards

GBP performance share awards include awards made under the Executive Share Award Plan 2008, the Performance Share Award Scheme and the International Performance Share Award Sub-Scheme. No further awards can be made under the Performance Share Award Scheme and the International Performance Share Award Sub-Scheme, although outstanding awards remain and will vest, subject to the achievement of their respective performance conditions on their vesting date.

	Number of awards	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2010	6,915,855	–	–
Granted	2,012,800	–	18.08
Lapsed	(734,088)	–	–
Released to participants	(830,443)	–	–
Outstanding at 31 March 2011	7,364,124	–	–
Granted	2,208,640	–	20.46
Lapsed	(278,760)	–	–
Released to participants	(2,413,890)	–	–
Outstanding at 31 March 2012	**6,880,114**	**–**	**–**

26. Share capital continued

GBP value share awards

The 4,034,340 (2011: 3,317,000) value share awards granted represent the theoretical maximum number of awards that could possibly vest in the future, although in practice it is extremely unlikely that this number of awards would be released.

	Number of value shares (per £10 million of additional value)	Theoretical maximum shares at cap	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2010	–	–	–	–
Granted	1,070	3,317,000	–	7.61
Lapsed	(48)	(148,800)	–	–
Outstanding at 31 March 2011	1,022	3,168,200	–	–
Granted	1,205	4,034,340	–	7.27
Lapsed	(97)	(324,756)	–	–
Outstanding at 31 March 2012	**2,130**	**6,877,784**	**–**	**–**

GBP cash settled awards

GBP share incentives included under the Associated Companies' Cash Award Plan 2011.

	Number of awards	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2011	–	–	–
Granted	335,940	–	20.35
Outstanding at 31 March 2012	**335,940**	**–**	**–**

Outstanding share incentives

The following table summarises information about share incentives outstanding at 31 March.

Range of exercise prices	Number 2012	Weighted average remaining contractual life in years 2012	Number 2011	Weighted average remaining contractual life in years 2011
GBP share options				
£4 – £5	**204,850**	**1.0**	229,452	1.9
£5 – £6	**73,418**	**1.6**	161,070	1.9
£6 – £7	**401,993**	**2.1**	501,543	3.1
£8 – £9	**622,494**	**3.1**	687,427	4.1
£9 – £10	**78,275**	**6.6**	116,000	7.6
£10 – £11	**1,097,744**	**4.4**	1,345,838	5.5
£11 – £12	**1,456,403**	**5.1**	1,806,653	6.1
£12 – £13	**4,781,927**	**6.8**	6,213,927	7.7
£17 – £18	**28,700**	**7.6**	34,200	8.6
£19 – £20	**3,603,984**	**8.2**	3,839,997	9.2
£20 – £21	**66,950**	**8.7**	71,950	9.7
£22 – £23	**4,185,596**	**9.2**	80,000	9.8
£25 – £26	**20,000**	**9.7**	–	–
	16,622,334	**7.1**	15,088,057	7.2

Notes to the consolidated financial statements continued

26. Share capital continued

Range of exercise prices	Number 2012	Weighted average remaining contractual life in years 2012	Number 2011	Weighted average remaining contractual life in years 2011
ZAR share options				
R50 – R60	**172,932**	**1.1**	250,932	2.1
R60 – R70	**229,400**	**1.2**	518,900	1.8
R70 – R80	**68,500**	**2.1**	153,500	3.1
R80 – R90	**10,000**	**0.2**	18,000	1.2
R90 – R100	**519,607**	**3.0**	775,857	4.0
R110 – R120	**40,000**	**3.4**	40,000	4.4
R120 – R130	**757,940**	**3.9**	1,070,940	4.9
R140 – R150	**1,292,300**	**6.3**	2,355,500	7.3
R150 – R160	**629,600**	**7.0**	651,750	8.0
R160 – R170	**461,100**	**5.1**	620,350	6.1
R170 – R180	**–**	**–**	12,500	6.3
R180 – R190	**1,377,700**	**5.9**	2,246,300	6.9
R210 – R220	**2,455,350**	**7.8**	2,618,150	8.8
R220 – R230	**2,140,000**	**8.7**	2,353,400	9.7
R250 – R260	**542,400**	**9.2**	–	–
R290 – R300	**2,327,674**	**9.7**	–	–
	13,024,503	**7.2**	13,686,079	6.0
GBP SARs				
£4 – £5	**219,168**	**1.1**	377,468	1.8
£6 – £7	**344,018**	**2.1**	457,018	3.1
£8 – £9	**460,085**	**3.1**	590,884	4.1
£9 – £10	**9,100**	**6.6**	9,100	7.6
£10 – £11	**522,934**	**4.1**	654,634	5.1
£11 – £12	**651,500**	**5.1**	812,017	6.1
£12 – £13	**481,839**	**6.3**	607,649	7.3
£13 – £14	**16,700**	**5.6**	16,700	6.6
£19 – £20	**49,900**	**8.2**	49,900	9.2
£22 – £23	**64,900**	**9.2**	–	–
	2,820,144	**4.3**	3,575,370	5.0
GBP performance share awards				
£0	**6,880,114**	**1.1**	7,364,124	2.4
GBP value share awards				
£0	**6,877,784**	**3.0**	3,168,200	3.2
GBP cash settled awards				
£0	**335,940**	**1.0**	–	–
Total share incentives outstanding	**46,560,819**	**5.4**	42,881,830	5.5

Exerciseable share incentives

The following table summarises information about exerciseable share incentives outstanding at 31 March.

	Number 2012	Weighted average exercise price 2012	Number 2011	Weighted average exercise price 2011
GBP share options	**5,103,986**	**10.46**	4,335,349	9.75
ZAR share options	**5,004,479**	**140.97**	4,914,079	128.71
GBP SARs	**2,705,344**	**9.8**	3,525,470	9.59

26. Share capital continued

Share incentives exercised or vested

The weighted average market price of the group's shares at the date of exercise or vesting for share incentives exercised or vested during the year were:

	Number 2012	Weighted average market price 2012	Number 2011	Weighted average market price 2011
Share incentives designated in GBP	**5,410,802**	**23.01**	3,662,448	20.15
Share incentives designated in ZAR	**3,080,100**	**278.19**	2,205,700	225.73
Total share incentives exercised or vested during the year	**8,490,902**		5,868,148	

Broad-Based Black Economic Empowerment (BBBEE) scheme

On 9 June 2010 the initial allocation of participation rights was made in relation to the BBBEE scheme in South Africa. A total of 46.2 million new shares in The South African Breweries Limited (SAB), representing 8.45% of SAB's enlarged issued share capital, were issued. The shares in SAB will be exchanged at the end of the estimated ten-year scheme term for shares in SABMiller plc based on a repurchase formula linked, inter alia, to the operating performance of SAB. No performance conditions and exercise prices are attached to these shares, although the employee component has a four-year vesting period. The weighted average fair value of each SAB share at the grant date was ZAR40.

Weighted average fair value assumptions

The fair value of services received in return for share awards granted is measured by reference to the fair value of share awards granted. The estimate of the fair value of the services received is measured based on a binomial model approach except for the awards under Performance Share Award schemes, the Executive Share Award Plan 2008 (including value share awards) and the BBBEE scheme which have been valued using Monte Carlo simulations, and awards under the cash settled scheme which have been valued based on an analytic approach.

The Monte Carlo simulation methodology is necessary for valuing share-based payments with TSR performance hurdles. This is achieved by projecting SABMiller plc's share price forwards, together with those of companies in the same comparator group, over the vesting period and/or life of the awards after considering their respective volatilities.

The following weighted average assumptions were used in these option pricing models during the year.

	2012	2011
Share price[1]		
– South African share option scheme (ZAR)	**280.49**	226.66
– BBBEE scheme – SAB share price (ZAR)	**–**	162.68
– All other schemes (£)	**22.33**	19.49
Exercise price[1]		
– South African share option scheme (ZAR)	**283.07**	222.55
– All other schemes (£)	**9.35**	8.80
Expected volatility[2]		
– BBBEE scheme	**–**	27.1%
– All other schemes	**23.1%**	29.2%
Dividend yield		
– BBBEE scheme	**–**	4.9%
– All other schemes	**2.3%**	2.5%
Annual forfeiture rate		
– South African share option scheme	**5.0%**	5.0%
– All other schemes	**3.0%**	3.0%
Risk–free interest rate		
– South African share option scheme	**7.9%**	8.7%
– BBBEE scheme	**–**	8.3%
– All other schemes	**2.3%**	2.9%

[1] The calculation is based on the weighted fair value of issues made during the year.

[2] Expected volatility is calculated by assessing the historical share price data in the United Kingdom and South Africa since May 2002.

Notes to the consolidated financial statements continued

27. Retained earnings and other reserves

a. Retained earnings

	Treasury and EBT shares US$m	Retained earnings US$m	Total US$m
At 1 April 2010	(673)	8,198	7,525
Profit for the year	–	2,408	2,408
Other comprehensive income	–	(63)	(63)
Actuarial losses taken to other comprehensive income	–	(28)	(28)
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(71)	(71)
Deferred tax credit on items taken to other comprehensive income	–	36	36
Dividends paid	–	(1,115)	(1,115)
Buyout of non-controlling interests	–	(10)	(10)
Utilisation of EBT shares	16	(16)	–
Credit entry relating to share-based payments	–	246	246
At 31 March 2011	(657)	9,648	8,991
Profit for the year	–	4,221	4,221
Other comprehensive income	–	(119)	(119)
Actuarial losses taken to other comprehensive income	–	(9)	(9)
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(181)	(181)
Deferred tax credit on items taken to other comprehensive income	–	71	71
Dividends paid	–	(1,324)	(1,324)
Dilution of non-controlling interests as a result of business combinations	–	(5)	(5)
Payment for purchase of own shares for share trusts	(52)	–	(52)
Buyout of non-controlling interests	–	(7)	(7)
Utilisation of EBT shares	48	(48)	–
Credit entry relating to share-based payments	–	158	158
At 31 March 2012	**(661)**	**12,524**	**11,863**

The group's retained earnings includes amounts of US$709 million (2011: US$693 million), the distribution of which is limited by statutory or other restrictions.

Treasury and EBT shares reserve

On 26 February 2009, 77,368,338 SABMiller plc non-voting convertible shares were converted into ordinary shares and then acquired by the company to be held as treasury shares. While the purchase price for each share was £10.54, the whole amount of the consideration was paid between group companies. On 15 February 2010, 5,300,000 of these treasury shares were transferred to the EBT for nil consideration. These shares will be used to satisfy awards outstanding under the various share incentive plans. As at 31 March 2012 a total of 72,068,338 shares (2011: 72,068,338) were held in treasury.

There are two employee benefit trusts currently in operation, being the SABMiller Employee Benefit Trust (the EBT) and the SABMiller Associated Companies' Employees' Benefit Trust (the AC-EBT). 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 directors' remuneration report. At 31 March 2012 the EBT held 5,605,746 shares (2011: 7,437,406 shares) which cost US$98 million (2011: US$94 million) and had a market value of US$225 million (2011: US$263 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.

The AC-EBT holds shares in SABMiller plc for the purposes of providing share incentives for employees of companies in which SABMiller has a significant economic and strategic interest but over which it does not have management control. Further details on the AC-EBT are disclosed in the directors' remuneration report. At 31 March 2012 the AC-EBT held 335,940 shares which cost US$11 million and had a market value of US$13 million. These shares have been treated as a deduction in arriving at shareholders' funds. The AC-EBT used funds provided by Gardwell Ltd, a wholly owned indirect subsidiary of SABMiller plc, to purchase the shares. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

Shares currently held in each EBT rank pari passu with all other ordinary shares, however, in both cases the trustees have elected to waive dividends and decline from voting shares, except in circumstances where they may be holding shares beneficially owned by a participant. There were no beneficially owned shares in either EBT as at 31 March 2012.

27. Retained earnings and other reserves continued

b. Other reserves

The analysis of other reserves is as follows.

	Foreign currency translation reserve US$m	Cash flow hedging reserve US$m	Net investment hedging reserve US$m	Available for sale reserve US$m	Total US$m
At 1 April 2010	1,533	(11)	(203)	3	1,322
Currency translation differences:					
– Subsidiaries	501	–	–	–	501
– Associates and joint ventures	149	–	–	–	149
Net investment hedges	–	–	(137)	–	(137)
Cash flow hedges	–	39	–	–	39
Deferred tax on items taken to other comprehensive income	–	(14)	–	–	(14)
Share of associates' and joint ventures' gains recognised in other comprehensive income	–	21	–	–	21
At 31 March 2011	2,183	35	(340)	3	1,881
Currency translation differences:					
– Subsidiaries	243	–	–	–	243
– Associates and joint ventures	(106)	–	–	–	(106)
Net investment hedges	–	–	(1)	–	(1)
Cash flow hedges	–	6	–	–	6
Deferred tax on items taken to other comprehensive income	–	30	–	–	30
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(75)	–	–	(75)
At 31 March 2012	**2,320**	**(4)**	**(341)**	**3**	**1,978**

Foreign currency translation reserve

The foreign currency translation reserve comprises all translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates.

28a. Reconciliation of profit for the year to net cash generated from operations

	2012 US$m	2011 US$m
Profit for the year	**4,477**	2,557
Taxation	**1,126**	1,069
Share of post-tax results of associates and joint ventures	**(1,152)**	(1,024)
Interest receivable and similar income	**(531)**	(358)
Interest payable and similar charges	**1,093**	883
Operating profit	**5,013**	3,127
Depreciation:		
– Property, plant and equipment	**672**	665
– Containers	**237**	239
Container breakages, shrinkages and write-offs	**34**	24
Net profit on disposal of businesses	**(1,258)**	–
Gain on remeasurement of existing interest in joint venture on acquisition	**(66)**	–
Profit on disposal of investment in associate	**(103)**	(159)
Profit on disposal of property, plant and equipment	**(15)**	(5)
Amortisation of intangible assets	**273**	220
Impairment of intangible assets	**–**	14
Impairment of property, plant and equipment	**–**	31
Impairment of working capital balances	**16**	82
Amortisation of advances to customers	**24**	28
Unrealised net (gain)/loss from fair value hedges	**(20)**	1
Dividends received from other investments	**(1)**	(1)
Charge with respect to share options	**132**	99
Charge with respect to Broad-Based Black Economic Empowerment scheme	**29**	147
Other non-cash movements	**12**	(10)
Net cash generated from operations before working capital movements (EBITDA)	**4,979**	4,502
(Increase)/decrease in inventories	**(45)**	26
Increase in receivables	**(25)**	(147)
Increase in payables	**374**	161
(Decrease)/increase in provisions	**(46)**	18
Increase in post-retirement benefit provisions	**–**	8
Net cash generated from operations	**5,237**	4,568

Notes to the consolidated financial statements continued

28a. Reconciliation of profit for the year to net cash generated from operations continued

Profit for the year and cash generated from operations before working capital movements includes cash flows relating to exceptional items of US$308 million (2011: US$293 million), comprising US$228 million (2011: US$283 million) in respect of business capability programme costs, US$72 million (2011: US$nil) in respect of transaction-related costs, US$50 million (2011: US$8 million) in respect of integration and restructuring costs, US$nil (2011: US$2 million) in respect of Broad-Based Black Economic Empowerment scheme costs, partially offset by US$42 million (2011: US$nil) in respect of a litigation-related credit.

The following table provides a reconciliation of EBITDA to adjusted EBITDA.

	2012 US$m	2011 US$m
EBITDA	**4,979**	4,502
Cash exceptional items	**308**	293
Dividends received from MillerCoors	**896**	822
Adjusted EBITDA	**6,183**	5,617

28b. Reconciliation of net cash from operating activities to free cash flow

	2012 US$m	2011 US$m
Net cash generated from operating activities	**3,937**	3,043
Purchase of property, plant and equipment	**(1,473)**	(1,189)
Proceeds from sale of property, plant and equipment	**116**	73
Purchase of intangible assets	**(166)**	(126)
Investments in joint ventures	**(288)**	(186)
Investments in associates	**–**	(4)
Repayment of investments by associates	**14**	68
Dividends received from joint ventures	**896**	822
Dividends received from associates	**120**	88
Dividends received from other investments	**1**	1
Dividends paid to non-controlling interests	**(109)**	(102)
Free cash flow	**3,048**	2,488

28c. Analysis of net debt

Cash and cash equivalents on the balance sheet are reconciled to cash and cash equivalents on the cash flow statement as follows.

	2012 US$m	2011 US$m
Cash and cash equivalents (balance sheet)	**745**	1,067
Cash and cash equivalents of disposal group classified as held for sale	**–**	4
	745	1,071
Overdrafts	**(138)**	(258)
Overdrafts of disposal group classified as held for sale	**(1)**	–
Cash and cash equivalents (cash flow statement)	**606**	813

28c. Analysis of net debt continued

Net debt is analysed as follows.

	Cash and cash equivalents (excluding overdrafts) US$m	Overdrafts US$m	Borrowings US$m	Derivative financial instruments US$m	Finance leases US$m	Total gross borrowings US$m	Net debt US$m
At 1 April 2010	779	(190)	(9,212)	237	(12)	(9,177)	(8,398)
Exchange adjustments	8	17	(174)	(3)	–	(160)	(152)
Cash flow	283	(72)	1,159	84	5	1,176	1,459
Acquisitions – through business combinations	1	(13)	–	–	(1)	(14)	(13)
Other movements	–	–	34	(20)	(1)	13	13
At 31 March 2011	1,071	(258)	(8,193)	298	(9)	(8,162)	(7,091)
Exchange adjustments	10	(49)	(38)	9	–	(78)	(68)
Cash flow	(246)	157	(8,861)	(43)	5	(8,742)	(8,988)
Acquisitions – through business combinations	12	–	(1,844)	259	(2)	(1,587)	(1,575)
Disposals	(102)	11	98	–	–	109	7
Other movements	–	–	(229)	97	(15)	(147)	(147)
At 31 March 2012	**745**	**(139)**	**(19,067)**	**620**	**(21)**	**(18,607)**	**(17,862)**

The group's net debt is denominated in the following currencies.

	US dollars US$m	SA rand US$m	Australian dollars US$m	Euro US$m	Colombian peso US$m	Other currencies US$m	Total US$m
Total cash and cash equivalents	**346**	**37**	**49**	**41**	**81**	**191**	**745**
Total gross borrowings (including overdrafts)	**(13,043)**	**(228)**	**(2,190)**	**(1,306)**	**(1,239)**	**(601)**	**(18,607)**
	(12,697)	**(191)**	**(2,141)**	**(1,265)**	**(1,158)**	**(410)**	**(17,862)**
Cross currency swaps	**2,211**	**(183)**	**(1,528)**	**(361)**	**–**	**(139)**	**–**
Net debt at 31 March 2012	**(10,486)**	**(374)**	**(3,669)**	**(1,626)**	**(1,158)**	**(549)**	**(17,862)**
Total cash and cash equivalents	609	30	–	111	96	225	1,071
Total gross borrowings (including overdrafts)	(4,334)	(290)	(18)	(1,482)	(1,202)	(836)	(8,162)
	(3,725)	(260)	(18)	(1,371)	(1,106)	(611)	(7,091)
Cross currency swaps	1,089	(413)	–	(116)	–	(560)	–
Net debt at 31 March 2011	(2,636)	(673)	(18)	(1,487)	(1,106)	(1,171)	(7,091)

28d. Major non-cash transactions

2012

Major non-cash transactions in the year included the following.

The disposal of the group's Angolan operations, Coca-Cola Bottling Luanda SARL, Coca-Cola Bottling Sul de Angola SARL, Empresa de Cervejas N'Gola Norte SA, and its interest in Empresa de Cervejas N'Gola SARL, in Africa in exchange for a 27.5% interest in BIH Angola.

The contribution of the group's Russian beer business, SABMiller RUS LLC, and Ukrainian beer business, PJSC Miller Brands Ukraine, to Anadolu Efes in exchange for a 24% economic interest in the enlarged Anadolu Efes group.

The remeasurement of the group's existing 50% interest in the Pacific Beverages joint venture to fair value on the acquisition of the remaining 50% interest.

2011

Major non-cash transactions in the year included the following.

IFRS 2 share-based payment charges in relation to the retailer and employee components of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa.

The all-share merger of Tsogo Sun with GRR, a Johannesburg Stock Exchange listed business, on 24 February 2011. The transaction was effected through the acquisition by GRR of Tsogo Sun, and the group exchanged its entire 49% shareholding in Tsogo Sun for a 39.68% shareholding in the listed enlarged entity.

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29. Restatement of the balance sheet at 31 March 2011

The initial accounting under IFRS 3, 'Business Combinations', for the Cervecería Argentina SA Isenbeck (CASA Isenbeck) and Crown Beverages Ltd (previously Crown Foods Ltd) acquisitions had not been completed as at 31 March 2011. During the year ended 31 March 2012 adjustments to provisional fair values in respect of these acquisitions were made which resulted in goodwill increasing by US$2 million to US$11,954 million, intangible assets increasing by US$3 million to US$4,364 million, property, plant and equipment increasing by US$1 million to US$9,331 million, current trade and other payables increasing by US$3 million to US$3,487 million, current provisions increasing by US$2 million to US$412 million and non-current provisions increasing by US$1 million to US$461 million. As a result comparative information for the year ended 31 March 2011 has been presented in the consolidated financial statements as if the adjustments to provisional fair values had been made from the respective transaction dates. The impact on the prior year income statement has been reviewed and no adjustments to the income statement are required as a result of the adjustments to provisional fair values.

30. Acquisitions and disposals

The following business combinations took effect during the year.

Australia
On 16 December 2011 the group acquired a 100% interest in Foster's in Australia for cash consideration of US$10,598 million.

On 13 January 2012 the group acquired the remaining 50% interest which it did not already own in Pacific Beverages from Coca-Cola Amatil Limited (CCA) for cash consideration of US$343 million. The acquisition took the group's investment in Pacific Beverages to 100% and the acquisition has been treated as a business combination following the change in control.

Other
On 1 January 2012 the group acquired a 65% interest (effective 33% interest) in International Breweries plc in Nigeria in exchange for US$20 million cash consideration and a dilution in the group's effective interests in its existing Nigerian businesses.

All business combinations
All business combinations have been accounted for using the acquisition method. All assets were recognised at their respective fair values. The residual over the net assets acquired is recognised as goodwill in the financial statements. The following table represents the assets and liabilities acquired in respect of all business combinations entered into during the year ended 31 March 2012.

	Provisional fair values		
	Australia US$m	Other US$m	Total US$m
Intangible assets	5,369	2	5,371
Property, plant and equipment	860	63	923
Investment in associates	65	–	65
Inventories	222	10	232
Trade and other receivables	449	25	474
Current tax assets	342	–	342
Deferred tax assets	–	2	2
Cash and cash equivalents	10	2	12
Derivative financial assets	259	–	259
Finance leases	(2)	–	(2)
Trade and other payables	(500)	(71)	(571)
Borrowings	(1,842)	(2)	(1,844)
Current tax liabilities	(80)	–	(80)
Deferred tax liabilities	(1,462)	–	(1,462)
Provisions	(525)	–	(525)
Net assets acquired	3,165	31	3,196
Non-controlling interests	(12)	(53)	(65)
Provisional goodwill	7,961	88	8,049
Consideration	**11,114**	**66**	**11,180**

Goodwill represents, amongst other things, tangible and other assets yet to be recognised separately from goodwill as the fair value valuations are still in progress, potential synergies and the value of the assembled workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of trade and other receivables was US$474 million and included trade receivables with a fair value of US$322 million. The gross contractual amount for trade receivables due was US$327 million, of which US$5 million is expected to be uncollectible.

30. Acquisitions and disposals continued

Acquisition-related costs of US$109 million are included in operating expenses in the consolidated income statement for the year ended 31 March 2012.

	Australia US$m	Other US$m	Total US$m
Consideration satisfied by:			
Cash consideration	10,931	20	10,951
Cash and cash equivalents acquired	10	2	12
Fair value of existing interest in Pacific Beverages	150	–	150
Non-cash consideration via acquisition of intercompany balance	23	9	32
Fair value of existing interest in International Breweries plc in Nigeria (via 20% holding in Castel)	–	30	30
Dilution in the group's effective interests in existing Nigerian businesses	–	5	5
	11,114	**66**	**11,180**

From the date of acquisition to 31 March 2012 the following amounts have been included in the group's income and cash flow statements for the year.

	Australia US$m	Other US$m	Total US$m
Income statement			
Revenue	1,058	19	1,077
Operating profit	125	3	128
Profit before tax	105	2	107
Cash flow statement			
Cash generated from/(utilised in) operations	266	(5)	261
Net interest paid	23	–	23
Purchase of property, plant and equipment	15	4	19

If the date of the acquisitions made during the year had been 1 April 2011, then the group's revenue, operating profit and profit before tax for the year ended 31 March 2012 would have been as follows.

	US$m
Income statement	
Revenue	24,430
Operating profit	5,389
Profit before tax	5,695

In preparing the pro forma results, revenue and costs have been included as if the businesses were acquired on 1 April 2011 and intercompany transactions had been eliminated. This information is not necessarily indicative of the results of the combined group that would have occurred had the purchases actually been made at the beginning of the period presented, or indicative of the future results of the combined group.

Non-controlling interests

The following non-controlling interests were acquired for cash consideration of US$27 million, with US$7 million taken to shareholders' equity.

Company	% acquired	Effective % holding after acquisition of non-controlling interest	Form of consideration	Country
Tanzania Breweries Ltd	4.7	36%	Cash	Tanzania
Nile Breweries Ltd	2.7	62%	Cash	Uganda

Disposals

During the year the group completed the disposal of its Angolan operations, Coca-Cola Bottling Luanda SARL, Coca-Cola Bottling Sul de Angola SARL, Empresa de Cervejas N'Gola Norte SA, and its interest in Empresa de Cervejas N'Gola SARL, in Africa in exchange for a 27.5% interest in BIH Angola, which generated a profit on disposal of US$67 million. It also completed the disposal of its Russian business, SABMiller RUS LLC, and its Ukrainian business, PJSC Miller Brands Ukraine, in exchange for a 24% interest in Anadolu Efes, which generated a profit on disposal of US$1,195 million, and which included US$284 million arising as a result of measuring to fair value the group's retained 24% interest in its Russian and Ukrainian businesses. The group also completed the sale of its Italian distribution business in the year, which generated a loss on disposal of US$14 million.

Notes to the consolidated financial statements continued

30. Acquisitions and disposals continued

Non-controlling interests

The following non-controlling interests were diluted for non-cash consideration of US$5 million, with US$5 million taken to shareholders' equity.

Company	% disposed	Effective % holding after disposal of non-controlling interest	Form of consideration	Country
Pabod Breweries Ltd	21.6	38%	Asset exchange	Nigeria
Voltic Nigeria Ltd	30.0	50%	Asset exchange	Nigeria

The following non-controlling interests were disposed via business disposals, with no impact on equity.

Company	% disposed	Effective % holding after disposal of non-controlling interest	Form of consideration	Country
Coca-Cola Bottling Luanda SARL	55.0	0%	Asset exchange	Angola
Coca-Cola Bottling Sul de Angola SARL	40.0	0%	Asset exchange	Angola
Empresa de Cervejas N'Gola Norte SA	49.9	0%	Asset exchange	Angola

31. Commitments, contingencies and guarantees

a. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases at 31 March 2012 are as follows.

	2012 US$m	2011 US$m
Land and buildings		
Within one year	**65**	50
Later than one year and less than five years	**171**	106
After five years	**42**	26
	278	182
Plant, vehicles and systems		
Within one year	**55**	50
Later than one year and less than five years	**126**	111
After five years	**87**	63
	268	224

31. Commitments, contingencies and guarantees continued

b. Other commitments

	2012 US$m	2011 US$m
Capital commitments not provided in the financial information		
Contracts placed for future expenditure for property, plant and equipment	**277**	269
Contracts placed for future expenditure for intangible assets	**1**	1
Share of capital commitments of joint ventures	**44**	50
Other commitments not provided in the financial information		
Contracts placed for future expenditure	**3,164**	1,925
Share of joint ventures' other commitments	**512**	449

Contracts placed for future expenditure in 2012 primarily relate to minimum purchase commitments for raw materials and packaging materials, which are principally due between 2012 and 2019. Additionally, as part of the business capability programme the group has entered into contracts for the provision of IT, communications and consultancy services and in relation to which the group had commitments of US$193 million at 31 March 2012 (2011: US$193 million).

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

	2012 US$m	2011 US$m
Guarantees to third parties provided in respect of trade loans[1]	**4**	8
Guarantees to third parties provided in respect of bank facilities	**14**	3
Share of joint ventures' contingent liabilities	**4**	6
Litigation[2]	**23**	24
Other contingent liabilities	**9**	4
	54	45

[1] **Guarantees to third parties provided in respect of trade loans**
These primarily relate to guarantees given by Grolsch to banks in relation to loans taken out by trade customers.

[2] **Litigation**
The group has a number of activities in a wide variety of geographic areas and is subject to certain legal claims incidental to its operations. In the opinion of the directors, after taking appropriate legal advice, these claims are not expected to have, either individually or in aggregate, a material adverse effect upon the group's financial position, except insofar as already provided in the consolidated financial statements. These include claims made by certain former employees in Ecuador arising out of events which took place before the group's investment in Ecuador in 2005, in respect of which, based on legal advice that they have no valid legal basis, the directors have determined that no provision is required and that they should continue to be contested.

Other

SABMiller and Altria entered into a tax matters agreement (the Agreement) on 30 May 2002, to regulate the conduct of tax matters between them with regard to the acquisition of Miller and to allocate responsibility for contingent tax costs. SABMiller has agreed to indemnify Altria against any taxes, losses, liabilities and costs that Altria incurs arising out of or in connection with a breach by SABMiller of any representation, agreement or covenant in the Agreement, subject to certain exceptions.

The group has exposures to various environmental risks. Although it is difficult to predict the group's liability with respect to these risks, future payments, if any, would be made over a period of time in amounts that would not be material to the group's financial position, except insofar as already provided in the consolidated financial statements.

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32. Pensions and post-retirement benefits

The group operates a number of pension schemes throughout the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The majority of the schemes are funded and the schemes' assets are held independently of the group's finances. The assets of the schemes do not include any of the group's own financial instruments, nor any property occupied by or other assets used by the group. Pension and post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. Generally, the projected unit method is applied to measure the defined benefit scheme liabilities.

The group also provides medical benefits, which are mainly unfunded, for retired employees and their dependants in South Africa, the Netherlands and Latin America.

The total pension and post-retirement medical benefit costs recognised in the income statement, and related net liabilities on the balance sheet are as follows.

	2012 US$m	2011 US$m
Defined contribution scheme costs	**97**	97
Defined benefit pension plan costs	**15**	17
Post-retirement medical and other benefit costs	**13**	5
Accruals for defined contribution plans (balance sheet)	**3**	3
Provisions for defined benefit pension plans (balance sheet)	**197**	196
Provisions for other post-retirement benefits (balance sheet)	**112**	114

The group operates various defined contribution and defined benefit schemes. Details of the main defined benefit schemes are provided below.

Latin America pension schemes
The group operates a number of pension schemes throughout Latin America. Details of the major scheme are provided below.

The Colombian Labour Code Pension Plan is an unfunded scheme of the defined benefit type and covers all salaried and hourly employees in Colombia who are not covered by social security or who have at least 10 years of service prior to 1 January 1967. The plan is financed entirely through company reserves and there are no external assets. The most recent actuarial valuation of the Colombian Labour Code Pension Plan was carried out by independent professionally qualified actuaries at 28 February 2012 using the projected unit credit method. All salaried employees are now covered by social security or private pension fund provisions. The principal economic assumptions used in the preparation of the pension valuations are shown below and take into consideration changes in the Colombian economy.

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 2012 by an independent actuary using the projected unit credit method.

Other
Details of other defined benefit pension schemes are provided below.

Foster's pension scheme
The Foster's pension plan, named AusBev Superannuation Fund, provides accumulation style and defined benefits to employees. The company funds the defined benefits, administration and insurance costs of the fund as a benefit to employees who elect to be members of this fund. The latest valuation of the Foster's pension scheme was carried out at 30 June 2011 by an independent actuary using the projected unit credit method. The defined benefits section is now closed to new members.

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 former members, the surplus apportionment scheme and unclaimed benefits. Once the surplus liabilities have been settled, the Funds will be deregistered and liquidated. During the year a significant number of former members of the ABI Pension Fund were successfully traced and there was a second allocation of surplus to the former members of the Fund in terms of Section 15C of the Pension Funds Act.

The Section 14 transfer of the Suncrush Pension Fund members to the SAB Staff Provident Fund was annulled by the Financial Services Board on 24 August 2011. The trustees have decided to make a provision in the rules of the fund to allow for paid-up benefits for each of the members. This would allow for each member to be paid their initial benefit, valued as at 1 July 2005, upon their exit.

32. 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	
		Latin America	Grolsch	Other	South Africa	Other
At 31 March 2012						
Discount rate (%)		7.5	4.8	6.0	9.3	7.0
Salary inflation (%)		3.5	2.0	3.8	–	–
Pension inflation (%)		3.5	2.0	3.2	–	–
Healthcare cost inflation (%)		–	–	–	7.8	3.0
Mortality rate assumptions						
– Retirement age:	Males	55	65	66	63	57
	Females	50	65	61	63	53
– Life expectations on retirement age:						
Retiring today:	Males	27	21	32	16	24
	Females	36	24	33	20	31
Retiring in 20 years:	Males	27	23	32	16	24
	Females	36	25	33	20	32
At 31 March 2011						
Discount rate (%)		8.4	5.3	5.2	8.8	8.4
Salary inflation (%)		4.0	2.0	2.4	–	–
Pension inflation (%)		4.0	2.0	3.0	–	–
Healthcare cost inflation (%)		–	–	–	7.3	4.0
Mortality rate assumptions						
– Retirement age:	Males	55	65	–	63	55
	Females	50	65	–	63	50
– Life expectations on retirement age:						
Retiring today:	Males	27	21	–	16	27
	Females	36	24	–	20	36
Retiring in 20 years:	Males	–	22	–	16	–
	Females	–	25	–	20	–

Notes to the consolidated financial statements continued

32. Pensions and post-retirement benefits continued

The present value of defined benefit pension plan and post-employment medical benefit liabilities are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US$m	Grolsch US$m	Other US$m	Total US$m	South Africa US$m	Other US$m	Total US$m
Present value of scheme liabilities at 1 April 2010	148	299	62	509	59	44	103
– Portion of defined benefit obligation that is unfunded	146	–	24	170	59	44	103
– Portion of defined benefit obligation that is partly or wholly funded	2	299	38	339	–	–	–
Benefits paid	(18)	(9)	(14)	(41)	–	(6)	(6)
Contributions paid by plan participants	–	3	–	3	(2)	–	(2)
Current service cost	1	5	3	9	2	–	2
Past service cost	–	–	–	–	–	(1)	(1)
Interest costs	11	14	4	29	6	4	10
Actuarial losses/(gains)	24	(18)	–	6	2	6	8
Settlements and curtailments	–	(3)	–	(3)	–	(6)	(6)
Transfer from/(to) other provisions	3	–	(3)	–	–	–	–
Acquisitions	1	–	–	1	–	–	–
Transfers to disposal group classified as held for sale	–	–	(6)	(6)	–	–	–
Exchange adjustments	5	14	2	21	4	2	6
Present value of scheme liabilities at 31 March 2011	175	305	48	528	71	43	114
– Portion of defined benefit obligation that is unfunded	175	–	13	188	71	43	114
– Portion of defined benefit obligation that is partly or wholly funded	–	305	35	340	–	–	–
Benefits paid	(18)	(11)	(15)	(44)	–	(4)	(4)
Contributions paid by plan participants	–	3	–	3	(2)	–	(2)
Current service cost	–	4	2	6	2	1	3
Interest costs	13	15	5	33	6	4	10
Actuarial losses/(gains)	6	21	13	40	(1)	1	–
Reversal of unused provision	(10)	–	–	(10)	–	–	–
Acquisitions	–	–	52	52	–	–	–
Exchange adjustments	6	(18)	(3)	(15)	(10)	1	(9)
Present value of scheme liabilities at 31 March 2012	**172**	**319**	**102**	**593**	**66**	**46**	**112**
– Portion of defined benefit obligation that is unfunded	**172**	**–**	**13**	**185**	**66**	**46**	**112**
– Portion of defined benefit obligation that is partly or wholly funded	**–**	**319**	**89**	**408**	**–**	**–**	**–**

The fair value reconciliations of opening plan assets to closing plan assets, on an aggregated basis, are as follows.

	Defined benefit pension plans		
	Grolsch US$m	Other US$m	Total US$m
Plan assets at 1 April 2010	291	53	344
Expected return on plan assets	15	4	19
Benefits paid	(9)	(10)	(19)
Employer contributions	7	–	7
Actuarial gains	13	1	14
Exchange adjustments	16	4	20
Plan assets at 31 March 2011	333	52	385
Expected return on plan assets	16	8	24
Benefits paid	(11)	(14)	(25)
Employer contributions/(employer assets recognised)	9	(5)	4
Actuarial gains/(losses)	26	(3)	23
Acquisitions	–	51	51
Exchange adjustments	(21)	(5)	(26)
Plan assets at 31 March 2012	**352**	**84**	**436**

32. Pensions and post-retirement benefits continued

The fair value of assets in pension schemes and the expected rates of return were:

	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
At 31 March 2012							
Equities	–	–	102	7.0	31	1.0	133
Bonds	–	–	229	4.0	14	9.0	243
Cash	–	–	–	–	34	6.0	34
Property and other	–	–	21	7.0	5	9.0	26
Total fair value of assets	–		352		84		436
Present value of scheme liabilities	(172)		(319)		(102)		(593)
(Deficit)/surplus in the scheme	(172)		33		(18)		(157)
Unrecognised pension asset due to limit	–		(33)		(7)		(40)
Pension liability recognised	(172)		–		(25)		(197)
At 31 March 2011							
Equities	–	–	111	8.0	–	–	111
Bonds	–	–	202	4.0	4	9.0	206
Cash	–	–	–	–	48	8.0	48
Property and other	–	–	20	8.0	–	–	20
Total fair value of assets	–		333		52		385
Present value of scheme liabilities	(175)		(305)		(48)		(528)
(Deficit)/surplus in the scheme	(175)		28		4		(143)
Unrecognised pension asset due to limit	–		(28)		(25)		(53)
Pension liability recognised	(175)		–		(21)		(196)

The amounts recognised in the balance sheet are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US$m	Grolsch US$m	Other US$m	Total US$m	South Africa US$m	Other US$m	Total US$m
At 31 March 2012							
Present value of scheme liabilities	(172)	(319)	(102)	(593)	(66)	(46)	(112)
Fair value of plan assets	–	352	84	436	–	–	–
	(172)	33	(18)	(157)	(66)	(46)	(112)
Unrecognised assets due to limit	–	(33)	(7)	(40)	–	–	–
Net liability recognised on balance sheet	(172)	–	(25)	(197)	(66)	(46)	(112)
At 31 March 2011							
Present value of scheme liabilities	(175)	(305)	(48)	(528)	(71)	(43)	(114)
Fair value of plan assets	–	333	52	385	–	–	–
	(175)	28	4	(143)	(71)	(43)	(114)
Unrecognised assets due to limit	–	(28)	(25)	(53)	–	–	–
Net liability recognised on balance sheet	(175)	–	(21)	(196)	(71)	(43)	(114)

In respect of defined benefit pensions plans in South Africa, which are included in ‘Other’, the pension asset recognised is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. Pension fund assets have been set equal to nil as the surplus apportionment exercise required in terms of the South African legislation has not yet been completed.

The pension asset recognised in respect of Grolsch is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The limit has been set equal to nil due to the terms of the pension agreement with the pension fund.

Notes to the consolidated financial statements continued

32. Pensions and post-retirement benefits continued

The amounts recognised in net operating expenses in the income statement are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US$m	Grolsch US$m	Other US$m	Total US$m	South Africa US$m	Other US$m	Total US$m
At 31 March 2012							
Current service cost	**–**	**(4)**	**(2)**	**(6)**	**(2)**	**(1)**	**(3)**
Interest costs	**(13)**	**(15)**	**(5)**	**(33)**	**(6)**	**(4)**	**(10)**
Expected return on plan assets	**–**	**16**	**8**	**24**	**–**	**–**	**–**
	(13)	**(3)**	**1**	**(15)**	**(8)**	**(5)**	**(13)**
At 31 March 2011							
Current service cost	(1)	(5)	(3)	(9)	(2)	–	(2)
Past service cost	–	–	–	–	–	1	1
Interest costs	(11)	(14)	(4)	(29)	(6)	(4)	(10)
Expected return on plan assets	–	15	4	19	–	–	–
Settlements and curtailments	–	3	–	3	–	6	6
Unrecognised gains due to limit	–	–	(1)	(1)	–	–	–
	(12)	(1)	(4)	(17)	(8)	3	(5)

The amounts recognised in the statement of comprehensive income are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US$m	Grolsch US$m	Other US$m	Total US$m	South Africa US$m	Other US$m	Total US$m
At 31 March 2012							
Actual return on plan assets	**–**	**42**	**5**	**47**	**–**	**–**	**–**
Less: expected return on plan assets	**–**	**(16)**	**(8)**	**(24)**	**–**	**–**	**–**
Experience gains/(losses) arising on							
scheme assets	**–**	**26**	**(3)**	**23**	**–**	**–**	**–**
scheme liabilities	**–**	**(21)**	**(10)**	**(31)**	**1**	**–**	**1**
Changes in actuarial assumptions	**(6)**	**–**	**(3)**	**(9)**	**–**	**(1)**	**(1)**
Unrecognised (gains)/losses due to limit	**–**	**(6)**	**14**	**8**	**–**	**–**	**–**
	(6)	**(1)**	**(2)**	**(9)**	**1**	**(1)**	**–**
At 31 March 2011							
Actual return on plan assets	–	28	5	33	–	–	–
Less: expected return on plan assets	–	(15)	(4)	(19)	–	–	–
Experience gains/(losses) arising on							
scheme assets	–	13	1	14	–	–	–
scheme liabilities	–	18	–	18	(2)	–	(2)
Changes in actuarial assumptions	(23)	–	–	(23)	–	(6)	(6)
Other actuarial losses	(1)	–	–	(1)	–	–	–
Unrecognised gains due to limit	–	(26)	(2)	(28)	–	–	–
	(24)	5	(1)	(20)	(2)	(6)	(8)

32. Pensions and post-retirement benefits continued

The cumulative amounts recognised in other comprehensive income are as follows.

	2012 US$m	2011 US$m
Cumulative actuarial losses recognised at beginning of year	**(203)**	(175)
Net actuarial losses recognised in the year	**(9)**	(28)
Cumulative actuarial losses recognised at end of year	**(212)**	(203)

History of actuarial gains and losses

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Experience gains/(losses) of plan assets	**23**	14	33	(77)	(90)
Percentage of plan assets	**5%**	4%	10%	26%	7%
Experience (losses)/gains of scheme liabilities	**(30)**	16	(44)	28	2
Percentage of scheme liabilities	**4%**	2%	7%	6%	0%
Fair value of plan assets	**436**	385	344	299	1,348
Present value of scheme liabilities	**(705)**	(642)	(612)	(499)	(2,338)
Deficit in the schemes	**(269)**	(257)	(268)	(200)	(990)
Unrecognised assets due to limit	**(40)**	(53)	(22)	(17)	(27)
Net liability recognised in balance sheet	**(309)**	(310)	(290)	(217)	(1,017)

Contributions expected to be paid into the group's major defined benefit schemes during the annual period after 31 March 2012 are US$25 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.

	2012	
	Increase US$m	**Decrease US$m**
Current service costs	**–**	**–**
Interest costs	**1**	**(1)**
Accumulated post-employment medical benefit costs	**12**	**(10)**

Notes to the consolidated financial statements continued

33. Related party transactions

a. Parties with significant influence over the group: Altria Group, Inc. (Altria) and the Santo Domingo Group (SDG)
Altria is considered to be a related party of the group by virtue of its 27.0% 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 14.1% equity shareholding in SABMiller plc. During the year the group made a donation of US$33 million to the Fundación Mario Santo Domingo (2011: US$32 million), pursuant to the contractual arrangements entered into at the time of the Bavaria transaction in 2005, under which it was agreed that the proceeds of the sale of surplus non-operating property assets owned by Bavaria SA and its subsidiaries would be donated to various charities, including the Fundación Mario Santo Domingo. At 31 March 2012 US$nil (2011: US$nil) was owing to the SDG.

b. Associates and joint ventures
Details relating to transactions with associates and joint ventures are analysed below.

	2012 US$m	2011 US$m
Purchases from associates[1]	(214)	(211)
Purchases from joint ventures[2]	(86)	(75)
Sales to associates[3]	39	36
Sales to joint ventures[4]	28	31
Dividends receivable from associates[5]	150	89
Dividends received from joint ventures[6]	896	822
Royalties received from associates[7]	13	7
Royalties received from joint ventures[8]	2	2
Management fees and other recoveries received from associates[9]	24	10
Management and guarantee fees paid to joint ventures[10]	(1)	(2)

[1] The group purchased canned Coca-Cola products for resale from Coca-Cola Canners of Southern Africa (Pty) Limited (Coca-Cola Canners); inventory from Distell Group Ltd (Distell) and Associated Fruit Processors (Pty) Ltd (AFP); and accommodation from Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun), all in South Africa.

[2] The group purchased lager from MillerCoors LLC (MillerCoors).

[3] The group made sales of lager to Tsogo Sun, Empresa de Cervejas N'Gola SARL (ECN), Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd (Castel), Delta Corporation Ltd (Delta) and Distell.

[4] The group made sales to MillerCoors and Pacific Beverages.

[5] The group had dividends receivable from Castel of US$61 million (2011: US$39 million), Kenya Breweries Ltd US$9 million (2011: US$14 million), Coca-Cola Canners US$6 million (2011: US$5 million), Distell US$22 million (2011: US$21 million), Tsogo Sun US$41 million (2011: US$3 million), ECN US$nil (2011: US$3 million), Delta US$3 million (2011: US$2 million), Grolsch (UK) Ltd of US$2 million (2011: US$2 million) and International Trade and Supply Limited of US$6 million (2011: US$nil).

[6] The group received dividends from MillerCoors.

[7] The group received royalties from Delta, Kenya Breweries Ltd and Anadolu Efes.

[8] The group received royalties from MillerCoors and Pacific Beverages.

[9] The group received management fees from ECN and Delta, and other recoveries from AFP.

[10] The group paid management fees to MillerCoors.

At 31 March	2012 US$m	2011 US$m
Amounts owed by associates – trade[1]	145	12
Amounts owed by associates – loans[2]	60	–
Amounts owed by joint ventures[3]	6	5
Amounts owed to associates[4]	(42)	(24)
Amounts owed to joint ventures[5]	(17)	(16)

[1] Amounts owed by AFP, Delta, BIH Angola and Anadolu Efes.

[2] Amounts owed by BIH Angola.

[3] Amounts owed by MillerCoors and in the prior year also Pacific Beverages.

[4] Amounts owed to Coca-Cola Canners and Tsogo Sun.

[5] Amounts owed to MillerCoors.

Amounts owed by associates include balances with BIH Angola and Anadolu Efes which were previously intra-group balances with former group subsidiaries in Angola, Russia and Ukraine.

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 2012 there were 27 (2011: 24) members of key management. Key management compensation is provided in note 6c.

34. Post balance sheet events

There are no material post balance sheet events.

35. Principal subsidiaries, associates and joint ventures

The principal subsidiary undertakings of the group as at 31 March were as follows.

Name	Country of incorporation	Principal activity	Effective interest 2012	Effective interest 2011
Corporate				
SABMiller Holdings Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Africa and Asia BV[1]	Netherlands	Holding company	**100%**	100%
SABMiller Holdings SA Ltd	United Kingdom	Holding company	**100%**	–
SABMiller Holdings SH Ltd	United Kingdom	Holding company	**100%**	–
SABMiller International BV	Netherlands	Trademark owner	**100%**	100%
SABMiller SAF Limited	United Kingdom	Holding company/Financing	**100%**	–
SABMiller Southern Investments Ltd[2]	United Kingdom	Holding company	**100%**	100%
SABSA Holdings (Pty) Ltd	South Africa	Holding company	**100%**	100%
Trinity Procurement GmbH	Switzerland	Procurement	**100%**	100%
Latin American operations				
Bavaria SA[3]	Colombia	Brewing/Soft drinks	**99%**	99%
Cervecería Argentina SA Isenbeck	Argentina	Brewing	**100%**	100%
Cervecería del Valle SA	Colombia	Brewing	**99%**	99%
Cervecería Hondureña, SA de CV	Honduras	Brewing/Soft drinks	**99%**	99%
Cervecería Nacional (CN) SA[3]	Ecuador	Brewing	**96%**	96%
Cervecería Nacional SA[3]	Panama	Brewing	**97%**	97%
Cervecería San Juan SA[3]	Peru	Brewing/Soft drinks	**92%**	92%
Cervecería Unión SA	Colombia	Brewing	**98%**	98%
Industrias La Constancia, SA de CV	El Salvador	Brewing/Soft drinks	**100%**	100%
Unión de Cervecerías Peruanas Backus y Johnston SAA[3]	Peru	Brewing	**94%**	94%
European operations				
SABMiller Europe BV[1]	Netherlands	Holding company	**100%**	100%
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Netherlands Cooperative WA	Netherlands	Holding company	**100%**	100%
Compañia Cervecera de Canarias SA	Spain	Brewing	**51%**	51%
Dreher Sörgyárak Zrt	Hungary	Brewing	**100%**	100%
Grolsche Bierbrouwerij Nederland BV	Netherlands	Brewing	**100%**	100%
Kompania Piwowarska SA[4]	Poland	Brewing	**100%**	100%
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	**100%**	100%
Pivovary Topvar as	Slovakia	Brewing	**100%**	100%
PJSC Miller Brands Ukraine[5]	Ukraine	Brewing	**–**	100%
Plzeňský Prazdroj as	Czech Republic	Brewing	**100%**	100%
SABMiller RUS LLC[5]	Russia	Brewing	**–**	100%
Birra Peroni Srl[6]	Italy	Brewing	**100%**	100%
Ursus Breweries SA	Romania	Brewing	**99%**	99%
North American operations				
SABMiller Holdings Inc	USA	Holding company/Financing	**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 Ltd	Mauritius	Holding company	**80%**	80%
SABMiller Investments II BV	Netherlands	Holding company	**80%**	80%
SABMiller Zimbabwe BV	Netherlands	Holding company	**62%**	62%
Accra Brewery Ltd	Ghana	Brewing	**60%**	60%
Ambo Mineral Water Share Company	Ethiopia	Soft drinks	**40%**	40%
Botswana Breweries (Pty) Ltd	Botswana	Sorghum brewing	**31%**	31%
Cervejas de Moçambique SARL[3]	Mozambique	Brewing	**49%**	49%
Chibuku Products Ltd	Malawi	Sorghum brewing	**31%**	31%
Coca-Cola Bottling Luanda SARL[7]	Angola	Soft drinks	**–**	28%
Coca-Cola Bottling Sul de Angola SARL[7]	Angola	Soft drinks	**–**	37%
Crown Beverages Ltd[8]	Kenya	Soft drinks	**80%**	80%

Notes to the consolidated financial statements continued

35. Principal subsidiaries, associates and joint ventures continued

Name	Country of incorporation	Principal activity	Effective interest 2012	2011
African operations continued				
Empresa de Cervejas N'Gola Norte SA[7]	Angola	Brewing	**–**	31%
Heinrich's Syndicate Ltd	Zambia	Soft drinks	**62%**	62%
Intafact Beverages Ltd	Nigeria	Brewing	**41%**	41%
International Breweries plc[3,9]	Nigeria	Brewing	**33%**	–
Kgalagadi Breweries (Pty) Ltd	Botswana	Brewing/Soft drinks	**31%**	31%
Maluti Mountain Brewery (Pty) Ltd	Lesotho	Brewing/Soft drinks	**24%**	24%
MUBEX	Mauritius	Procurement	**100%**	100%
National Breweries plc[3]	Zambia	Sorghum brewing	**43%**	43%
Nile Breweries Ltd	Uganda	Brewing	**62%**	60%
Pabod Breweries Ltd[9]	Nigeria	Brewing	**38%**	59%
Rwenzori Bottling Company Ltd	Uganda	Soft drinks	**80%**	80%
Southern Sudan Beverages Ltd	South Sudan	Brewing	**80%**	80%
Swaziland Beverages Ltd	Swaziland	Brewing	**37%**	37%
Tanzania Breweries Ltd[3]	Tanzania	Brewing	**36%**	33%
Voltic (GH) Ltd	Ghana	Soft drinks	**80%**	80%
Voltic Nigeria Ltd[8]	Nigeria	Soft drinks	**50%**	80%
Zambian Breweries plc[3]	Zambia	Brewing/Soft drinks	**54%**	54%
Asia Pacific 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 Beverage Investments Pty Ltd	Australia	Holding company	**100%**	–
SABMiller India Ltd	India	Holding company	**100%**	100%
Foster's Group Ltd	Australia	Holding company	**100%**	–
Bulmer Australia Ltd	Australia	Brewing	**100%**	–
Cascade Brewery Company Pty Ltd	Australia	Brewing	**100%**	–
FBG Treasury (Aust) Ltd	Australia	Financing	**100%**	–
Foster's Australia Ltd	Australia	Brewing	**100%**	–
Foster's Group Pacific Ltd[3]	Fiji	Brewing	**89%**	–
Pacific Beverages Pty Ltd[10]	Australia	Brewing	**100%**	–
Queensland Breweries Pty Ltd	Australia	Brewing	**100%**	–
SABMiller Breweries Private Ltd	India	Brewing	**100%**	100%
SABMiller Vietnam Company Ltd	Vietnam	Brewing	**100%**	100%
Skol Breweries Ltd	India	Brewing	**99%**	99%
South African operations				
The South African Breweries (Pty) Ltd[11]	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 Previously SABMiller Latin America Ltd.

3 Listed in country of incorporation.

4 SABMiller Poland BV, a wholly owned subsidiary of the group, holds 100% of Kompania Piwowarska SA.

5 On 6 March 2012 the group completed its strategic alliance with Anadolu Group and Anadolu Efes Biracılık ve Malt Sanayii AŞ (Anadolu Efes). The group's subsidiaries SABMiller RUS LLC and PJSC Miller Brands Ukraine were contributed to Anadolu Efes, in exchange for a 24% equity stake in the enlarged Anadolu Efes group.

6 Previously S.p.A Birra Peroni.

7 On 1 January 2012 the group acquired a 27.5% interest in BIH Brasseries Internationales Holding (Angola) Ltd (BIH Angola) in exchange for contributing its Angolan businesses into BIH Angola. Castel acquired the remaining 72.5% in BIH Angola, having contributed its Angolan businesses into BIH Angola.

8 Previously Crown Foods Ltd.

9 On 1 January 2012 the group acquired an effective 33% interest in International Breweries plc in exchange for cash and a dilution in the group's effective interests in its existing Nigerian businesses, Pabod Breweries Ltd and Voltic Nigeria Ltd.

10 On 13 January 2012 the remaining 50% interest in Pacific Beverages Pty Ltd was purchased and from this date the company has been a subsidiary. In 2011 the company was a joint venture.

11 Previously The South African Breweries Ltd.

35. Principal subsidiaries, associates and joint ventures continued

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 and SABMiller Botswana BV on 1 April 2001, in exchange for a 20% interest in the Castel group's African beverage interests. Investments in new territories are generally being made with the Castel group's African beverage operations on an 80:20 basis. The operations continue to be consolidated due to SABMiller Africa BV's, SABMiller Botswana BV's and SABMiller Investment II BV's majority shareholdings, and ability to control the operations.

Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd
SABMiller Botswana holds a 40% interest in each of Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd with the remaining 60% interest in each held by Sechaba Brewery Holdings Ltd. SABMiller Botswana's shares entitle the holder to twice the voting rights of those shares held by Sechaba Brewery Holdings Ltd. SABMiller Africa BV's 10.1% indirect interest (2011: 10.1%) is held via a 16.8% interest (2011: 16.8%) in Sechaba Brewery Holdings Ltd.

Maluti Mountain Brewery (Pty) Ltd (Maluti)
SABMiller Africa BV holds a 39% interest in Maluti with the remaining interest held by a government authority, the Lesotho National Development Corporation (51%), the Privatisation Unit (5.25%), and the Lesotho Unit Trust (4.75%). Maluti is treated as a subsidiary undertaking based on the group's ability to control its operations through its board representation. The day to day business operations are managed in accordance with a management agreement with Bevman Services AG, a group company.

Notes to the consolidated financial statements continued

35. Principal subsidiaries, associates and joint ventures continued

Associates and joint ventures

The principal associates and joint ventures of the group as at 31 March are 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 2012	Effective interest 2011
European operations					
Anadolu Efes Biracılık ve Malt Sanayii AŞ[1,2,3]	Turkey	Associate	Brewing/Soft drinks	**24%**	–
Grolsch (UK) Ltd	United Kingdom	Associate	Brewing	**50%**	50%
North American operations					
MillerCoors LLC[4]	USA	Joint venture	Brewing	**58%**	58%
African operations					
BIH Brasseries Internationales Holding Ltd[3]	Gibraltar	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Société des Brasseries et Glacières Internationales[3]	France	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Algerienne de Bavaroise[3,5]	Algeria	Associate	Brewing	**40%**	40%
BIH Brasseries Internationales Holding (Angola) Ltd[3,7]	Gibraltar	Associate	Brewing/Soft drinks	**27%**	–
Delta Corporation Ltd[1,3,6]	Zimbabwe	Associate	Brewing/Soft drinks	**25%**	23%
Empresa de Cervejas N'Gola SARL[7]	Angola	Associate	Brewing	**–**	28%
Kenya Breweries Ltd[6,8,9]	Kenya	Associate	Brewing	**–**	12%
Marocaine d'Investissements et de Services[1,10]	Morocco	Associate	Brewing	**40%**	40%
Skikda Bottling Company[3,5]	Algeria	Associate	Soft drinks	**40%**	40%
Société de Boissons de l'Ouest, Algerien[3,5]	Algeria	Associate	Soft drinks	**40%**	40%
Société des Nouvelles Brasseries[3,5]	Algeria	Associate	Brewing	**40%**	40%
Asia Pacific operations					
China Resources Snow Breweries Ltd[3]	British Virgin Islands	Associate	Holding company for brewing subsidiaries located in China	**49%**	49%
Pacific Beverages Pty Ltd[11]	Australia	Joint venture	Sales and distribution	**–**	50%
International Trade and Supply Limited[3]	British Virgin Islands	Associate	Sales and distribution	**40%**	–
South African operations					
Coca-Cola Canners of Southern Africa (Pty) Ltd[3]	South Africa	Associate	Canning of beverages	**32%**	32%
Distell Group Ltd[1,8]	South Africa	Associate	Wines and spirits	**29%**	29%
Hotels and Gaming					
Tsogo Sun Holdings Ltd[1,12]	South Africa	Associate	Holding company for Hotels and Gaming operations	**40%**	40%

1 Listed in country of incorporation.

2 On 6 March 2012 the group completed its strategic alliance with Anadolu Group and Anadolu Efes Biracılık ve Malt Sanayii AŞ (Anadolu Efes). The group's subsidiaries SABMiller RUS LLC and PJSC Miller Brands Ukraine were contributed to Anadolu Efes, in exchange for a 24% equity stake in the enlarged Anadolu Efes group.

3 These entities report their financial results for each 12 month period ending 31 December.

4 SABMiller shares joint control of MillerCoors with Molson Coors Brewing Company under a shareholders' agreement. Voting interests are shared equally between SABMiller and Molson Coors, and each of SABMiller and Molson Coors has equal board representation. Under the agreement SABMiller has a 58% economic interest in MillerCoors and Molson Coors has a 42% economic interest.

5 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.

6 Interests in these companies are held by SABMiller Africa BV which is held 62% by SABMiller Holdings Ltd.

7 On 1 January 2012 the group acquired a 27.5% interest in BIH Brasseries Internationales Holding (Angola) Ltd (BIH Angola) in exchange for contributing its Angolan businesses into BIH Angola. Castel acquired the remaining 72.5% in BIH Angola, having contributed its Angolan businesses into BIH Angola.

8 These entities report their financial results for each 12 month period ending 30 June.

9 Disposed on 25 November 2011.

10 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.

11 Pacific Beverages Pty Ltd became a subsidiary on 13 January 2012.

12 Previously Gold Reef Resorts Ltd.

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, BIH Brasseries Internationales Holding Ltd's (Castel) and BIH Brasseries Internationales Holding (Angola) Ltd's principal subsidiaries are in Africa, China Resources Snow Breweries Ltd's principal subsidiaries are in the People's Republic of China and International Trade and Supply Limited operates in the United Arab Emirates.

Statement of directors' responsibilities
in respect of the company financial statements

The directors are responsible for preparing the Annual Report, the directors' remuneration report and the company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

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

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

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

Independent auditors' report
to the members of SABMiller plc

We have audited the company financial statements of SABMiller plc for the year ended 31 March 2012 which comprise the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the SABMiller plc Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012;
- 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 directors' 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 directors' 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 2012.

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

11 June 2012

Balance sheet of SABMiller plc
at 31 March

	Notes	2012 US$m	2011 US$m
Fixed assets			
Tangible fixed assets	2	**119**	100
Investments in subsidiary undertakings	3	**17,083**	17,052
Derivative financial instruments	8	**499**	325
		17,701	17,477
Current assets			
Debtors	4	**6,621**	7,738
Derivative financial instruments	8	**6**	3
Short-term deposits	5	**293**	695
		6,920	8,436
Creditors – amounts falling due within one year	6	**(1,081)**	(2,654)
Net current assets		**5,839**	5,782
Total assets less current liabilities		**23,540**	23,259
Creditors – amounts falling due after more than one year	7	**(7,646)**	(8,927)
Net assets		**15,894**	14,332
Capital and reserves			
Share capital		**166**	166
Share premium		**6,480**	6,384
Merger relief reserve		**4,586**	4,586
Other reserves		**(1,198)**	(1,219)
Profit and loss account		**5,860**	4,415
Total shareholders' funds	9	**15,894**	14,332

The financial statements on pages 167 to 177 were approved by the board of directors on 11 June 2012 and were signed on its behalf by:

Graham Mackay
Chief Executive

Jamie Wilson
Chief Financial Officer

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$2,661 million (2011: US$1,476 million).

Notes to the company financial statements

1. Accounting policies

a) Basis of preparation
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 in accordance with the Companies Act 2006 and with accounting standards applicable in the United Kingdom (UK GAAP).

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The principal accounting policies, which have been applied consistently throughout the year are set out below.

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.

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 2012	7.48	0.63	7.67	0.62
Year ended 31 March 2011	7.15	0.64	6.77	0.62

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or at the related forward contract rate 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. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for the intended use.

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 and software	2-30 years
Leasehold land and buildings	Shorter of the lease term or 50 years

The company regularly reviews its depreciation rates to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The profit or loss on the 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', long term 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 long term 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 long term assets are written down by any impairment amount, the loss is recognised in the profit and loss account in the period in which it is incurred. Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the profit and loss account in the period in which it occurs and the carrying value of the asset is increased.

The increase in the carrying value of the asset will only be up to the amount that it would have been had the original impairment not occurred. For the purpose of conducting impairment reviews, income generating units are considered to be groups of assets and liabilities that generate income, and are largely independent of other income streams. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

f) Financial assets and financial liabilities
Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the company assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired. If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset. Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net interest payable over the life of the instrument.

1. Accounting policies continued

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are included in debtors in the balance sheet.

(ii) Cash and short-term deposits
Cash and short-term deposits include cash in hand, bank deposits repayable on demand, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within creditors – amounts falling due within one year.

(iii) Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and fixed assets and creditors on the face of the balance sheet, depending on when they are expected to mature. For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the profit and loss account. See note k for the company's accounting policy on hedge accounting.

(iv) Trade creditors
Trade creditors are initially recognised at fair value and subsequently measured at amortised cost.

Trade creditors are classified as creditors falling due within one year unless the company has an unconditional right to defer settlement for at least 12 months from the balance sheet date.

(v) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note k).

(vi) Financial guarantees
FRS 26 (Amendment) requires that issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, are to be initially recognised at their fair value and subsequently measured at the higher of the amount initially recognised less cumulative amortisation recognised and the amount determined in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'.

Financial guarantee contracts are defined in FRS 26 as contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are amortised over the life of the guarantee, or accelerated if the third party obligation is settled early. The amortisation is taken to the profit and loss account.

g) Revenue recognition
(i) Interest income
Interest income is recognised on an accruals basis using the effective interest method.

(ii) Dividend income
Dividend income is recognised when the right to receive payment is established.

h) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

i) Dividend distributions
In accordance with FRS 21, dividend distributions to equity holders are recognised as a liability in the financial statements of the company in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

j) Share-based compensation
The company operates several equity-settled share-based compensation schemes. These include share option plans (with and without non-market performance conditions attached), performance share award plans (with market conditions attached) and awards related to the employee element of the Broad-Based Black Economic Empowerment (BBBEE) scheme in the South Africa. In addition the company has granted an equity-settled share-based payment to retailers in relation to the retailer component of the BBBEE scheme.

In accordance with FRS 20, an expense is recognised to spread the fair value at date of grant of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the fair value of the award at the date of grant, as calculated by binomial model calculations and Monte Carlo simulations.

The charge is not reversed if the options have not been exercised because the market value of the shares is lower than the option price at the date of grant. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised, unless the options are satisfied by treasury or EBT shares.

Notes to the company financial statements continued

1. Accounting policies continued

The issue by the company to employees of its subsidiaries of a grant over the company's shares represents additional capital contributions by the company to its subsidiaries, except to the extent the company is reimbursed. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued allocated over the underlying grant's vesting period.

A new employee benefit trust, the SABMiller Associated Companies' Employees' Benefit Trust (the AC-EBT), was established during the year. The AC-EBT holds shares in SABMiller plc for the purposes of providing share incentives for employees of companies in which SABMiller has a significant economic and strategic interest but over which it does not have management control. These share options are accounted for as cash-settled share-based payments in accordance with FRS 20 'Share-Based Payment'. A liability is recognised at fair value in the balance sheet over the vesting period with a corresponding charge to the profit and loss account. The liability is remeasured at each reporting date, on an actuarial basis using the analytic method, to reflect the revised fair value and to adjust for changes in assumptions such as leavers. Changes in fair value of the liability are recognised in the profit and loss account. Actual settlement of the liability will be at its intrinsic value with the difference recognised in the profit and loss account.

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, 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 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 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 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 reperformed 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 profit and loss account. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, whilst providing effective economic hedges under the company's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the profit and loss account. The company does not hold or issue derivative financial instruments for speculative purposes.

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the company's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the profit and loss account in the period incurred. Gains or losses on fair value hedges that are regarded as highly effective are recorded in the profit and loss account together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised as a separate component of equity. The ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

Details of the group's financial risk management objectives and policies are provided in note 23 to the consolidated financial statements of the group.

l) Operating leases

Rentals paid on operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

m) Pension obligations

The company operates a defined contribution scheme. Contributions to this scheme are charged to the profit and loss account as incurred.

2. Tangible fixed assets

	Assets in course of construction US$m	Short leasehold land and buildings US$m	Office equipment and software US$m	Total US$m
Cost				
At 1 April 2010	39	19	68	126
Additions	40	–	–	40
Transfers	(47)	5	42	–
At 31 March 2011	32	24	110	166
Additions	27	9	4	40
Disposals	–	(1)	–	(1)
Transfers	(5)	–	5	–
At 31 March 2012	**54**	**32**	**119**	**205**
Accumulated depreciation				
At 1 April 2010	–	10	37	47
Depreciation – charge for the year	–	3	16	19
At 31 March 2011	–	13	53	66
Depreciation – charge for the year	–	4	16	20
At 31 March 2012	**–**	**17**	**69**	**86**
Net book amount				
At 1 April 2010	39	9	31	79
At 31 March 2011	32	11	57	100
At 31 March 2012	**54**	**15**	**50**	**119**

3. Investment in subsidiary undertakings

	Shares US$m	Loans US$m	Total US$m
At 1 April 2010	12,797	3,627	16,424
Exchange adjustments	–	7	7
Additions	599	–	599
Capital contribution relating to share-based payments	184	–	184
Repayments	–	(162)	(162)
At 31 March 2011	13,580	3,472	17,052
Exchange adjustments	–	(10)	(10)
Additions	95	–	95
Capital contribution relating to share-based payments	86	–	86
Impairment provision[1]	(140)	–	(140)
At 31 March 2012	**13,621**	**3,462**	**17,083**

[1] During the year the company recorded an impairment provision of US$90 million against its investment in SABMiller Management Services BV, US$45.5 million against its investment in SABMiller Capital UK Ltd and US$0.5 million against its investment in SABMiller Asia Capital LLP.

Notes to the company financial statements continued

3. Investment in subsidiary undertakings continued

The investment in subsidiary undertakings is shown as follows (all interests are 100% direct investments unless stated otherwise):

Name	Country of incorporation	Principal activity	2012 US$m	2011 US$m
SABMiller Holdings Ltd	United Kingdom	Holding company	**5,437**	5,437
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	**–**	–
SABMiller Management BV	Netherlands	Group management services	**–**	90
SABMiller Africa & Asia BV	Netherlands	Holding company	**178**	178
Appletiser International BV	Netherlands	Holding company	**–**	–
SABMiller (Safari)	United Kingdom	Finance company	**506**	506
Pilsner Urquell International BV	Netherlands	Holding company	**–**	–
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	**2,098**	2,053
Racetrack Colombia Finance SA[1]	Colombia	Finance company	**–**	–
SABMiller Poland BV	Netherlands	Holding company	**4,976**	4,976
SABMiller Horizon Ltd	United Kingdom	Agent company	**–**	–
SABSA Holdings (Pty) Ltd[2]	South Africa	Holding company	**5**	5
SABMiller Capital UK Ltd	United Kingdom	Holding company	**–**	–
SABMiller Asia Capital LLP[3]	United Kingdom	Finance company	**–**	–
			13,239	13,284
Capital contribution relating to share-based payments			**382**	296
			13,621	13,580

[1] 94.9% direct interest and 100% effective interest.

[2] SABMiller plc contributed ZAR36 million towards the cost of guarantee fee to SABSA Holdings (Pty) Ltd, a fellow group undertaking. It has no direct interest in the share capital of that company.

[3] 1% direct interest and 100% effective interest.

4. Debtors

	2012 US$m	2011 US$m
Amounts owed by subsidiary undertakings	**6,476**	7,624
Amounts owed by associated undertakings	**60**	–
Other debtors	**61**	114
Deferred tax	**24**	–
	6,621	7,738

Included in the table above are debtors due after more than one year of US$2 million (2011: US$nil).

5. Short-term deposits

	2012 US$m	2011 US$m
Short-term deposits	**293**	695

The company has short-term deposits in US dollars (USD). The effective interest rates were USD 0.23% (2011: €0.88% and USD 1.04%).

6. Creditors amounts falling due within one year

	2012 US$m	2011 US$m
Bank overdrafts	**2**	359
Bank loans	**–**	53
US$600 million 6.2% Notes due 2011	**–**	609
Amounts owed to subsidiary undertakings	**846**	1,432
Taxation and social security	**29**	20
Derivative financial instruments (see note 8)	**4**	80
Trade and other creditors	**55**	41
Accruals and deferred income	**80**	58
Dividends payable to shareholders	**2**	2
Guarantee fee liability	**63**	–
	1,081	2,654

7. Creditors amounts falling due after more than one year

	2012 US$m	2011 US$m
US$1,100 million 5.5% Notes due 2013[1]	**1,099**	1,116
€1,000 million 4.5% Notes due 2015[2]	**1,367**	1,417
US$300 million 6.625% Notes due 2033[2]	**416**	361
US$850 million 6.5% Notes due 2016[2]	**960**	943
US$550 million 5.7% Notes due 2014[2]	**588**	594
US$700 million 6.5% Notes due 2018[2]	**811**	759
PEN 150 million 6.75% Notes due 2015[2]	**56**	53
€140 million revolving credit facility[2]	**–**	99
Loans from subsidiary undertakings[3]	**1,938**	3,560
Derivative financial instruments (see note 8)	**38**	14
Other creditors	**9**	4
Deferred income	**7**	7
Guarantee fee liability	**357**	–
	7,646	8,927

The maturity of creditors falling due after more than one year is as follows:		
Between 1 and 2 years	**1,153**	119
Between 2 and 5 years	**5,007**	6,764
After 5 years	**1,486**	2,044
	7,646	8,927

[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 revolving credit facility and the Notes is detailed in note 22 to the consolidated financial statements of the group.

[3] Loans from subsidiary undertakings are unsecured, repayable in 2015 and bear interest at a rate of 1.236%.

Notes to the company financial statements continued

8. Derivative financial instruments

	Assets 2012 US$m	Liabilities 2012 US$m	Assets 2011 US$m	Liabilities 2011 US$m
Current derivative financial instruments				
Forward foreign currency contracts	4	(4)	1	(21)
Forward foreign currency contracts as cash flow hedges	2	–	2	–
Cross currency swaps	–	–	–	(59)
	6	(4)	3	(80)
Non-current derivative financial instruments				
Forward foreign currency contracts	43	(31)	–	–
Interest rate swaps designated as fair value hedges	351	–	268	(4)
Cross currency swaps	105	(7)	57	(10)
	499	(38)	325	(14)

Derivatives designated as hedging instruments

(i) Cash flow hedges

The company has entered into forward exchange contracts designed as cash flow hedges to manage short-term foreign currency exchange exposures to future creditor payments. As at 31 March 2012, the notional amounts of these contracts was GBP119 million and AUD1 million (2011: GBP120 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 2012, the fixed interest rates received vary from 4.5% to 6.625% (2011: 4.5% to 6.625%) and floating interest rates paid vary from LIBOR/EURIBOR plus 71.6 bps to LIBOR/EURIBOR plus 198.8 bps (2011: LIBOR/EURIBOR plus 71.6 bps to LIBOR/EURIBOR plus 198.8 bps) on the notional amount. As at 31 March 2012, the carrying value of the hedged borrowings was US$3,191 million (2011: US$3,187 million).

Standalone derivative financial instruments

(i) Forward foreign currency contracts

The company has entered into several forward foreign currency contracts to manage the group's exposure to foreign exchange risk on the investments in subsidiaries in South Africa, Colombia, the Czech Republic, Peru and Australia.

(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 and the Netherlands.

(iii) Interest rate swaps

The company holds a number of interest rate swaps to receive floating rates and pay fixed rates, held as an economic offset to a number of interest rate swaps that receive fixed rates and pay floating rates that were previously held in a fair value hedge relationship.

Analysis of notional amounts on all outstanding financial instruments held by the company is as follows:

	2012 m	2011 m
Forward foreign currency contracts		
– SA rand	245	1,525
– Colombian peso	490,476	–
– Australian dollar	500	–
– Czech koruna	6,825	5,500
– Peruvian nuevo sol	631	–
– Euro	–	21
– Pounds sterling	–	125
– Russian rouble	–	2,530
Interest rate swaps		
– Fair value hedges		
– US dollar	1,750	2,225
– Euro	500	500
Cross currency swaps		
– SA rand	1,404	2,799
– Polish zloty	433	1,092
– Euro	317	317
– Czech koruna	–	2,258
– Russian rouble	–	1,400

8. Derivative financial instruments continued

Fair values of financial assets and financial liabilities

	Book value 2012 US$m	Fair value 2012 US$m	Book value 2011 US$m	Fair value 2011 US$m
Current borrowings	**2**	**2**	1,021	1,021
Non-current borrowings	**7,218**	**7,592**	8,902	9,398

Derivatives, cash and cash equivalents, short-term deposits, debtors and creditors (excluding borrowings) are not included in the table above because their book values are an approximation of their fair values. The fair value of the company's fixed rate loans are calculated by discounting expected future cash flows using the appropriate yield curve. The book values of floating rate borrowings approximate to their fair value.

Fair value loss on financial instruments recognised in the profit and loss account

	2012 US$m	2011 US$m
Derivative financial instruments:		
Forward foreign currency contracts	**(108)**	(53)
Interest rate swaps designated as cash flow hedges	**–**	1
Interest rate swaps designated as fair value hedges	**100**	13
Cross currency swaps	**107**	(71)
Guarantee fees	**22**	8
	121	(102)
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	**(156)**	(14)
Total fair value loss on financial instruments recognised in the profit and loss account	**(35)**	(116)

Other financial liabilities

Other financial liabilities include guarantee fee liabilities as disclosed in notes 6 and 7.

The company has guaranteed the bank overdrafts and drawn components of bank loans of a number of subsidiaries. Under the terms of the financial guarantee contracts, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

Terms and notional values of the liabilities guaranteed were as follows:

Year of maturity	2012 US$m	2011 US$m
2014	**2,175**	–
2015	**1,000**	–
2016	**750**	–
2017	**2,054**	–
2022	**2,500**	–
2042	**1,500**	–
	9,979	–

Notes to the company financial statements continued

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 2010	165	6,312	4,586	(4)	(145)	(1,097)	3,829	13,646
Issue of share capital	1	72	–	–	–	–	–	73
Profit for the year	–	–	–	–	–	–	1,476	1,476
Dividends paid	–	–	–	–	–	–	(1,115)	(1,115)
Cash flow hedges – fair value gains	–	–	–	6	–	–	–	6
Utilisation of EBT shares	–	–	–	–	21	–	(21)	–
Credit entry relating to share-based payments	–	–	–	–	–	–	62	62
Capital contribution relating to share-based payments	–	–	–	–	–	–	184	184
At 31 March 2011	166	6,384	4,586	2	(124)	(1,097)	4,415	14,332
Issue of share capital	–	96	–	–	–	–	–	96
Profit for the year	–	–	–	–	–	–	2,661	2,661
Dividends paid	–	–	–	–	–	–	(1,313)	(1,313)
Purchases of EBT shares	–	–	–	–	(52)	–	–	(52)
Loan repayment from EBT	–	–	–	–	12	–	–	12
Utilisation of EBT shares	–	–	–	–	61	–	(61)	–
Credit entry relating to share-based payments	–	–	–	–	–	–	72	72
Capital contribution relating to share-based payments	–	–	–	–	–	–	86	86
At 31 March 2012	**166**	**6,480**	**4,586**	**2**	**(103)**	**(1,097)**	**5,860**	**15,894**

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 gains of US$111 million (2011: losses of US$48 million).

Further information relating to the share capital, share premium, the treasury shares and the EBT reserve of the company is detailed in notes 26 and 27 to the consolidated financial statements of the group. Details of share incentive schemes are provided in note 26 to the consolidated financial statements of the group. Details of dividends paid and proposed for the year are provided in note 9 to the consolidated financial statements of the group.

10. Profit and loss information

Employees
Employee costs recognised in the profit and loss during the year were as follows:

	2012 US$m	2011 US$m
Wages and salaries	**97**	74
Share-based payments	**36**	29
Social security costs	**17**	8
Other pension costs	**7**	6
	157	117

Information relating to directors' remuneration is included in the directors' remuneration report on pages 68 to 83.

The average monthly number of employees for the year are shown on a full-time equivalent basis and includes executive directors.

	2012	2011
Number of employees	**405**	357

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:

	2012 US$m	2011 US$m
Plant and machinery	**4**	5
Other	**8**	7

11. Other information

Deferred tax assets have not been recognised in respect of the following:

	2012 US$m	2011 US$m
Tax losses	**72**	48
Capital allowances in excess of depreciation	**11**	10
Accruals and provisions	**1**	1
Share-based payments	**25**	29
	109	88

	2012 US$m	2011 US$m
Capital expenditure contracted but not provided	**2**	7

The company has guaranteed borrowings in respect of certain subsidiary undertakings. Guarantee fees received from 100% owned subsidiaries were US$22 million (2011: US$8 million). Refer to note 12 for guarantee fees paid to related parties.

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows:

	2012 US$m	2011 US$m
Land and buildings:		
Within one year	**1**	–
Between two and five years	**1**	2
After five years	**5**	5
Other		
Within one year	**1**	–
Between two and five years	**–**	2

12. Related party transactions

Transactions with undertakings which are not wholly owned
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 undertakings in which it does not hold a 100% interest.

	2012 US$m	2011 US$m
Interest received from subsidiaries	**2**	2
Guarantee fee income	**1**	–
Income from recharges to subsidiaries[1]	**134**	76
Guarantee fee paid[2]	**(1)**	(1)

[1] The company received income from recharges related to business capability programme costs.

[2] The company paid guarantee fees to SABMiller Africa BV.

	2012 US$m	2011 US$m
Amounts owed by subsidiaries	**25**	39
Amounts owed to subsidiaries	**(4)**	(6)
Loans to subsidiaries[1]	**–**	60
Loans to associated undertakings[1]	**60**	–
Loans from subsidiaries	**–**	(36)

[1] Loans to associated undertakings include balances due from BIH Angola which were previously loans to subsidiaries.

Five-year financial review
for the years ended 31 March

	2012 US$m	2011[1] US$m	2010 US$m	2009 US$m	2008 US$m
Income statements					
Group revenue	**31,388**	28,311	26,350	25,302	23,828
Revenue	**21,760**	19,408	18,020	18,703	21,410
Operating profit	**5,013**	3,127	2,619	3,148	3,448
Net finance costs	**(562)**	(525)	(563)	(706)	(456)
Share of post-tax results of associates and joint ventures	**1,152**	1,024	873	516	272
Taxation	**(1,126)**	(1,069)	(848)	(801)	(976)
Non-controlling interests	**(256)**	(149)	(171)	(276)	(265)
Profit attributable to owners of the parent	**4,221**	2,408	1,910	1,881	2,023
Adjusted earnings	**3,400**	3,018	2,509	2,065	2,147
Balance sheets					
Non-current assets	**50,909**	34,870	33,604	28,156	31,947
Current assets	**4,663**	4,178	3,895	3,472	4,135
Assets of disposal group classified as held for sale	**79**	66	–	–	–
Total assets	**55,651**	39,114	37,499	31,628	36,082
Derivative financial instruments	**(109)**	(135)	(321)	(142)	(531)
Borrowings	**(19,226)**	(8,460)	(9,414)	(9,618)	(9,658)
Other liabilities and provisions	**(10,296)**	(7,694)	(7,171)	(5,751)	(7,649)
Liabilities of disposal group classified as held for sale	**(7)**	(66)	–	–	–
Total liabilities	**(29,638)**	(16,355)	(16,906)	(15,511)	(17,838)
Net assets	**26,013**	22,759	20,593	16,117	18,244
Total shareholders' equity	**25,073**	22,008	19,910	15,376	17,545
Non-controlling interests	**940**	751	683	741	699
Total equity	**26,013**	22,759	20,593	16,117	18,244
Cash flow statements					
Adjusted EBITDA	**6,183**	5,617	5,020	4,667	4,537
EBITDA	**4,979**	4,502	3,974	4,164	4,518
Net working capital movements	**258**	66	563	(493)	(242)
Net cash generated from operations	**5,237**	4,568	4,537	3,671	4,276
Net interest paid	**(407)**	(640)	(640)	(722)	(502)
Tax paid	**(893)**	(885)	(620)	(766)	(969)
Net cash inflow from operating activities	**3,937**	3,043	3,277	2,183	2,805
Net capital expenditure and other investments	**(1,522)**	(1,245)	(1,483)	(2,082)	(1,922)
Net investments in subsidiaries, joint ventures and associates	**(11,095)**	(183)	(504)	(533)	(1,390)
Dividends received from joint ventures, associates and other investments	**1,017**	911	815	606	92
Net cash (outflow)/inflow before financing and dividends	**(7,663)**	2,526	2,105	174	(415)
Net cash inflow/(outflow) from financing	**8,819**	(1,214)	(804)	615	1,191
Dividends paid to shareholders of the parent	**(1,324)**	(1,113)	(924)	(877)	(769)
Effect of exchange rates	**(39)**	25	90	22	(113)
(Decrease)/increase in cash and cash equivalents	**(207)**	224	467	(66)	(106)
Per share information (US cents per share)					
Basic earnings per share	**266.6**	152.8	122.6	125.2	134.9
Diluted earnings per share	**263.8**	151.8	122.1	124.6	134.2
Adjusted basic earnings per share	**214.8**	191.5	161.1	137.5	143.1
Net asset value per share[2]	**1,506.5**	1,326.6	1,203.2	969.9	1,108.3
Total number of shares in issue (millions)	**1,664.3**	1,659.0	1,654.7	1,585.4	1,583.1
Other operating and financial statistics					
Return on equity (%)[3]	**13.6**	13.7	12.6	13.4	12.2
EBITA margin (%)	**17.9**	17.8	16.6	16.3	17.4
Adjusted EBITDA margin (%)	**23.0**	22.9	21.7	20.9	21.2
Interest cover (times)	**11.4**	10.8	9.3	6.7	9.2
Free cash flow (US$m)	**3,048**	2,488	2,028	106	594
Total borrowings to total assets (%)	**34.5**	21.6	25.1	30.4	26.8
Net cash generated from operations to total borrowings (%)	**27.2**	54.0	48.2	38.2	44.3
Revenue per employee (US$000's)	**305.9**	280.4	256.9	272.5	309.8
Average monthly number of employees	**71,144**	69,212	70,131	68,635	69,116

[1] Restated for the adjustments made to the provisional fair values relating to the CASA Isenbeck and Crown Beverages Ltd acquisitions.

[2] Net asset value per share is calculated by dividing total shareholders' equity by the closing number of shares in issue.

[3] This is calculated by expressing adjusted earnings as a percentage of total shareholders' equity.

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Group revenue					
Segmental analysis					
Latin America	**7,158**	6,335	5,905	5,495	5,251
Europe	**5,482**	5,394	5,577	6,145	5,248
North America	**5,250**	5,223	5,228	5,227	5,120
Africa	**3,686**	3,254	2,716	2,567	n/a
Asia Pacific	**3,510**	2,026	1,741	1,565	n/a
Africa and Asia Pacific					3,367
South Africa:					
– Beverages	**5,815**	5,598	4,777	3,955	4,446
– Hotels and Gaming	**487**	481	406	348	396
Group	**31,388**	28,311	26,350	25,302	23,828
Operating profit (excluding share of associates and joint ventures)					
Segmental analysis					
Latin America	**1,736**	1,497	1,270	1,057	953
Europe	**804**	857	840	900	947
North America	**–**	16	12	230	462
Africa	**422**	365	316	354	n/a
Asia Pacific	**124**	(22)	(34)	(2)	n/a
Africa and Asia Pacific					330
South Africa: Beverages	**1,091**	997	826	704	962
Corporate	**(190)**	(147)	(139)	(97)	(94)
Group operating profit – before exceptional items	**3,987**	3,563	3,091	3,146	3,560
Exceptional credit/(charge)					
Latin America	**(119)**	(106)	(156)	45	(61)
Europe	**1,135**	(261)	(202)	(452)	–
North America	**–**	–	–	409	(51)
Africa	**162**	(4)	(3)	–	n/a
Asia Pacific	**(70)**	–	–	–	n/a
Africa and Asia Pacific					–
South Africa: Beverages	**(41)**	(188)	(53)	–	–
Corporate	**(41)**	123	(58)	–	–
	1,026	(436)	(472)	2	(112)
Group operating profit – after exceptional items	**5,013**	3,127	2,619	3,148	3,448
EBITA					
Segmental analysis					
Latin America	**1,865**	1,620	1,386	1,173	1,071
Europe	**836**	887	872	944	952
North America	**756**	741	619	581	477
Africa	**743**	647	565	562	n/a
Asia Pacific	**321**	92	71	80	n/a
Africa and Asia Pacific					568
South Africa:					
– Beverages	**1,168**	1,067	885	764	1,026
– Hotels and Gaming	**135**	137	122	122	141
Corporate	**(190)**	(147)	(139)	(97)	(94)
Group	**5,634**	5,044	4,381	4,129	4,141

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 associates' and joint ventures' adjustments for similar items. The tax and non-controlling interests in respect of these items are also adjusted.

Adjusted EBITDA
This comprises EBITDA (as defined below) before cash flows from exceptional items and includes dividends received from our joint venture, MillerCoors. Dividends received from MillerCoors approximate to the group's share of the EBITDA of the MillerCoors joint venture.

Adjusted EBITDA margin
This is calculated by expressing adjusted EBITDA as a percentage of revenue plus the group's share of MillerCoors' revenue.

Adjusted net finance costs
This comprises net finance costs excluding fair value movements in relation to capital items for which hedge accounting cannot be applied and any exceptional finance charges or income.

Adjusted profit before tax
This comprises EBITA less adjusted net finance costs and less the group's share of associates' and joint ventures' net finance costs on a similar basis.

Constant currency
Constant currency results have been determined by translating the local currency denominated results for the year ended 31 March at the exchange rates for the prior year.

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

EBITA margin (%)
This is calculated by expressing EBITA as a percentage of group revenue.

EBITDA
This comprises the net cash generated from operations before working capital movements. This includes cash flows relating to exceptional items incurred in the year.

EBITDA margin (%)
This is calculated by expressing EBITDA as a percentage of revenue.

Effective tax rate (%)
The effective tax rate is calculated by expressing tax before tax on exceptional items and on amortisation of intangible assets (excluding software), including the group's share of associates' and joint ventures' tax on the same basis, as a percentage of adjusted profit before tax.

Free cash flow
This comprises net cash generated from operating activities less cash paid for the purchase of property, plant and equipment, and intangible assets, net investments in existing associates and joint ventures (in both cases only where there is no change in the group's effective ownership percentage) and dividends paid to non-controlling interests plus cash received from the sale of property, plant and equipment and intangible assets and dividends received.

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 owners of the parent for items in accordance with the South African Circular 3/2009 entitled 'Headline Earnings'. Such items include impairments of non-current assets and profits or losses on disposals of non-current assets and their related tax and non-controlling interests. This also includes the group's share of associates' and joint ventures' adjustments on the same basis.

Interest cover
This is the ratio of adjusted EBITDA to adjusted net finance costs.

Net debt
This comprises gross debt (including borrowings, borrowings-related derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts).

Organic information
Organic results and volumes exclude the first 12 months' results and volumes relating to acquisitions and the last 12 months' results and volumes relating to disposals.

Total Shareholder Return (TSR)
TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends.

Sales volumes
In the determination and disclosure of sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries and its equity accounted percentage of all associates' and joint ventures' volumes. Contract brewing volumes are excluded from volumes although revenue from contract brewing is included within group revenue. Volumes exclude intra-group sales volumes. This measure of volumes is used for lager volumes, soft drinks volumes, other alcoholic beverage volumes and beverage volumes and is used in the segmental analyses as it more closely aligns with the consolidated group revenue and EBITA disclosures.

In the determination and disclosure of aggregated sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries, associated companies and joint ventures. Contract brewing volumes are excluded from aggregated volumes although revenue from contract brewing is included within group revenue. Aggregated volumes exclude intra-group sales volumes. This measure is used for aggregated beverage volumes and for aggregated lager volumes.

KPI definitions – How we measure

Total Shareholder Return (TSR) in excess of the median of peer group over three-year periods
TSR performance is measured by taking the percentage growth in our TSR over the three-year period to the date aligned with the related measurement date of performance share awards for the excom, and deducting the percentage growth in the TSR of the median of our peer group over the same period.

Growth in adjusted earnings per share (EPS)
Growth in adjusted EPS is measured by comparing the adjusted EPS for the current year with that of the prior year. Adjusted EPS is measured using adjusted earnings divided by the basic number of shares in issue. Adjusted earnings are measured using the definition on page 180.

Free cash flow
Free cash flow is measured using the definition on page 180.

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 180.

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 180. 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 180). Lager volumes are measured as defined on page 180.

Group revenue growth (organic, constant currency)
Growth in group revenue compared with the prior year is measured on a constant currency basis (as defined on page 180) and excluding the effects of acquisitions and disposals (organic information is defined on page 180). Group revenue is defined on page 180.

Revenue growth in premium brands (constant currency)
Growth in revenue from sales of premium brands compared with the prior year is measured on a constant currency basis (as defined on page 180). Premium brands are those in the premium segment as defined on this page.

EBITA growth (organic, constant currency)
EBITA growth compared with the prior year is measured on a constant currency basis (as defined on page 180) and excluding the effects of acquisitions and disposals (organic information is defined on page 180). EBITA is defined on page 180.

EBITA margin
EBITA margin is defined on page 180.

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 kilograms released to the atmosphere by our brewery operations 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 businesses are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Cumulative financial benefits from our business capability programme
Incremental cash flows generated as a result of the adoption of new processes and systems including incremental revenues, reduced cost of goods sold and overheads, reduced investment in working capital and lower cost of capital investments.

Non-financial definitions

Corporate Governance Code
The UK Corporate Governance Code, published by the UK Financial Reporting Council.

Direct economic value generated
Revenue plus interest and dividend receipts, royalty income and proceeds of sales of assets (in accordance with guidance by the Global Reporting Initiative GRI EC1).

Economy segment
Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which fall below an index of 90 form the economy segment. Normally, all brands in this segment will be local brands.

International brewers index
The index of international brewers charts the share price progression of the company's closest peers in the global brewing industry – Anheuser-Busch InBev (Anheuser-Busch and InBev included separately, until the acquisition of Anheuser-Busch by InBev on 17 November 2008), Carlsberg, Heineken and Molson Coors, relative to 1 April 2008. The index is weighted relative to the market capitalisation of the brewers as at 1 April 2008.

Mainstream segment
Taking the leading brand in the most popular pack type as the standard (=100), the mainstream segment is formed of brands with a weighted average market price which fall into the 90-109 band. Mainstream brands tend to be local.

PET
PET is short for polyethylene terephthalate, a form of plastic which is used for bottling alcoholic and non-alcoholic drinks.

Premium segment (worthmore segment in the USA)
Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which have an index of 110+ form the premium segment. The premium segment comprises both local, regional and global brands.

STRATE
STRATE stands for Share Transactions Totally Electronic and is an unlisted company owned by JSE Limited and Central Securities Depository Participants (CSDP) and exists to allow share transactions in South Africa to be settled electronically.

Ordinary shareholding analyses

Listed below are analyses of holdings extracted from the register of ordinary shareholders as at year end:

	Number of shareholders	Percentage of share capital
Portfolio size		
1 – 1,000	39,933	0.71
1,001 – 10,000	8,551	1.56
10,001 – 100,000	1,460	3.06
100,001 – 1,000,000	528	10.21
1,000,001 and over	147	84.46
	50,619	100.00
Category		
Banks	205	4.76
Endowment Funds	408	0.18
Individuals	36,303	1.70
Insurance Companies	96	1.03
Investment Companies	88	0.45
Medical Aid Schemes	25	0.03
Mutual Funds	462	4.52
Nominees & Trusts	10,894	52.23
Other Corporate Entities	1,578	27.47
Pension Funds	560	7.63
	50,619	100.00

Substantial shareholdings
As at 8 June 2012, we had received the following notifications of interests in voting rights of the issued share capital of the company pursuant to Rule 5.1.2 of the Disclosure and Transparency Rules:

	Date of notification	Number of shares	Percentage of issued share capital
Altria Group, Inc.	29 May 2009	430,000,000	27.39
BevCo Ltd	20 March 2007	225,000,000	14.98
Public Investment Corporation	13 January 2009	67,663,248	4.49
Kulczyk Holding S.A.	29 May 2009	60,000,000	3.82

The Companies Act requires disclosure of persons with significant direct or indirect holdings of securities as at year end. At the year end we were aware of the following shareholdings:

	Percentage of issued share capital
Altria Group, Inc.	27.01
BevCo Ltd	14.13
Public Investment Corporation	5.01
Allan Gray Investment Council	3.18
Kulczyk Holding S.A.	3.01

Shareholders' diary

Financial reporting calendar and annual general meeting

Interim management statement and annual general meeting	July 2012
Announcement of interim results, for half-year to September	November 2012
Interim management statement	January 2013
Preliminary announcement of annual results	May 2013
Annual financial statements published	June 2013

Dividends	Declared	Paid
Ordinary:		
Interim	November	December
Final	May	August

Unsolicited investment advice – warning to shareholders
Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. A 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors was around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at **www.fsa.gov.uk/register/home.do**.
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered.
- Report the matter to the FSA either by calling 0845 6061234 or by completing an online form at: **http://www.fsa.gov.uk/Pages/Doing/ Regulated/Law/Alerts/form.shtml**.

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.

South African shareholders may report such approaches to the Financial Services Board (FSB) on:

Toll Free: 0800 110443 or 0800 202087
Facsimile: 012 346 6941
Email: info@fsb.co.za

Complete the FSB online complaint form which can be found on their website **www.fsb.co.za**.

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