



Annual Report 2003



The difference is clear

Highlights in 2002/3

	2003 US\$m#	2002 US\$m	% change
Turnover	9,112	4,364	109
excluding Miller	5,639	4,364	29
EBITA *	1,270	766	66
excluding Miller	1,020	766	33
Profit before tax	770	606	27
Adjusted profit before tax **	1,107	668	66
Adjusted earnings **	581	350	66
Adjusted earnings per share **			
US cents	54.0	48.7	11
UK pence (up 3%)	34.9	34.0	
SA cents (up 9%)	513.0	472.5	
Basic earnings per share (US cents)	27.5	40.7	(32)
Dividends per share (US cents)	25.0	25.0	—

Includes Miller Brewing Company for nine months, except where indicated.

* Earnings before interest, taxation and goodwill amortisation, and before exceptional items.

** Adjusted profit before tax and adjusted earnings exclude exceptional items and goodwill amortisation.

- Total beverage volumes up 52% to 151.4 million hectolitres (hls), organic growth of 3.0%
- Total lager volumes increase 65% to 115.8 million hls, organic growth of 4.2%
- Strong performances and EBITA margin improvement in Beer South Africa, Europe and Africa & Asia
- Adjusted earnings per share increase by 11%
- Miller Brewing Company acquired and being integrated into the group
- Birra Peroni and Shaw Wallace transactions announced

1	The difference is clear	42	Board of Directors
2	SABMiller Today	44	Directors' Report
4	Geographic Profile	47	Remuneration Report
6	Chairman's Statement	58	Annual Financial Statements
8	Chief Executive's Review	124	Five-year Financial Review
22	Review of Operations	126	Definitions
30	Financial Review	127	Shareholders' Diary
34	Corporate Governance	128	Administration
40	Corporate Accountability Review		

Front cover: **Building market share in the Czech Republic – refer to pages 14 and 15.**

The front cover of our annual report for 2003 features Petra Biskupova, group brand manager, Plzeňský Prazdroj.



When it comes to brewing great beers and building great brands, SABMiller is up there with the very best.

With a long heritage in brewing, and brands that touch the lives of hundreds of millions of consumers around the world, the business is unique.



The difference is clear in everything the company does.

SABMiller employees are driven by the passion for its products, the thirst for hard work and an obsession with getting every detail right. SABMiller strives to achieve commercial success wherever in the world it operates, while recognising the need to make a positive contribution to communities, the environment and to its employees.



It's an approach that has helped export the company's strengths far beyond its roots in South Africa, to most of Africa, Asia, Europe and Central America, and now to the



USA through its acquisition of Miller. SABMiller's aim is clear – to grow the business and add value in a responsible and sustainable way.

SABMiller Today

SABMiller's strategy is to:

- Drive volume and productivity
- Optimise and expand its existing positions through acquisition
- Seek value-adding opportunities to enhance its position as a global brewer
- Grow its brands in the international premium beer segment

Achieve profitable growth as a leading player in the global beer market



North America

Total number of breweries	9
Total brewing capacity (hls 000s)	63,800
Total volumes sold (hls 000s)	
– Lager	33,852*
– Carbonated soft drinks (CSDs)	55*
Average number of employees	4,559*

Turnover US\$3,473m*
EBITA US\$250m**

SAB plc acquired 100% of Miller Brewing Company, the second largest brewer in the United States of America, from Altria Group, Inc. (formerly Philip Morris Companies Inc.) in July 2002. Following this acquisition, the group changed its name to SABMiller plc.

*Nine months
#Pre-exceptional items



Central America

Total number of breweries	3
Total number of bottling plants	6
Total brewing capacity (hls 000s)	2,700
Total bottling capacity (hls 000s)	12,200
Total volumes sold (hls 000s)	
– Lager	1,747
– CSDs	6,257
– Other beverages	2,499
Average number of employees	7,374

Turnover US\$514m
EBITA US\$56m†

In November 2001, SABMiller formed Bevco with CAB, a holding company for the beverage interests of a prominent local family consortium. CAB contributed to Bevco its interest in the largest brewer and soft drinks bottler (Coca-Cola) in El Salvador. Simultaneously, SABMiller entered the Honduran market through the acquisition of Cervceria Hondurena, and contributed this to Bevco.

#Pre-exceptional items



Europe

Total number of breweries	18
Total number of bottling plants	1
Total brewing capacity (hls 000s)	35,700
Total bottling capacity (hls 000s)	200
Total volumes sold (hls 000s)	
– Lager	24,472
– Other beverages	137
Average number of employees	8,959

Turnover US\$1,646m
EBITA US\$275m

SABMiller entered Europe through its purchase of Dreher in Hungary in 1993, and since then has developed through acquisition and organic growth, most recently by taking a majority stake in Birra Peroni in June 2003. The group now has operations in eight countries and is one of the largest brewers in Europe.



Africa

Total number of breweries	44*
Total number of bottling plants	10
Total brewing capacity (hls 000s)	18,900
Total bottling capacity (hls 000s)	5,200
Total volumes sold (hls 000s)**	
– Lager	31,332
– CSDs	4,206
– Other beverages	9,920
Average number of employees**	7,305

Turnover US\$1,209m**
EBITA US\$233m**

SABMiller Africa and the Castel Group entered into a strategic alliance in April 2001 for their operations in Africa (excluding South Africa and Namibia). This strategic alliance is a long-term relationship, which will enhance the development of both groups' beer and beverage businesses.

*Includes 30 commercial sorghum breweries. Castel breweries not included.

**Africa & Asia figures combined

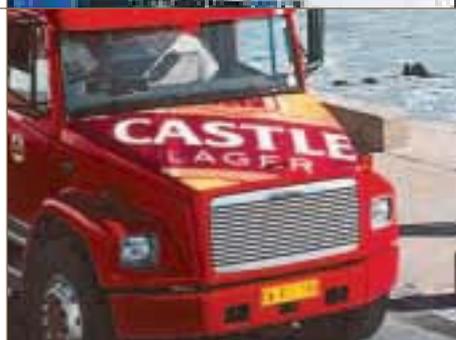


Asia

Total number of breweries	41
Total number of bottling plants	2
Total brewing capacity (hls 000s)	43,100
Total bottling capacity (hls 000s)	4,000
Total volumes sold (hls 000s)*	
– Lager	31,332
– CSDs	4,206
– Other beverages	9,920
Average number of employees	7,305*

Turnover US\$1,209m* EBITA US\$233m*

SABMiller has operated in China since 1994 through China Resources Breweries (CRB), a joint venture agreement with China Resources Enterprise (CRE). SABMiller owns 49% and CRE owns 51% of CRB. SABMiller entered India in 2000. In May 2003 it announced a joint venture through its subsidiary Mysore Breweries with Shaw Wallace and Company Limited. Mysore will hold 50% of Shaw Wallace Breweries Limited and exercise management control. Shaw Wallace will hold the remaining 50%.
*Africa & Asia figures combined



Beer South Africa

Total number of breweries	7
Total brewing capacity (hls 000s)	30,800
Total volumes sold (hls 000s)	24,428
Average number of employees	5,424

Turnover US\$1,270m EBITA US\$338m

Established in 1895, The South African Breweries Ltd has a long history of success, growing to become one of South Africa's leading companies, and one that is recognised and admired around the world for its uncompromising commitment to brewing excellence.



Other Beverage Interests

Total number of bottling plants	10
Total bottling capacity (hls 000s)	17,500
Total volumes sold (hls 000s)	12,489
Average number of employees	4,163

Turnover US\$788m EBITA US\$120m

Consists of Amalgamated Beverage Industries Ltd (ABI), the largest bottler and distributor of the Coca-Cola range of carbonated products within South Africa; Appletiser, the international producer of non-alcoholic sparkling fruit juices; and a 30% equity accounted interest in Distell, the leading South African distributor of wines and spirits.

Notes:

1. The above facts provide basic data and figures about the geographical operating areas of SABMiller plc.
2. Current (as at 9 June 2003) figures are shown regarding number of breweries, bottling plants and brewing or bottling capacities. Total volumes sold, average numbers of employees, turnover and EBITA figures are for the financial year ended 31 March 2003.
3. Employee figures exclude employees of associates.
4. Total average number of employees excludes Hotels and Gaming and group employees.



Geographic Profile

North America

Brands include: Miller Lite, Miller Genuine Draft, Miller High Life, Milwaukee's Best, Jack Daniel's Hard Cola, Skyy Blue, Icehouse, Leinenkugel's, Henry Weinhard's

Central America

Brands include: Pilsener Lager, Port Royal, Cristal, Regia Extra, Suprema, Golden Light, Imperial, Salva Vida, Tampico, Paradise

Europe

Brands include: Pilsner Urquell, Tyskie, Peroni, Nastro Azzurro, Arany Ászok, Debowe, Dorada, Dreher, Gambrinus, Lech, Radegast, Redd's, Šariš, Timisoreana, Tri Bogatyrya, Tropical, Ursus, Velkopopovický Kozel, Zolotaya Bochka

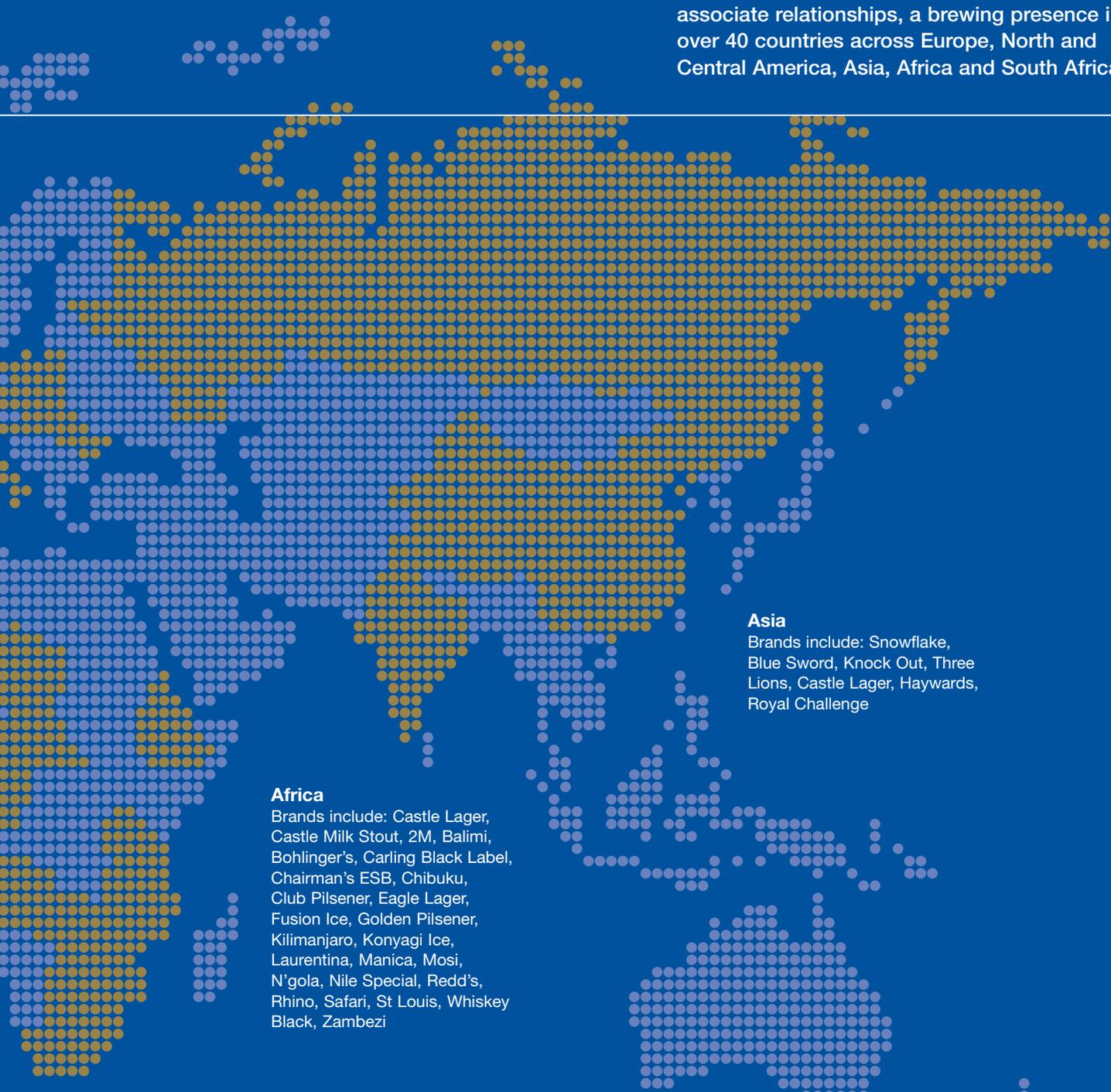
Other Beverage Interests

Brands include: Appletiser, Coca-Cola*, Fanta*, Grapetiser, Just Juice*, Sprite*, Valpre* (*Produced under licence from The Coca-Cola Company)

This map includes the countries where SABMiller has production facilities through wholly owned or part owned subsidiaries, or through associated undertakings. It does not include countries where SABMiller brands are brewed under licence or are imported.



SABMiller is a leading international brewer and one of the world's largest soft drinks bottlers. The company is listed in London and Johannesburg and has, either through majority ownership or associate relationships, a brewing presence in over 40 countries across Europe, North and Central America, Asia, Africa and South Africa.



Africa

Brands include: Castle Lager, Castle Milk Stout, 2M, Balimi, Bohlinger's, Carling Black Label, Chairman's ESB, Chibuku, Club Pilsener, Eagle Lager, Fusion Ice, Golden Pilsener, Kilimanjaro, Konyagi Ice, Laurentina, Manica, Mosi, N'gola, Nile Special, Redd's, Rhino, Safari, St Louis, Whiskey Black, Zambezi

Asia

Brands include: Snowflake, Blue Sword, Knock Out, Three Lions, Castle Lager, Haywards, Royal Challenge

Beer South Africa

Brands include: Castle Lager, Carling Black Label, Hansa Pilsener, Castle Milk Stout, Sterling Light, Redd's, Brutal Fruit

Chairman's Statement



Dear Shareholder,

The financial year to 31 March 2003 has been a year of strong growth for your company. Following the acquisition of the Miller Brewing Company in July 2002 we are now a truly international business with a brewing presence in over 40 countries and across four continents. In size terms, we are the second largest brewer in the world by volume and in the carbonated soft drinks market we remain one of the largest bottlers and distributors of Coca-Cola products outside the US.

But size is not an end in itself. Our growth has been driven by our objective to add value for you, our shareholders. We now have a spread of operations and currencies with an attractive balance between fast growing developing markets and cash generative developed markets. We have created a quality brand portfolio with very strong regional and local market positions and in the Pilsner Urquell and Miller brands we have considerable opportunity for cross-selling in our existing markets.

Through our size, geographical balance, quality brand portfolio, extensive distribution network and financial strength we should be able to enhance the competitiveness of our business and in turn drive incremental value.

Financial and operational performance

We are pleased to report that in the 12 months to 31 March 2003 adjusted earnings per share increased by 11% to 54.0 US cents and we have recommended a maintained final dividend of 18.5 US cents per share, making 25.0 US cents per share for the full year, which is now in line with our declared aim of achieving dividend cover of 2.2 to 2.5 times.

The balance sheet remains strong, despite financing the Miller acquisition, and net cash inflow generated from operating activities reached US\$1,568 million with gearing and interest cover at very acceptable levels of 42.4% and over five times respectively.

This has been a year of outstanding growth from our businesses in South Africa, Europe and Africa & Asia. Strong operational performances and favourable currency movements have led to an increase in EBITA of 33% from our business excluding Miller. Our plans for the Miller business are addressed later in the chief executive's review. We remain confident that integrating the business into the group and building a platform for growth can be achieved within three years. Subsequent to the year end the group gained control of Birra Peroni in Western Europe and a joint venture, through our Mysore Breweries subsidiary, was formed with Shaw Wallace Breweries in India, which will further strengthen our operations in these areas.

Over the last year growth in the global economy has weakened, political uncertainty has increased and the climate for business has become tougher. Share prices on stock markets worldwide have been volatile and your company has not been immune to this. However, since SABMiller moved its primary listing to the London Stock Exchange in March 1999 the FTSE 100 has produced a Total Shareholder Return (TSR) of negative 29% while your company has produced a TSR of negative 0.6% as at the time of our preliminary results announcement.

Corporate governance

Since the beginning of the year, UK listed companies, and those in the FTSE 100 in particular, have been assessing the implications of the recommendations in the Higgs Review on the role of boards and their effectiveness. It is not yet clear in what form these will be incorporated into the Combined Code. We are, nevertheless, concerned that rules should not take precedence over appropriate and practical principles. In addition, they should be capable of being applied in ways that take full account of contractual obligations, and of the different circumstances of companies which operate in various jurisdictions and which in our case

“Today, SABMiller has a brewing presence in over 40 countries. Through our geographic reach and balance, the quality and breadth of our brand portfolio and our widespread distribution network, we are well placed to deliver shareholder value.” **Meyer Kahn** Chairman

have a high proportion of overseas shareholders. The mechanism in Higgs of allowing companies to “comply or explain” will also need to be applied so that companies are able to balance specific internal needs around the applicable benchmarks.

The board strongly supports the ethical values underlying the Combined Code and is understanding of the efforts in the UK and elsewhere to enhance the governance standards of companies across markets. I consider all our directors to be of unquestioned integrity and our company has always, as a corporate citizen, applied the highest quality standards in all its financial and operational reporting, as evidenced by the numerous awards bestowed upon SABMiller in this regard. I wish to assure shareholders that the board will continue to act in the best interest of the company and all its stakeholders.

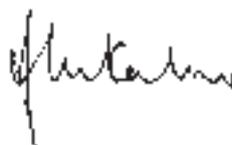
Throughout the year we continued our active programme of Corporate Social Investment contributing almost 2% of pre tax profit to a range of projects in the local communities in which we work. These projects include major programmes spread across such diverse areas as health, welfare, education and entrepreneurship. The company also takes seriously its commitment to promoting responsible alcohol consumption and actively engages with stakeholders around the world on alcohol issues.

Board changes

On the conclusion of the Miller transaction we welcomed Altria, (formerly called Philip Morris) as a supportive long-term shareholder in SABMiller, with a 36% economic interest and a 24.99% voting interest. This necessitated a restructuring of the board which now consists of two executive directors Graham Mackay, chief executive, and Malcolm Wyman, chief financial officer, and 11 non-executive directors. We were pleased that Altria nominated Louis Camilleri, their chairman and chief executive, Geoffrey Bible, their former chairman and chief executive and Nancy De Lisi, their senior vice-president of mergers

and acquisitions, to join the board. As a consequence of the board restructure, Hank Slack, Conrad Strauss, Norman Adami, Pete Lloyd, André Parker and Michael Simms retired from the board. I would like to thank Hank and Conrad for their valuable contributions and my special thanks go to the former executive directors who have given long and meritorious service to the company and will no doubt continue to do so in their respective operational roles.

Our continuing success as a business depends on the quality of our people and their determination, experience and creativity. I salute my fellow directors for their commitment and the contribution they make to our strategic deliberations and on behalf of the board I applaud every one of our employees for their contribution to the continuing success of the company.



Meyer Kahn
Chairman

Chief Executive's Review



During the past year we have clearly positioned SABMiller as a leader in the global beer market. The acquisition of Miller Brewing Company and, more recently, transactions with Birra Peroni and Shaw Wallace demonstrate the considerable financial strength of the group as it continues to expand. We have achieved organic sales growth and productivity improvements across many of our markets, and added to our established positions with a number of smaller acquisitions in Europe and Africa & Asia.

Total group beverage volumes of 151.4 million hectolitres (hls) were 52% above last year's 99.4 million hls (organic growth 3%). Lager volumes were up 65% to 115.8 million hls, with organic growth of 4.2%. Beer South Africa recorded a second consecutive year of growth, with volumes up 0.8% to 24.4 million hls. Other beverages totalled 35.6 million hls.

Our widespread portfolio of businesses delivered an impressive financial performance over the year. Turnover, including share of associates, more than doubled to US\$9,112 million (organic growth 17.8%). EBITA grew 66% to US\$1,270 million, driven by continued focus on volume growth, productivity and cost containment. EBITA margins have continued to improve in most of our businesses, reaching 18.1% for the group excluding Miller. The lower EBITA margin at Miller has diluted the group's margin in comparison with the prior year. Adjusted earnings were up by 66%, to US\$581 million, with adjusted earnings per share of 54.0 US cents, up 11% on the prior year.

The board has proposed a final dividend of 18.5 US cents per share, making an unchanged total of 25.0 US cents per share for the year. The dividend is covered 2.2 times by adjusted earnings and is in line with our declared aim of achieving dividend cover of 2.2 to 2.5 times. Shareholders will be asked to ratify this proposal at the annual general meeting, scheduled for 30 July 2003.

North America

We acquired Miller Brewing Company in July 2002. In the nine month reporting period, after adjusting for a distributor stock reduction programme implemented in March, total Miller volume was down 3.7% with domestic volume falling by 4.5% (6.2% before adjustment). Contract brewing volumes grew 3.6% and international volumes grew by 6.6%.

EBITA for the nine month period was US\$250 million, before exceptional items, reflecting volume decline, as well as the negative impact of brand, pack and geographic mix, increased cost of raw materials and greater energy costs, offset partly by higher selling prices. EBITA for the period was determined after providing for a number of significant one-time charges associated with the Flavoured Malt Beverage (FMB) brands, Sauza Diablo and Stolichnaya Citrona, and the reduction of four and one-half days of inventory held in distributor warehouses.

Since acquiring the business we have commenced the integration of Miller into the group and strengthened the management team, whilst developing our longer term strategy and action plans to deliver value. We expand on these issues in the Review of Operations, on pages 22 to 29.

“Our widespread portfolio of businesses delivered an impressive financial performance over the year. Adjusted earnings were up 66%, to US\$581 million, with adjusted earnings per share of 54 US cents, up 11% on the prior year.” **Graham Mackay** Chief executive

Central America

Our Central America business delivered a first full year EBITA contribution of US\$56 million, before exceptional items, which was below our expectations. This was largely due to aggressive, and in our view unsustainable, price-based competition in the carbonated soft drinks (CSD) market in El Salvador. Since acquisition we have undertaken a major restructuring of the business, reducing costs and rationalising headcount and have brought in management with extensive CSD experience. We are confident that the CSD profit pool in El Salvador will be re-established over time and that the changes we have made in the business, combined with positive forecasts for economic growth, will deliver improved earnings performance in the year ahead.

Europe

Our Europe operations delivered another excellent year of profit growth. EBITA was up 39% to US\$275 million with almost every country improving volumes, market share and margins. Poland, our largest contributing business, grew EBITA strongly on the back of 9% volume growth. Volumes in our Russian business grew 27% following the introduction of new brands and packaging. The Pilsner Urquell brand grew volumes by 12% in the Czech Republic, and volumes outside the country increased by 17% to 653,000 hls.

On 14 May 2003, the group announced it had reached an unconditional agreement to acquire a majority interest in Birra Peroni, the number two brewer in Italy, with rights to increase the holding in the future. The transaction was completed on 4 June 2003 and SABMiller has an initial stake of 60%. The acquisition was funded in cash, from existing resources.

Africa & Asia

Africa & Asia performed exceptionally well, with EBITA up 36% to US\$233 million. Africa benefited from strong volume growth in key markets, market share gains and the results of successful acquisition activity. Our equity accounted associate, Castel, also delivered strong results. In China, the Wuhan and Blue Sword acquisitions have been successfully integrated and EBITA has more than doubled. In India we achieved our target of break-even at the operating profit level in our first full year incorporating four operating units.

On 21 May 2003 we announced that SABMiller's subsidiary, Mysore Breweries, had become a strong number two brewer in India through a joint venture with the Shaw Wallace group of companies. This positions us well in the high growth Indian beer market.

South Africa

Beer South Africa EBITA grew by 18% to US\$338 million, with volumes up 0.8%. Operating performance in this business is at an all time high, with operating margin up 80 basis points. Improved productivity was offset by significant increases in raw material prices, higher marketing spend on new product development and introductions into the marketplace.

ABI succeeded in delivering good results through volume growth and overhead productivity gains, and EBITA increased by 24%.

Southern Sun achieved strong earnings growth this year with positive operational contributions coming from both the hotel and gaming divisions.

Chief Executive's Review

continued

Group strategy

Our strategy to grow shareholder value remains focused upon four key elements.

The first is to drive volume and productivity. We were pleased that last year we saw volume growth in our South African beer business, which once again delivered operating margin improvement. In Europe, our businesses in virtually all of the seven countries in which we operate have grown volumes by more than the market increase and have achieved year-on-year market share gains. In Africa, we continue to see excellent volume and market share performances in key countries.

The second element of the strategy is to optimise and expand our existing positions through acquisitions. We continue to seek opportunities to achieve growth within individual countries or geographic regions, where we can build strong positions, leverage synergies and achieve economies of scale. The acquisition by our Polish subsidiary Kompania Piwowarska, of the Browar Dojlidy brewery, announced during the year, is a good example of this type of transaction.

The third area of our strategy is to seek value-adding opportunities to enhance our position as a global brewer. We continue to believe that economic development, converging customer taste and lowering of trade barriers will drive further consolidation of the beer market. Currently, the four leading brewers account for around only 33% of the global market compared to between 50% and 80% for

other consumer sectors. Companies with a global footprint will benefit from the economies of scale that consolidation will bring and will, we believe, deliver greater shareholder value in the medium to longer term.

Growing our brands in the international premium beer segment is the fourth, and so far, the least developed element of the strategy. Our portfolio of premium brands now contains Pilsner Urquell, Miller Genuine Draft, Peroni and Castle. We believe that there are real opportunities to increase sales in this growing segment through leveraging our distribution platforms around the world.

By pursuing this strategy we have built a business that delivered adjusted earnings per share growth of 11% for the financial year ended March 2003. But we cannot be complacent. We will continue to focus relentlessly upon operational efficiency and work hard on strengthening our regional brands and market positions, pursuing acquisitive growth only where we can see the potential to add real value for shareholders.

Focusing on marketing

SABMiller has portfolios of strong national and regional brands principally based on the mainstream segments of the market. Our challenge is to support these regional brands to ensure that we retain or, in the case of Miller restore, their brand health. We are also looking to build our positions in the premium or "worth more" segments

that are driving what volume growth there is in developed markets. Crucial to this is our international brand portfolio described earlier.

To strengthen marketing focus and co-ordinate the drive behind our international premium brands, we have created a new role of group marketing director.

In addition, we are focusing on innovation and have had some notable successes in South Africa with Brutal Fruit and Sterling Light (see case study on pages 16 and 17), and with Redd's in Poland and East Africa.

The difference is clear

The people of SABMiller are what makes us different. We have many talented, creative and driven individuals who are dedicated to the business. We have recently created a new role of group human resources director to ensure that we maximise the potential of our existing team, inculcate our performance culture across the group and widen our pool of talent, while continuing to recruit individuals of the highest calibre.

I recognise that our growth has been rapid and this has placed huge demands on our employees. I thank each and every one of them for their hard work and commitment. There are still many challenges and milestones ahead of us and I am sure that we will continue to meet and exceed these, as we have done so well in the past.

Outlook

The global economic and socio-political outlook remains uncertain. However, SABMiller is a business which has geographic reach and balance, a quality brand portfolio, a widespread distribution network and financial strength. It remains well placed to continue to deliver value for shareholders.

We have commenced our restructuring of the Miller organisation, but major benefits will only be evident over time. There are some positive signs in Central America, although competitive pressures remain. Our other businesses have all performed extremely well, and it is expected that this momentum will continue into the current year.



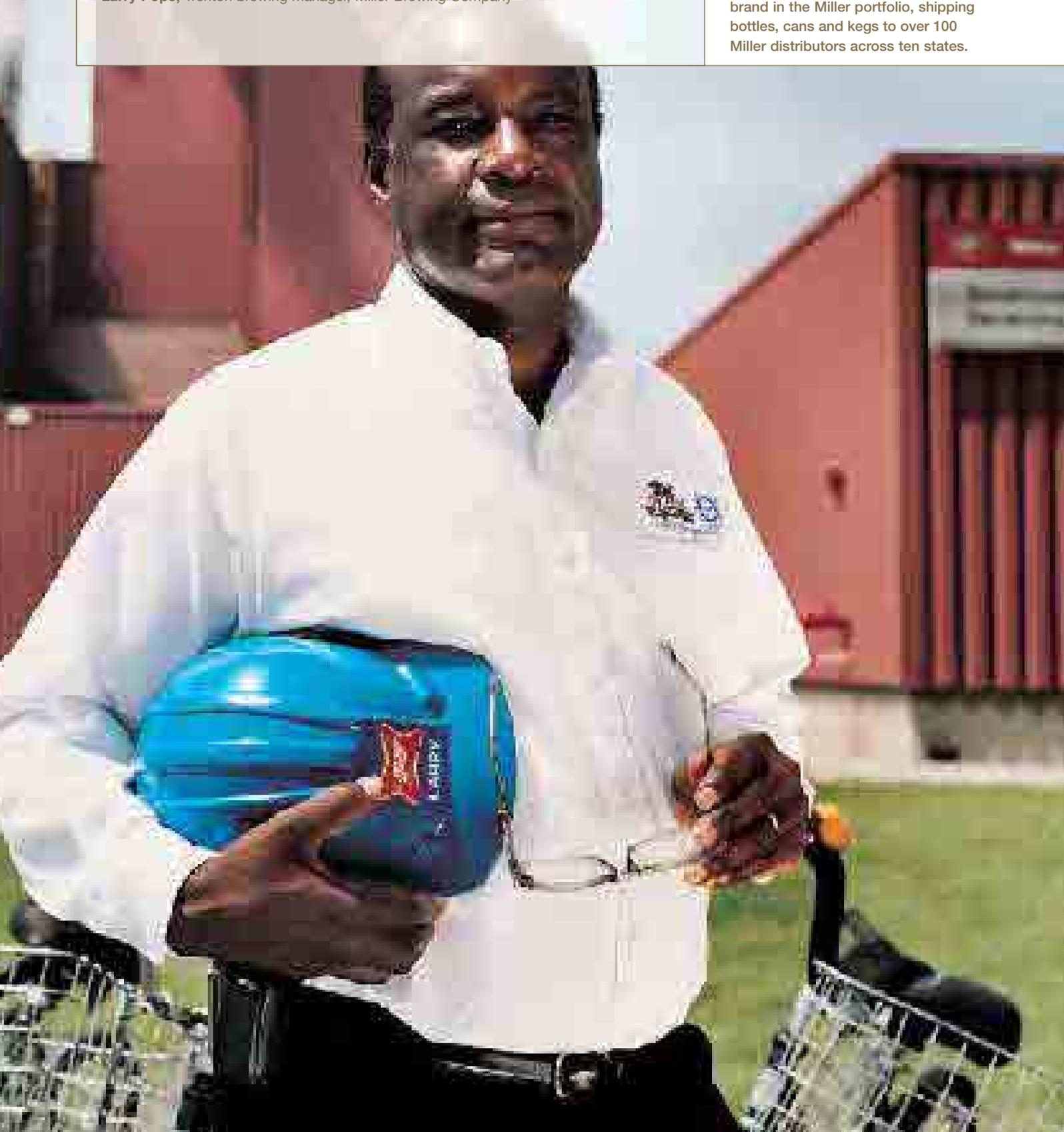
Graham Mackay

Chief executive

“There is no secret – hard work and a passion for brewing have made Trenton the success story it is today.”

Larry Pope, Trenton brewing manager, Miller Brewing Company

Opened in 1991, the Trenton Brewery is the largest of Miller's brewing facilities in the US. With a staggering 1.4 million square feet or 32.5 acres under cover, the scale of operations at Trenton is impressive. Today the facility brews and packages nearly every brand in the Miller portfolio, shipping bottles, cans and kegs to over 100 Miller distributors across ten states.





Hectolitres per labour hour at Trenton



A flagship for brewing excellence in the USA

Challenge

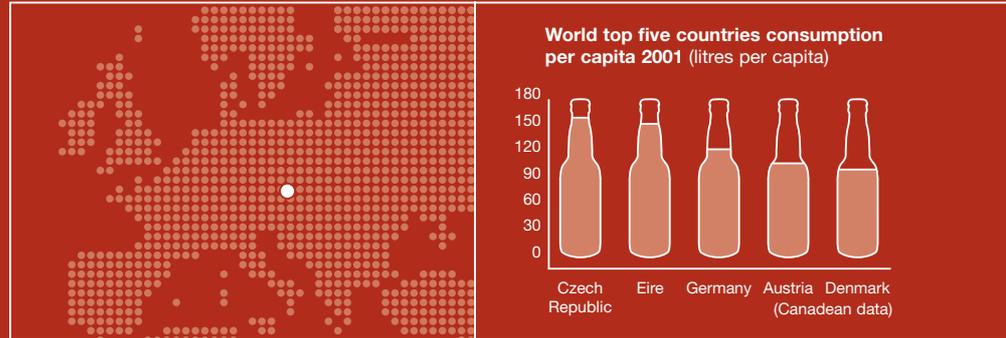
From day one, when the Trenton brewery first went into production producing the equivalent of ten million bottles, cans and kegs of beer a day, the overriding challenge has been clear – to further increase capacity and performance without ever compromising quality.

Action

Hard work and a willingness to embrace new ideas – from more flexible working practices to new technology – have helped to create a culture of excellence at Trenton. Working together, senior management, team managers, and technicians have increased capacity consistently over time. Today, the plant regularly handles up to 21 separate brews a day and runs nine active lines, capable of processing up to 1,200 bottles and 2,000 cans a minute and 600 half-barrel kegs an hour. Trenton is a benchmark for environmental performance too. Very little at the plant can be defined as waste. Spent grain is sold as cattle feed, CO₂ and other by-products are reclaimed; everything from glass and aluminium to plastic strapping and paper is recycled.

Outcome

The broad facts about Trenton speak volumes: a workforce of 620 people – many of whom have been with Miller for over ten years; steady increases in capacity since 1991; and most importantly, Miller's brands and contract brands brewed to the highest quality, packaged and processed with absolute efficiency.



Building brand strength in the Czech Republic

Challenge

When SABMiller acquired Plzeňský Prazdroj and Radegast in 1999, popular opinion had it that the Czech market was past its prime. Despite the acquisition of four top brands in Pilsner Urquell, Gambrinus, Radegast, and Kozel – with national distribution, a 44% market share and annual sales of 7.8 million hectolitres – the pressure was on the SABMiller team to deliver growth.

Action

Restructuring and retraining of the existing organisation helped to build a customer service and brand orientation. Introducing professional marketing, project management, logistics planning, and cost control best practice models from across the SABMiller network created a leaner and more efficient operation. With a strong foundation in place, the brand portfolio was streamlined and a well-defined pricing hierarchy introduced. Activity has centred both on long-term building as well as short-term delivery – with ongoing investment in brand support and development, from packaging and signage to merchandising and distribution fleet liveries. In short, this newly merged SABMiller business was refitted from the ground up – introducing the benefits of the SABMiller way without losing touch with the needs of consumers and customers, and maximising local knowledge and talent in the process.

Outcome

The team set out to deliver revenue growth of 3% per annum in a market that had seen a ten-year decline in real prices. In fact, they beat their own target, achieving 3.2% in the first year, despite a 1% fall in beer industry volumes. Total market share has also grown steadily – from 44% to 48% – with an improved brand sales mix resulting in an increased share of the more profitable premium sector. It's a strong start, and looking forward the team is confident that they can deliver even better results.

The Czech Republic is a mature market, which SABMiller entered in 1999, when it acquired a controlling interest in Plzeňský Prazdroj and Radegast, the country's two leading brewers. The country has a population of 10.28 million and records the world's highest per capita beer consumption of around 159 litres.

“We have delivered strong growth and built a platform for future success.”

Petra Biskupova, group brand manager, Plzeňský Prazdroj



“Market knowledge and consumer insight are the starting points for our new product development.”

Steve Miller, market development manager, The South African Breweries Ltd

Consumer tastes in South Africa are shifting continuously. Innovative thinking and rapid response is essential to keep pace with market demands. To make innovation integral to our business, SAB Ltd has created cross-functional project teams, bringing marketing, technical and financial specialists together.





New products in 2001/02

- Redd's Premium Dry (dry version of Redds)



New products in 2002/03

- Sterling Light Lager (light beer)
- Brutal Fruit x 3 flavours (pure fruit juice FAB)
- Copper Crest (bottled sorghum beer)
- Eagle (sorghum clear beer)



New products in 2003/04

- Rhino Malta (non-alcoholic nutritional food-drink) in test marketing

FAB = flavoured alcoholic beverage



Delivering innovation and growth in South Africa

Challenge

It is not enough simply to understand consumer markets – this understanding must be put to good effect. Every consumer insight has the potential to fire a new, successful product development or service innovation – delivering great brands for consumers and growth for SABMiller.

Action

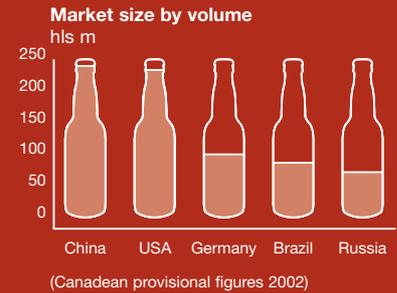
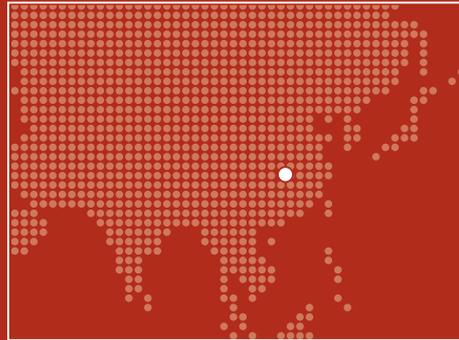
To maximise every growth opportunity, SABMiller has put in place the 'innovations process' – a new way of working based on the creation of cross-functional teams, each one comprising marketing, technical and financial specialists. The teams work in a consistent way: market research delivers knowledge and insights; these are assessed through a 'decision-gate funnel'; then developed into strong propositions – each with the capacity to deliver tangible success for the business.

The innovations process has delivered several notable successes in southern Africa during 2002/03: the successful launch of two new sorghum clear beers – Eagle in Uganda and Copper Crest for other African countries; the introduction of Brutal Fruit, a new FAB, targeted at a young, energetic South African population – already delivering impressive growth. There have been other 'wins'. Sterling Light, a new lower alcohol brand, meeting the needs of a more health-conscious young male population; whilst also reflecting changes in attitudes to drinking and new alcohol-related road legislation; and Rhino-malt, a non-alcoholic liquid food aimed at 16-35 year old males from low income groups, achieving promising results during market testing.

The innovations process is not only focused on product launch. 2002 has seen several new packaging initiatives, including the introduction of Hansa Draught and the planned introduction of the first 500ml can and 660ml 'slimline' reusable bottle for Castle Lite later in 2003.

Outcome

New brands, new packaging ideas – a year of consistent growth shows that cross-functional innovation is not only here to stay, but also arguably our business success of the year. The new way of working has transformed the way SAB Ltd approaches the market and energised the working experience for staff.



Rebuilding performance in a key Chinese market

Challenge

When CRB, SABMiller's joint venture in China, acquired the Wuhan Eurodongxihu brewery in 2002, performance was declining following aggressive price cutting and discounting by competitors and profits for 2001 down on 2000. For the SABMiller management team the short-term imperative was clear – stop the rot! Create some clarity and refocus the business to provide the foundations for long-term growth.

Action

Faced with falling market share and profit margins, a declining brand image for key regional brands such as Xin Yeng Ge and low staff morale, the team responded by putting in place a whole raft of practical improvements. Outmoded hierarchies were replaced with a flat structure, resulting in better co-ordination and communication across the business. Key operations – distribution and sales and marketing amongst them – were dramatically overhauled. A new sales manual was written and new experienced people recruited. On a broader front, over 2,200 people – from a total staff count of 2,400 – received specific retraining across areas as diverse as strategy, quality management, cost control and operational efficiency.

Outcome

The facts speak for themselves. Profits up 41% on calendar 2001 with fixed and variable costs down over the same period. Brand building investment has also increased by 30%, allowing the development of a clear portfolio and the repackaging of key brands. Brand awareness and performance of both Xin Yeng Ge and the national brand Snowflake greatly improved and, just as importantly, upgrading of brewing production facilities and the introduction of better supervision and process control methods have had a major impact. Looking forward, Wuhan brewery is in good shape to rebuild both market share and profitability.

With consumption growing at over 6% per annum, China is thought to be the biggest beer market in the world. In March 2002, our joint venture, CRB acquired the Wuhan Eurodongxihu Brewery in China's Hubei province, giving it an 80% share of the Wuhan market and a strong position in the province.

“We have made a strong start. The brewery is in good shape to become an increasingly important value-adding asset for our operations in China.”

Eric Ye, general manager, Wuhan Eurodongxihu brewery



“Bold measures have produced dramatic results. Kgalagadi operates more efficiently and continuous improvement is the order of the day.”

Boikhutso Mokgosi, quality assurance manager (Beer and CSD), Kgalagadi Breweries (Pty) Ltd

In Botswana, two SABMiller businesses – Kgalagadi Breweries (Pty) Ltd (KBL) and Botswana Breweries (Pty) Ltd (BBL) produce a number of clear and traditional beer brands, including Castle Lager, St. Louis, Hansa Pilsener and Chibuku, and Coca-Cola CSDs under licence.





Botswana volumes by proportion (KBL + BBL)



Improving plant efficiency in Botswana

Challenge

In February 2002 the Kgalagadi Breweries (Pty) Ltd (KBL) management team set itself a tough challenge – to rationalise its business into a more efficient and market responsive organisation in less than five months. The facts were undeniable – potential synergies between the Kgalagadi Brewery and Coca-Cola bottling plant were not being realised, with major consequences for management effectiveness, sales and marketing specialisation, staff development, productivity enhancements, planning/forecasting and customer service ethics.

Action

The KBL team acted swiftly and decisively. Management structures were redefined with the creation of dedicated technical, sales and marketing and operational divisions to manage the total KBL operation. This achieved two critical improvements: clearly defined responsibilities and considerably less duplication of effort. The new model allowed specialist managers to play to their strengths, manage and motivate their teams more effectively and most importantly, offer a better service to their internal and external customers.

Outcome

The restructuring has delivered tangible improvements in almost every aspect of operations at KBL. All technical functions are under one umbrella with knowledge sharing and staff rationalisation generating immediate synergies, boosting efficiencies and creating productivity improvements, particularly in the maintenance and material usage arenas. Operationally, improved sales forecasting, routing and scheduling of delivery trucks achieved productivity, whilst warehouse space utilisation was maximised. In the sales and marketing functions, the “one team” approach has made possible the introduction of best operating practices across the board, the simplification of the sales network and the creation of a single trade marketing department. The end result is simple; a one-point-of-contact service for key customers, joint customer research, sports sponsorship support and streamlined consumer activation programmes. The overall impact of the restructuring is clear: bold measures have produced dramatic improvements in the efficiency of a major SABMiller operation.

Review of Operations

Miller Brewing Company,
Milwaukee plant



North America

Financial summary	2003* US\$m
Turnover	3,473
EBITA**	250
EBITA margin (%)	7.2
Sales volume (hls 000s)	
– Lager – excluding contract brewing	33,852
– contract brewing	8,172
– CSDs	55

*Nine months.

**Before exceptional items being integration costs of US\$17 million and Turnwater brewery closure costs of US\$35 million.

We acquired Miller Brewing Company in July 2002, giving the group access, through a national player, to a growing beer market with the world's largest profit pool, and at the same time diversifying the currency and geographic risk of the group.

Since acquisition, we have commenced the integration of Miller into the group, and we have made some important changes to the management team. Norman Adami, previously chief executive of our highly successful Beer South Africa business, was appointed as president and chief executive in February 2003. Whilst a number of tactical initiatives have been implemented in the period under review, we are focused on developing our longer term strategy and action plans to deliver value.

In the nine month reporting period, US beer industry volumes were affected by low consumer confidence, a lacklustre economy, recent world events, and poor

weather, resulting in industry volumes being level with those of the prior year. Total Miller volume, after adjusting for a distributor stock reduction programme implemented in March, was down 3.7% with domestic volume falling by 4.5% (6.2% before adjustment). Certain of Miller's core brands have been losing market share for a number of years. However, the rate of decline increased over the past year and we believe this to be due to a combination of factors including loss of management focus on core brands following the introduction of four FMBs and some understandable disruption during the transaction and subsequent integration into SABMiller. Contract brewing volumes grew 3.6% and international volumes grew by 6.6%.

EBITA, for the nine month period, of US\$250 million, before exceptional items of US\$52 million, reflects the impact of the volume decline, as well as negative brand, pack and geographic mix, increased cost of raw materials and greater energy costs, partly offset by higher selling prices. There were also a number of significant one-time restructuring charges including costs associated with the uplift and write-off of excess production of the FMB brands, Sauza Diablo and Stolichnaya Citrona, and the reduction of four and one half days of inventory held in distributor warehouses, which together amount to US\$40 million. A further US\$16 million of FMB launch costs, as reported in our interim results, were also expensed during the year. Before taking account of the exceptional and other costs referred to above, EBITA for the nine month period was US\$306 million.



Far left
Miller Lite consumers

Left
Miller delivery in the
downtown Chicago area

A number of tactical initiatives have been implemented in respect of Miller Lite and Miller Genuine Draft (MGD). New packaging for Miller Lite was introduced at the beginning of this year and recent advertising has attracted considerable consumer attention, particularly with the 21-28 year old target audience. This increase in brand visibility will be followed up with a clear repositioning of the brand itself in the autumn of 2003. Supporting these brand initiatives is the high quality of the Miller Lite product which has been recognised and is evidenced by Miller Lite winning its third gold medal at the 2002 World Beer Cup. Miller High Life enjoyed modest volume gains, continuing the 2% per annum growth trend established with the 1998 brand repositioning. Award winning advertising, innovative packaging initiatives and a recent low calorie brand extension have contributed to the success of this brand. We will continue to invest behind this brand, building on our achievements to date.

Sky Blue has become the fourth largest spirits branded FMB in the US with volumes totalling over 500,000 hls since its introduction in April 2002. We continue to view the FMB segment of the market as offering value and will invest appropriately behind our brands.

Exports and international sales of Miller brands, led by MGD, continue to provide volume growth and stable income. We expect to achieve further growth in this area through leveraging the distribution network across the SABMiller group during the current year.

Much work is being undertaken on rebuilding the Miller brands and reshaping the portfolio. We will reposition the Miller trademark based upon extensive in-depth consumer research and mapping, with the first elements of the new architecture becoming visible in autumn 2003. We will, during the next 18 months, also be implementing initiatives to strengthen sales and distribution based upon our experience in other parts of the SABMiller group. These initiatives include prioritisation of local markets, improved channel management, strengthening and reorganising our sales force and improved management of distributors.

It will take time for the benefits of the brand repositioning and sales and distribution initiatives to become evident. However, we have identified opportunities to reduce costs over and above those included in the US\$50 million of synergies described at the time of the acquisition. Importantly, we are also upgrading the performance management systems across the organisation and will be taking appropriate actions to implement a productivity and cost reduction programme.

Miller profitability will be impacted over the next two to three years by the current volume declines, adverse mix effects and the ongoing restructuring and reorganisation necessary to establish our platform for growth, although we are confident that our efforts will deliver shareholder value in the medium term. For the current financial year, we expect that EBITA, pre exceptional and before restructuring and reorganisation costs, will be trending lower than comparable previous periods.

Review of Operations

continued

Near right
Bottling line, Industrias La
Constancia, El Salvador

Far right
Pilsener beer canning line,
Industrias La Constancia,
El Salvador



Central America

Financial summary	2003 US\$m	2002* US\$m
Turnover	514	186
EBITA**	56	22
EBITA margin (%)	10.8	11.9
Sales volumes (hls 000s)		
– Lager	1,747	624
– CSDs	6,257	2,231
– Other beverages	2,499	824

*Four months.

**Before exceptional items being reorganisation costs of US\$12 million in 2003.

The current year represents the first full year of the group's ownership of its Central American investments. The period under review was characterised by weak economic performance in both El Salvador and Honduras and strong competitive pressures in the CSD market, particularly El Salvador. Major structural changes, aimed at establishing a foundation for future growth, have been actioned in both of our businesses.

Against this broad background, CSD volumes were down in both El Salvador and Honduras, registering a 6.9% decline in total versus the comparable prior year. In particular, El Salvador endured the entry of an aggressive CSD competitor, which has effectively led to a short-term and, we believe, unsustainable reduction in prices. Lager volumes fared better, and were flat on a pro forma basis.

Honduras achieved a 4.4% growth – the first time that growth has been achieved in four years, but there was a 6.5% decline in El Salvador. Water volumes in El Salvador were up 1%.

Sales declines have depressed the reported EBITA performance and reduced operating margins. However, the year has been one of major structural change. The restructuring of our Central American businesses has proceeded well. In each country we have merged the sales and distribution functions for beer and CSDs. We have rationalised packaging assets in the businesses and closed certain production and distribution sites. Across the region we have merged our back office operations and integrated our financial systems. This has resulted in significant headcount reduction in both countries' operations and will lead to substantial savings in future financial years. The El Salvadorian companies have been merged and we expect to do the same in Honduras in the current year.

The strategy is to continue the conversion of the company into a marketing focussed enterprise with a strong portfolio of relevant brands. A number of brand and packaging changes are planned, and these should support improved performance in the market place.

Initiatives are also in place to improve production efficiencies with the roll-out of the World Class Manufacturing initiative, continued rationalisation of surplus facilities and ongoing sales and distribution integration.



Far left
Consumers in Plzeň,
Czech Republic

Left
Brewery warehouse,
Poznań, Poland

Europe

Financial summary	2003 US\$m	2002 US\$m	% change
Turnover	1,646	1,280	29
EBITA	275	198*	39
EBITA margin (%)	16.7	15.5	
Sales volumes (hls 000s)			
– Lager	24,472	22,359	9
– Lager comparable	24,240	22,359	8
– Other beverages	137	178	(23)

*Before exceptional items of US\$8 million.

The division enjoyed another excellent year of profit growth with EBITA up 39%. Lager comparable volumes grew 8% assisted by good summer weather in our two key markets of Poland and the Czech Republic. Productivity (measured in hectolitres per person per annum) improved by 12% and contributed to the 120 point expansion in EBITA margin. Currencies in central Europe have strengthened against the US dollar, and this has contributed to the improvement in reported results.

Growth in the Polish beer market was 5% for the twelve months to March 2003. Kompania Piwowarska (KP) outperformed the industry with a volume increase of 10%, reaching 32% market share. A new brand Debowe, competing in the strong beer segment, had a highly successful launch capturing over 20% of that segment within nine months. Recently, we announced the acquisition of Browar Dojlidy Sp. z.o.o. for US\$38 million. This acquisition was completed on 30 April 2003, after securing all regulatory approvals and provides us with an economy brand in the mainstream segment, adding a third production facility and improving KP's representation in the east of the country.

In the Czech Republic, the Pilsner Urquell group exceeded expectations. The overall market declined, as anticipated, by around 1% this past year. However, we saw volumes grow by 4%, signalling good market share gains. In particular, the premium Pilsner Urquell brand grew by some 12%, assisting margin expansion. Local management is to be commended on rapid reaction to, and recovery from, the devastating floods in August.

Our international premium brand Pilsner Urquell continues to perform well in the key export markets of the USA, Germany, and the United Kingdom. Sales volumes in these markets are encouraging, with volumes up 13%, 17% and 60% respectively on the prior year. In total, volumes of Pilsner Urquell outside the Czech Republic have increased by 17% to 653,000 hls. The stand-alone Pilsner Urquell business in the USA was integrated with the Miller Brewing Company operations shortly after the financial year end and this will provide a strong platform for the future potential of the brand in this market.

In Russia, industry volumes were up some 9% for the year and SABMiller enjoyed a sharp recovery in the second half to end the year with 27% growth. This followed the introduction of cans, a new brand Tri Bogatyrya launched into the growing mainstream segment, and the newly licensed production of Kozel from our Czech brand portfolio. MGD, Holsten and Pilsner Urquell volumes all more than doubled and our share of the Russian premium segment is now over 10%. Expansion to 3.5 million hectolitres at the Kaluga brewery is virtually complete and well within budget.

In Hungary, general price stability continued, assisting overall industry profitability. Our Dreher subsidiary's volumes were up 5% against the industry's 3% and profits and cash flow surged during the year. Romania's beer market continues to disappoint with virtually stagnant

Review of Operations

continued

Near right
Tyskie canning line, Poland

Far right
Customers, Arusha, Tanzania



volumes. However, SABMiller's volumes grew organically by 12% and this, together with ongoing synergy developments from the prior year's Timisoreana acquisition, boosted Romania's profitability albeit off a small base. Slovakia continues to benefit from management and marketing integration with the Pilsner Urquell group. Volumes were up 14% and our market share is now 25%. The Canary Islands have suffered from the decline in global tourism and the beer industry lost ground this past year; volumes were down by 3% though profits improved slightly.

Within Central and Eastern Europe, consolidation of the brewing industry continues. SABMiller expects to maintain a leading position in the region, and to continue competing effectively.

Africa & Asia

Financial summary	2003 US\$m	2002 US\$m	% change
Turnover	1,209	946	28
EBITA	233	171	36
EBITA margin (%)	19.2	18.1	
Sales volumes (hls 000s)*			
– Lager	31,332	23,141	35
– Lager comparable	23,686	22,797	4
– CSDs	4,206	3,648	15
– Other beverages	9,920	10,204	(3)

*Castel volumes of 10,680 hls 000s (2002: 9,633 hls 000s) lager, 8,925 hls 000s (2002: 7,489 hls 000s) CSDs, and 804 hls 000s (2002: 569 hls 000s) other beverages are not included.

Africa

Africa performed exceptionally well in the year under review with the momentum reported at the half year carrying through to the year-end. The region benefited from strong volume growth in key markets, market share gains in our competitive markets and successful acquisition activity in a number of countries.

Clear beer growth of 3.2% in our African businesses was achieved with strong performances from Tanzania, Mozambique and Ghana. Tanzania experienced a good agricultural harvest, beer market growth and additional volume from the restructuring of our East African operations; whilst Mozambique benefited from the Laurentina acquisition. Ghana enjoyed strong market share gains. Our soft drink volumes grew by 15.3% as a result of the inclusion of Zambia Bottlers following the February 2002 acquisitions and an outstanding performance from Angola, where we exceeded the one million hectolitre mark and achieved organic growth of 41.2% following the end of the civil war and an improving economy. Traditional beer, however, ended below prior levels following the decision to exit the low margin bulk beer segment in Zambia.

The introduction of VAT in Botswana, which resulted in across the board consumer price increases, curbed the strong sales momentum enjoyed in prior years. US dollar weakness assisted reported results in Botswana, Lesotho and Swaziland but did not impact other African currencies to the same extent.



Far left
Kgalagadi Brewery,
Gaborone, Botswana

Left
Serving Snowflake lager
in Wuhan, China

Our SABMiller pan-African premium brands, Castle Lager and Castle Milk Stout, grew 17% in total over prior year. Other key market initiatives included the successful launch of Eagle Lager in Uganda, an innovative sorghum based clear beer aimed at the low-income segment of the market. The product has been well received and aided market share growth in this competitive environment.

Throughout the region, the momentum in terms of unit cost reduction was maintained via the combined effect of the application of our Manufacturing Excellence Programme as well as purchasing, logistics and working capital savings delivered by Sabex, our Johannesburg-based procurement subsidiary.

Associate volumes and earnings include Zimbabwe, which held up reasonably well despite experiencing difficult political and economic conditions, and earnings include our newly acquired stake in Kenya Breweries with effect from December 2002.

The Castel group, in which we have a 20% interest, posted strong results with clear beer and soft drink volume growth of 10.9% and 19.2% respectively. Operational benefits have been achieved by both groups from the relationship, including areas such as procurement. We have recently entered Algeria with a joint investment in soft drinks, to be supplemented with brewing in the short term and we continue to evaluate other opportunities.

Asia

Within Asia, our Chinese joint venture performed well with a key area of achievement being the successful integration of the Wuhan and Blue Sword acquisitions. Volumes reached the 24 million hls mark for clear beer and total volumes exceeded 27 million hls. The Chinese beer market is now estimated to be the biggest in the world by volume. The roll-out of the Snowflake brand throughout our 30 Chinese breweries continues, with the brand achieving volumes in excess of five million hls during the year.

Organic volume growth for the year of 5.7% was achieved against total volume growth of 45.3%. EBITA growth in China more than doubled year on year.

In India we achieved our target of break even at the operating profit level in our first full year with the expanded base of four operating units, including the acquisition of the Rochees brewery in Rajasthan which was finally completed towards the end of the period. During the year we launched Castle Lager in Mumbai, Bangalore and Delhi with encouraging early signs.

On 21 May 2003, we announced that SABMiller's subsidiary, Mysore Breweries, had become a strong number two brewer in India through a joint venture with the Shaw Wallace group of companies. This positions us well in the high growth Indian beer market.

Review of Operations

continued

Near right
Ibhayi Brewery,
Port Elizabeth, South Africa

Far right
Cricket sponsorship
in South Africa



Beer South Africa

Financial summary	2003 US\$m	2002 US\$m	% change
Turnover	1,270	1,112	14
EBITA	338	287	18
EBITA margin (%)	26.6	25.8	
Sales volumes (hls 000s)	24,428	24,426	1

Volumes grew by 0.8%, despite the continuing tough trading conditions and the period under review not benefiting from the inclusion of Easter. Positive growth in the second half of the year, particularly over the important peak season, was driven by favourable weather conditions and the diminishing surplus in the wine lake. Beer price increases at the retail level were lower than for other liquor types, with evidence of some volume flow back to beer.

Operating performance, particularly relating to efficiencies and reliability, is at record levels. Operating margins are up 80 basis points to 26.6%, notwithstanding the continued focus on cost productivity being offset somewhat by significant increases in raw material prices. Continued focus on operating performance and asset management boosted EVA growth to a creditable 19% on a five year compounded basis while working capital reflected improvement for the eighth consecutive year.

Marketing spend on new product development has increased, with a number of brands launched during the year and the company well positioned to go to market with exciting new offerings during this year. Sterling Light Lager was launched during the year and received immediate consumer acceptance. Redd's has gained significant share through the 660ml returnable pack. Brutal Fruit, launched as a new brand in June 2002, has shown significant potential but has been constrained by packaging supply limitations since its launch.

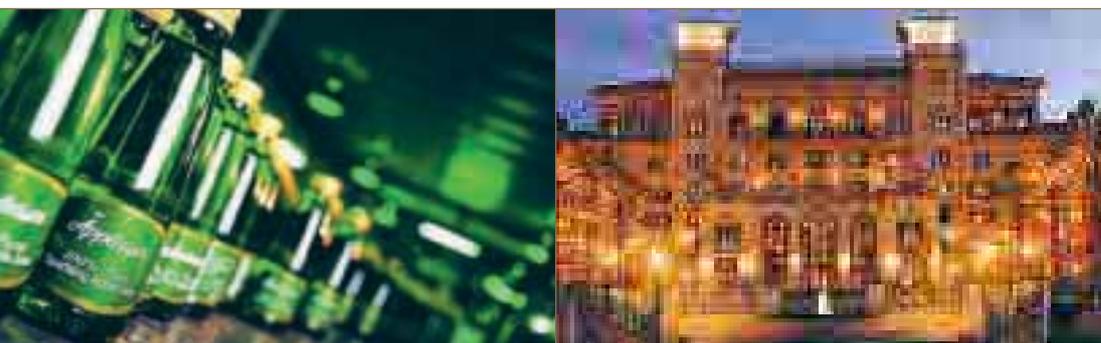
Castle was a major sponsor of the recent Cricket World Cup tournament held in South Africa. This event provided an excellent opportunity to support the brand with a new advertising campaign and promotional activity.

The premium/light market segment reflected double digit growth. Two of SABMiller's international brands, Pilsner Urquell and Miller Genuine Draft, will be added to this segment to broaden the local portfolio during the early part of the current financial year. This follows agreement between SAB Ltd and Heineken NV that their joint venture in South Africa to brew and distribute the Heineken brand would end. The existing arrangement for the brewing and distribution of the Amstel brand through the SAB Ltd network remains unchanged.

Revised Liquor Bill legislation is expected to be finalised in 2003. Assurances from the relevant government department regarding the retention by manufacturers of their depots, and their ability to deliver direct to retailers, have again been confirmed as remaining intact.

Other Beverage Interests

Financial summary	2003 US\$m	2002 US\$m	% change
Turnover	788	676	17
– ABI	594	500	19
EBITA	120	95	27
– ABI	98	79	24
EBITA margin (%)	15.3	14.0	
– ABI	16.5	15.8	
Sales volumes (hls 000s)			
Soft drinks	12,489	11,912	5
ABI	12,063	11,488	5

**Far left**

Appletiser bottling line,
Western Cape, South Africa

Left

Palazzo Hotel, Montecasino,
Sandton, South Africa

Amalgamated Beverage Industries (ABI)

The South African consumer environment improved during the second half of the year under review, assisted by a strengthening of the rand and favourable tax measures in the recent Government budget. Against this background ABI succeeded in delivering good results, through volume growth and overhead productivity gains.

Sales volume grew 5% in the year: 4.1% in CSDs, and 22.3% in other soft drinks. This strong growth was a function of the good weather conditions, continued improvement in market execution, and organic as well as market share growth in certain areas of the expanding other soft drinks category.

Increased input costs and the adverse effect of mix changes towards lower margin returnable glass packs were countered by strong productivity gains, leading to a 24% increase in EBITA.

Appletiser

Appletiser recorded a significantly increased trading profit, building upon last year's successes with further volume growth in all markets other than the United Kingdom. Focused brand activity to increase consumer awareness and Appletiser brand equity in the United Kingdom has recently been implemented. Sales volumes in the remaining international markets grew 10%. Combined volumes for Appletiser and Grapetiser grew 16% in South Africa.

Distell

The group's 30% equity accounted listed associate, Distell, achieved sales volume growth in its domestic and international markets. Operating profit was significantly better, assisted by favourable sales mix at improved overall margins.

Hotels and Gaming

Financial summary	2003 US\$m	2002 US\$m	% change
Turnover	212	164	30
EBITA**	42	28	47
EBITA margin (%)	19.7	17.4	
Revpar* – US\$	32.10	23.98	34

*Revenue per available room.

**Before exceptional profit on partial disposal of subsidiary (US\$4 million).

Hotels and Gaming achieved good earnings growth with increased operational contributions from both segments. The transaction regarding the restructuring of SABMiller's Hotels and Gaming interests became unconditional on 31 March this year. This consolidated subsidiary will in future be accounted for as an associate. The new Tsogo Sun Group is now set to pursue an independent future with the expectation that SABMiller's 49% shareholding will be reduced over time.

The hotel industry benefited from a significant increase in foreign visitor arrivals to South Africa which has driven strong operating profit growth for the period. Occupancies at 72% were well up from the 66% achieved last year. Average room rates increased by 19%, translating into an overall revpar increase of 34% to US\$32.10. The successful hosting of the World Summit on Sustainable Development and the Cricket World Cup were also contributing factors.

Gaming division's results were strongly influenced by the performance of Montecasino, the division's flagship casino and entertainment complex, which continues to trade well. The Gauteng casino market grew by approximately 15% when measured against the previous financial year, with Montecasino marginally gaining market share. Phase one of the Suncoast casino development in Durban was successfully opened in late November at a capital cost of US\$95 million.

Financial Review



Group operating performance

Our widespread portfolio of established businesses (excluding Miller and Central America) showed impressive performance over the year, with volume growth and improved margins in South Africa, Europe and Africa & Asia. During the year, EBITA margins have continued to increase in most businesses, reaching 18.8% for the group's established businesses. The lower EBITA margins at Miller and Central America have diluted the total group's margin to 13.9% in comparison with the 17.6% of prior year. SABMiller believes that the reported profit measures – before exceptional items and amortisation of goodwill – provide additional and more meaningful information on trends to shareholders and allows for greater separability between segments.

Total group beverage volumes of 151.4 million hectolitres (hls) were 52% above last year's 99.4 million hls (organic growth 3.0%), and within this performance, Europe and Africa recorded organic growth of 8.4% and 6.7% respectively, and Beer South Africa recorded a second consecutive year of growth, with volumes up 0.8% to 24.4 million hls. Turnover, including share of associates, increased by 109% (organic growth 17.8%). In the determination and disclosure of reported sales volumes, the group aggregates the volumes of all consolidated subsidiaries and its equity accounted associates, other than associates where primary responsibility for day to day management rests with others (such as Castel and Distell). In these latter cases, the financial results of operations are equity accounted in terms of UK GAAP but volumes are excluded. Contract brewing volumes are excluded from total volumes; however turnover from contract brewing is included within group turnover.

Group operating profit before amortisation of goodwill and exceptional items increased 66% to US\$1,270 million, with increases in most of our businesses.

EBITA margin again improved across most businesses, reflecting a focus on productivity and volume growth. Europe further increased EBITA margin before amortisation

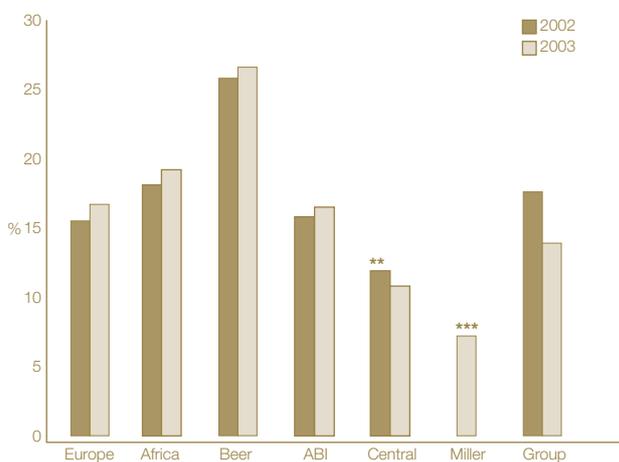
of goodwill by 120 points over the prior year, Beer South Africa raised its margin by 80 basis points to 26.6%, and margins continued to improve at ABI and Africa & Asia. Headline performance information of our results by region is set out in the segmental analysis of operations, and the disclosures accord with the manner in which the group is managed.

The group recorded net exceptional items of US\$66 million, comprising Tumwater (USA) brewery closure and impairment costs of US\$35 million, Miller and related integration costs of US\$23 million, Central America reorganisation costs of US\$12 million and a profit of US\$4 million on the partial disposal of our holding in the Southern Sun Hotels and Gaming group. This compares to prior year net exceptional items of US\$8 million.

Net interest costs increased to US\$163 million, a 65.9% increase on prior year's US\$98 million, due primarily to the borrowings acquired with Miller. Interest cover remains satisfactory at more than five times based on profit before interest, taxation and exceptional items. Profit before tax of US\$770 million was 27% up on prior year, reflecting the strong operational performance.

The effective tax rate, before goodwill amortisation

EBITA Margin by Segment*



*Pre-exceptional **Four months ***Nine months

“EBITA margin again improved across most businesses, reflecting a focus on productivity and volume growth.”

Malcolm Wyman Chief financial officer

and exceptional items, is 33.6%. This, however, includes an exceptional US\$9 million deferred tax credit in relation to tax losses in one of ABI's wholly owned subsidiaries which have been assessed in the year. Excluding this impact, the effective tax rate before goodwill amortisation is 34.4%, up from 31.2% in the prior year. The increase compared to the prior year is attributable to an increased proportion of the group's profits being earned in countries with higher effective tax rates.

Earnings

Adjusted earnings increased by 66% to US\$581 million (as shown in note 11 to the accounts) and the weighted average number of shares in issue was 1,076.1 million, up from last year's 718.5 million, mainly as a result of the issue of 430 million shares to Altria in July 2002 as the consideration for the Miller acquisition. These shares consisted of a mixture of ordinary shares and unlisted low-voting participating shares. The group's adjusted earnings per share increased 11% to 54.0 US cents from the prior year's 48.7 US cents.

Dividends

The board has proposed a final dividend of 18.5 US cents per share, making an unchanged total of 25.0 US cents per share for the year, representing a dividend cover of 2.2 times based on adjusted earnings (2002: 1.9). Details regarding payment dates and related matters are disclosed in the directors' report.

Accounting policies

No new standards have been issued for adoption during the year. During 2002 the Accounting Standards Board (ASB) delayed the mandatory implementation of a new accounting standard for Retirement Benefits (FRS 17) in order to allow UK and international standards boards an opportunity to agree how to converge their different approaches. The group continues to provide additional information as required by FRS 17 by way of note 34 to the accounts.

Historically, the group has had limited exposures associated with defined benefit pension schemes and post retirement benefits. With the acquisition of Miller, substantial defined benefit pension scheme and post retirement medical aid liabilities were assumed, which were fully provided under SSAP 24 in the acquisition balance sheet. The updated valuations as at the year end, required for FRS 17 disclosure purposes only, indicate a deficit on the Miller schemes in aggregate, in excess of amounts provided in the balance sheet, of some US\$191 million, after taking account of the related deferred taxation. The group has no other significant exposures to pension and post retirement liabilities as measured in accordance with FRS 17.

Shareholder value

The value which a company returns to its owners is best measured by total shareholder return (TSR) – the combination of share price appreciation and dividends returned over the medium to long term. Recent measures of shareholder return are impacted by the significant decline in equity indices over the past four years. However, since SABMiller moved its primary listing to the London Stock Exchange in March 1999 the FTSE 100 has produced a TSR of negative 29% while the group has produced a TSR of negative 0.6% as at the time of our preliminary results announcement.

In focusing on shareholder value added, the group uses EVA™ as a key indicator of annual performance. As noted last year, SABMiller is continually investing in new brewing operations and most new investments impact negatively on EVA™ in the short term. The group's EVA™ calculation is summarised below. Key factors to be borne in mind are:

- EVA™ is calculated using operating profit after tax, adjusted for exceptional and non-recurring items;
- The capital charge is calculated on opening economic capital; adjusted for the Miller acquisition on a time-apportioned basis, any impairments of assets of continuing business units, and goodwill previously eliminated against reserves.

Financial Review

continued

EVA™	2003	2002
	US\$m	US\$m
Economic profit statements		
Profit on ordinary activities before interest and taxation	933	704
Taxation on profit on ordinary activities	(349)	(208)
Tax deduction on financing costs	(56)	(31)
Adjustment for non-recurring items	309	65
Net operating profit after tax	837	530
Capital charge	(773)	(341)
Economic Profit (EVA™)	64	189
Economic balance sheets		
Fixed assets	11,060	4,758
Working capital	(70)	(78)
SPV shareholding (Safari)	(618)	(618)
Accumulated adjustment for non-recurring items	586	277
Economic capital	10,958	4,339
Non-interest bearing funding	(306)	(215)
Provisions	(743)	(166)
Net operating assets	9,909	3,958

The group's weighted average cost of capital (WACC) is applied against the resulting investment; and WACC, at 9.0% (2002: 11.0%), takes account of relevant individual country risk profiles and the group's overall debt profile. This reduction in WACC is the result of a lower average country risk premium following the Miller acquisition and a lower group risk profile from the increased geographic spread of business.

SABMiller returned EVA™ of US\$64 million in the year under review (2002: US\$189 million). This reduction is mainly due to the additional capital charge for the Miller acquisition and the impact of holding the Central America assets for a full 12 months in the year, compared with four months in the prior year.

Currency

During the first half of the financial year, the SA rand demonstrated significant weakness against the US dollar, before strengthening in the second half, and the currency ended the financial year at R7.91 to the US dollar. As a result the weighted average rand/US dollar rate improved by 2.2% to R9.50, compared with R9.71 in the prior year and, together with the strengthening of currencies in central Europe against the US dollar, this has contributed to improved results, as reported in US dollars.

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

Financial structure

New borrowings are dominated by the US\$2,000 million bank debt arising on the Miller acquisition. As at 31 March 2003, this debt had a term of less than one year (to May 2003), and the analysis of debt at this date included in the notes to the accounts displays a significant reduction in the maturity profile of the group's debt. A bank facility has been arranged which was drawn down in May 2003. This facility has an initial 12 month term, with the option to extend for a further 12 months. We intend to refinance this facility with longer-term debt during the year ending 31 March 2004. The group's gearing, as measured by net debt relative to net assets, increased at the year end to 42.4% from last year's 40.8%, but the group still has substantial unutilised borrowing facilities.

Gross borrowing rose in the year under review from 1.7 to 2.2 times EBITDA, following the expansion activity undertaken during the year. This ratio is based on borrowings as at 31 March 2003, and is adversely affected by the inclusion of only nine months results for Miller. Net interest cover, based on profit before interest, taxation and exceptional items relative to net financing costs before exceptional items, was more than 5 times (2002: 7.2 times).

Balance sheet profile

Total assets increased by US\$7,188 million to US\$12,879 million as a result of the acquisition activity, with the Miller acquisition accounting for almost all of the increase. There was also a rise of US\$33 million in equity minority interests to US\$778 million.

Intangible assets increased by US\$4,647 million during the year, due primarily to the inclusion of goodwill of US\$4,498 million relating to the Miller acquisition. Goodwill in ABI is considered to have an indefinite life (consistent with prior years), while all other goodwill is amortised over 20 years. The attributable charge for the year under review rose to US\$250 million from last year's US\$46 million.

Net debt increased by 138% to US\$2,962 million from the prior year's level of US\$1,245 million following the Miller acquisition. The group again achieved its target of zero net working capital.

Cash flow and investment highlights

Net cash inflow from operating activities before working capital movement (EBITDA) rose to US\$1,483 million, from last year's US\$904 million. The ratio of EBITDA to group turnover declined in the year to 17.9% (2002: 24.3%), with the reduction attributable to lower margins in recently acquired businesses.

The group achieved free cash flow of US\$755 million (2002: US\$496 million), representing the operating cash flow generated by the group, after capital expenditure and the cost of financing and taxation, but before acquisitions.

Acquisition details are disclosed in note 29 to the accounts, and in addition to the Miller acquisition include a number of operations in Africa and Asia.



Malcolm Wyman
Chief financial officer

Corporate Governance

The company is committed to an open governance process through which its shareholders may derive assurance that, in protecting and adding value to SABMiller's financial and human investment, the group is being managed ethically, according to prudently determined risk parameters and is striving to achieve and advance local best practices in the territories in which it operates. Corporate Governance is regarded as the prudential system by which the companies in the group are managed and controlled in support and furtherance of the company's strategies and policies.

The company recognises worth in the values expressed in the Combined Code – Principles of Good Governance and Code of Best Practice – appended to the Listing Rules of the UK Listing Authority (the Combined Code), together with guidance principles included from the Turnbull Report on Internal Control: Guidance for Directors on the Combined Code. Account is also taken of trends in evolving institutional shareholder and government guidance on disclosure and shareholder authorisation, including other regional governance initiatives. This section describes the way in which the company seeks to comply with the Combined Code and believes it has done so in the past financial year. Recognising also the importance of the company's substantial, new operating presence in the United States of America (USA), the company intends, over the medium term, to achieve substantive compliance with the USA Sarbanes-Oxley legislation and related regulation.

The board of directors has given attention to the Higgs review on the role and effectiveness of non-executive directors and the chairman submitted comment reflecting the preliminary views of the board on a number of aspects. Insofar as the company will be affected by potential material changes to its present board and committee composition and the roles of certain directors in terms of principles which might be adopted in the Combined Code as a result of the Higgs review, the board will seek over time to achieve the appropriate level of new compliance consistent with the interests of the company and the shareholders, including the major shareholders who are outside the UK, as well as the contractual commitments to Altria Group, Inc. (previously Philip Morris Companies Inc.). The Smith Report on the functions and constituents of the audit committee and the company's relationship with, and independence of, the external auditors has also received attention from both the board and the audit committee.

The board and board committees

The board sets the strategic objectives of the group, determines investment policy, agrees on performance criteria and delegates to management the detailed planning and implementation of that policy, in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives, by holding management accountable for its activity through the measurement and control of operations by regular reports to the board, including quarterly performance reporting and budget updates. The board reserves to itself a schedule of matters to be dealt with exclusively by the board. These include strategies and policy on social and environmental responsibility. Appropriate structures for those authorities delegated to management and board committees are in place, accompanied by monitoring and reporting systems. Each standing board committee has specific written terms of reference issued by the board and adopted in committee. All chairs of committees report orally on the proceedings of their committees at the next meeting of the board and minutes of committee meetings are provided to the board. All the committees have a majority of members who are considered to be independent in any jurisdiction.

Following the company's extraordinary general meeting (EGM) on 1 July 2002 (held to approve the Miller Brewing Company transaction), from 1 August 2002 the board was reconstituted and reduced in number from 16 to 13 directors. Four of the six executive directors stepped down and Mr Slack and Dr Strauss retired from the board at the annual general meeting (AGM) on 31 July 2002. Mr Bible, Mr Camilleri and Ms De Lisi were appointed to the board as non-executive directors on behalf of Altria Group, Inc. Until the end of July 2002, a majority of six of the ten non-executive directors were regarded by the company as independent. Following the reconstitution of the board from 1 August 2002 to meet the requirements of the transaction agreements, four of the 11 non-executive directors are considered in all jurisdictions to be fully independent and the executive presence on the board has been reduced to two, being the chief executive and chief financial officer. Including the three directors nominated by Altria Group, Inc., four of the non-executive directors represent shareholders. The company is fortunate in having on its board persons of

unquestioned integrity who can be relied upon to exercise their best judgement in the interests of the company and its shareholders. In the USA, all the directors except for Mr Mackay, Mr Wyman and Mr Ning would be regarded as being independent for governance purposes.

The details of the directors appear on pages 42 and 43.

The executive directors generally have responsibility for proposing strategy and for making and implementing operational decisions on running the group's businesses. Non-executive directors complement the skills and experience of the executive directors, contributing to the formulation of policy and decision-making through their knowledge and experience of other businesses and sectors. All directors bring an independent judgement to the issues of strategy, performance, and resources, including key appointments and standards of conduct. The board continues to regard commercial experience and industry exposure as key ingredients in the range of talents appropriate in a non-executive director of the company.

The board and its committees are supplied with full and timely information which enables them to discharge their responsibilities. All directors have access to the advice of the company secretary and independent professional advice is available to directors in appropriate circumstances at the company's expense. The board met eight times in the year ended 31 March 2003 (against a scheduled seven meetings) and ad hoc committees of the board met twice to deal with investment, financing and reporting issues.

The roles of chairman and chief executive are separate with responsibilities divided between them. The senior non-executive director is Lord Fellowes.

Following the appointment of new directors to the board, an induction programme is arranged, which also involves updates and industry specific retraining for existing directors, including visits to the group's businesses and meetings with senior management as appropriate, to facilitate understanding of the group. In addition to operations, directors are given exposure to internal controls at business unit level.

All directors are subject to retirement and re-election by shareholders every three years. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointment. The names

of directors submitted for election or re-election are accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their election. Non-executive directors are appointed for specified terms subject to re-election and to Companies Act provisions relating to the removal of directors. The reappointment of non-executive directors is not automatic. In general, the board will ask a director reaching the age of 70 years to stand for re-election annually or to retire, as the case may be.

Performance of the executive directors and senior executives is assessed by the remuneration committee against defined, pre-agreed goals and applicable strategic objectives. Performance of the non-executive directors is assessed formally on an annual basis by the chairman and the senior non-executive director, in accordance with a set matrix covering items ranging from strategic contribution to attendance. The chairman reports these outcomes to the board in broad terms, indicating that if further consultation or remedial action is needed, it will be pursued through the nomination committee before being brought back to the board. The chairman's performance is assessed by the senior non-executive director, following the same matrix and process.

Board committees

Specific responsibilities have been delegated to board committees with defined terms of reference. The principal board committees are as follows:

The audit committee

Throughout the financial year, the audit committee was chaired by Mr Manser FCA, an independent non-executive director. Lord Fellowes, Mr Levett and Mr Morland served on the committee throughout the year. Mr Slack and Dr Strauss left the committee on 31 July 2002, when they retired from the board. Ms De Lisi joined the committee from 4 September 2002. The committee met three times during the year and an associated reporting committee met twice more. The external auditors, the chief executive and the chief financial officer are in attendance at each meeting and other members of the management team, including internal audit staff, attend as required. Executive attendees are excused for periodic discussions with the external auditors. The committee has the power to examine any financial operating and strategic matters in,

Corporate Governance

continued

and relating to, the group in accordance with its written terms of reference. This includes reviewing the annual accounts, internal control procedures, accounting policies, compliance and regulatory matters, reviewing and approving the appointment of the external auditors and other related issues.

The audit committee reviews in annual cycles with management, that adequate and suitable internal controls are in place and are appropriate to meet future needs; that significant business, strategic, statutory and financial risks have been identified and are being monitored and managed; that appropriate standards of governance, reporting and compliance are in operation; and it advises the board on issues relating to the application of accounting standards to published financial information.

Internal audit structures in the major operating subsidiaries and divisions function under the direction of, and report to, their respective audit committees. The internal audit functions are performed either by teams of appropriate, qualified and experienced employees, or through the engagement of external practitioners upon specified and agreed terms with equivalent access. These structures are reviewed for effectiveness with external consultants at least once a year. The primary mandate of the group's internal auditors is to examine and evaluate the effectiveness of the applicable operational activities, the attendant business risks and the systems of internal operational and financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the applicable audit committee, external auditors and operational management, for resolution. The company's audit committee has access to the proceedings of the reports to the divisional audit committees and to subsidiary internal audit practitioners; the last having access to both central management and to the company's audit committee.

During the year a corporate governance manager was appointed to co-ordinate group-wide internal audit activity, internal control monitoring and governance reporting.

The audit committee is comprised of five non-executive directors, of whom independent directors (Lord Fellowes, Mr Manser and Mr Morland) are in the majority.

The nomination committee

The nomination committee is chaired by Lord Renwick. The other members, Mr Kahn, Lord Fellowes, Mr Manser,

and Mr Morland ensure a majority of independent non-executive directors on the committee.

The committee considers the composition of the board and its committees, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the board. Executive directors are considered for appointment to the board on the basis of their experience, skills and level of contribution to, and impact upon, the group. Non-executive directors are selected for recommendation on the basis of industry knowledge, professional skills and experience and, where appropriate, the directors believe that significant shareholders in the company should be represented on the board. All directors are subject to retirement and re-election by shareholders at least once every three years in accordance with the company's Articles of Association and the requirements of the Combined Code. After recommendation by the nomination committee, the appointment of a new director is dealt with directly by the board.

This committee meets as often as required, usually twice a year. The board chairman conducts annual appraisals of the performance of each of the non-executive directors and reviews these with the senior non-executive director and the company secretary. The senior non-executive director reviews the performance of the chairman of the board. Thereafter, where appropriate, individual directors may be interviewed. The results are reported to the nomination committee and the board.

The committee follows a process of recruitment and selection to fill non-executive vacancies on the board, using external agencies when appropriate to present selections for consideration and interview, in consultation with the executive directors and for presentation to the board. The composition and size of the board is now regulated in terms of the agreements with Altria Group, Inc. covering the Miller Brewing Company transaction, but outside those requirements, the company continues to follow the process described. The executive director membership of the board is limited to two, the chief executive and chief financial officer, within the arrangements which currently require three Altria Group, Inc. nominees in a maximum of 13 board members.

The remuneration committee

The remuneration committee is chaired by Lord Renwick, the other members are Mr Kahn, Lord Fellowes,

Mr Manser and Mr Morland. The committee has a majority of independent non-executive directors. The committee sets short, medium and long-term remuneration for the executive directors. More generally, the committee is responsible for the assessment and approval of a broad remuneration strategy for the group. The determination of short and long-term incentive pay structures for group executives, the positioning of senior executive pay levels relative to local and international industry benchmarks and the assessment and authorisation of specific reward proposals for the company's executive directors and those executives reporting directly to the chief executive. In order to promote an identity of interests with shareholders, share incentives are considered to be critical elements of executive incentive pay.

The remuneration committee's overall strategy is to ensure that employees are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks, as well as the requirements of collective bargaining. While Mr Kahn is not regarded as fully independent, his experience of the group and external remuneration matters brings worthwhile balance and perspective to the committee's deliberations.

The corporate accountability and risk assurance committee (CARAC)

Lord Fellowes chaired the committee throughout the year and Mr Kahn, Mr Mackay, Mr Manser, Mr Ramaphosa and Mr Wyman served as members. Mr Adami contributed as a committee member until he stepped down from the board on 31 July 2002 and continues as a co-opted member. The committee's activities (which include examination of prospective risk) are described in the separate corporate accountability review on pages 40 to 41.

The committee meets twice a year and reports to the board on its activities, as do the other board committees. Additionally, the director of corporate affairs who chairs the group-wide corporate accountability working committee (a management committee) meets regularly with the chairman of CARAC on implementation and planning issues.

Relations with shareholders

It is the policy of the company, where practicable, to pursue dialogue with institutional shareholders and to

involve investors in its AGM. Alongside the facilities offered by the company secretary's department, the company has a dedicated investor relations and communications team to liaise with institutional investors. The investor relations team (which reports to the director of corporate affairs) is in constant contact with analysts and fund managers and arranges presentations on recent acquisitions and country business progress, as well as site visits. The executive directors and senior management conduct regular roadshows and presentations. The group corporate accountability manager maintains contact with fund managers and institutional investor representative bodies on socially responsible investment (SRI) and triple bottom line issues and initiates one-on-one interactions and briefings with interested investors.

The company encourages shareholders to attend its AGMs, which provide opportunities for shareholders to ask questions of the board, including the chairmen of the audit, remuneration and nomination committees and of CARAC.

Last year the board put its remuneration report to an advisory vote at its annual general meeting. Of the 998.7 million ordinary shares in issue, 752.2 million were voted (1.5 million by 26 shareholders present in person). Although the resolution was carried unanimously on a show of hands, the proxy votes counted represented 96.1% in favour of the resolution.

At the extraordinary and annual general meetings held respectively on 1 and 31 July 2002, all proxy votes were counted and displayed on screen during the voting processes.

Risk management and internal control

Responsibilities

Board of directors

Following the publication in September 1999 and application of Internal Control: Guidance for Directors on the Combined Code (the Turnbull Report), the directors report below on their review of the effectiveness of the group's systems of internal control.

The group's existing internal controls and risk management processes are subject to constant review and adaptations to the extent necessary to ensure full

Corporate Governance

continued

compliance with the requirements of the Turnbull Report, for the reporting period and to deliver improved value to the operating businesses.

In particular, the directors recognise the impact of changes such as the acquisition and integration of Miller Brewing Company and the development of a UK corporate centre. Accordingly, a programme has commenced to enhance the group's risk management framework, and related systems of internal control, appropriate to the evolving structure and needs of the group.

The directors are responsible for the group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material mis-statement or loss. In reviewing the system of internal control, the board has taken into account the results of all of the work carried out to audit and review the activities of the group. There is an ongoing process for identifying, evaluating, managing, monitoring and reporting on the significant risks faced by individual group companies and by the group as a whole. This process has been in place for the year under review up to and including the date of approval of the annual report and accounts.

In accordance with the Turnbull guidance, reviews on the effectiveness of internal control were carried out in May and November 2002 and in May 2003 by the board.

Board and executive committees

The executive committee (EXCOM), which is chaired by the chief executive, and comprises senior SABMiller plc managers, has specific responsibility for the system of risk management and reviews the risk reports of the group and the business units twice yearly, reporting to the board on key risks and their associated mitigating actions.

The audit committee deals primarily with operational and financial matters, including breakdowns of controls, reputation, insurance and loss prevention, litigation and listing compliance issues.

The corporate accountability committee deals with business ethics, values and principles, plus stakeholder accountability, including specialist areas such as employee, social, health, safety and environmental issues, as well as impacts on product and service quality and non-exclusively with emerging and prospective risk.

Business units

Responsibilities and processes are to a large extent replicated at business unit level via the existence of divisional or company audit committees and in some cases corporate accountability committees. Each local audit committee has formal terms of reference which include defined monitoring roles in relation to both risk management processes and internal audit activities.

Corporate functions

In line with the recent changes outlined above and as part of the current enhancement programme, the group intends to strengthen central management resource in both risk management and internal audit. This will improve group-wide co-ordination and promote best practice in each of these specialist areas.

Risk management

The focus of risk management in the group is to support the delivery of business objectives by identifying, assessing, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

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

- Group statements on strategic direction, ethics and values.
- Clear business objectives and business principles.
- Established risk policy.
- An ongoing process for identification and evaluation of significant risk that may prevent achievement of business objectives.
- Implementation of management processes to manage the significant risks to an acceptable level.
- Ongoing monitoring of significant risks and internal and external environmental factors that may change the risk profile.

In addition, there is a process of regular reporting to the board through the audit committee on the status of the risk management and internal control systems, and any evolving risk issues or internal control breakdowns that may have occurred. The corporate accountability committee also reports regularly to the board on social, environmental, ethical and prospective risk issues.

Key reports include those that identify, rank, monitor and measure strategic, operational and financial risks in each division and on a group basis on an annual cycle. These are supplemented by reports on internal control processes and breakdowns, along with reviews of the structure and effectiveness of internal audit functions. These reports were co-ordinated and evaluated with advice from external consultants in the period under review.

Key risks, with which the board has been concerned, and reviewed, during the year, include:

- Miller turnaround execution risk
- Tax risks
- Strategic people skills
- Industry consolidation and asset impairment
- Fundamental consumption shifts within the liquor industry.

The current initiative to enhance the group's risk management framework seeks to standardise and strengthen existing practices for reporting and assessing risks at different levels of the group to achieve a more integrated approach to risk management. It also seeks to provide a more consistent platform for risk management process assurance by internal audit.

Internal control

The group's systems of internal control are designed and operated to support the identification and management of risks affecting the group and the business environment in which it operates. As such, they are subject to continuous review as circumstances change and new risks emerge.

Key features of the group's systems of internal control comprise:

- Written policies and procedures, which are detailed in policy manuals, clearly defined lines of accountability and delegation of authority, and comprehensive reporting and analysis against approved standards and budgets.
- Group treasury operations control and reduce exposure to interest rate, counterparty, liquidity and currency transaction risks and co-ordinate the activities of group companies in this area. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the board.
- Minimisation of operating risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the businesses. Key

policies employed in managing operating risk involve segregation of duties, transaction authorisation, monitoring, financial and managerial reporting.

- Business resumption planning, including preventative and contingency measures, back-up capabilities and the purchase of catastrophe insurance to maintain product and service delivery under adverse conditions.

Assurance

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, control self-assessment (including letters of representation), internal audit reviews and testing, and by testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations. The group's various divisional audit committees consider the results of these reviews on a regular basis, to confirm the appropriateness and satisfactory nature of these systems, while ensuring that breakdowns involving material loss, if any, together with remedial actions, have been reported to the appropriate boards of directors.

At the half year and at the year end the chief executives and the chief financial officers of all the group's operations are required to submit formal letters of representation on controls, compliance and notification of ongoing or potential operational, financial and legal risks or claims. These letters form the subject of full reports to the audit committee. Directors, executives, key managers and professionals also make annual written declarations of interests and are obliged to report without delay any potential or actual conflicts of interest which may arise.

Internal audit functions operated in all of the group's principal business units in the period under review, reporting to local management and accountable to local audit committees. The audit committee is satisfied that adequate, objective internal audit assurance standards and procedures exist in the group. The November 2002 and May 2003 audit committee meetings reviewed internal audit reports on the major business units, together with proposals for the ongoing internal assurance processes. Reports on these issues were made to the board.

The adequacy and capability of the group's internal audit structures were the subject of a review during the year by external consultants.

Corporate Accountability Review

Corporate governance, transparency and accountability remain the bedrock upon which SABMiller's ongoing pursuit of broad-based business excellence lies. While short-term economic performance must be balanced with social responsibility commitments, our global environment today demands that we consider a longer-term horizon for overall sustainable development – taking into consideration the needs of all our stakeholders.

This review provides an outline of our approach to corporate accountability, covering systems and processes and our major economic, social and environmental impacts. A comprehensive account of this triple bottom line performance can be found in the accompanying 2003 Corporate Accountability Report (CAR) as well as on our website: www.sabmiller.com.

SABMiller has a proud tradition of quality management based on a solid foundation of core values, embedded in its understanding of legal and regulatory requirements, stakeholder and societal expectations and current market practices.

To give meaning to this, the company formalised its accountability function some six years ago and has sought continuous improvement through regular evaluation and modification of its systems and processes.

The company's governance structure, detailed on pages 34 to 39 of this report (and pages 16 to 19 of the CAR) reflects a broad and integrated approach to the concept. In particular, the corporate accountability and risk assurance committee (CARAC) – chaired by the senior non-executive director, Lord Fellowes – assists the board in the discharge of its duties relating to corporate accountability and associated risk and opportunities in terms of the direction, assurance and reporting for the group.

The committee utilised the services of the group corporate accountability department to progress its activities, and co-opts management and technical specialist input to align the accountability agenda with those of the various strategic business functions and to ensure full representation and participation of all the business units within the group.

Accountability Review

Our accountability review is based on a detailed assessment of how each SABMiller operation is giving practical effect to the business principles we espouse. Every quarter a range of their economic, environmental and social impacts are reported and presented for consideration by the board. At year end a thorough review is conducted and published – what follows is a summary of the full CAR for the financial year ended 31 March 2003.

The continued growth in the business, notably the acquisition of Miller Brewing Company, has greatly added to the size and diversity of the non-financial performance and risk management issues which the CAR addresses. So as to present the fullest possible picture, the company's measures have been included ahead of the usual two-year transitional period (the full accountability scope and reporting boundaries can be found on page 5 of the accompanying CAR).

Economic impacts

This year, the enlarged business received over US\$8 billion (excluding associates) in sales from its customers. How that income is used in the business determines our economic impact. More than half is spent with suppliers of raw materials, packaging and other goods and services, thereby sustaining many thousands of jobs in the wider economy. Even though supplies are increasingly sourced globally, more than three quarters of our spending remains in the countries where our operations are located. In South Africa and the USA, we monitor and try to increase the business we do with commercial equity and minority enterprises respectively.

The best measure of how stakeholders benefit from the wealth generated by the business is cash added value – worth more than US\$3.9 billion this year. Governments gain the largest share of the value we create, some 40%, due to the high level of excise duties and other taxes levied on the group. Our 42,402 employees are the next largest beneficiaries, receiving a quarter. Providers of capital, both investors and borrowers, received 13% this year.

Environmental impacts

We have again improved our environmental efficiency, a trend reinforced by the inclusion of Miller's performance. Measured against our outputs, we are using less water and energy, and producing less liquid waste. Recycling of other wastes has also increased, now exceeding 90%. However, increased energy efficiency did not lead to reduced relative emissions of carbon dioxide – thought to be the main 'greenhouse gas' – because of changes in energy sources, mainly in the generation of electricity bought from national grids over which we have no control. This year we have also extended our environmental management systems and expanded our reporting, in particular to include biodiversity issues and our hops, barley and sugar cane farms.

Social impacts

The scale and international reach of our operations is such that many millions of people are affected by our social impacts. At the head of the list are our employees, including 28,000 in associated companies not included in financial reporting but covered in our full accountability review. This year we have introduced a new grading system which ranks our operations in categories to assess progress being made in local businesses on critical human resource management issues. We have, for example, extended our commitment over a range of activities to address HIV/AIDS and continue to make progress on diversity issues, principally in South Africa. Group-wide investment in training was broadly constant outside Africa, where reorganisation regrettably disrupted development plans.

In wider society, we continue to engage with local communities and a broad range of stakeholders and interested parties. A new group policy on alcohol issues was adopted during the year, and this is being rolled-out to ensure each operation gives effect to its responsibilities, both for its own marketing practices and in educating consumers about the dangers of misuse. We continue to maintain above-board relations with governments and their various regulatory agencies and strictly enforce our ethical conduct policies. During the year, no incidents of bribery were identified.

Looking ahead, many challenges remain: as we incrementally manage the impacts of our own operations, we will increasingly work with others – our business

partners, our industry colleagues and other stakeholders – to progress our long term goal of sustainable development. Complete details of this year's accountability performance and the environmental, alcohol, social investment together with other policies that underpin it, are available in the CAR and also on-line at www.sabmiller.com.

Corporate Accountability Review

In terms of the Association of British Insurers' Guidelines for the reporting of social, environmental and ethical matters, it is recorded here that:

- The board addresses accounting for these matters by reviewing them and reports thereupon by assigning these issues to CARAC for development and policy recommendation alongside the examination of business and strategic risk through the audit committee's internal control process.
- SABMiller addresses social, environmental and ethical matters in the training of its directors in terms of impacts of key risks such as reputation, and in the development of CARAC and the CAR. Such training will become more specific in future and is included in director induction.
- The remuneration committee is aware of emerging views that the effect of social, environmental and ethical performance should be included in the design and implementation of its performance-related remuneration schemes.
- SABMiller's reports include information about the effect of social, environmental and ethical matters on the company's short and long-term value. SABMiller's Cash Value Added Statement (refer to pages 20 and 21 in the CAR) has found an innovative way to demonstrate in economic terms how shareholders and other stakeholders have benefited from the company's activities.
- The accompanying CAR describes the company's policies and procedures for managing risks to SABMiller's short and long-term value arising from social, environmental and ethical matters and the extent of its compliance with these.

Board of Directors



Executive Directors

Ernest Arthur Graham Mackay * (1)

BSc (Eng) BCom

Chief executive

(53) Mr Mackay joined SAB Ltd in 1978 and held a number of senior positions in the company including chairman of SAB Ltd in South Africa and group managing director, before becoming chief executive in 1999, overseeing the company's relisting on the London Stock Exchange in the same year. He is also joint deputy chairman for The Standard Bank of South Africa Limited and Standard Bank Group Limited.

Malcolm Ian Wyman * (3)

CA(SA)

Chief financial officer

(56) Mr Wyman has been with the company since 1986, becoming group corporate finance director in 1990 and chief financial officer in 2001, having responsibility for the group's finance operations, corporate finance and development, and group strategy. Prior to joining SABMiller plc, he was an executive director of UAL Merchant Bank.

Non-executive Directors

Jacob Meyer Kahn ††* (8)

BA (Law) MBA DCom(hc) SOE

Chairman

(63) Mr Kahn joined the group in 1966 and occupied executive positions in a number of the former retail interests before being appointed to the SAB Ltd board in 1981. He was appointed group managing director of SAB Ltd 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. In 1999 he assumed the chairmanship of SABMiller plc. Amongst other awards, he holds an honorary doctorate in Commerce from the University of Pretoria and was awarded the SOE in 2000.

Geoffrey Cyril Bible (4)

FCA (Aust) ACMA (UK)

(65) Mr Bible served as CEO of Altria Group, Inc. (formerly Philip Morris Companies Inc.) from June 1994 until April 2002 and as chairman of the 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 August 2002 when he retired. Mr Bible joined the board in August 2002, following the completion of the transaction between SAB and Altria Group, Inc. regarding Miller Brewing Company. He is also a member of the board of directors of News Corporation Ltd.

Louis Carey Camilleri (13)

BA (Economics & Business Administration)

(48) Chairman and chief executive officer of Altria Group, Inc. since August 2002, having been president and chief executive officer of Altria Group, Inc. since April 2002 and previously serving as senior vice president and chief financial officer of the corporation since November 1996. He is also chairman of the board of directors of Kraft Foods Inc. Mr Camilleri joined the board in August 2002, following the completion of the transaction between SABMiller plc and Altria Group, Inc. regarding Miller Brewing Company.

Nancy Jane De Lisi * (12)

BA (Psychology) MPA (Masters of Professional Accounting)

(52) Senior vice president mergers and acquisitions Altria Group, Inc. Ms De Lisi joined the company in 1985 and previously held positions within the corporation as vice president finance and treasurer, treasurer, vice president treasurer international and assistant treasurer. Ms De Lisi joined the board in August 2002, following the completion of the transaction between SABMiller plc and Altria Group, Inc. regarding Miller Brewing Company.

Lord Fellowes * ††* (6)

(61) Chairman of Barclays Private Banking and Degrémont UK. Lord Fellowes was private secretary to the Queen from 1990 until 1999, having joined the Royal Household in 1977 from a career in the London money market. He also chairs the Prison Reform Trust and is a trustee of the Rhodes Trust. He was appointed to the board in 1999.

Michael John Levett * (5)

BCom FFA FIA FASSA Dr. Econ Science(hc)

(63) Chairman of Old Mutual plc. Mr Levett joined the board in 1999, having previously been a director of SAB Ltd from 1984. He is deputy chairman of Mutual and Federal Insurance Company Limited and a director of Barloworld Limited, Nedcor Limited and Old Mutual South Africa Trust plc.

Peter John Manser *††* (2)

CBE, DL, FCA.

(63) Chairman of Intermediary Capital Group plc, deputy chairman of Fitzhardinge plc and a director of Shaftesbury plc. Mr Manser was chairman of Robert Fleming Holdings Limited between 1997 and 2000, a director of the Securities and Investments Board between 1986 and 1993, a past chairman of the London Investment Banking Association and a member of the president's committee of the British Banking Association between 1994 and 1998. He joined the board in June 2001.



Miles Quintin Morland * † ‡ (10)
 (59) Chairman of Blakeney Management, an investment management firm specialising in Africa, which he founded in 1990. Mr Morland is a director of a number of emerging market funds and of various companies active in Africa. He is chairman of London Business School's Africa Advisory Board. He was appointed to the board in 1999.

Ning Gaoning ('Frank' Ning) (9)
 BA (Econ) MBA
 (44) Chairman of China Resources Enterprise, Limited and China Resources Land Limited (both are listed companies in Hong Kong), vice chairman and president of China Resources (Holdings) Co Ltd and China Resources National Corp. (private companies in Hong Kong and the Chinese Mainland, respectively). Mr Ning also holds a directorship in HIT Investments Ltd. He joined the board in October 2001.

Matamela Cyril Ramaphosa * (7)
 Bproc LLD (hc)
 (50) Chairman of Johnnic Holdings. Mr Ramaphosa is executive chairman of Millennium Consolidated Investments Limited and holds directorships in FirstRand, Macsteel Holdings, MTN Group Limited, Alexander Forbes and Medscheme Limited. He sits on the board of the Nelson Mandela Foundation and the Commonwealth Business Council. He joined the board in 1997.

Lord Renwick of Clifton † ‡ (11)
 MA
 (65) Vice chairman, investment banking, J.P. Morgan Europe, chairman of Fluor Limited, and a director of British Airways plc, Compagnie Financière Richemont and BHP Billiton plc. Lord Renwick served as British Ambassador to South Africa from 1987 to 1991 and as British Ambassador to the United States from 1991 to 1995. He joined the board in 1999.

		1	2	3	4	5	6	7	8
	9	10	11	12	13				

- * Audit Committee
- † Nomination Committee
- ‡ Remuneration Committee
- CARAC

Directors' Report

The directors have pleasure in submitting to shareholders their report together with the audited financial statements for the year ended 31 March 2003.

Business activities and development

	2003 US\$m	2002 US\$m	% change
Turnover	9,112	4,364	109
EBITA before exceptionals	1,270	766	66
Profit before tax	770	606	27
Basic earnings per share (US cents)	27.5	40.7	(32)
Adjusted earnings per share			
– US cents	54.0	48.7	11
– SA cents	513.0	472.5	9

Statements by the chairman and the chief executive on the performance during the year and the future prospects of the group's businesses are included separately in this document.

Acquisitions and investment

Following the approval of shareholders at the extraordinary general meeting (EGM) on 1 July 2002, Miller Brewing Company became a wholly owned subsidiary of SABMiller plc on 9 July 2002.

In November 2002 the group and China Resources Enterprise, Limited (CRE) announced through their joint venture, China Resources Breweries Limited (CRB), their intention to raise their ownership of three breweries from 90% to 100% to gain full control of the Snow beer brand, by purchasing the outstanding shares in China Resources (Shenyang) Snowflake Brewery Co. Ltd, Shenyang Snowflake Beer Co. Ltd and Shenyang Beer Co. Ltd from Shenyang Pi Jiu Chang for a cash consideration of US\$16.9 million.

In December 2002 a landmark empowerment transaction was announced which completed in March 2003. This agreement resulted in SABMiller plc and Tsogo Investment Holding Company (Pty) Ltd transferring their interests into a new company named Tsogo Sun Holdings (Pty) Ltd.

In terms of the transaction SABMiller contributed its entire hotel and gaming interests, including 100% of Southern Sun's hotel interests and 50% of Tsogo Sun's gaming interests, to the new company in which SABMiller plc has a 49% interest.

During February 2003 SABMiller's Polish subsidiary, Kompania Piwowarska S.A. (KP), agreed to acquire a 98.8% equity interest in Browar Dojlidy Sp z.o.o. and an outstanding shareholder loan from Radeberger Gruppe AG for a cash consideration of US\$38 million. The transaction was completed in April 2003.

In February 2003, the disposal of the Valpré and Just Juice trademarks to a subsidiary of The Coca-Cola Company was agreed. The transaction was completed during April 2003.

During March 2003, SABMiller's Indian subsidiary, Mysore Breweries Ltd, acquired a 97.35% interest in Rochees Brewing Limited, replacing a contract brewing arrangement that had been in place throughout the financial year.

Post balance sheet acquisitions

In May 2003, the group announced it had reached an unconditional agreement to acquire a majority interest in Birra Peroni, the number two brewer in Italy, with options to increase the holding in the future. The transaction was completed on 4 June 2003, with SABMiller acquiring an initial stake of 60% for cash consideration of €246 million (US\$288 million).

Also in May 2003, it was announced that SABMiller's, Indian subsidiary, Mysore Breweries Ltd, had become a strong number two brewer in India through a joint venture with the Shaw Wallace group of companies.

Change of name

Following shareholders' approval at an EGM of shareholders held on 1 July 2002, the company changed its name from South African Breweries plc to SABMiller plc on 9 July 2002.

Share capital

During the year, the issued ordinary share capital increased from 840,888,305 shares of 10 US cents each to 998,802,609 ordinary shares of 10 US cents each. 430 million shares were issued to Altria Group, Inc. (formerly Philip Morris Companies Inc.) which comprised 234,948,770 ordinary shares and 195,051,230 convertible participating shares and 77,368,338 ordinary shares held by Safari Ltd were converted to non-voting convertible shares. 333,872 new shares were issued to satisfy the implementation of options in the SAB Executive Share Purchase Scheme.

Dividends

An interim dividend of 6.5 US cents per share in respect of the year ended 31 March 2003 was paid on 20 December 2002.

The board has proposed a final dividend of 18.5 US cents per share, making a total of 25.0 US cents per share for the year, representing a dividend cover ratio of 2.2 times adjusted earnings. Shareholders will be asked to ratify this proposal at the annual general meeting, scheduled for 30 July 2003. In the event that ratification takes place, the dividend will be payable on 8 August 2003 to shareholders on either register on 11 July 2003. The ex-dividend trading dates as stipulated by the London Stock Exchange (LSE) will be 9 July 2003 on the LSE and 7 July 2003 on the Johannesburg Securities Exchange South Africa. As the group reports primarily in US dollars, dividends are also declared in US dollars. They are payable in sterling to shareholders on the UK section of the register and in South African rand to shareholders on the RSA section of the register. The rates of exchange applicable on 16 May 2003, being the last practical date before the declaration date will be used for conversion (£/\$=1.6240 and R/\$=7.8000) resulting in an equivalent final dividend of 144.3000 SA cents for RSA shareholders and 11.3916 UK pence for UK shareholders. The equivalent total dividend for the year for RSA shareholders is 207.0250 SA cents (2002: 250.6000 SA cents) and for UK shareholders is 15.5081 UK pence (2002: 17.2931 UK pence).

Notifiable interests

Notifiable interests representing 3% or more of the issued ordinary share capital of the company are disclosed in note 36 to the accounts.

Annual general meeting

The annual general meeting (AGM) to receive the annual report will be held at the Hotel InterContinental, One Hamilton Place, Hyde Park Corner, London W1J 7QY, England at 11.00 am on Wednesday, 30 July 2003. Notice of the meeting has been mailed to shareholders and may also be obtained separately.

Governance

Particulars of the directors of the company and the secretary are set out separately in this document. The

membership and terms of reference of each board committee are further described in the same section. The report on directors' remuneration (including directors' shareholdings in the company) is set out, in full, separately in this document. The statement regarding the directors' responsibilities in respect of the financial statements is also set out separately. Details of internal control compliance, including financial control, are set out separately in the Corporate Governance Review.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP as auditors. PricewaterhouseCoopers LLP have expressed their willingness to continue in office and resolutions proposing their reappointment and authorising the board to set their remuneration will be submitted to the forthcoming annual general meeting.

Employment policies

The continued motivation of employees and management towards overall productivity enhancement in the business, by increasing empowerment, is a fundamental feature of the group's operating philosophy and is key to the management of risk. This is achieved through training, development, information sharing and progressive co-operative contributions to operating methods and planning, supported by rewards at competitive levels, including short and long-term incentives where appropriate.

Each company within the group designs employment policies which are appropriate to its business and markets and which attract, retain and motivate the quality of staff necessary to compete. These policies are required to provide equal employment opportunities, without discriminating against gender, race or physical disability. Reports to employees are published, to international standards, by the major subsidiary companies and divisions.

In southern Africa, the group encourages and implements the inclusion and advancement of black and female persons in managerial capacities throughout every aspect of the group's activities, and encourages black business within all the group's commercial associations.

Directors' Report

continued

This activity is driven by top management commitment, and progress is measured at group level as well as divisional and subsidiary board levels against agreed time-related, qualitative and quantitative targets.

Purchase of own shares

At the last AGM, shareholder authority was obtained for the company to purchase its own shares up to a maximum of 10% of the number of shares in issue on 31 March 2002 over a period covering the earlier of the next AGM or 31 October 2003, on certain pricing conditions. Under the terms of the Employee Benefit Trust, details of which are provided in the report on directors' remuneration and in note 15 to the accounts, shares in the company may also be purchased.

The notice of AGM proposes that shareholders approve a resolution renewing this authority.

Corporate citizenship and community relations

SABMiller's corporate citizenship philosophy is set out in the Corporate Accountability Review in this report. The 2003 report on corporate citizenship, which looks at the group's social, environmental and economic performance in more detail, is published and distributed as a companion document to this report.

Donations

During the year, group companies made donations of US\$13.0 million to charitable organisations. The group makes no political donations in the United Kingdom, nor within the European Union. We do not plan, in the current year, to make political donations in member countries of the European Union.

During the year under review, Miller Brewing Company made no contributions to individual federal or state candidates, but did, however, make contributions to state governments which permit corporate support, totalling US\$0.7 million.

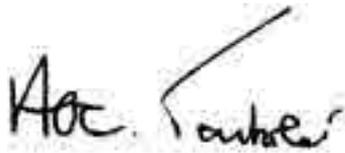
Research and development

The group continues to invest in new products and processes, as well as new technologies to improve overall operational effectiveness. SABMiller plc's scientific research has yielded solid progress in brewing raw materials, new brands and packs and in proprietary technologies.

Payment of suppliers

Operational companies across the group agree terms and conditions with suppliers before business takes place, and its policy and practice is to pay agreed invoices in accordance with the terms of payment. At the year-end the amount owed to trade creditors was equivalent to 46.2 days of purchases from suppliers.

By order of the board



A O C Tonkinson

Group secretary

9 June 2003

Remuneration Report

Introduction

The following report from, and the recommendations of, the remuneration committee have been approved without amendment by the board for submission to shareholders.

Composition and terms of reference

During the financial year ended 31 March 2003 the members of the remuneration committee were Lord Renwick of Clifton (in the chair), Mr Kahn, Lord Fellowes (from September 2002), Mr Manser and Mr Morland. Following completion of the acquisition of Miller, Mr Bible joined meetings as an observer.

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

Advisors

In the course of its deliberations, the remuneration committee has considered the views of the chief executive, Mr Mackay, on the remuneration and performance of his colleagues on the executive committee. The group secretary, Mr Tonkinson, and the group human resources director, Mr Nel, have also provided information relating to such matters as expatriate pay for international deployments and equity usage through share incentive plans.

The remuneration committee has continued to employ Mercer Human Resource Consulting (Mercer), which provides advice to the company on pensions and risk matters, to provide independent market information and remuneration advice on an ongoing basis. Other advisors, including Lovells, the company's legal advisors, and Channel Consulting in South Africa have also provided information and advice as required for the remuneration committee to fulfil its responsibilities.

Remuneration policies

The remuneration committee has operated a framework of policies, within which it has set the remuneration package for each executive director, which applies the principles of Section 1 of the Combined Code and the Code of Best Practice. It is the policy of the remuneration

committee that executive directors should have 12-month contracts. Current practice fully complies with this policy.

The overall policy of the remuneration committee has been to ensure that executive directors and senior managers are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks. The basic objective of the policy is that members of the executive committee should receive remuneration which is appropriate to their scale of responsibility and performance and which will attract, motivate and retain individuals of the necessary calibre. In the application of its policy, the remuneration committee also has had regard to the necessity of being competitive in the different parts of the world in which the company operates.

The remuneration committee has implemented its policy by providing for each executive director a remuneration package comprised of annual base salary, an annual cash bonus plan, long-term incentives through participation in share option and performance share plans, pension contributions, other security and health benefits and benefits in kind. The base salaries, pensions and other benefits provided are intended to establish a level of "fixed" pay which is competitive with the median provision of the chosen comparators. The variable pay elements provided by short and long-term incentives are intended to provide superior total pay opportunities if the company's performance merits that.

The short-term and long-term incentives provided to the executives have been based on multiples of base pay and have been provided under plans, details of which are set out in the following pages. In order to promote an identity of interest with shareholders, share incentives are considered to be critical elements of executive remuneration policy.

With the acquisition of Miller Brewing Company in July the size and geographic reach of SABMiller plc changed dramatically from that of the former SAB plc. In the report for 2002 and in the Circular for Shareholders on the Miller transaction, the remuneration committee stated its intention to continue to have regard to the pay levels of UK companies of comparable size but also to take account of pay levels and practices in the company's principal international competitors operating in the markets in which it is engaged. The remuneration

Remuneration Report

continued

committee will keep the company's remuneration policy as detailed herein for the new financial year and will in subsequent years ensure that the company's reward programmes remain competitive and provide appropriate incentive for performance.

The remuneration committee has also been examining ways to target salaries at the median but to provide the opportunity through short and long-term incentives for executives to receive upper quartile pay for superior performance. As a result the remuneration committee has been reviewing both the structure and levels of short-term incentive opportunity to keep them in line with market practice. Full disclosure will be provided to shareholders of any changes to the annual bonus plan.

Executive directors' salaries

The remuneration committee reviewed and revised the salaries of executive directors at its meeting in May 2002. Following its established practice, the salaries of the executive directors were compared in whole or in part with median pay levels of a group of 30 UK listed companies of comparable size to SABMiller at that time in terms of market value.

For those executives whose primary responsibilities were for operations of business units outside the UK, part of base pay was also related to appropriate benchmarks in their theatres of operation. Information from Channel Consulting in South Africa on market pay levels for chief executives of companies comparable to those of SABMiller's regional operations showed the need for substantial adjustments to maintain appropriately competitive pay levels for the two executives based there.

In the cases of Mr Lloyd, Mr Mackay and Mr Wyman, 100% of salary was determined by reference to the UK market. In the case of Mr Adami, salary was determined on the assessment that 40% of his time was spent on SABMiller plc duties and therefore related to the UK market, while 60% was on duties for The South African Breweries Ltd and related to the South African market. In the cases of Mr Parker and Mr Simms, the applicable percentages were 30% on SABMiller plc duties and 70% on duties in the Africa and Asia and European divisions with headquarters in South Africa and Hungary, respectively.

Following the enlargement, increased market capitalisation and greater complexity of the group, at its September 2002 meeting the remuneration committee

reviewed and revised the salaries of Mr Mackay and Mr Wyman, with effect from 9 July 2002 (when the Miller transaction was approved), as the remaining two executive directors of the group, to align them with those of their comparators in FTSE 100 companies of similar market capitalisation.

Details of their revised salaries applying from 1 April 2002 and from 9 July 2002, and the percentage changes from 31 March 2002 levels are shown in the table below:

Executive directors' at 31 March 2003	Effective date	2003 £	2002 £	Total % change from 2002
E A G Mackay	From 1/4/02	575,000	508,800	
	From 9/7/02	625,000		22.83
M I Wyman	From 1/4/02	355,000	315,000	
	From 9/7/02	390,000		23.80

Details of salaries paid to the former executive directors for the period from 1 April 2002 to 31 July 2002 are given in the table of directors' emoluments on page 52. Short- and long-term incentive remuneration, described in the following paragraphs is determined annually as a factor or multiple of basic salary and is awarded, or vests, as the case may be, in a strict relationship to pre-set performance targets.

Annual incentive plans

In addition to base salary, each of the executive directors and members of the executive committee was entitled to participate in an annual bonus plan to reward the achievement of group financial, divisional financial (where applicable), strategic and personal performance objectives agreed by the remuneration committee. Under this plan the chief executive might earn a bonus of up to 80% of base salary and the chief financial officer and other executive committee members up to 65%.

The common group financial performance targets related to earnings per share growth and EBITA margin. The divisional financial targets vary according to divisional value drivers derived from group needs and include EVA, EBITA and EBITA margin.

For the chief executive, the chief financial officer and Mr Lloyd the proportions of maximum bonus derived from the different sets of measures were 60% group financials, 20% strategic objectives and 20% personal objectives. For the other executive directors the proportions of maximum bonus derived from the different sets of measures were 30% group financials, 40% divisional financials and 30% strategic and personal objectives.

At its meeting on 21 May 2003, the remuneration committee received assessments of the performance of the executives participating in the bonus plans against their agreed targets. In the light of the financial performance of the company and the achievement of a significant increase in the group's earnings per share, the remuneration committee agreed the payments of bonuses as shown below to the executive directors:

	2003 bonus	% of Salary	2002 bonus
E A G Mackay	£425,000	68	£275,000
M I Wyman	£215,000	55	£160,000

Long Term Incentive Plans

Share Option Schemes

Since its listing on the London Stock Exchange, the company has operated the SABMiller plc Approved Share Option Scheme (approved by the UK Inland Revenue), the SABMiller plc Executive Share Option No 2 Scheme and the SABMiller plc Mirror Executive Share Purchase Scheme (South Africa).

On the acquisition of Miller Brewing Company, shareholders approved the establishment of share incentive arrangements for employees of the company principally in the Americas. These arrangements have taken form in the SABMiller International Employee Share Scheme and the SABMiller International Employee Stock Appreciation Rights Scheme.

All grants of options or rights over shares under these plans have to be at the market value of the company's shares at the time of grant.

Executive directors have only been permitted to participate in the Approved Share Option Scheme (in which participation is limited at any time to £30,000 of outstanding options) and the Executive Share Option No 2 Scheme. In the latter scheme grants are made on an annual basis to a maximum of 200% of the chief executive's base salary and 150% of the chief financial officer's base salary (other executive committee members may be granted up to either 125% or 150%, depending on their roles and responsibilities), following changes agreed in 2001.

Options granted under the Approved and the No 2 Schemes may normally only be exercised between three and ten years after grant. The right to exercise is dependent on the achievement of adjusted earnings

per share (eps) growth targets, calculated on the basis of the definition of Headline Earnings in the Institute of Investment Management and Research's Statement of Investment Practice No.1, chosen because of their ready visibility both to executives and to shareholders:

- For options granted prior to 2002, growth in eps of 3% per annum compound in excess of the change in retail price index (RPI) over any three year period within the ten year option life is required.
- For options granted in 2002, an increasing proportion of the option will "vest" if growth in eps, measured from a fixed base, is between 3% and 5% per annum compound in excess of the change in RPI tested at the third, fourth and fifth anniversaries of the date of grant, after which any unvested portion of the option will lapse.

Performance Share Award Scheme

The company also has in place the SABMiller plc Performance Share Award Scheme, which is operated in conjunction with the company's Employee Benefit Trust (EBT). The trustee of the EBT grants awards in consultation with the company. Awards are subject to performance conditions and will normally vest after three years with a provision that if vested awards are retained for a further two years they will be increased by an allocation of 50% of the number of shares in the original award that vested.

Normally awards under this plan are made annually to a value of 100% of base salary for the chief executive, 75% of base salary for other executive directors and up to 50% of base salary for other senior executives. The table on page 55 gives details of the awards made in 2002 and awards still outstanding from previous years.

For normal awards under this plan, vesting will only occur if over the three years after grant the company's total shareholder return (TSR) exceeds the median TSR of a comparator group of companies identified at the time of award. For the June 2000 awards the comparator group comprised both brewing and other beverage companies to reflect the company's presence in non-alcoholic beverages. For the June 2001 and May 2002 awards the comparator group was refined to focus only on international brewers, reflecting the company's strategic priority.

On exceeding the median performance of the relevant comparator group, 25% of the award will vest and on

Remuneration Report

continued

reaching the upper quartile, 100% of the award will vest. Between these levels of achievement awards vest pro rata. TSR is calculated using the equation:

$$\text{TSR} = \frac{(1 + Z) \times Y}{X}$$

where X is the base price (the average of the daily closing share prices over the three months preceding the start of the measurement period); Y is the final price (the average of the daily closing share prices over the three months immediately preceding the end of the measurement period); and Z is the sum of the fractions of an ordinary share purchaseable by reinvestment of the dividends paid during the measurement period on the relevant payment dates. Relative TSR was chosen as the performance measure because it allows for performance to be measured relative to other companies and reflects the benefit to shareholders of management effort.

The board disclosed in the shareholder circular on the acquisition of Miller Brewing Company its intention of making additional performance share awards to the chief executive and chief financial officer of 240,000 and 160,000 shares, respectively. The board considered it important to strengthen the remaining executive directors' alignment with shareholder interests and to retain them during the demanding period of integration that lies ahead, to secure value creation for shareholders of SABMiller plc.

The board had undertaken extensive consultations with institutional shareholders and shareholder representative bodies before deciding that exceptional performance share awards were the best way to accomplish this. Those special awards were made within the rules of the SABMiller plc Performance Share Award Scheme with effect from 9 July 2002, the date of the completion of the transaction, and were as set out in the table on page 55.

Each award may vest after three years, dependent on the performance achieved and subject to continued employment of the executive. At the third anniversary of the effective date of the awards the remuneration committee will consider the performance of the company over the period, looking at:

- The TSR of the company compared to the TSR of 30 companies which together comprise a FTSE comparator group; and
- The financial performance of the company.

The base price for the TSR calculation will be 477p, the average of the daily closing share price in the three months to 3 April 2002 (the last dealing day prior to confirmation that SAB plc was in talks to acquire Miller Brewing Company). The comparator group is the same 15 companies above and 15 companies below SAB plc in the FTSE 100 on 28 March 2002 used as the reference group for the 2002 executive pay reviews.

The companies comprising the TSR comparator groups for all the Performance Share Awards which had not yet vested or lapsed at 31 March 2003 are listed below:

June 2000 awards	June 2001 and May 2002 awards
Allied Domecq	Ambev
Anheuser-Busch	Anheuser-Busch
Bass	Asahi Breweries
Cadbury Schweppes	Asia Pacific Breweries
Carlsberg A	Bavaria
Coca-Cola Beverages	Carlsberg A
Diageo	Coors Adolph B
Fosters Brewing Group	Femsa UBD
Greene King	Fosters Brewing Group
Grolsch (Kon)	Greene King
Heineken	Grolsch (Kon)
Kirin Brewery	Hartwall A*
Pernod Ricard	Heineken
San Miguel	Interbrew
Scottish & Newcastle	Kirin Brewery
Whitbread Holdings	Lion Nathan
Wolverhampton & Dudley	Molson A
	Quinsa
	San Miguel B
	Sapporo Breweries
	Scottish & Newcastle
	Wolverhampton & Dudley

*Hartwall was acquired by Scottish & Newcastle in December 2002 and has been removed from the group for future measurement.

July 2002 awards

3i Group, Alliance & Leicester, Allied Domecq, Amersham, Associated British Foods, BOC Group, Cable & Wireless, Dixons, Friends Provident, Gallaher Group, Granada, Hanson, Hilton Group, ICI, Invensys, Kingfisher, Land Securities, Next, Old Mutual, P&O Princess Cruising, Powergen, Rentokil Initial, Royal & Sun Alliance, Scottish & Newcastle, Scottish & Southern Energy, Smith & Nephew, Smiths Group, United Utilities, Wm Morrison Supermarkets, Wolseley.

Pensions

During the year the company made contributions for the executive directors to the SABMiller Executive Pension Scheme, an Approved Occupational Pension Scheme established as a self-administered money purchase scheme. The rate of contribution paid in respect of each executive director's £ sterling based salaries was 15.6%, to the extent allowed by the earnings cap. Contributions in relation to salary above the earnings cap were given as additional taxable pay. Having elected not to join the scheme, Mr Simms was given his contributions entirely as additional taxable pay.

The Committee intends to review the age-related adequacy of contribution levels in the year ahead. Contributions for the South African based executives were also made in regard to their Rand base salaries to defined contribution group retirement schemes of their employer companies in South Africa, in accordance with the rules of those schemes on a continuation basis at the rate of 19.8% of base salaries.

The value of contributions made to each executive director in regard to qualifying service during the financial year is included in the Summary of Emoluments Paid table on page 52.

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

Service contracts

Service contracts of all the executives are renewable annually on a rolling basis. Notice to be given by the executives to the company or its subsidiaries under their contracts is 12 months. Notice to be given by the company to the executives is 12 months. Mr Lloyd, Mr Mackay and Mr Wyman had service contracts with the company.

Mr Simms had separate service contracts with the company, for duties in relation to the company, and with South African Breweries International Management Ltd (a Guernsey-based subsidiary of the company) for his role in the management of the European operations.

Mr Adami and Mr Parker had separate service contracts with the company, for duties in relation to the company, and with The South African Breweries Ltd (a wholly owned subsidiary of the company) for their other duties.

The subsidiary service contracts, where in place, are subservient to the SABMiller plc contracts.

Under the service contracts with the company, a payment in lieu of notice may be made on termination of employment. Such payment shall be calculated by reference to the executive's base salary plus company pension contributions for the relevant period, less any deduction considered by the company to be appropriate and reasonable to take account of accelerated receipt and the executive's duty to mitigate his loss.

During the year, as a consequence of the acquisition of Miller Brewing Company, Mr Adami, Mr Lloyd, Mr Parker and Mr Simms agreed to resign as directors of the company and their service contracts were varied accordingly.

The execution dates of the contracts of Mr Mackay and Mr Wyman were, respectively, 27 February 1999 and 26 February 1999.

Other benefits

The executive directors are provided with medical insurance, permanent health insurance, company car or car allowance (at their choice) and death in service benefit. Mr Lloyd has continued to receive housing allowance at the rate of £8,333 per month to assist with the cost of accommodation following his relocation to the UK, subject to a 36-month limit.

Non-executive directors' fees

The fees of the non-executive directors were determined by the board in the absence of the non-executive directors. Fees for the chairman and the other non-executive directors were reviewed and revised with effect from 1 July 2002, for the first time since 1999. As from 1 July 2002 the annual rate of fees for the chairman has been set at £120,000 in respect of his duties as chairman. The basic annual rate of fees for each other non-executive director was set at £37,500 and, in addition, the extra fees for committee membership and chairs were also revised.

For membership of the audit, remuneration or corporate accountability and risk assurance (CARAC) committees over a full year a non-executive director will receive a fee of £5,000; as chair of the audit, remuneration or CARAC committees a non-executive director will receive a fee of £6,000 over a full year. Membership of the nomination committee attracts no additional fees but the

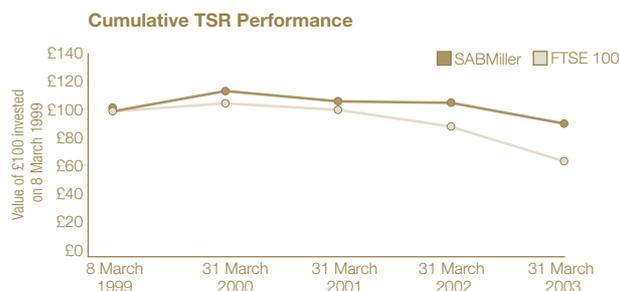
Remuneration Report

continued

chair of that committee receives an additional £8,000. As senior non-executive director, Lord Fellowes receives an additional fee for this role of £5,000 pa.

Performance review

The adjacent graph compares the company's TSR over the period from 8 March 1999 to 31 March 2003 with the FTSE 100 Total Return Index over the same period.



Directors' emoluments

The directors' emoluments in the year ended 31 March 2003 in total have been audited and were as follows:

Emoluments paid for the period 1 April 2002 to 31 March 2003

Name	Salary/fees UK £	RSA £	Europe £	2003 Total £	2002 Total £	Retirement contri- butions £	Benefits £	Total (excl. bonus) £	2003 Bonus £	2003 Total £	2002 Total £
Executive directors											
E A G Mackay	614,344	-	-	614,344	508,800	173,963***	132,961	921,268	425,000	1,346,268	1,059,431
M I Wyman	382,313	-	-	382,313	315,000	59,641	97,714	539,668	215,000	754,668	702,172
*N J Adami	45,000	24,652	-	69,652	162,166	12,754	14,417	96,823	41,666	138,489	305,309
*R L Lloyd	98,333	-	-	98,333	275,000	15,340	55,329	169,002	50,000	219,002	644,753
*A C Parker	25,000	24,428	-	49,428	36,193	9,666	14,755	73,849	31,666	105,515	85,743
*M H Simms	26,667	-	39,171	65,838	226,341	9,842	18,382	94,062	46,666	140,728	417,388
Total (A)									2,704,670	3,214,796	
Non-executive directors											
G C Bible	-	-	-	-	-	-	-	-	-	-	-
L C Camilleri	-	-	-	-	-	-	-	-	-	-	-
N De Lisi	-	-	-	-	-	-	-	-	-	-	-
J M Kahn	123,750	-	-	123,750	104,583	-	6,870	130,620	-	130,620	110,193
Lord Fellowes	58,133	-	-	58,133	40,083	-	317	58,450	-	58,450	40,407
M J Levett	40,000	-	-	40,000	32,500	-	-	40,000	-	40,000	32,500
M Q Morland	44,375	-	-	44,375	35,000	-	284	44,659	-	44,659	35,312
M C Ramaphosa	40,000	-	-	40,000	32,083	-	-	40,000	-	40,000	32,083
Lord Renwick of Clifton	53,875	-	-	53,875	46,417	-	-	53,875	-	53,875	46,417
P J Manser	54,625	-	-	54,625	28,542	-	317	54,942	-	54,942	28,866
Ning Gaoning	35,625	-	-	35,625	14,339	-	-	35,625	-	35,625	14,339
**H R Slack	11,667	-	-	11,667	32,500	-	106	11,773	-	11,773	32,824
**C B Strauss	11,667	-	-	11,667	32,083	-	-	11,667	-	11,667	32,083
**H R Collum	-	-	-	-	45,500	-	-	-	-	-	45,824
Total (B)									481,611	450,848	
Grand Total (A+B)									3,186,281	3,665,644	

* Former executive directors, termination effective 31 July 2002, numbers record four months' pay.

** Former non-executive directors, termination effective 31 July 2002 for Mr Slack and Mr Strauss and 31 March 2002 for Mr Collum.

The emoluments of Mr Simms paid in US dollars have been converted into £ sterling at the exchange rate prevailing on 31 March 2003, as have the emoluments paid to Mr Adami and Mr Parker in rand. Mr Goedhals, who stepped down from the board on 29 February 2000, continues to be employed as a part-time consultant following his retirement for which he receives fees.

Mr Cox stepped down from the board on 28 February 2001 and transferred his employment to SABMiller Europe where he is chief financial officer based in Budapest. Mr Adami, Mr Lloyd, Mr Parker and Mr Simms left the board on 31 July 2002 but continued in their executive employment.

Mr Bible, Mr Camilleri and Ms De Lisi have waived their fees. No payment is made to any party in respect of their directorships.

Mr Ning has waived his fees in favour of China Resources Enterprise Ltd, a Hong Kong company.

Exchange rates at 31 March 2002: £1 = ZAR16.30; £1 = US\$1.66

Exchange rates at 31 March 2003: £1 = ZAR12.4938; £1 = US\$1.5791; ZAR1 = US\$7.912

*** Includes cash long-service award of £78,125.

Share incentive plans

The interests of the executive directors in shares of the company provided in the form of options and awards since listing on 8 March 1999 are shown in the tables below and have been audited. During the year to 31 March 2003 the highest and lowest market prices for the company's shares were 592p and 349.5p respectively and the market price on 31 March 2003 was 396p.

SABMiller plc Approved Share Option Scheme

Directors	No of shares as at 31 March 2002	No of shares granted during the year	No of shares exercised during the year	Subscription price (£)	Exercisable 3-10 years from	No of shares as at 31 March 2003	Expected value (£)
E A G Mackay	5,586	Nil	Nil	5.37	16/03/99	5,586	13,200
M I Wyman	5,586	Nil	Nil	5.37	16/03/99	5,586	13,200
N J Adami	5,586	Nil	Nil	5.37	16/03/99	5,586	13,200
R L Lloyd	5,586	Nil	Nil	5.37	16/03/99	5,586	13,200
A C Parker	7,299	Nil	Nil	4.11	02/06/00	7,299	12,000
M H Simms	5,586	Nil	Nil	5.37	16/03/99	5,586	13,200

Remuneration Report

*continued***SABMiller plc Executive Share Option No 2 Scheme**

Directors	No of shares as at 31 March 2002	No of shares granted during the year	No of shares exercised during the year	Subscription price (£)	Exercisable 3-10 years from	No of shares as at 31 March 2003	Expected value (£)
E A G Mackay	112,577			4.85	09/03/1999		
	159,416			4.11	02/06/2000		
	161,589			5.16	01/06/2001		
		201,578		5.705	01/06/2002	635,160	1,151,455
M I Wyman	60,463			4.85	09/03/1999		
	85,341			4.11	02/06/2000		
	88,857			5.16	01/06/2001		
		93,339		5.705	01/06/2002	328,000	592,355
N J Adami	33,949			4.85	09/03/1999		
	47,621			4.11	02/06/2000		
	54,552			5.16	01/06/2001		
		55,429		5.705	01/06/2002	191,551	345,419
R L Lloyd	53,350			4.85	09/03/1999		
	76,438			4.11	02/06/2000		
	75,502			5.16	01/06/2001		
		77,564		5.705	01/06/2002	282,854	510,605
A C Parker	11,345			5.17	27/05/1999		
	59,149			4.11	02/06/2000		
	27,386			5.16	01/06/2001		
		39,100		5.705	01/06/2002	136,980	241,034
M H Simms	30,237			4.85	09/03/1999		
	39,641			4.11	02/06/2000		
	111,498			5.16	01/06/2001		
		69,560		5.705	01/06/2002	250,936	442,855

The options granted on 9 March 1999 were tested against the performance condition as at 31 March 2002 and 31 March 2003 and did not meet those tests. The options granted on 2 June 2000 were tested against the performance conditions as at 31 March 2003 and did not meet those tests. Retesting will take place over the three-year period ending 31 March 2004.

The expected values shown are the aggregates of the Black-Scholes values of each option grant. The Black-Scholes values have been calculated by Mercer using a model that uses daily share price data and takes account of the option grant date, exercise price and time to maturity, with assumptions as to dividend yield and the risk-free rate of return.

SABMiller plc Performance Share Award Scheme

Directors	No of shares as at 31 March 2002	No of shares awarded during the year	Share price at date of award (£)	No of shares vested/ (lapsed) during the year	Purchase price (£)	Performance period 3 years from	No of shares as at 31 March 2003	Expected value (£)
E A G Mackay	64,948			(64,948)	1.00	09/03/1999		
	84,307		4.11		0.00	01/06/2000		
	73,946		5.16		0.00	01/06/2001		
		100,789	5.705		0.00	01/06/2002		
		240,000	5.12**		0.00	09/07/2002	499,042	1,818,892
M I Wyman	26,289			(26,289)	1.00	09/03/1999		
	34,063		4.11		0.00	01/06/2000		
	30,523		5.16		0.00	01/06/2001		
		46,670	5.705		0.00	01/06/2002		
		160,000	5.12**		0.00	09/07/2002	271,256	1,060,115
N J Adami	14,761			(14,761)	1.00	09/03/1999		
	19,062		4.11		0.00	01/06/2000		
	17,770		5.16		0.00	01/06/2001		
		27,715	5.705		0.00	01/06/2002		
		120,000*	4.40		0.00	01/08/2002	184,547	665,676
R L Lloyd	23,196			(23,196)	1.00	09/03/1999		
	30,303		4.11		0.00	01/06/2000		
	26,647		5.16		0.00	01/06/2001		
		38,782	5.705		0.00	01/06/2002	95,732	241,648
A C Parker	15,961		4.11		0.00	01/06/2000		
	12,267		5.16		0.00	01/06/2001		
		19,550	5.705		0.00	01/06/2002		
		80,000*	4.40		0.00	01/08/2002	127,778	454,615
M H Simms	13,147			(13,147)	1.00	09/03/1999		
	16,375		4.11		0.00	01/06/2000		
	24,499		5.16		0.00	01/06/2001		
		34,780	5.705		0.00	01/06/2002	75,654	196,068

The expected values shown are the aggregate expected values of all outstanding awards estimated by reference to the probabilities of any portion of each award vesting.

*In September 2002 the remuneration committee made these awards to Mr Adami and Mr Parker, as their retention and future motivation was considered to be crucial to the future success of the company. Vesting of these awards will be subject to continued employment and assessment by the chief executive to the remuneration committee of their contribution to the success of SABMiller over a three-year period.

The performance shares awarded in March 1999 were tested against the performance condition in March 2002 and lapsed in full.

**TSR base price £4.77.

Remuneration Report

*continued***SABMiller plc Mirror Executive Share Purchase Scheme (South Africa)**

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

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

Directors	As at 31 March 2002	No of shares granted during the year	No of shares implemented/ exercised/ during the year	Sale price/ market price ZAR	Exercise price ZAR	Exercise period for 10 years from	As at 31 March 2003
J M Kahn	400,000	–	–	–	53.63	29/05/1996	400,000
E A G Mackay	100,000	–	–	–	34.55	14/04/1994	100,000
	100,000	–	–	–	53.63	29/05/1996	100,000
	100,000	–	–	–	53.95	28/05/1997	100,000
	150,000	–	–	–	46.40	11/11/1998	150,000
M I Wyman	100,000	–	–	–	53.63	29/05/1996	100,000
	40,000	–	–	–	32.84	14/09/1998	40,000
	60,000	–	–	–	46.40	11/11/1998	60,000
N J Adami	100,000	–	–	–	53.63	29/05/1996	100,000
	40,000	–	–	–	32.84	14/09/1998	40,000
	100,000	–	–	–	46.40	11/11/1998	100,000
R L Lloyd	60,000	–	–	–	53.95	28/05/1997	60,000
	60,000	–	–	–	46.40	11/11/1998	60,000
A C Parker	40,000	–	–	–	34.55	14/04/1994	40,000
	50,000	–	–	–	32.84	14/09/1998	50,000
	50,000	–	–	–	43.09	02/06/2000	50,000
M H Simms	60,000	–	–	–	53.63	29/05/1996	60,000
	40,000	–	–	–	48.62	19/01/1998	40,000
	60,000	–	–	–	46.40	11/11/1998	60,000

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

From 3 June 2000, the old SAB Executive Share Purchase Scheme was closed for purposes of new awards, and replaced by the Mirror Scheme for the purposes of new awards to employees of South African employers in the group and certain categories of other employees of South African origin elsewhere in the group (other than SABMiller plc directors), principally in Africa.

Directors' beneficial interests in shares of the company

The interests of the directors in the shares of the company at 31 March 2003 were:

Directors	Beneficial holding at 31 March 2002	Non-beneficial holding	Purchased/ (sold) since year end	Beneficial holding at 31 March 2003
J M Kahn	1,470,578	–	–	1,470,578
E A G Mackay	6	–	–	6
M I Wyman	120,000	–	–	120,000
G C Bible	–	–	–	–
L C Camilleri	–	–	–	–
N De Lisi	–	–	–	–
Lord Fellowes	1,000	–	–	1,000
Ning Gaoning	–	–	–	–
M J Levett	40,000	–	–	40,000
P J Manser	–	–	–	–
M Q Morland	14,800	–	–	14,800
M C Ramaphosa	–	4,000*	–	–
Lord Renwick of Clifton	4,000	–	5,000	9,000

*This holding remained unchanged during the year.

Annual Financial Statements for the year ended 31 March 2003

Index

58	Statement of Directors' Responsibilities
59	Independent Auditors' Report
60	Consolidated Profit and Loss Accounts
61	Consolidated Balance Sheets
62	Consolidated Cash Flow Statements
63	Consolidated Statements of Total Recognised Gains and Losses
63	Consolidated Reconciliation of Movements in Shareholders' Funds
64	Notes to the Consolidated Financial Statements
117	Balance Sheets of SABMiller plc
119	Principal Subsidiary Undertakings
122	Principal Associated Undertakings

Statement of Directors' Responsibilities

The Companies Act, 1985, requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. 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 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group, and to enable them to ensure that the financial statements comply with The Companies Act, 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

In preparing the accompanying financial statements, UK generally accepted accounting principles and Financial Services Authority regulations have been followed, suitable accounting policies have been used, and reasonable and prudent judgements and estimates have been made. Any changes to

accounting policies are approved by the board and the effects thereof are fully explained in the financial statements.

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. The group's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements and their unqualified report appears on page 59.

The directors' approval of the financial statements appears on page 61.

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 the financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of SABMiller plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act, 1985, contained in the directors' remuneration report ('the auditable part').

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and accounting standards, are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act, 1985, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act, 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report as described in the contents, including the unaudited part of the remuneration report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we

report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's and group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2003 and the profit and cash flows of the group for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act, 1985, and those parts of the directors remuneration report required by Part 3 of Schedule 7A to the Companies Act, 1985, have been properly prepared in accordance with the Companies Act, 1985.

Price Waterhouse Coopers LLP

Chartered Accountants and Registered Auditors

London
9 June 2003

PRICEWATERHOUSECOOPERS 

Consolidated Profit and Loss Accounts for the years ended 31 March

	Notes	2003 US\$m	2002 US\$m
Turnover (including share of associates' turnover)	3	9,112	4,364
Continuing operations		5,639	4,364
Acquisitions		3,473	–
Less: share of associates' turnover (all continuing)		(817)	(647)
Group turnover	3	8,295	3,717
Net operating costs	4	(7,492)	(3,098)
Group operating profit		803	619
Continuing operations		780	619
Acquisitions		23	–
Share of operating profit of associates (all continuing)	3	126	85
Profit on partial disposal of subsidiary	5	4	–
Profit on ordinary activities before interest and taxation		933	704
Net interest payable	6	(163)	(98)
Group		(142)	(83)
Associates		(21)	(15)
Profit on ordinary activities before taxation		770	606
Taxation on profit on ordinary activities	7	(349)	(208)
Profit on ordinary activities after taxation		421	398
Equity minority interests		(125)	(105)
Profit for the financial year	24	296	293
Dividends	10	(283)	(187)
Retained profit for the financial year		13	106
Basic earnings per share (US cents)	11	27.5	40.7
Headline earnings per share (US cents)	11	52.6	48.0
Adjusted basic earnings per share (US cents)	11	54.0	48.7
Diluted earnings per share (US cents)	11	27.8	40.3
Adjusted diluted earnings per share (US cents)	11	52.7	47.7
Dividends per share (US cents)	10	25.0	25.0

On 9 July 2002, the group acquired the entire issued share capital of Miller Brewing Company, the results of which are shown as acquisitions in the table above. During the year and the previous year, the group made a number of other acquisitions and increased its shareholdings in several subsidiaries. As disclosed in note 29, these acquisitions were material to individual business segments but they were not material to the group as a whole. All operations are continuing.

There is no material difference between the results disclosed above and those disclosable on an unmodified historical cost basis.

The notes on pages 64 to 116 form part of the financial statements.

Consolidated Balance Sheets at 31 March

	Notes	2003 US\$m	2002 US\$m
Fixed assets			
Intangible assets	12	6,451	1,804
Tangible assets	13	3,244	1,858
Investments		1,365	1,096
Investments in associates	14	705	462
Other fixed asset investments	15	660	634
		11,060	4,758
Current assets			
Stock	16	456	238
Debtors	17	802	405
Investments	18	2	45
Cash at bank and in hand		559	245
		1,819	933
Creditors – amounts falling due within one year	19	(4,027)	(1,160)
Net current liabilities		(2,208)	(227)
Total assets less current liabilities		8,852	4,531
Creditors – amounts falling due after one year	20	(1,130)	(1,311)
Provisions for liabilities and charges	22	(743)	(166)
Net assets		6,979	3,054
Capital and reserves			
Share capital	23	127	84
Share premium	24	1,373	1,371
Merger relief reserve	24	3,395	–
Revaluation and other reserves	24	20	32
Profit and loss reserve	24	1,286	822
Shareholders' funds		6,201	2,309
Equity minority interests		778	745
Capital employed		6,979	3,054

The balance sheets of SABMiller plc are shown on page 117.
The notes on pages 64 to 116 form part of the financial statements.
The financial statements were approved by the directors on 9 June 2003.



Graham Mackay
Chief executive



Malcolm Wyman
Chief financial officer

Consolidated Cash Flow Statements for the years ended 31 March

	Notes	2003 US\$m	2002 US\$m
Net cash inflow from operating activities	25	1,568	975
Dividends received from associates		27	13
Returns on investments and servicing of finance			
Interest received		39	35
Interest paid		(159)	(100)
Interest element of finance lease rental payments		(11)	(12)
Dividends received from other investments		3	2
Dividends paid to minority interests		(137)	(96)
Net cash outflow from returns on investments and servicing of finance		(265)	(171)
Taxation paid		(286)	(179)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(445)	(266)
Sale of tangible fixed assets		16	16
Purchase of investments		(21)	(61)
Sale of investments		3	12
Net cash outflow for capital expenditure and financial investments		(447)	(299)
Acquisitions and disposals			
Purchase of subsidiary undertakings	29	(52)	(672)
Net cash/(overdraft) acquired with subsidiary undertakings	29	6	(2)
Sale of subsidiary undertakings	29	44	1
Net cash disposed with subsidiary undertakings	29	(42)	–
Purchase of shares from minorities	29	(8)	(32)
Purchase of shares in associates		(6)	(57)
Net funding from/(to) associates		4	(6)
Net cash outflow for acquisitions and disposals		(54)	(768)
Equity dividends paid to shareholders		(203)	(173)
Management of liquid resources			
Sale of short-term liquid instruments		43	12
Cash withdrawn from short-term deposits		1	7
Net cash inflow from management of liquid resources	26, 27	44	19
Financing			
Issue of shares		2	401
Issue of shares to minorities		2	1
New loans raised	26, 27	190	1,189
Repayment of loans	26, 27	(330)	(892)
Net cash (outflow)/inflow from financing		(136)	699
Increase in cash in the year	26, 27	248	116

Consolidated Statements of Total Recognised Gains and Losses for the years ended 31 March

	2003 US\$m	2002 US\$m
Profit for the financial year	296	293
Currency translation differences on foreign currency net investments	428	(212)
Other movements	3	8
Total recognised gains and losses for the year	727	89

Consolidated Reconciliation of Movements in Shareholders' Funds for the years ended 31 March

	2003 US\$m	2002 US\$m
Profit for the financial year	296	293
Other recognised gains and losses relating to the year (net)	431	(204)
Goodwill written back on the partial disposal of subsidiary	8	–
Dividends declared by SABMiller plc	(283)	(187)
Nominal value of shares issued for the acquisition of Miller Brewing Company	43	–
Merger relief reserve arising on shares issued for the acquisition of Miller Brewing Company	3,395	–
Profit on redemption of redeemable preference shares held in subsidiary company	–	390
Nominal value of shares issued for the acquisition of preference shares in South African Breweries Finance (Jersey) Ltd	–	7
Net proceeds on ordinary shares issued for cash	2	4
Net increase in shareholders' funds	3,892	303
Shareholders' funds at start of year	2,309	2,006
Shareholders' funds at end of year	6,201	2,309

The amount of cumulative goodwill in respect of purchased subsidiary and associated undertakings which has been set off against shareholders' funds prior to 31 March 1998 was US\$167 million at 31 March 2003 (2002: US\$151 million).

Notes to the Consolidated Financial Statements

1. Basis of preparation

The consolidated financial statements present the financial record for the years ended 31 March 2003 and 31 March 2002.

The subsidiary and associated undertakings in the group operate in the local currency of the country in which they are based. From a functional perspective, the group regards these operations as being US dollar-based as the transactions of these entities are, insofar as is possible, evaluated in US dollars. In management accounting terms all companies report in US dollars.

The directors of the company regard the US dollar as the functional currency of the group, being the most representative currency of its operations. Therefore the consolidated financial statements are presented in US dollars. The exchange rates of rand to US dollar used in preparing the consolidated financial statements were as follows:

	Weighted average rate	Closing rate
Year ended 31 March 2002	9.71	11.40
Year ended 31 March 2003	9.50	7.91

The weighted average exchange rates have been calculated based on an average of the exchange rates during the relevant year and weighted according to the turnover of the group's businesses.

2. Accounting policies

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention in accordance with accounting standards applicable in the United Kingdom. A summary of the more important group accounting policies is set out below.

Changes in accounting presentation

Segmental analyses have been expanded to report in accordance with the basis on which the businesses are managed. The Miller business is disclosed in the 2003 numbers as an additional segment, namely North America.

Future UK accounting developments

The full implementation of FRS 17 – 'Retirement benefits' – has been delayed. The disclosures as required by FRS 17 in the current year, which give an indication of the possible impact on the financial statements when fully implemented, are set out in note 34.

Basis of consolidation

The consolidated financial statements include the financial information of the subsidiary and associated undertakings of the relevant businesses owned by SABMiller plc, as outlined in note 1. The results of subsidiary undertakings sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passed or in the case of associated undertakings, the date significant influence ceased or commenced. Details of the principal subsidiary and associated undertakings are given on pages 119 to 123.

Where the group's interest in subsidiary undertakings is less than 100%, the share attributable to outside shareholders is reflected in minority interests.

Some of the SABMiller businesses have a local statutory accounting reference date of 31 December, but since 31 March 1999 these have been consolidated in the financial statements on a basis coterminous with the group's accounting reference date.

Notes to the Consolidated Financial Statements *continued*

2. Accounting policies *(continued)*

In addition, the associated undertaking, Distell Group Ltd, has a statutory accounting reference date of 30 June. In respect of the year ended 31 March 2003, this company has been included based on financial statements drawn up to 31 December 2002, but taking into account any changes in the subsequent period from 1 January 2003 to 31 March 2003 that would materially affect the results.

Acquisitions and disposals

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and 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.

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets and liabilities acquired, the difference is treated as purchased goodwill. Where the fair value of the separable net assets acquired exceeds the fair value of the consideration given, the difference is treated as negative goodwill. Both purchased and negative goodwill are accounted for as indicated below.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging or crediting the gross amount of any related goodwill to the extent that it has not previously been taken to the consolidated profit and loss account.

Associated undertakings

An associated undertaking is an entity, other than a subsidiary undertaking, in which the group has a long-term interest of not less than 20% and in respect of which the group exercises a significant influence over the operational and financial policies. The results of associated undertakings have been accounted for using the equity method of accounting.

Goodwill arising on the acquisition of an associated undertaking is accounted for as indicated below.

Goodwill

The consolidated financial statements adopt the provisions of FRS 10 – ‘Goodwill and intangible assets’ – which was effective for financial accounting periods ending on or after 23 December 1998. Prior to 31 March 1998, purchased and negative goodwill was set off directly against shareholders’ funds in the acquisition period. This adjustment will be charged or credited in the profit and loss account on subsequent disposal of the businesses to which they relate. In respect of years subsequent to 31 March 1998, the purchased goodwill that arose has been capitalised.

The Companies Act, 1985, requires that capitalised goodwill be subject, normally, to systematic amortisation. In the case of goodwill which is regarded as having a limited useful economic life, the group’s accounting policy is to amortise the goodwill through the consolidated profit and loss account over the directors’ estimate of the useful life, being 20 years for the goodwill that has arisen to date. The directors’ assessment of the useful life of this goodwill is based on the nature of the business acquired, the durability of the products to which the goodwill attaches and the expected future impact of competition on the business.

Where goodwill is regarded as having an indefinite useful life, the directors believe that the policy of not providing amortisation, until any permanent impairment is identified, is necessary in order that the consolidated financial statements show a true and fair view. The directors undertake an annual impairment review of the carrying value and useful economic life of such goodwill and any amortisation or provision for permanent impairment would be charged against the profit for the period in which the impairment arose. Goodwill previously written off against shareholders’ funds is not subjected to an annual impairment review and any impairment arising would therefore only be recognised upon disposal of the undertaking which originally gave rise to such goodwill.

Notes to the Consolidated Financial Statements *continued*

2. Accounting policies *(continued)*

Trademarks

The fair value of businesses acquired includes trademarks which are recognised in the balance sheet where the trademark has a value which is long-term. Acquired trademarks are only recognised where title is clear, the trademark could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable.

Where the acquired trademark is seen as having a finite useful economic life, it is subject to amortisation, which in respect of trademarks currently held is ten years, being the period for which the group has exclusive rights to those trademarks.

Turnover

Turnover represents the net invoice value of goods and services provided to third parties. It includes excise duties and taxes levied on casino winnings but excludes value added tax.

Stocks

Stocks are valued 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 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.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Research and development

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

Tangible fixed assets and depreciation

Land and buildings, which have been adapted to specialised functions, are recorded at historical cost. All other land and buildings, which are used for general purposes, were previously revalued every three years on the basis of open market value for existing use by recognised professional valuers. On adoption of FRS 15 – ‘Tangible fixed assets’ – in a prior year, the group resolved to retain the book value of land and buildings which were revalued at 1 April 1998, but not to adopt a policy of revaluation in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11 – ‘Impairment of fixed assets and goodwill’. All buildings are depreciated as indicated below.

No depreciation is provided on freehold land. In respect of all other tangible fixed assets depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation, less the estimated residual value of each asset, evenly over its expected useful life as follows:

- | | |
|--|---------------------------------------|
| • Freehold buildings | 20 – 50 years |
| • Leasehold land and buildings | Shorter of the lease term or 50 years |
| • Plant, vehicles and systems | 2 – 30 years |
| • Containers, including returnable bottles | 1 – 10 years |

The group regularly reviews its depreciation rates 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.

Profit or loss on the sale of an asset is the difference between the disposal proceeds and the net book value, including any revaluation, of the asset. Any amount in the revaluation reserve relating to such an asset is transferred directly to shareholders’ funds and is not included in the profit for the financial year.

Notes to the Consolidated Financial Statements *continued*

2. Accounting policies *(continued)*

Impairment

In accordance with FRS 11 – ‘Impairment of fixed assets and goodwill’ – fixed assets are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The review is performed by comparing the carrying value of the fixed asset to its recoverable amount, being the higher of the net realisable value and value in use. The net realisable value is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of fixed assets are written down by any impairment amount, the loss is recognised in the profit and loss account in the period in which 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 producing 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.

Investments

Fixed asset investments, other than subsidiary and associated undertakings, are stated individually at the lower of cost and their recoverable amount which is determined as the higher of net realisable value and value in use.

Current asset investments are valued at the lower of cost and net realisable value. In determining net realisable values, market values are used in the case of listed investments and directors’ estimates used in the case of unlisted investments.

Capitalisation of interest and other costs

Financing costs and certain direct costs incurred, before tax, on major capital projects during the period of development or construction are capitalised up to the time of completion of the project.

Deposits by customers

Bottles and containers in circulation are recorded within fixed assets and a corresponding liability is recorded in respect of the obligation to repay the customers’ deposits. Deposits paid by customers for branded returnable bottles and containers are reflected in the balance sheet under creditors due within one year. Any estimated liability that is anticipated may arise in respect of deposits for unbranded containers and bottles is shown in provisions for liabilities and charges.

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 recognised 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 tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the Consolidated Financial Statements *continued*

2. Accounting policies *(continued)*

Foreign currencies

The financial statements denominated in US dollars have been prepared on the basis that transactions in foreign currencies are recorded in US dollars at the rate of exchange ruling at the date of the transaction or at the contracted rate where the transaction is covered by a forward foreign exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the consolidated profit and loss account with the exception of differences on long-term foreign currency instruments, to the extent that they are used to finance or provide a hedge against foreign equity investments, in which case they are taken directly to shareholders' funds together with any exchange difference on the carrying amount of the related asset.

The profit and loss accounts and cash flow statements of overseas subsidiary and associated undertakings are translated at weighted average rates of exchange for the relevant reporting period, other than material exceptional items which are translated at the rate on the date of the transaction and assets (including goodwill) and liabilities are translated at exchange rates prevailing at the relevant balance sheet date.

Exchange differences arising on the retranslation of opening net assets together with differences between profit and loss accounts translated at average and closing rates, are shown as a movement in shareholders' funds and in the consolidated statements of total recognised gains and losses.

Leasing commitments

Assets held under finance leases which result in group companies receiving substantially all the risks and rewards of ownership are capitalised as tangible fixed assets and depreciated over their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet classified, as appropriate, as a creditor due within or after one year. The interest element of the rental obligations is charged to the consolidated profit and loss account over the period of the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each financial year.

Rentals paid on operating leases are charged to the consolidated profit and loss account on a straight-line basis over the lease term.

Pensions

A number of defined contribution and defined benefit pension schemes are operated by the group in accordance with local regulations. The assets of each scheme are held separately from those of the group and are administered by trustees.

Contributions to the defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the consolidated profit and loss account are treated as either provisions or prepayments in the balance sheet.

Contributions to defined contribution schemes are expensed as incurred.

Post-retirement medical benefits

Certain group companies provide post-retirement medical 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. The estimated cost of providing such benefits is charged to the consolidated profit and loss account on a systematic basis over the employees' working lives within the group.

Notes to the Consolidated Financial Statements *continued*

2. Accounting policies *(continued)*

Capital instruments

Capital instruments, other than equity shares, are classified as liabilities if they contain an obligation to transfer economic benefits and otherwise are included in shareholders' funds. The finance costs recognised in the consolidated profit and loss account in respect of capital instruments other than equity shares are allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Provisions

A provision is 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.

Financial instruments

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 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. When these criteria no longer apply, a financial asset or liability is no longer recognised.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and the group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

Interest costs are charged against income in the year in which they are incurred. 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 taken to net interest payable over the life of the instrument.

Where the fair value of an asset falls below its carrying value, any difference is, in the case of fixed assets, provided for if it is regarded that impairment exists. In the case of current assets, provision is only made to the extent that it is considered as resulting in a lower net realisable value.

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, forward rate agreements and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Interest rate differentials under swap arrangements and forward rate agreements used to manage interest rate exposures are recognised by adjustment to net interest payable. Premiums or discounts arising on the purchase of derivative instruments are amortised over the shorter of the life of the instrument and the underlying exposure.

Currency swap agreements and forward foreign exchange contracts are valued at closing rates of exchange. Resulting gains and losses are offset against foreign exchange gains or losses on the related borrowings or, where the instrument is used to hedge a committed future transaction, are deferred until the transaction occurs and shown within debtors or creditors as appropriate.

Where the instrument ceases to meet the criteria of being a hedge transaction or the underlying exposure which it is hedging is sold, matures, or is extinguished, then the instrument is valued at the appropriate market rate, after having taken account of selling costs. Any resultant gains and losses are reflected in operating income in the consolidated 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.

Notes to the Consolidated Financial Statements *continued*

3. Segmental analysis

	Note	Turnover		Operating profit		EBITA	
		2003 US\$m	2002 US\$m	2003 US\$m	2002 US\$m	2003 US\$m	2002 US\$m
Business segment analysis							
North America		3,473	–	75	–	250	–
Central America		514	186	10	7	56	22
Europe		1,646	1,280	239	168	275	198
Africa and Asia		1,209	946	219	162	233	171
Associates' share		(480)	(367)	(79)	(51)	(85)	(54)
		729	579	140	111	148	117
South Africa:							
Beer South Africa		1,270	1,112	338	287	338	287
Other Beverage Interests		788	676	120	95	120	95
Associates' share		(244)	(212)	(26)	(19)	(26)	(19)
		544	464	94	76	94	76
Hotels and Gaming		212	164	42	28	42	28
Associates' share		(93)	(68)	(21)	(15)	(21)	(15)
		119	96	21	13	21	13
Central Administration		–	–	(44)	(35)	(44)	(35)
Group – excluding exceptional items		9,112	4,364	999	712	1,270	766
Associates' share		(817)	(647)	(126)	(85)	(132)	(88)
		8,295	3,717	873	627	1,138	678
Exceptional items							
North America	5	–	–	(58)*	–	(58)*	–
Central America		–	–	(12)	–	(12)	–
Hotels and Gaming		–	–	–	–	4	–
Europe		–	–	–	(8)	–	(8)
		–	–	(70)	(8)	(66)	(8)
Group – including exceptional items		9,112	4,364	929	704	1,204	758
Associates' share		(817)	(647)	(126)	(85)	(132)	(88)
		8,295	3,717	803	619	1,072	670
Geographical market analysis							
North America		3,465	–	49	–	224	–
Central America		525	186	11	7	58	22
Europe		1,621	1,280	222	139	259	170
Rest of Africa and Asia		1,261	967	228	169	240	177
Associates' share		(480)	(367)	(79)	(51)	(85)	(54)
		781	600	149	118	155	123
South Africa		2,240	1,931	489	397	489	397
Associates' share		(337)	(280)	(47)	(34)	(47)	(34)
		1,903	1,651	442	363	442	363
Exceptional items							
North America	5	–	–	(58)*	–	(58)*	–
Central America		–	–	(12)	–	(12)	–
South Africa		–	–	–	–	4	–
Europe		–	–	–	(8)	–	(8)
		–	–	(70)	(8)	(66)	(8)
Group – including exceptional items		9,112	4,364	929	704	1,204	758
Associates' share		(817)	(647)	(126)	(85)	(132)	(88)
		8,295	3,717	803	619	1,072	670

Analyses by business are based on the group's management structure. There is no material difference between the source and destination of turnover. Turnover between segments is immaterial.

*Includes US\$6 million of integration costs incurred in other segments.

Notes to the Consolidated Financial Statements *continued***3. Segmental analysis** *(continued)*

	Note	Net operating assets		EBITDA		Capital expenditure	
		2003 US\$m	2002 US\$m	2003 US\$m	2002 US\$m	2003 US\$m	2002 US\$m
Business segment analysis							
North America		5,147	–	348	–	87	–
Central America		1,089	1,135	90	41	40	12
Europe		1,446	1,253	387	293	169	130
Africa and Asia		866	728	166	151	42	39
Associates' share		(424)	(306)	–	–	–	–
		442	422	166	151	42	39
South Africa:							
Beer South Africa		356	263	403	343	58	47
Other Beverage Interests		524	355	119	89	38	23
Associates' share		(114)	(74)	–	–	–	–
		410	281	119	89	38	23
Hotels and Gaming		167*	140	27	21	4	13
Associates' share		(167)*	(82)	–	–	–	–
		–	58	27	21	4	13
Central Administration		(272)	(193)	(36)	(33)	7	2
Group – excluding exceptional items		9,323	3,681	1,504	905	445	266
Associates' share		(705)	(462)	–	–	–	–
		8,618	3,219	1,504	905	445	266
Exceptional items							
North America	5	–	–	(12)**	–	–	–
Central America		–	–	(9)	–	–	–
Europe		–	–	–	(1)	–	–
		–	–	(21)	(1)	–	–
Group – including exceptional items		9,323	3,681	1,483	904	445	266
Associates' share		(705)	(462)	–	–	–	–
		8,618	3,219	1,483	904	445	266
Geographical market analysis							
North America		5,147	–	329	–	87	–
Central America		1,089	1,135	92	41	40	12
Europe		1,184	1,078	372	267	175	132
Rest of Africa and Asia		869	762	176	157	46	51
Associates' share		(424)	(306)	–	–	–	–
		445	456	176	157	46	51
South Africa		1,034	706	535	440	97	71
Associates' share		(281)	(156)	–	–	–	–
		753	550	535	440	97	71
Exceptional items							
North America	5	–	–	(12)**	–	–	–
Central America		–	–	(9)	–	–	–
Europe		–	–	–	(1)	–	–
		–	–	(21)	(1)	–	–
Group – including exceptional items		9,323	3,681	1,483	904	445	266
Associates' share		(705)	(462)	–	–	–	–
		8,618	3,219	1,483	904	445	266

*Investment value in new associate.

**Includes US\$5 million of integration costs incurred in other segments.

Notes to the Consolidated Financial Statements *continued***3. Segmental analysis** *(continued)*

The analyses of turnover, operating profit and net operating assets by business segment include the following amounts in respect of acquisitions made:

	2003 US\$m	2002 US\$m
Turnover		
North America	3,473	–
Central America	–	186
Europe	–	8
Africa and Asia	55	224
Associates' share	(45)	(139)
	10	85
Group	3,528	418
Associates' share	(45)	(139)
	3,483	279
Operating profit		
North America	23	–
Central America	–	7
Africa and Asia	9	42
Associates' share	(4)	(35)
	5	7
Group	32	49
Associates' share	(4)	(35)
	28	14
Net operating assets		
North America	5,147	–
Central America	–	1,135
Europe	–	3
Africa and Asia	111	160
Associates' share	(98)	(91)
	13	69
Group	5,258	1,298
Associates' share	(98)	(91)
	5,160	1,207

Notes to the Consolidated Financial Statements *continued***3. Segmental analysis** *(continued)*

The following is a reconciliation of operating profit to EBITA for the group:

	2003 US\$m	2002 US\$m
Group operating profit	803	619
Share of operating profit of associates	126	85
Profit on partial disposal of subsidiary	4	–
Profit on ordinary activities before interest and taxation	933	704
Goodwill amortisation (subsidiaries)	265	50
Goodwill amortisation on investments in associates	2	1
Share of goodwill amortisation of associates	4	3
Group EBITA	1,204	758

The following is a reconciliation of net assets to net operating assets for the group:

	2003 US\$m	2002 US\$m
Net assets shown in the balance sheet	6,979	3,054
Safari shares	(618)	(618)
Exclude interest bearing assets and liabilities:		
current asset investments	(2)	(45)
cash at bank and in hand	(559)	(245)
borrowings falling due within one year	2,409	240
borrowings falling due after one year	1,114	1,295
Net operating assets as per segmental analysis	9,323	3,681

Notes to the Consolidated Financial Statements *continued***4. Net operating costs**

	2003 US\$m	2002 US\$m
Raw materials and consumable stores	2,612	1,096
Changes in stock of finished goods and work in progress	(13)	(6)
Excise duties	1,472	686
Employee costs	1,015	439
Depreciation of tangible fixed assets	344	210
owned assets	282	170
leased assets	7	6
container amortisation	55	34
Container breakages and shrinkage	20	10
Amortisation of intangible assets	265	51
Other operating income	(95)	(78)
Other operating charges	1,798	682
Impairment costs in South Africa	4	–
Brewery closure costs in Tumwater (USA)	35	–
Miller integration costs	23	–
Central America reorganisation costs	12	–
Brewery closure costs in Pitesti (Romania)	–	9
Asset impairment provision in Ursus (Romania)	–	10
Reversal of asset impairment provision in Velke Popovice (Czech)	–	(11)
	7,492	3,098

Net operating costs are stated after charging/(crediting) the following:

	2003 US\$m	2002 US\$m
Operating lease rentals:		
land and buildings	18	13
plant, vehicles and systems	14	4
Profit on sale of fixed assets	(1)	(3)

The following fees were paid to a number of different accounting firms as auditors of various parts of the group:

	2003 US\$m	2002 US\$m
Group auditors		
Auditors' remuneration for audit services	5	3
Auditors' remuneration for other services	7	7
	12	10
Other auditors		
Auditors' remuneration for audit services	–	–
Auditors' remuneration for other services	2	–
	2	–

The group auditors' remuneration for non-audit services of US\$7 million (2002: US\$7 million) represents remuneration for tax services of US\$1 million (2002: US\$3 million), IT consulting services of US\$1 million (2002: US\$2 million) and due diligence, advisory and other audit related services of US\$5 million (2002: US\$2 million).

The audit fee of SABMiller plc for the year ended 31 March 2003 amounted to US\$0.8 million (2002: US\$0.5 million).

Notes to the Consolidated Financial Statements *continued***5. Exceptional items**

The following items were treated as exceptional by the group during the years ended 31 March:

	2003 US\$m	2002 US\$m
Recognised in operating profit:		
North America	(58)	–
Brewery closure costs in Tumwater (USA)	(35)	–
Miller integration costs	(23)	–
Central America		
Reorganisation costs	(12)	–
Europe	–	(8)
Brewery closure costs in Pitesti (Romania)	–	(9)
Asset impairment provision in Ursus (Romania)	–	(10)
Reversal of asset impairment provision in Velke Popovice (Czech)	–	11
	(70)	(8)
Taxation	23	–
Minority interests' share of the above items	4	1

Following the acquisition of Miller Brewing Company, an operating review resulted in management announcing, on 10 January 2003, the closure of the Tumwater brewery effective from 1 July 2003. Total brewery closure costs amount to US\$35 million and include the impairment of the tangible fixed assets to net recoverable value (US\$20 million) and rationalisation costs, including redundancy and associated closure costs (US\$15 million).

The amalgamation of Miller Brewing Company with the rest of the group's business has given rise to integration costs amounting to US\$23 million. These costs include consultancy fees, office closure costs and expenses related to the reorganisation of the Miller and Pilsner Urquell international businesses, including severance costs and international brand realignment costs.

Following the group's acquisition of brewing and soft drink bottling interests in Central America towards the end of 2001, US\$12 million of reorganisation costs have been incurred. These consist of retrenchment costs (US\$6 million), consultancy fees (US\$3 million) and other associated costs (US\$3 million).

Following SABMiller's acquisition of Bere Timisoreana, an operating review resulted in management announcing, in March 2002, the rationalisation of the Pitesti brewery and a fair value adjustment/impairment of the Ursus brewery, ahead of merging the two legal entities. Closure costs and asset impairment totalled US\$19 million.

In 2002, the PU group (Czech) reversed an impairment provision of US\$11 million in respect of Velke Popovice, made at the date of acquisition. The reversal was occasioned by more resilient than expected volumes, and therefore improved capacity utilisation at the brewery following national integration of the three subsidiaries in the country.

	2003 US\$m	2002 US\$m
Recognised after operating profit:		
Hotels and Gaming		
Gain on partial disposal of subsidiary (note 29)	12	–
Goodwill previously eliminated against reserves	(8)	–
Profit on partial disposal of subsidiary	4	–
Taxation	–	–

On 31 March 2003 as part of an empowerment deal announced on 12 December 2002, the group disposed of its holdings in the Southern Sun Hotels and Gaming group, in return for cash, a 49% interest in the ordinary share capital of Tsogo Sun Holdings (Pty) Ltd (TSH), together with US\$42 million of preference shares in TSH. Effectively, the transaction has reduced the group's holdings in the Hotels division from 100% to 49%, and in the Gaming division from 50% to 49%. The group's investment in TSH is being equity accounted.

The partial disposal of the Hotel and Gaming interests has resulted in a gain of US\$12 million, which consists of profit on the transaction, after taking into account costs of disposal. In addition, goodwill of US\$8 million (which had been written off against reserves) has been taken into account.

Notes to the Consolidated Financial Statements *continued***6. Net interest payable**

	2003 US\$m	2002 US\$m
Interest payable on bank loans and overdrafts	123	90
Finance charges payable under finance leases and hire purchase contracts	11	12
Interest payable on corporate bond	25	16
Amortisation of bond costs	4	3
Exchange loss on financing activity	4	–
Other interest payable	13	–
Interest payable	180	121
Share of associates' financing costs	21	15
Interest receivable	(38)	(38)
	163	98

7. Taxation on profit on ordinary activities

	2003 US\$m	2002 US\$m
Current taxation	286	173
Charge for the year	285	174
Under/(over) provision in respect of prior years	1	(1)
Withholding taxes and secondary taxation on companies	13	10
Share of associates' taxation charge	30	21
Total current taxation	329	204
Deferred taxation	20	4
Charge for the year	33	3
(Over)/under provision in respect of prior years	(15)	1
Rate change	2	–
	349	208
Effective tax rate before goodwill amortisation and exceptional items (%)	33.6*	31.2

*Effective tax rate before deferred tax credit of US\$9 million on ABI assessed losses from prior years was 34.4%.

Tax rate reconciliation

	2003 US\$m	2002 US\$m
Profit before taxation	770	606
Tax charge at standard rate of 30%*	231	182
Exempt income	(21)	(18)
Other incentive allowances	(1)	(8)
Tax losses utilised	(2)	(5)
Goodwill amortisation	78	14
Disallowable expenses	52	20
Tax losses created	3	16
Withholding taxes and secondary taxation on companies	13	10
Foreign tax rate differential	(14)	(10)
Charges relating to prior years	1	–
Other reconciling items	9	7
Timing differences	(20)	(4)
Total current tax charge	329	204

*The corporate tax rate in the United Kingdom, SABMiller plc's country of primary listing, is 30% (2002: 30%).

Notes to the Consolidated Financial Statements *continued***8. Employee costs**

	2003 US\$m	2002 US\$m
Wages and salaries	867	378
Social security costs	63	34
Other pension costs	57	21
Post-retirement benefits other than pensions	28	6
	1,015	439

The average monthly number of employees, which excludes employees of associated undertakings and includes executive directors, was as follows:

	2003	2002
North America*	4,559	–
Central America**	7,374	2,197
Europe	8,959	9,247
Africa and Asia	7,305	6,882
Beer South Africa	5,424	5,739
Other Beverage Interests	4,163	4,934
Hotels and Gaming	4,488	4,120
Central Administration	130	111
Group	42,402	33,230

* Based on nine months. Annualised equivalents 6,079.

** 2002 numbers based on four months. Annualised equivalents 8,329.

Part-time employees are included in the above analysis on the basis of their full-time equivalents.

Except for certain of the company's directors and administration staff, all of the above employees work outside the United Kingdom.

9. Directors' remuneration

	2003 US\$000	2002 US\$000
Aggregate emoluments	4,615	4,882
Aggregate gains made on exercise of share options	–	106
Company contributions to money purchase pension schemes	314	335
	4,929	5,323

As at 31 March 2003 two directors (2002: six) had retirement benefits accruing under money purchase pension schemes.

Full details of individual directors' remuneration are given in the directors' remuneration report.

10. Dividends

	2003 US\$m	2002 US\$m
Equity		
Interim paid: 6.5 US cents (2002: 6.5 US cents) per share	63	45
Final proposed: 18.5 US cents (2002: 18.5 US cents) per share	220	142
	283	187

The interim dividend paid to Altria Group, Inc. (formerly Philip Morris Companies Inc.) on the 430 million listed and unlisted shares held by them was apportioned to the number of days in which they held the shares in the first half year and was calculated at 2.98360 US cents per share (US\$13 million). The final dividend is to be paid in full, thus giving a total dividend of 21.48360 US cents per share (US\$92 million).

Dividends amounting to US\$19 million (2002: US\$19 million) in respect of the company's shares held by Safari Ltd have been deducted in arriving at the aggregate of dividends paid and proposed.

The employee benefit trusts which hold shares for the various executive share incentive schemes have waived rights to dividends.

Notes to the Consolidated Financial Statements *continued***11. Earnings per share**

	2003 US cents	2002 US cents
Basic earnings per share	27.5	40.7
Headline earnings per share	52.6	48.0
Adjusted basic earnings per share	54.0	48.7
Diluted earnings per share	27.8	40.3
Adjusted diluted earnings per share	52.7	47.7

The calculation of basic earnings per share has been based on the profit for the financial year as shown below, and on a weighted average number of shares in issue of 1,076,143,990 (2002: 718,504,170).

At 31 March 2003, there were 12,051,400 share options outstanding under the SABMiller plc Executive Share Purchase Scheme (South Africa), 5,590,729 share options outstanding under the SABMiller plc Executive Share Option Schemes (Approved Scheme and (No 2) Scheme combined) and 1,680,615 conditional awards under the SABMiller plc Performance Share Award Scheme, which have not yet vested. The calculation of diluted earnings per share is based on a weighted average number of shares in issue of 1,148,306,526, after adjusting for 72,162,536 weighted potentially dilutive ordinary shares arising from the share options and the guaranteed convertible bond, and the profit for the financial year as shown below, adjusted for a net interest saving of US\$24 million (after tax), on the 4.25% guaranteed convertible bond. The average share price of SABMiller plc since the beginning of the financial year, used in determining the number of potentially dilutive shares, is US\$7.33, compared with an average strike price on the outstanding options of US\$6.58.

The group has also presented an adjusted earnings per share figure to exclude the impact of amortisation and other non-recurring items in order to present a more meaningful comparison for the years shown in the consolidated financial statements. Adjusted earnings per share has been based on adjusted headline earnings for each financial year and on the same number of weighted average shares in issue as the basic earnings per share calculation. Headline earnings per share has been calculated in accordance with the Institute of Investment Management and Research ('IIMR')'s Statement of Investment Practice No.1 entitled 'The Definition of Headline Earnings'. The adjustments made to arrive at headline earnings and adjusted earnings are as follows:

	2003 US\$m	2002 US\$m
Profit for the financial year	296	293
Amortisation of goodwill	271	54
Brewery closure costs in Tumwater (USA)	35	–
Profit on partial disposal of subsidiary	(4)	–
Impairment costs in South Africa	4	–
Profit on sale of fixed assets and investments	–	(4)
Brewery closure costs in Pitesti (Romania)	–	9
Asset impairment provision in Ursus (Romania)	–	10
Reversal of impairment provision in Velke Popovice (Czech)	–	(11)
Impairment costs in Africa	–	2
Tax effects of the above items	(15)	–
Minority interests' share of the above items	(21)	(7)
Headline earnings (basic)	566	346
Integration/reorganisation costs*	35	7
Tax effects of the above items	(9)	(2)
Deferred tax adjustments due to assessed loss (ABI)	(9)	–
Minority interests' share of the above items	(2)	(1)
Adjusted earnings	581	350

*Comprises integration costs of Miller (US\$23 million) and reorganisation costs in Central America (US\$12 million) in the current period, and reorganisation costs of Distell Group Ltd and Central America in the prior year.

Notes to the Consolidated Financial Statements *continued***12. Intangible assets**

	Trademarks US\$m	Goodwill US\$m	Total US\$m
Cost			
At 31 March 2001	7	891	898
Exchange adjustments	(2)	(38)	(40)
Additions	1	–	1
Arising on increase in share of subsidiary undertakings	–	10	10
Arising on acquisition of subsidiary undertakings	–	1,016	1,016
At 31 March 2002	6	1,879	1,885
Exchange adjustments	–	208	208
Write-off	(1)	–	(1)
Arising on increase in share of subsidiary undertakings	–	6	6
Arising on decrease in share of subsidiary undertakings	–	(3)	(3)
Arising on acquisition of subsidiary undertakings	–	4,727	4,727
Arising on disposal of subsidiary undertakings	–	(15)	(15)
Hindsight adjustment	–	4	4
At 31 March 2003	5	6,806	6,811
Amortisation			
At 31 March 2001	5	26	31
Amortised during the year	–	50	50
At 31 March 2002	5	76	81
Amortised during the year	–	265	265
Arising on disposal of subsidiary undertakings	–	(1)	(1)
Exchange adjustments	–	15	15
At 31 March 2003	5	355	360
Net book amount			
At 31 March 2002	1	1,803	1,804
At 31 March 2003	–	6,451	6,451

The goodwill balance of US\$6,451 million (2002: US\$1,803 million) at the end of the year includes US\$4,733 million (2002: US\$1,026 million) due to acquisition activities. The acquisition of Miller Brewing Company resulted in US\$4,673 million goodwill and other acquisitions within Europe, Central America and Africa and Asia added a further US\$60 million.

Goodwill arising from the acquisitions is being amortised over 20 years, with the exception of purchased goodwill in ABI, which the directors believe has an indefinite life. This is consistent with the treatment of goodwill that arose on the acquisition of Suncrush, which was acquired by ABI on 8 June 1998. The directors consider the goodwill to be supported by the existence of bottlers' agreements with Coca-Cola (Southern Africa) (Proprietary) Limited (CCSA). ABI has similar bottlers' agreements in respect of other regions within South Africa. These bottlers' agreements, which are based on the Coca-Cola system, establish performance obligations as to production, distribution and marketing arrangements to maximise long-term growth in volume, cash flow and shareholder value of the bottler company. The Coca-Cola system came into being during 1899 and has had a consistent history of growth and success since that date.

The Suncrush agreements with CCSA were established in 1955 and have been in place since then. The current agreements are for a period of ten years, with an extension of five years, expiring on 30 September 2007 and contain provisions for renewal at no cost. ABI has had similar agreements since 1976 and they have always been renewed prior to expiry. In the view of the directors, the bottlers' agreements reflect a long and ongoing relationship between the respective managements of ABI and CCSA.

Notes to the Consolidated Financial Statements *continued*

12. Intangible assets *(continued)*

The directors have given due consideration to financial forecasts in respect of the ABI business, the history of dealings of ABI with CCSA and the established international practice of The Coca-Cola Company in relation to its bottlers' agreements. In light of the above factors, the directors believe that the Suncrush agreements will continue to be renewed at the end of their legal expiry dates and the commercial value of the Coca-Cola product will be maintained. Accordingly, the directors are of the view that the goodwill of US\$238 million (2002: US\$165 million), as underpinned by the bottlers' agreements, currently has an indefinite economic life. The directors have performed a review for impairment at 31 March 2003 and are of the opinion that no provision is required.

The amount of cumulative goodwill in respect of purchased subsidiary and associated undertakings which has been set off against shareholders' funds prior to 31 March 1998 was US\$167 million at 31 March 2003 (2002: US\$151 million), after resurrecting goodwill amounting to US\$8 million on the partial disposal of the group's interests in the Hotels and Gaming division.

Notes to the Consolidated Financial Statements *continued***13. Tangible assets**

	Assets in course of construction US\$m	Land and buildings US\$m	Plant, vehicles and systems US\$m	Containers US\$m	Total US\$m
Cost or valuation					
At 31 March 2001	97	607	1,838	390	2,932
Exchange adjustments	(9)	(80)	(294)	(64)	(447)
Additions	147	21	63	33	264
Transfers (to)/from other assets	(6)	1	7	–	2
Arising on acquisition of subsidiary undertakings	18	83	293	88	482
Disposals	–	(14)	(37)	(6)	(57)
Deposit price increase	–	–	–	6	6
Breakages and shrinkage	–	–	–	(10)	(10)
Transfers	(158)	8	132	18	–
Write-offs	–	(4)	(5)	(3)	(12)
Brewery closure costs in Pitesti (Romania)	–	(3)	(7)	–	(10)
Impairment provision in Ursus (Romania)	–	(5)	(8)	(3)	(16)
Reversal of impairment provision in Velke Popovice (Czech)	–	11	21	–	32
At 31 March 2002	89	625	2,003	449	3,166
Exchange adjustments	11	108	386	98	603
Additions	290	16	83	59	448
Transfers from other assets	1	1	–	–	2
Arising on acquisition of subsidiary undertakings	38	285	782	39	1,144
Hindsight adjustments	–	24	(1)	(12)	11
Arising on disposal of subsidiary undertakings	–	(83)	(42)	–	(125)
Disposals	–	(5)	(61)	(14)	(80)
Deposit price increase	–	–	–	9	9
Breakages and shrinkage	–	–	–	(20)	(20)
Transfers	(266)	70	174	22	–
Write-offs	(1)	(7)	(52)	(26)	(86)
Impairment provision in Tumwater (USA)	–	(2)	(20)	–	(22)
Impairment provision in South Africa	–	–	(4)	–	(4)
At 31 March 2003	162	1,032	3,248	604	5,046
Depreciation					
At 31 March 2001	–	107	843	198	1,148
Exchange adjustments	–	(14)	(133)	(31)	(178)
Provided during the period	–	17	159	34	210
Arising on acquisition of subsidiary undertakings	–	11	126	24	161
Disposals	–	(5)	(33)	(2)	(40)
Transfers	–	6	(6)	–	–
Write-offs	–	–	(5)	(1)	(6)
Brewery closure costs in Pitesti (Romania)	–	(1)	(1)	–	(2)
Impairment provision in Ursus (Romania)	–	(1)	(3)	(2)	(6)
Reversal of impairment provision in Velke Popovice (Czech)	–	4	17	–	21
At 31 March 2002	–	124	964	220	1,308
Exchange adjustments	–	26	210	59	295
Provided during the period	–	32	257	55	344
Arising on disposal of subsidiary undertakings	–	(19)	(25)	–	(44)
Disposals	–	(3)	(53)	(10)	(66)
Transfers	–	18	(17)	(1)	–
Write-offs	–	(1)	(25)	(7)	(33)
Impairment provision in Tumwater (USA)	–	–	(2)	–	(2)
At 31 March 2003	–	177	1,309	316	1,802
Net book amount					
At 31 March 2002	89	501	1,039	229	1,858
At 31 March 2003	162	855	1,939	288	3,244

Notes to the Consolidated Financial Statements *continued***13. Tangible assets** *(continued)*

Analyses of the net book amount of land and buildings:

	2003 US\$m	2002 US\$m
Freehold	771	406
Long leaseholds (over 50 years unexpired)	36	18
Short leaseholds (under 50 years unexpired)	48	77
	855	501

Included in land and buildings is a total of US\$110 million (2002: US\$39 million) of freehold land which is not depreciated.

The group has adopted FRS 15 – ‘Tangible fixed assets’ – and in the year ended 31 March 2001 followed the transitional provisions to retain the book value of land and buildings.

The group’s general purpose properties were revalued at 1 April 1998 on the basis of open market value for existing use by independent qualified valuers. The valuations were undertaken in accordance with the manual of the Royal Institute of Chartered Surveyors in the United Kingdom and the South African Institute of Valuers. The book values of these properties were adjusted to their valuations during the relevant financial period and the resultant net surpluses or deficits credited to the revaluation reserve. No provision is made for any tax on capital gains which may arise on the disposal of the group’s properties at their balance sheet amounts.

The comparable amounts under the historical cost convention for land and buildings are:

	2003 US\$m	2002 US\$m
Historical cost	1,027	620
Aggregate depreciation based on cost	(176)	(124)
Net book amount	851	496

Included in the amounts for plant, vehicles and systems are the following amounts relating to assets held under finance leases:

	2003 US\$m	2002 US\$m
Cost	88	63
Aggregate depreciation	(38)	(33)
Net book amount	50	30

Included in the amounts for plant, vehicles and systems are the following amounts in respect of interest capitalised:

	2003 US\$m	2002 US\$m
At beginning of year	10	15
Exchange adjustments	4	(5)
At end of year	14	10

Notes to the Consolidated Financial Statements *continued***14. Investments in associates**

	Investments US\$m	Loans US\$m	Total US\$m
At 31 March 2001	317	47	364
Exchange adjustments	(61)	(15)	(76)
Additions	136	7	143
Disposals	(5)	–	(5)
Share of retained profit after tax in the year	37	–	37
Goodwill amortised	(1)	–	(1)
At 31 March 2002	423	39	462
Exchange adjustments	81	16	97
Additions	166	40	206
Disposals	–	(3)	(3)
Arising on disposal of subsidiary undertakings	(51)	(43)	(94)
Share of retained profit after tax in the year	39	–	39
Goodwill amortised	(2)	–	(2)
At 31 March 2003	656	49	705

Additions in the current year include investment in Tsogo Sun Holdings of US\$42 million in preference shares, US\$57 million in ordinary shares and a loan of US\$40 million (see note 29), and an investment of US\$56 million for a 20% interest in Kenya Breweries Limited as part of the East African restructuring.

The analysis of associated undertakings between listed and unlisted investments is shown below:

	2003 US\$m	2002 US\$m
At carrying value		
Listed	90	61
Unlisted	566	362
	656	423
At market value		
Listed	219	107

The group's aggregate share of certain balance sheet captions of its associated undertakings for the years ended 31 March were as follows:

	2003 US\$m	2002 US\$m
Fixed assets	758	455
Current assets	228	215
	986	670
Creditors – amounts falling due within one year	(243)	(164)
Creditors – amounts falling due after one year	(173)	(101)
	(416)	(265)
Net assets	570	405

The above is reconciled to the carrying value of investments in associated undertakings as follows:

	2003 US\$m	2002 US\$m
Net assets	570	405
Equity minority interest	(33)	(27)
Goodwill capitalised	119	45
Investments in associates	656	423

Notes to the Consolidated Financial Statements *continued***15. Other fixed asset investments**

	Investments US\$m	Loans US\$m	Total US\$m
At 31 March 2001	637	15	652
Exchange adjustments	(3)	(3)	(6)
Disposals	(9)	(3)	(12)
Arising on acquisition of subsidiary undertakings	1	–	1
Amortisation of employee benefit trust costs	(1)	–	(1)
At 31 March 2002	625	9	634
Exchange adjustments	1	3	4
Additions	19	1	20
Disposals	–	(3)	(3)
Arising on acquisition of subsidiary undertakings	1	–	1
Arising on disposal of subsidiary undertakings	(1)	–	(1)
Amortisation of employee benefit trust costs	(1)	–	(1)
Transfer from debtors	–	6	6
At 31 March 2003	644	16	660

In the financial year ended 31 March 2000, Safari Ltd (a special purpose vehicle established and financed by a wholly-owned subsidiary of SABMiller plc) acquired 77,368,338 ordinary SABMiller plc shares at an initial cost of US\$560 million. In terms of the agreement, a top-up payment of US\$58 million was accrued for at 31 March 2001 and paid to the selling shareholders on 3 April 2001. On 9 July 2002, the shares held by Safari Ltd were converted to non-voting convertible shares. The carrying value and directors' value of these shares at 31 March 2003 was US\$618 million and US\$484 million respectively (2002: carrying value of US\$618 million and market value of US\$533 million). The directors consider that the diminution in value below the carrying amount is not permanent.

All other amounts included above are unlisted investments except for Edgars Consolidated Stores Ltd which is carried at a nominal value, and had a market value at 31 March 2003 attributable to SABMiller plc of US\$71 million (2002: US\$24 million), and 2,095,526 (2002: 322,626) own shares held which had a carrying value of US\$11 million (2002: US\$ nil) and a market value at 31 March 2003 of US\$13 million (2002: US\$2 million). The interest in own shares represents shares held by the employee benefit trusts, for the purposes of the various executive share incentive schemes, further details of which are disclosed in the report on directors' remuneration. The shares currently rank *pari passu* with all other ordinary shares.

16. Stock

	2003 US\$m	2002 US\$m
Raw materials and consumable stores	258	128
Work in progress	53	33
Finished goods and goods for resale	145	77
	456	238

There is no material difference between the replacement cost and book value of stock.

Notes to the Consolidated Financial Statements *continued***17. Debtors**

	2003 US\$m	2002 US\$m
Trade debtors	487	250
Proceeds receivable on disposal of associate	1	1
Amounts owed by associates:		
trade	–	7
other loans	–	1
VAT, tax and other Government receivables	48	23
Deferred tax	98	5
Other debtors	32	35
Staff and other loans	13	17
Prepayments and accrued income	123	66
	802	405

18. Current asset investments

	2003 US\$m	2002 US\$m
Short-term bank deposits	1	44
Short-term portion of fixed asset investment	1	1
	2	45

19. Creditors – amounts falling due within one year

	2003 US\$m	2002 US\$m
Short-term borrowings	2,271	164
Bank overdrafts	118	62
Obligations under finance lease and hire purchase contracts	20	14
Interest bearing borrowings	2,409	240
Trade creditors	367	176
Accruals and deferred income	338	186
Containers in the hands of customers	151	107
Payroll related creditors	115	49
Deferred consideration for acquisitions	1	1
Amounts owed to associates	17	22
Dividends payable to SABMiller plc shareholders	220	141
Dividends payable to external minorities	51	34
Corporate taxation	118	72
Excise duty payable	122	63
Value added and other taxes payable	50	29
Other creditors	68	40
	4,027	1,160

Included in the payroll related creditors is a balance of US\$23 million (2002: US\$11 million) as a result of the contribution holiday in the South African Breweries Staff Provident Fund.

20. Creditors – amounts falling due after one year

	2003 US\$m	2002 US\$m
Long-term borrowings	1,084	1,265
Obligations under finance lease and hire purchase contracts	30	30
Interest bearing borrowings	1,114	1,295
Other creditors	16	16
	1,130	1,311

Notes to the Consolidated Financial Statements *continued***21. Borrowings**

	2003 US\$m	2002 US\$m
US\$328 million 8.06% Private Bond Placing	328	328
Other unsecured bank loans	2,492	505
Other loans		
US\$600 million 4.25% guaranteed convertible bonds 2006*	590	586
Other unsecured loans	3	2
Secured debentures and loan stock	–	4
Other secured loans	60	66
	3,473	1,491
Obligations under finance lease and hire purchase contracts	50	44
	3,523	1,535
Included in amounts falling due within one year	(2,409)	(240)
	1,114	1,295
Amounts falling due:		
Between one and two years	103	269
Between two and five years	682	695
In five years or more	329	331
Included within amounts falling due after one year	1,114	1,295

*On 10 August 2001 and 14 September 2001, SAB Finance (Cayman Islands) Ltd issued US\$500 million and US\$100 million, respectively, 4.25% Guaranteed Convertible Bonds (the "SABMiller Bonds") due 2006 guaranteed by SABMiller and SABMiller Finance BV, each of which is convertible into 4.25% exchangeable redeemable preference shares of SAB Finance (Cayman Islands) Ltd at any time on or after 20 October 2001 and up to the close of business on the date falling seven London business days prior to 10 August 2006 (both days inclusive) or if the SABMiller Bonds are called for redemption, by SABMiller, prior to 10 August 2006, the seventh London working day before the date fixed for such redemption. The bonds are redeemable at the option of bondholders within 60 days after notice is given of an offer to all ordinary shareholders or on 10 August 2005.

Each US\$1,000 principal amount of a SABMiller Bond is convertible into one preference share having paid-up value of US\$1,000. The preference shares will, in SABMiller's absolute discretion, and in each case at their paid-up value (translated into pounds sterling at the fixed rate of US\$1.41 = £1.00), be either immediately exchanged upon issuance for, or immediately redeemed with the redemption proceeds being immediately applied to subscribe for and/or to purchase ordinary shares at a price of 615 pence per ordinary share, which is subject to adjustment. Subject to the foregoing, 115.3203 ordinary shares will be issued or transferred in respect of each US\$1,000 principal amount of a SABMiller Bond.

The maturity of obligations under finance lease and hire purchase contracts is as follows:

	2003 US\$m	2002 US\$m
Included in amounts falling due after one year (between one and five years)	30	30
Included in amounts falling due within one year	20	14
Obligations under finance lease and hire purchase contracts	50	44

Borrowings are secured by various of the group's fixed assets with an aggregate net book value of US\$105 million (2002: US\$120 million).

Notes to the Consolidated Financial Statements *continued***22. Provisions for liabilities and charges**

	Demerged entities US\$m	Post- retirement benefits US\$m	Insurance US\$m	Other US\$m	Deferred taxation US\$m	Total US\$m
At 31 March 2001	25	22	–	25	117	189
Exchange adjustments	(6)	(6)	–	(2)	(31)	(45)
Arising on acquisition of subsidiary undertakings	–	–	–	9	11	20
Charged to profit and loss account	–	8	–	1	5	14
Utilised in the year	(5)	(3)	–	(5)	–	(13)
Transfer (to)/from creditors	–	(1)	–	2	–	1
At 31 March 2002	14	20	–	30	102	166
Exchange adjustments	6	7	–	3	35	51
Arising on acquisition of subsidiary undertakings	–	414	28	5	–	447
Arising on disposal of subsidiary undertakings	–	(2)	–	–	–	(2)
Hindsight adjustments	–	8	–	5	–	13
Charged to profit and loss account	–	51	57	32	6	146
Utilised in the year	–	(16)	(50)	(9)	–	(75)
Transfer from/(to) creditors	–	3	–	(6)	–	(3)
At 31 March 2003	20	485	35	60	143	743

Demerged entities

During the year ended 31 March 1998, the group recognised a provision of US\$117 million for the disposal of certain demerged entities in relation to equity injections which were not regarded as recoverable, as well as potential liabilities arising on warranties and the sale agreements. During the year ended 31 March 2002, US\$5 million was further utilised in regard to the disposal of SAB Ltd's remaining retail interests. The residual US\$20 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 and have been submitted for dispute resolution to independent accountants acting as experts and not as arbitrators. In March 2000 an opinion was received from the experts but subsequent to that Shoprite has instituted action against the independent experts and SABMiller indicating an intention to refute the expert opinion. While full provision for all claims has already been made on the basis of prudence, the actual outcome of the dispute cannot be estimated by the directors at this time. The further information ordinarily required by FRS 12 – 'Provisions, contingent liabilities and contingent assets' – has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the dispute.

Post-retirement benefits

The provision for post-retirement benefits represents the provision for medical benefits for retired employees and their dependants in South Africa, for post-retirement medical and life insurance benefits to eligible employees and their dependants in North America, and pension provisions for employees in North and Central America, South Africa, Europe and Africa and Asia. The principal assumptions on which these provisions are based are disclosed in note 34.

Insurance

Insurance provisions of US\$35 million represent amounts provided in respect of claims made by employees for work-related accidents. Management estimates that the provision will be substantially utilised in the next one to two years.

Notes to the Consolidated Financial Statements *continued***22. Provisions for liabilities and charges** *(continued)***Other provisions**

At 31 March 2003 the group retained US\$60 million (2002: US\$30 million) of other provisions. The principal individual components of this amount are as follows:

The group has provided for brewery closure costs in Turnwater (USA) totalling US\$15 million.

The group has recognised various provisions, totalling US\$11 million at 31 March 2003 (2002: US\$7 million), in relation to taxation exposures it believes may arise. The provisions principally relate to corporate taxation in respect of a number of group companies and are not individually significant. Any settlement in respect of these amounts will occur as and when the assessments are finalised with the respective tax authorities.

US\$8 million (2002: US\$7 million) of provisions in respect of outstanding litigation within various operations have been retained, none of which are expected to have adverse material consequences to the group.

Payroll related provisions of US\$8 million (2002: US\$10 million) include provisions amounting to US\$8 million (2002: US\$4 million) within Central America to comply with labour legislation relating to employee service terminations and rewards.

Deferred taxation	2003 US\$m	2002 US\$m
Provision for deferred tax comprises:		
Fixed asset allowances	167	117
Tax losses carried forward	(9)	–
Prepayments	8	6
Excise duty in stock	4	2
Unrealised foreign exchange (losses)/profits	(5)	2
Provisions	(11)	(16)
Pension and post-retirement benefit provisions	(13)	(2)
Other timing differences	2	(7)
	143	102
At the beginning of year	102	117
Arising on acquisition of subsidiary undertakings	–	11
Exchange adjustments	35	(31)
Charged to profit and loss account	6	5
At end of year	143	102
Included within debtors (note 17) is a deferred tax asset comprising:		
Fixed asset allowances	(201)	–
Intangible assets	27	–
Provisions	36	3
Pensions and post-retirement benefit provisions	176	–
Tax losses carried forward	5	2
Prepayments	(3)	–
Other timing differences	58	–
	98	5
At the beginning of year	5	–
Arising on acquisition of subsidiary undertakings	101	4
Hindsight adjustments	6	–
Charged to profit and loss account	(14)	1
At end of year	98	5

This deferred tax asset is brought about by timing differences on provisions in North and Central America. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to record these assets.

Notes to the Consolidated Financial Statements *continued***23. Share capital**

	2003 US\$000	2002 US\$000
Group and company		
Authorised share capital		
9,000,000,000 ordinary shares of 10.0 US cents each (2002: 2,000,000,000)	900,000	200,000
1,000,000,000 convertible participating shares of 10.0 US cents each (2002: nil)	100,000	–
77,368,338 non-voting convertible shares of 10.0 US cents each (2002: nil)	7,737	–
50,000 deferred shares of £1.00 each (2002: 50,000)	80	80
Called up, allotted and fully paid share capital		
998,802,609 ordinary shares of 10.0 US cents each (2002: 840,888,305)	99,880	84,089
195,051,230 convertible participating shares of 10.0 US cents each (2002: nil)	19,505	–
77,368,338 non-voting convertible shares of 10.0 US cents each (2002: nil)	7,737	–
50,000 deferred shares of £1.00 each (2002: 50,000)	80	80

	Ordinary shares of 10.0 US cents each '000	Convertible participating shares of 10.0 US cents each '000	Non-voting convertible shares of 10.0 US cents each '000	Deferred shares of £1.00 each '000	Nominal value US\$000
At 31 March 2001	774,999	–	–	50	77,580
Issue of shares	65,889	–	–	–	6,589
At 31 March 2002	840,888	–	–	50	84,169
Conversion of ordinary share capital	(77,368)	–	77,368	–	–
Issue of shares	235,283	195,051	–	–	43,033
At 31 March 2003	998,803	195,051	77,368	50	127,202

On 1 July 2002 the company increased its authorised share capital to US\$1,007,736,833 divided into 9,000,000,000 ordinary shares, 1,000,000,000 convertible participating shares and 77,368,338 non-voting convertible shares, each of 10.0 US cents, and £50,000 divided into 50,000 deferred shares of £1.00 each (2002: 2,000,000,000 ordinary shares of 10.0 US cents and 50,000 deferred shares of £1.00 each).

Upon the acquisition of Miller Brewing Company, on 9 July 2002, the company issued a total of 430,000,000 shares to Altria Group, Inc. (Altria) (formerly Philip Morris Companies Inc.), which comprised 234,948,770 ordinary shares and 195,051,230 convertible participating shares, the nominal value of which was US\$43,000,000. Altria has agreed to a standstill period until 31 December 2004 and a lock-up period (in which it will not be able to sell its shares, other than in specific circumstances) until 30 June 2005.

In terms of the SABMiller share purchase, option and award schemes, a total of 333,872 new ordinary shares were allotted and issued during the year.

On 9 July 2002 the 77,368,338 ordinary shares of 10.0 US cents held by Safari Ltd were converted to non-voting convertible shares of 10.0 US cents each.

The convertible participating shares and non-voting convertible shares 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 and the non-voting convertible shares. On distribution of the profits (whether by cash dividend, dividend in specie, scrip dividend, capitalisation issue or otherwise), the convertible participating shares and non-voting convertible shares each rank *pari passu* with the ordinary shares. On the return of capital (whether winding-up or otherwise) the convertible participating shares and the non-voting convertible shares each rank *pari passu* with the ordinary shares.

Notes to the Consolidated Financial Statements *continued*

23. Share capital *(continued)*

Altria shall be entitled to vote its convertible participating shares at general meetings of SABMiller 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 SABMiller;
- ii) proposed by any person other than Altria, to appoint an administrator or to approve any arrangement with SABMiller's creditors;
- iii) proposed by the Board, to sell all or substantially all of the undertaking of SABMiller; 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.

Safari shall not be entitled to vote its non-voting convertible shares on any resolution other than a resolution to alter any of the class rights attaching to the non-voting convertible shares, in which case Safari shall be entitled to vote on the resolution on the basis of one vote for each non-voting convertible share.

Upon a transfer of convertible participating shares by Altria other than to an affiliate, such convertible participating shares shall convert into ordinary shares.

Altria shall be entitled to require SABMiller to convert its convertible participating shares into ordinary shares where the Board has consented to the conversion.

Altria shall be entitled to require SABMiller to convert its convertible participating shares into ordinary shares, so long as such conversion does not result in Altria's voting rights in SABMiller, expressed as a percentage of the total voting rights in SABMiller, calculated (in the case of the convertible participating shares) on the basis of one-tenth of a vote for every convertible participating share, being more than 24.99% of the total voting shareholding.

Altria shall be entitled to require SABMiller to convert its convertible participating shares into ordinary shares if:

- i) a third party has made a takeover offer for SABMiller 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 SABMiller in writing its intention not itself to make an offer competing with such third party offer, provided that the conversion date shall be no earlier than the date on which the third party's offer becomes or is declared unconditional in all respects.

Altria shall be entitled to require SABMiller 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, on or after 31 December 2004, 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.

Altria shall be entitled to require SABMiller 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.

SABMiller shall use its best endeavours to procure that the ordinary shares arising on conversion of the convertible participating shares and the non-voting convertible shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, admitted to listing and trading on the JSE Securities Exchange South

Notes to the Consolidated Financial Statements *continued***23. Share capital** *(continued)*

Africa, and admitted to listing and trading on any other stock exchange upon which the ordinary shares are from time to time listed and traded, but no admission to listing or trading shall be sought for the convertible participating shares or the non-voting convertible shares whilst they remain convertible participating shares or non-voting convertible shares (as the case may be).

The non-voting convertible shares are convertible into ordinary shares on a transfer to a third party unconnected with SABMiller, or Altria or any of their affiliates or any person deemed to be acting in concert with SABMiller or Altria.

The deferred shares do not carry any voting rights and do not entitle holders thereof to receive any dividends or other distributions.

The following options had been granted over SABMiller plc ordinary shares pursuant to the SABMiller plc Executive Share Purchase Scheme (South Africa) and had not been exercised as at 31 March 2003:

Date of grant	South Africa scheme	Ordinary shares	Exercise price ZAR	Exercise period	
				Earliest date	Latest date
24 May 1993		40,000	25.38	24.05.1998	24.05.2003
10 November 1993		30,000	27.19	10.11.1998	10.11.2003
14 April 1994		140,000	34.55	14.04.1999	14.04.2004
28 October 1994		70,000	40.09	28.10.1999	28.10.2004
24 May 1995		78,000	44.46	24.05.2000	24.05.2005
15 August 1995		20,000	47.87	15.08.2000	15.08.2005
29 September 1995		10,000	48.77	29.09.2000	29.09.2005
21 November 1995		30,000	51.18	21.11.2000	21.11.2005
29 May 1996		890,000	53.63	29.05.2001	29.05.2006
20 August 1996		265,000	50.43	20.08.2001	20.08.2006
31 January 1997		40,000	52.14	31.01.2002	31.01.2007
28 May 1997		527,000	53.95	28.05.2002	28.05.2007
12 November 1997		296,000	53.10	12.11.2002	12.11.2007
19 January 1998		570,000	48.62	19.01.2003	19.01.2008
18 August 1998		40,000	43.29	18.08.2003	18.08.2008
14 September 1998		636,000	32.84	14.09.2003	14.09.2008
11 November 1998		1,711,000	46.40	11.11.2003	11.11.2008
27 May 1999		162,500	50.90	27.05.2004	27.05.2009
1 September 1999		35,000	50.05	01.09.2004	01.09.2009
25 November 1999		245,000	56.50	25.11.2004	25.11.2009
2 June 2000		684,500	43.09	02.06.2005	02.06.2010
1 December 2000		1,095,000	45.97	01.12.2005	01.12.2010
1 June 2001		387,000	59.15	01.06.2006	01.06.2011
30 November 2001		1,656,000	67.05	30.11.2006	30.11.2011
31 May 2002		450,900	80.05	31.05.2007	31.05.2012
22 November 2002		1,942,500	67.17	22.11.2007	22.11.2012
Total		12,051,400			

Notes to the Consolidated Financial Statements *continued***23. Share capital** *(continued)*

The following options had been granted over SABMiller plc ordinary shares under the UK SABMiller plc Approved Executive Share Option Scheme and the SABMiller plc Executive Share Option (No 2) Scheme and had not been exercised as at 31 March 2003:

Date of grant	UK scheme	Ordinary shares	Exercise price £	Exercise period	
				Earliest date	Latest date
9 March 1999		407,206	4.850	09.03.2002	09.03.2009
16 March 1999*		44,688	5.370	16.03.2002	16.03.2009
27 May 1999		125,104	5.170	27.05.2002	27.05.2009
27 May 1999*		5,802	5.170	27.05.2002	27.05.2009
1 September 1999		12,180	5.140	01.09.2002	01.09.2009
2 June 2000		1,220,716	4.110	02.06.2003	02.06.2010
2 June 2000*		21,897	4.110	02.06.2003	02.06.2010
1 December 2000		58,380	4.220	01.12.2003	01.12.2010
1 December 2000*		7,109	4.220	01.12.2003	01.12.2010
1 June 2001		1,466,756	5.160	01.06.2004	01.06.2011
1 June 2001*		17,442	5.160	01.06.2004	01.06.2011
30 November 2001		89,210	4.720	30.11.2004	30.11.2011
30 November 2001*		19,068	4.720	30.11.2004	30.11.2011
31 May 2002		1,621,673	5.705	31.05.2005	31.05.2012
31 May 2002*		26,295	5.705	31.05.2005	31.05.2012
4 September 2002		159,468	4.515	04.09.2005	04.09.2012
4 September 2002*		6,645	4.515	04.09.2005	04.09.2012
22 November 2002		247,000	4.400	22.11.2005	22.11.2012
22 November 2002*		34,090	4.400	22.11.2005	22.11.2012
		<u>5,590,729</u>			

*SABMiller plc Approved Executive Share Option Scheme

The following shares had been granted under the SABMiller plc Performance Share Award Scheme and had not vested at 31 March 2003:

Date of award	Ordinary shares	Exercise price £	Date by which performance condition must be met
1 June 2000	261,383	Nil	01.06.2003
1 June 2001	229,015	Nil	01.06.2004
30 November 2001	6,929	Nil	30.11.2004
31 May 2002	353,518	Nil	31.05.2005
9 July 2002	400,000	Nil	09.07.2005
1 August 2002	200,000	Nil	01.08.2005
1 September 2002	109,770	Nil	01.09.2005
22 November 2002	120,000	Nil	22.11.2005
	<u>1,680,615</u>		

Notes to the Consolidated Financial Statements *continued***24. Reserves**

	Share premium US\$m	Merger relief reserve US\$m	Revaluation and other reserves US\$m	Profit and loss reserve US\$m	Total US\$m
At 31 March 2001	1,367	–	31	531	1,929
Issue of shares to SABMiller plc shareholders*	4	–	–	390	394
Profit for the financial year	–	–	–	293	293
Dividends declared	–	–	–	(187)	(187)
Exchange movements	–	–	–	(212)	(212)
Other movements	–	–	1	7	8
At 31 March 2002	1,371	–	32	822	2,225
Issue of shares to SABMiller plc shareholders**	2	3,395	–	–	3,397
Profit for the financial year	–	–	–	296	296
Dividends declared	–	–	–	(283)	(283)
Exchange movements	–	–	–	428	428
Transfers	–	–	(12)	12	–
Goodwill written back on partial disposal of subsidiary	–	–	–	8	8
Other movements	–	–	–	3	3
At 31 March 2003	1,373	3,395	20	1,286	6,074

*In December 2001, SABMiller plc issued 64.7 million new ordinary shares at £4.45 each in an equity placing. The new shares were issued to places nominated by the managers of the placing, in exchange for the transfer by the managers to SABMiller plc of redeemable preference shares in a new United Kingdom tax resident Jersey incorporated company. In accordance with the merger relief provisions of The Companies Act, 1985, the company recorded its investment in these preference shares at the nominal value of the ordinary shares issued in the placing. Upon the subsequent redemption of those preference shares, SABMiller plc recognised a distributable profit of US\$390 million.

**In accordance with section 131 of The Companies Act, 1985, the company recorded the US\$3,395 million excess of the value attributed to the shares issued as consideration for Miller Brewing Company over the nominal value of those shares as a merger relief reserve.

The group profit and loss reserve includes amounts of US\$116 million (2002: US\$20 million), the distribution of which is limited by statutory or other restrictions.

Notes to the Consolidated Financial Statements *continued***25. Reconciliation of operating profit to net cash inflow from operating activities**

	2003 US\$m	2002 US\$m
Operating profit	803	619
Depreciation:		
tangible fixed assets	289	176
containers	55	34
Container breakages and shrinkage	20	10
Amortisation of intangible assets	265	51
Dividends received from other investments	(3)	(2)
Profit on sale of fixed assets	(1)	(3)
Impairment provision in South Africa	4	–
Brewery closure costs in Tumwater (USA)	35	–
Miller integration costs	11	–
Central America reorganisation costs	3	–
Brewery closure costs in Pitesti (Romania)	–	8
Asset impairment provision in Ursus (Romania)	–	10
Reversal of asset impairment provision in Velke Popovice (Czech)	–	(11)
Deferred income	(3)	1
Other non-cash movements	5	11
Net cash inflow from operating activities before working capital movements (EBITDA)	1,483	904
Increase in stock	(44)	(7)
Decrease/(increase) in debtors	20	(37)
Increase in creditors	109	115
Net cash inflow from operating activities	1,568	975

Operating cash flows include cash outflows relating to exceptional items of US\$12 million in respect of Miller integration costs and US\$9 million in respect of reorganisation costs in Central America. There were no cash flows associated with the Tumwater brewery closure costs.

26. Reconciliation of net cash flow to movement in net debt

	2003 US\$m	2002 US\$m
Increase in cash	248	116
Net cash outflow/(inflow) from decrease/(increase) in debt and lease financing	140	(297)
Cash inflow from decrease in liquid resources	(44)	(19)
Change in net debt resulting from cash flows	344	(200)
Loans and finance leases acquired with subsidiary undertakings	(2,008)	(261)
Loans and finance leases disposed with subsidiary undertakings	9	–
Exchange movements	(58)	54
Amortisation of bond costs	(4)	(3)
Movement in net debt in the year	(1,717)	(410)
Opening net debt	(1,245)	(835)
Closing net debt	(2,962)	(1,245)

Notes to the Consolidated Financial Statements *continued***27. Analysis of net debt**

	Cash at bank and in hand US\$m	Over-draft US\$m	Total US\$m	Funding due within one year US\$m	Funding due after one year US\$m	Finance leases due within one year US\$m	Finance leases due after one year US\$m	Total US\$m	Liquid re-sources US\$m	Net debt US\$m
At 31 March 2001	165	(86)	79	(99)	(777)	(21)	(70)	(967)	53	(835)
Cash flow	105	11	116	133	(454)	17	7	(297)	(19)	(200)
Acquisitions (excluding cash and overdrafts)	–	–	–	(59)	(213)	–	–	(272)	11	(261)
Exchange adjustments	(25)	13	(12)	14	29	5	18	66	–	54
Change in maturity of net debt	–	–	–	(153)	153	(15)	15	–	–	–
Amortisation of loan costs	–	–	–	–	(3)	–	–	(3)	–	(3)
At 31 March 2002	245	(62)	183	(164)	(1,265)	(14)	(30)	(1,473)	45	(1,245)
Cash flow	303	(55)	248	105	24	16	(5)	140	(44)	344
Acquisitions (excluding cash and overdrafts)	–	–	–	(8)	(2,000)	–	–	(2,008)	–	(2,008)
Disposals	–	–	–	2	7	–	–	9	–	9
Exchange adjustments	11	(1)	10	(33)	(19)	(6)	(11)	(69)	1	(58)
Change in maturity of net debt	–	–	–	(2,173)	2,173	(16)	16	–	–	–
Amortisation of loan costs	–	–	–	–	(4)	–	–	(4)	–	(4)
At 31 March 2003	559	(118)	441	(2,271)	(1,084)	(20)	(30)	(3,405)	2	(2,962)

Note: Liquid resources comprise short-term deposits with banks, which mature within 12 months of the date of inception, and amounts invested in short-dated liquid instruments.

The group's net debt is denominated in the following currencies:

	US dollars US\$m	Rand US\$m	Other currencies US\$m	Total US\$m
Gross borrowings (including overdrafts)	(1,094)	(156)	(285)	(1,535)
Cash at bank and liquid resources	124	79	87	290
Net debt at 31 March 2002	(970)	(77)	(198)	(1,245)
Gross borrowings (including overdrafts)	(3,081)	(91)	(351)	(3,523)
Cash at bank and liquid resources	349	98	114	561
Net debt at 31 March 2003	(2,732)	7	(237)	(2,962)

28. Major non-cash transactions**For the year ended 31 March 2003:**

Miller: On 9 July 2002, South African Breweries plc (SAB) and Philip Morris Companies Inc, now named Altria Group, Inc., entered into an agreement whereby SAB acquired 100% of the share capital of Miller Brewing Company in exchange for 430 million SAB shares. The value of the shares was based on the opening share price on the day of issue of £5.21, at the ruling exchange rate of US\$1.5348 = £1.00.

East Africa: SABMiller Africa BV (SABMA) and East African Breweries Ltd (EABL) entered into agreements relating to the operation of their businesses in Kenya and Tanzania which were fully completed in December 2002. In terms of the agreements, SABMA disposed of its subsidiary, Castle Brewing Kenya Ltd, to Kenya Breweries Ltd (KBL), a subsidiary of EABL, in exchange for a 20% shareholding in KBL. EABL in turn disposed of its subsidiary, Kibo Breweries Ltd, to SABMA's Tanzania Breweries Ltd (TBL) in exchange for a 20% shareholding in TBL.

For the year ended 31 March 2002:

Castel: SABMiller and the Castel group (CBB) entered into an agreement which became effective on 1 April 2001, whereby SABMiller exchanged a 38% interest in SABMiller Africa for a 20% interest in CBB.

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals****Acquisitions**

All of the assets and liabilities relating to acquisitions have been accounted for on an acquisition basis.

For the year ended 31 March 2003:

The following table represents the assets and liabilities acquired for the year ended 31 March 2003, excluding the assets and liabilities relating to the acquisition of the Miller Brewing Company which are separately discussed below. The fair value of the assets and liabilities acquired, which are considered to be provisional as a number of matters are still under consideration, were as follows:

	Book value US\$m	Fair value adjustments US\$m	Fair value US\$m
Tangible fixed assets	13	–	13
Stock	1	–	1
Debtors	6	–	6
Creditors due within one year	(14)	–	(14)
Creditors due after one year	(5)	–	(5)
	1	–	1
Minority interests	2	–	2
Net assets	3	–	3
Goodwill			60
Consideration			63

In accordance with the group's accounting policy, the goodwill of US\$60 million arising on consolidation has been stated in the balance sheet as an intangible asset.

Total consideration is comprised as follows:

	US\$m
Cash consideration	13
Shares in subsidiaries	50
Consideration per the above fair value table	63

The other principal acquisitions made by SABMiller include the following:

- SABMiller Africa BV (SABMA) and East African Breweries Ltd (EABL) entered into agreements relating to the operation of their businesses in Kenya and Tanzania which were fully completed in December 2002. In terms of the agreements, SABMA disposed of its subsidiary, Castle Brewing Kenya Ltd (CBKL), to Kenya Breweries Ltd (KBL), a subsidiary of EABL in exchange for a 20% shareholding in KBL. EABL in turn disposed of its subsidiary, Kibo Breweries Ltd, to SABMA's Tanzania Breweries Ltd (TBL) in exchange for a 20% shareholding in TBL. To facilitate the deal SABMA bought out CBKL's minorities.
- Effective 1 May 2002, Cervejas de Moçambique (CDM) purchased the controlling interest, and management control, of Laurentina from Brasseries Internationales Holdings (BIH), a subsidiary of the Castel group. As a result of the deal, the Laurentina brand has been successfully integrated into the CDM portfolio of brands.
- On 26 March 2003 regulatory approval was granted for Mysore Breweries Ltd to acquire a 97.4% interest in Rochees Breweries Ltd, thus replacing a contract brewing arrangement that was in place for the full year.

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals** *(continued)***Miller**

With effect from 9 July 2002, South African Breweries plc (SAB) purchased the entire share capital of Miller Brewing Company (Miller) from Altria Group, Inc. (formerly Philip Morris Companies Inc.) in exchange for the issue of 430 million shares in SAB. The shares issued to Altria comprise two classes of equity capital; ordinary shares and unlisted convertible participating shares. The total of these shares is equivalent to an economic interest of 36.02% (excluding the shares owned by Safari Ltd) in the enlarged SABMiller. Altria's total voting rights have been capped at 24.99% of the votes exercisable at a general meeting.

The fair values of the assets and liabilities acquired, which are considered to be provisional as a number of matters are still under consideration, were as follows:

	Book value US\$m	Fair value adjustments US\$m	Provisional fair value US\$m
Tangible fixed assets	961	170	1,131
Intangible assets	357	(357)	–
Other investments	2	(1)	1
Stock	131	–	131
Debtors	503	(103)	400
Cash and cash equivalents	6	–	6
Creditors due within one year	(408)	12	(396)
Creditors due after one year	(2,007)	(2)	(2,009)
Provisions for liabilities and charges	(469)	22	(447)
	(924)	(259)	(1,183)
Minority interests	(24)	18	(6)
Net assets	(948)	(241)	(1,189)
Goodwill			4,673
Consideration			3,484

In accordance with the group's accounting policy, the goodwill of US\$4,673 million arising on consolidation has been stated in the group's balance sheet as an intangible asset.

Total consideration is comprised as follows:

	US\$m
Cash acquisition costs	46
Issue of shares	3,438
Consideration per the above fair value table	3,484

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals** (*continued*)

Adjustments to align accounting policies and fair value adjustments comprise the following:

	US\$m
Adjustments to align accounting policies	
Tangible fixed assets ⁽¹⁾	13
Intangible fixed assets ⁽²⁾	(357)
Other investments ⁽³⁾	(1)
Debtors ⁽⁴⁾	(135)
Creditors due within one year ⁽⁵⁾	27
Creditors due after one year ⁽⁶⁾	(2)
Provisions for liabilities and charges ⁽⁷⁾	68
Minority interests ⁽⁸⁾	18
Other adjustments	
Tangible fixed assets ⁽¹⁾	157
Debtors ⁽⁴⁾	32
Creditors due within one year ⁽⁵⁾	(15)
Provisions for liabilities and charges ⁽⁷⁾	(46)
	<u>(241)</u>

The principal fair value adjustments may be explained as:

- (1) Land and buildings fair valued based on an independent valuation. Containers reclassified from stock. Depreciation lives brought into harmony with group policy;
- (2) Intangible assets reversed;
- (3) Investments reclassified to debtors;
- (4) Pension assets decreased to comply with UK GAAP. Deferred tax assets were adjusted to state taxes on a UK GAAP basis and to recognise the impact of fair value adjustments;
- (5) Distributor configuration accruals were reversed to conform to UK GAAP. Undisclosed liabilities and accruals were recorded. Pension and other provisions were reclassified to provisions for liabilities and charges to comply with UK GAAP. Sick pay and vacation accruals were increased to comply with UK GAAP;
- (6) Distributor configuration accruals were reversed to conform to UK GAAP;
- (7) Provisions for defined benefit pension and other post-retirement benefits were increased to comply with UK GAAP. Deferred tax was adjusted to properly record taxes on a UK GAAP basis, to recognise the impact of fair value adjustments and reclassified to debtors; and
- (8) Minority interests were adjusted to align minorities due to other fair value adjustments.

Based on the unaudited US GAAP management accounts, Miller Brewing Company and its subsidiaries earned a profit after taxation and minorities of US\$142 million for the period from 1 January 2002 to 8 July 2002.

The summary profit and loss account for this period is shown below:

	Period ended 8 July 2002 US\$m
Turnover	2,659
Operating profit	245
Interest	(11)
Profit before taxation	234
Taxation	(89)
Profit after taxation	145
Minority interests	(3)
Profit for the period	<u>142</u>

There were no recognised gains and losses in the period ended 8 July 2002 other than the profit after tax and minorities of US\$142 million shown above.

For the year ended 31 December 2001 Miller earned US GAAP profit after tax and minority interests of US\$231 million.

The reported profit after taxation figures and the amounts shown in the summary profit and loss for the periods indicated above do not reflect the impact of changes to the accounting policies or other fair value adjustments made by the group subsequent to their acquisition.

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals** *(continued)*

From 9 July 2002, the date of acquisition, to 31 March 2003, the Miller operations contributed US\$341 million to the group's EBITDA, paid US\$47 million in respect of taxation, US\$45 million in respect of servicing finance, and utilised US\$94 million for capital expenditure.

Reconciliation of cash consideration to cash paid per the cash flow statement

	US\$m
Cash acquisition costs in relation to Miller	46
Cash consideration for rest of group	13
Central America hindsight adjustment	1
	<u>60</u>
Purchase of subsidiary undertakings per cash flow statement	52
Purchase of shares from minorities per cash flow statement	8
	<u>60</u>

For the year ended 31 March 2002:

The following table represents the assets and liabilities acquired for the year ended 31 March 2002, excluding the assets and liabilities relating to the acquisition of the Central America business which are separately disclosed below. The fair values of the assets and liabilities acquired were as follows:

	Provisional book value US\$m	Hindsight adjustments US\$m	Final fair value US\$m
Tangible fixed assets	94	(2)	92
Other investments	(4)	–	(4)
Stock	15	–	15
Debtors	15	–	15
Cash and cash equivalents	11	–	11
Creditors due within one year	(59)	–	(59)
Creditors due after one year	(4)	–	(4)
Provisions for liabilities and charges	(5)	(1)	(6)
	<u>63</u>	<u>(3)</u>	<u>60</u>
Minority interests	(13)	–	(13)
Net assets	50	(3)	47
Goodwill	96	3	99
Consideration	<u>146</u>	<u>–</u>	<u>146</u>

In accordance with the group's accounting policy, the goodwill of US\$99 million arising on consolidation has been stated in the group's balance sheet as an intangible asset.

Total consideration is comprised as follows:

	US\$m
Cash consideration	145
Deferred consideration creditor raised	1
Consideration per the above fair value table	<u>146</u>

Adjustments to align accounting policies and fair value adjustments comprise the following:

Other adjustments

Tangible fixed assets ⁽¹⁾	(2)
Provisions for liabilities and charges ⁽²⁾	(1)
	<u>(3)</u>

The principal fair value adjustments may be explained as:

⁽¹⁾ Revision of asset values; and

⁽²⁾ Recognition of additional provisions.

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals** *(continued)*

The other principal acquisitions made by SABMiller include the following:

- A 20% equity stake in the Castel group (CBB) in exchange for a 38% stake in SABMiller Africa by way of a share exchange which became effective on 1 April 2001. A shareholders' agreement governs the strategic alliance arrangements between the parties.
- On 28 June 2001, SAB India Ltd acquired a 76% controlling interest in Mysore Breweries Ltd (MBL) in India. At the time of acquisition MBL had a 60% interest in Pals Distillers Ltd. This was then increased to a 95% interest.
- A further 54.6% interest in Nile Breweries of Uganda bringing SABMiller's stake to 94.6%. Consequently Nile Breweries is now consolidated as opposed to equity accounted.
- In December 2000 the Polish state failed to exercise its put option over its shareholding in Kompania Piwowarska. In July 2001, the state then sold these shares to EAC and SABMiller, increasing our share by 4%.
- SABMiller Europe acquired a controlling interest of 83.7% in Bere Timisoreana SA of Romania from a vendor consortium on 7 August 2001. This was increased in March 2002 to 95.6%.
- An agreement was signed, on 1 November 2001, with The Coca-Cola Export Corporation to purchase a 45% shareholding in Coca-Cola Bottling Luanda (CCBL). This investment along with existing management agreement gave SABMiller Africa an effective controlling stake in CCBL.
- SABMiller acquired, through its subsidiary SAB India Ltd, a 53% controlling interest in Rochees Breweries Ltd, a company listed on a number of stock exchanges in India including the Bombay Stock Exchange on 7 November 2001.
- After listing CDM on the Mozambiquan Stock Exchange on 27 December 2001, SABMiller acquired an additional 13.5% interest, thus increasing its investment to 78.5%.
- On 12 February 2002 SABMiller Africa announced that its Zambian subsidiary, Zambian Breweries plc, listed on the Lusaka Stock Exchange, had acquired the entire issued share capital of the Coca-Cola bottler, Zambia Bottlers Ltd, from a vendor consortium including The Coca-Cola Export Corporation.

Central America

On 28 November 2001, SABMiller plc acquired 58.4% of BevCo which owns interests in Honduras and El Salvador.

The fair values of the assets and liabilities acquired were as follows:

	Provisional fair value US\$m	Hindsight adjustments US\$m	Final fair value US\$m
Tangible fixed assets	227	13	240
Stock	47	(2)	45
Debtors	118	1	119
Cash and cash equivalents	25	–	25
Creditors due within one year	(148)	–	(148)
Creditors due after one year	(209)	–	(209)
Provisions for liabilities and charges	(15)	(12)	(27)
	45	–	45
Minority interests	(4)	–	(4)
Net assets	41	–	41
Goodwill	930	1	931
Consideration	971	1	972

In accordance with the group's accounting policy, the goodwill of US\$931 million arising on consolidation has been stated in the group's balance sheet as an intangible asset.

Total consideration is comprised as follows:

	US\$m
Cash consideration	548
Trading balances with Dole Inc. set-off	24
Issue of shares to partner	400
Consideration per the above fair value table	972

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals** *(continued)*

The hindsight adjustments to align accounting policies and fair value adjustments comprise the following:

	US\$m
Adjustments to align accounting policies	
Tangible fixed assets ⁽¹⁾	(8)
Other adjustments	
Tangible fixed assets ⁽²⁾	21
Stock ⁽³⁾	(2)
Debtors ⁽⁴⁾	1
Provisions for liabilities and charges ⁽⁵⁾	(12)
	<u> </u>
	<u> </u>
	-

The principal fair value adjustments may be explained as follows:

- (1) Containers restated to align with group policy;
 (2) Non-specialised land and buildings fair valued based on an independent valuation. Containers written down to net realisable value or value in use;
 (3) Write-off of obsolete stock;
 (4) Write-off of irrecoverable debtors. Recognition of deferred tax asset on adjustments; and
 (5) Recognition of post-retirement and other provisions.

Based on the combined unaudited proforma management accounts, the entities acquired in Central America earned a profit after taxation of US\$42 million for the eleven month period from 1 January 2001 to 27 November 2001.

The summary combined profit and loss account for the entities for this period is shown below:

	11 months ended 27 November 2001 US\$m
Turnover	497
Operating profit	58
Interest	(3)
Profit before tax	55
Taxation	(13)
Profit after taxation	<u> </u> 42

There were no recognised gains and losses in the eleven months ended 27 November 2001 other than the profit after taxation of US\$42 million shown above.

The reported profit after taxation figure and the amounts shown in the summary profit and loss for the periods indicated above do not reflect the impact of changes to the accounting policies of the entities or other fair value adjustments made by the group subsequent to their acquisition.

From 28 November 2001, the date of acquisition, to 31 March 2002, the Central American operations contributed US\$186 million to the group's turnover and US\$7 million to the group's operating profit. During the same period, the Central American operations contributed US\$41 million to the group's EBITDA, paid US\$6 million in respect of taxation and utilised US\$12 million for capital expenditure.

Notes to the Consolidated Financial Statements *continued***29. Acquisitions and disposals** *(continued)***Reconciliation of cash consideration to cash paid per the cash flow statement**

	US\$m
Cash consideration for Central America	547
Cash consideration for rest of group	145
Settlement of deferred consideration in respect of Polish put option	12
	<u>704</u>
Purchase of subsidiary undertakings per cash flow statement	672
Purchase of shares from minorities per cash flow statement	32
	<u>704</u>

Disposals**For the year ended 31 March 2003:****Hotels and Gaming**

On 31 March 2003, SABMiller entered into an agreement with Tsogo Investment Holding Company (Pty) Ltd whereby SABMiller contributed its entire hotel and gaming interests, including 100% of Southern Sun's hotel interests and 50% of Tsogo Sun's gaming interests, to the new company, Tsogo Sun Holdings (Pty) Ltd (TSH), in exchange for ordinary shares representing 49% of TSH, US\$42 million of TSH redeemable preference shares and US\$43 million cash, net of expenses. Effectively, the transaction has reduced the group's holding in the Hotels division from 100% to 49%, and in the Gaming division from 50% to 49%. The transaction generated an after tax accounting profit of US\$4 million calculated as follows:

	US\$m
Tangible fixed assets	(75)
Other investments	(95)
Stock	(1)
Debtors	(16)
Cash and cash equivalents	(42)
Creditors due within one year	49
Creditors due after one year	7
Provision for liabilities and charges	2
	<u>(171)</u>
Minority interests	1
Net assets	(170)
Net proceeds on disposal	182
	<u>12</u>
Goodwill written back on disposal	(8)
Profit on disposal	<u>4</u>

The proceeds were comprised as follows:

	US\$m
Net cash	43*
Investments in Tsogo Sun Holdings (49%)	97
R400 million of Tsogo Sun Holdings redeemable preference shares	42
	<u>182</u>

*Includes US\$1 million accrued costs.

For the year ended 31 March 2002:

The group sold 13.3% of its interest in Tanzania Distilleries Ltd for US\$1 million.

Notes to the Consolidated Financial Statements *continued*

30. Financial instruments

The group purchases or issues financial instruments in order to finance its operations and to manage the interest rate and currency risks that arise from those operations and from its sources of finance. In addition, various financial balances, for example trade debtors, trade creditors, accruals and prepayments, arise directly from the group's operations.

The group finances its operations through a mixture of retained reserves, bank revolving credit borrowings, long-term bank loans and corporate bonds. In respect of its South African businesses, the group manages overnight cash flows centrally through its wholly-owned subsidiary, Sabfin (Pty) Ltd. Long-term bank financing is arranged locally by the South African entities. Project finance and term borrowing are negotiated directly with the banking industry by group operating subsidiaries, but subject to internal group treasury policies. Outside South Africa, the group's treasury is managed by SABMiller Finance BV which is responsible for cash, the central borrowing portfolio, and foreign exchange management for the non South African businesses.

The group also enters into derivatives transactions, principally forward foreign currency contracts, forward rate agreements and interest rate swaps in order to manage the currency and interest rate risk arising from the group's operations. The group does not write interest rate or currency options and currency options are only purchased as a cost-effective alternative to forward foreign exchange contracts. It is group policy that no trading in financial instruments be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. Compliance with the group's policies and exposure limits is reviewed at quarterly meetings of the board of directors. These policies have remained unchanged throughout the year ended 31 March 2003.

Interest rate risk

The group finances its operations through a mixture of retained reserves, bank and corporate bond borrowings. The group borrows principally in rand, Polish zloty, Czech krone and in US dollars at both fixed and floating rates of interest. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. In order to hedge specific exposures in the interest rate repricing profile of existing borrowings and anticipated peak additional borrowings the group makes use of interest rate swaps and forward rate agreements to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The group's policy is to maintain a level of fixed rate borrowings (measured on a rolling basis) intended to limit the impact of a 1% change in interest rates to 1% of group operating profit excluding exceptional items. As at 31 March 2003 32% (2002: 71%) of the group's borrowings were at fixed rates after taking account of any interest rate swaps and forward rate agreements. The changes in the fixed rate percentage between the two years is analysed further (in this note) under the interest rate risk profile of financial liabilities and financial assets.

Liquidity risk

In order to mitigate any liquidity risk that the group may face, the group's policy has been, throughout the year ended 31 March 2003, to maintain substantial unutilised banking facilities and reserve borrowings capacity, as indicated by the level of undrawn facilities.

Foreign currency risk

The group seeks to mitigate the effect of structural currency exposures by borrowing, where cost effective, in the same currencies as the functional currencies of its main operating units. It is not the group's policy to hedge foreign currency translation exposures.

The group also has transactional currency exposures which principally arise from sales or purchases, in currencies other than the unit's functional currency. The group's policy is to limit the aggregate uncovered net transaction exposure to US\$60 million (2002: US\$80 million) – being intended to limit the impact on group operating profit to 1% for every 10% movement in exchange rates against the US dollar. The actual position as at 31 March 2003 was US\$14 million (2002: US\$30 million).

Notes to the Consolidated Financial Statements *continued***30. Financial instruments** *(continued)*

The following tables exclude short-term debtors and non-interest bearing short-term creditors except for the table on the fair values of financial assets and liabilities where these balances are included within book and fair values.

Interest rate risk profile of financial liabilities and financial assets

After taking into account the group's interest rate and currency swaps and forward rate agreements the currency and interest rate exposures of the borrowings of the group as at 31 March 2003 were:

Currency	Floating rate financial liabilities US\$m	Fixed rate financial liabilities US\$m	Total US\$m	Financial liabilities where no interest is paid US\$m
SA rand	92	64	156	–
US dollars	168	926	1,094	–
Central European currencies	99	98	197	–
Euro	16	–	16	–
Other currencies	68	4	72	–
At 31 March 2002	443	1,092	1,535	–
SA rand	13	78	91	–
US dollars	2,148	933	3,081	11
Central European currencies	142	117	259	–
Euro	22	–	22	2
Other currencies	67	1	68	–
At 31 March 2003	2,392	1,129	3,521	13

Based on the above floating rate borrowings at 31 March 2003, a 1% change in interest rates would impact group pre-tax profits, over a 12 month period, by approximately US\$24 million, which is 3% of group operating profit. Debt of US\$2 billion at Miller Brewing Company is intended to be refinanced with fixed rate debt early in the next financial year – repositioning interest rate variability within the policy of 1% of group operating profit.

The percentage of fixed rate borrowings at 31 March 2003 was 32% (2002: 71%).

Currency	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed (years)	Weighted average term to maturity (years)
SA rand	13	2	–
US dollars	6	5	–
Central European currencies	8	2	–
Other currencies	14	2	–
At 31 March 2002	6	4	–
SA rand	13	2	–
US dollars	6	4	2
Central European currencies	8	3	–
Other currencies	15	2	–
At 31 March 2003	6	4	2

Notes to the Consolidated Financial Statements *continued***30. Financial instruments** *(continued)*

Floating rate borrowings are mainly bank sourced and bear interest at various money market rates which include overnight call, and up to the 12 month term rates in respect of SA rand activities. US dollar floating rate borrowings are fixed in advance for periods ranging from 30 to 180 days and are mainly priced by reference to LIBOR. Central European borrowing rates vary significantly between the various functional currency areas comprising this region, but are priced by reference to a combination of local market rates or LIBOR depending on the practice of the various markets.

The group held the following financial assets, as part of the financing arrangements of the group as at 31 March 2003:

	2003 US\$m	2002 US\$m
SA rand short-term deposits	1	1
US dollar short-term deposits	–	43
Other short-term deposits	1	1
SA rand cash	97	78
US dollar cash	349	81
Other cash	113	86
	561	290

The above financial assets are all priced at floating rates with interest rates reset and/or maturity dates within one year. Rand assets attract interest rates at the overnight money market call rate, and US dollar assets attract LIBOR related interest rates at various margins. Other currencies include those of Central European countries and the African continent.

Rand cash and short-term deposits are subject to South African exchange control regulations. South Africa's exchange control regulations provide for restrictions on exporting capital from South Africa, other than normal dividends.

Undrawn borrowing facilities

The group has the following undrawn committed borrowing facilities available to it:

	Expiring within one year US\$m	Expiring between one and two years US\$m	Expiring in more than two years US\$m	Total US\$m
Group Central Treasury	25	600	–	625
Africa and Asia	55	–	2	57
Europe	35	76	58	169
Americas	40	–	10	50
South Africa	206	–	18	224
At 31 March 2002	361	676	88	1,125
Group Central Treasury	–	700	–	700
Africa and Asia	46	–	–	46
Europe	254	4	98	356
Americas	69	–	2	71
South Africa	417	–	–	417
At 31 March 2003	786	704	100	1,590

The facilities expiring within one year are of a general banking nature and thus subject to review at various dates (usually on an annual basis), and it is expected that this profile will continue relative to core working capital and seasonal peak borrowing requirements. The facilities expiring beyond two years are of a project and structured finance nature, and mostly are utilised to finance capital expenditure.

Notes to the Consolidated Financial Statements *continued***30. Financial instruments** *(continued)***Currency exposures**

The group seeks to mitigate the effect of the currency exposures arising from its net investments by borrowing as far as possible in the same currencies as the operating currencies of its main operating units. Gains and losses arising on net investments and the financial instruments used to hedge the currency exposures are recognised in the statement of total recognised gains and losses.

The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their local currency.

The table below shows the group's transactional (or non-structural) currency exposures that could give rise to net currency gains and losses which are recognised in the profit and loss account.

Net foreign currency monetary assets/(liabilities)

	SA rand US\$m	US dollar US\$m	Central European currencies US\$m	Western European currencies US\$m	Other African currencies US\$m	Other currencies US\$m	Total US\$m
Functional currency of group operation:							
SA rand	–	2	–	2	–	–	4
US dollars	2	–	–	(6)	–	–	(4)
Central European currencies	–	(8)	–	(3)	–	–	(11)
Euro	–	–	1	–	–	(1)	–
Other African currencies	(9)	(9)	–	(1)	–	–	(19)
At 31 March 2002	(7)	(15)	1	(8)	–	(1)	(30)
SA rand	–	8	–	3	–	–	11
US dollars	–	–	–	3	1	12	16
Central European currencies	–	5	–	20	–	–	25
Western European currencies	(6)	(12)	–	–	–	–	(18)
Other African currencies	(16)	(4)	–	–	–	–	(20)
At 31 March 2003	(22)	(3)	–	26	1	12	14

The amounts shown in the table above take into account the effect of forward contracts and purchased currency options, which are used when cost effective as an alternative to forward contracts. Certain subsidiaries have open forward contracts to manage short-term foreign currency exposures to expected future trade imports and exports. These activities are predominantly centered in South Africa and take place between the SA rand, US dollar, and the euro.

Based on the above net transaction exposure position at 31 March 2003, a simultaneous 10% change in all foreign exchange rates against divisional reporting currencies would impact group operating profit by approximately US\$1 million, which is well within the policy limit of 1% of group operating profit.

Fair values of financial assets and financial liabilities

The following table presents the carrying amounts and the fair values of the group's financial instruments as at 31 March 2003. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated net fair values have been determined using available market information and appropriate valuation methodologies, as detailed below, but are not necessarily indicative of the amounts that the group could realise in the normal course of business.

Notes to the Consolidated Financial Statements *continued***30. Financial instruments** *(continued)*

	2003		2002	
	Book value US\$m	Fair value US\$m	Book value US\$m	Fair value US\$m
Primary financial instruments held or issued				
to finance the group's operations:				
Short-term borrowings and current portion of long-term borrowings	2,409	2,409	240	240
Long-term borrowings	1,114	1,175	1,295	1,306
Financial assets	1,363	1,363	692	692
Other financial liabilities	1,634	1,634	936	936
Derivative financial instruments held to manage				
the interest rate and currency profile:				
Interest rate swaps and forward rate agreements	-	-	-	(4)
Forward foreign exchange contracts	-	(15)	-	-
Commodity contracts	-	(1)	-	-
Derivative financial instruments held or issued				
to hedge the currency and interest rate exposure				
on expected future transactions:				
Interest rate swaps and forward rate agreements	-	(8)	-	-
Forward foreign exchange contracts	-	-	-	9
Commodity contracts	-	2	-	-

The following methods and assumptions were used by the group in determining fair values:

Liquid resources, trade debtors and trade creditors – the book values reported in the balance sheet.

Borrowings – the fair values of the group's fixed rate loans are estimated using quoted prices or, where such prices are not available, discounted cash flows analysed using the appropriate yield curve. The book values of floating rate borrowings approximate their fair value.

Forward instruments – the fair values of interest rate derivatives are based on discounted cash flow analysis and comprise contracts with fixing dates after 31 March 2003. The fair values of forward foreign exchange contracts are determined using the relevant market forward foreign exchange rates.

Hedging

The group's policy is to hedge (on a cost effective basis) the following exposures:

- Interest rate risk – using interest rate derivatives;
- Currency transaction risk – using forward foreign currency contracts to hedge foreign currency creditors. Forward foreign currency contracts are also used to hedge currency exposures on future expected transactions. Under the group's accounting policy, foreign currency balances which are hedged using forward foreign currency contracts are translated at the forward rate inherent in the contracts. Consequently, the relevant asset or liability effectively has the gain or loss on the hedging instrument embedded in its carrying value. Such gains and losses are treated as deferred until the underlying position matures; and
- Commodity price risk – commodity contracts are purchased from time to time to hedge the underlying price risks inherent in the aluminium component of can purchases.

Notes to the Consolidated Financial Statements *continued***30. Financial instruments** *(continued)*

	Unrecognised		Net unrecog- nised gains/ (losses) US\$m	Deferred		Net deferred gains/ (losses) US\$m
	gains US\$m	(losses) US\$m		gains US\$m	(losses) US\$m	
Gains and losses on hedges at 31 March 2001	1	(1)	–	–	–	–
Arising in previous years included in income for the year ended 31 March 2002	1	(1)	–	–	–	–
Arising in and not included in income for the year ended 31 March 2002	–	(4)	(4)	9	–	9
Gains and losses on hedges at 31 March 2002	–	(4)	(4)	9	–	9
Arising in previous years included in income for the year ended 31 March 2003	–	(4)	(4)	9	–	9
Arising in and not included in income for the year ended 31 March 2003	2	(24)	(22)	–	–	–
Gains and losses on hedges at 31 March 2003	2	(24)	(22)	–	–	–
of which gains and losses expected to be included in income for the year ending 31 March 2004	2	(18)	(16)	–	–	–
Gains and losses expected to be included in income thereafter	–	(6)	(6)	–	–	–

31. Operating lease commitments

	2003 US\$m	2002 US\$m
Land and buildings		
Annual commitments under non-cancellable operating leases expiring:		
Within one year	4	3
Between two and five years	13	8
Over five years	9	5
	26	16
Plant, vehicles and systems		
Annual commitments under non-cancellable operating leases expiring:		
Within one year	2	1
Between two and five years	9	5
Over five years	–	1
	11	7

Notes to the Consolidated Financial Statements *continued***32. Commitments**

	2003 US\$m	2002 US\$m
Capital commitments not provided in the financial information:		
Contracts placed for future capital expenditure	162	30
Expenditure authorised by the directors not yet contracted	166	195
Other commitments not provided in the financial information:		
Contracts placed for future expenditure	411	–

Contracts placed for future expenditure relate to Miller's various long-term non-cancellable advertising and promotion commitments which, at 31 March 2003, are principally due between 2004 and 2007.

In addition, Miller has various long-term supply contracts with unrelated third parties to purchase certain materials used in its production and packaging process. The terms of these contracts generally stipulate that Miller must use the designated suppliers for expected minimum percentages of its annual purchase requirements of the specified materials. However, Miller is not obliged to make any purchases unless it requires supplies of such materials. Supply contracts outstanding at 31 March 2003 for malt, bottles, labels and cans expire between 2004 and 2015.

33. Contingent liabilities

	2003 US\$m	2002 US\$m
Guarantees to third parties provided in respect of borrowings of certain subsidiary undertakings	1,766	1,681
US\$328 million 8.06% Private Bond Placing*	328	328
US\$600 million 4.25% guaranteed convertible bonds*	600	600
US\$750 million syndicated loan*	750	750
Bank facilities*	84	–
Other guarantees	4	3
Present value of future rental payments guaranteed by subsidiary undertaking	–	31
Staff loans and pension guarantees	31	1
Litigation	8	2
Other	9	10
	1,814	1,725

*These represent the maximum amounts guaranteed by SABMiller plc, the company. The aggregate actual amounts outstanding and disclosed as part of borrowings (note 21) is US\$1,077 million as at 31 March 2003 (2002: US\$1,078 million).

Staff loans and pension guarantees above primarily relate to the present value of Miller pension guarantees. Miller and Pabst Brewing Company (Pabst) are responsible for the Milwaukee Brewery Workers' Pension Plan. In connection with Pabst's closure of its Milwaukee, Wisconsin brewery and their contract brewing agreement with Miller, Pabst entered into a withdrawal liability settlement agreement, which requires annual payments by Pabst to this pension plan of approximately US\$4 million until 2013. In the event that Pabst is unable to fulfil its pension plan obligation, the plan would have recourse to all the assets of Pabst and its parent company. If such assets do not satisfy Pabst's remaining pension obligation, Miller would be required to fund the remaining Pabst withdrawal liability until 2013.

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 company has a maximum exposure of US\$1,000 million in respect of warranty claims under the Transaction Agreement with Altria (excluding the indemnities given under the Agreement) in respect of the purchase of Miller Brewing Company.

The group has exposures to various environmental risks. Although it is difficult to predict the group's liability with respect to these risks, future payments, if any, would be made over a period of time in amounts that would not be material to the group's financial position, except insofar as already provided in the consolidated financial statements.

Notes to the Consolidated Financial Statements *continued***33. Contingent liabilities** *(continued)*

The group has a number of activities in a wide variety of geographic areas and is subject to certain legal claims incidental to its operations. In the opinion of the directors, after taking appropriate legal advice, these claims are not expected to have, either individually or in aggregate, a material adverse effect upon the group's financial position, except insofar as already provided in the consolidated financial statements.

The group has not provided for deferred UK income and foreign withholding taxes relating to unremitted earnings of overseas subsidiary undertakings, as remittance of these earnings is not currently anticipated in the foreseeable future.

34. Pensions and post-retirement benefits

The group operates a number of pension schemes throughout the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The majority of the schemes are funded and the schemes' assets are held independently of the group's finances. Pension and post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. Generally, the projected unit method is applied to measure the defined benefit scheme liabilities.

The group also provides medical benefits, which are mainly unfunded, for retired employees and their dependants in South Africa. The main assumptions used in calculating the costs were an annual discount rate of 11%, consumer inflation of 7% and medical cost inflation of 9%. The last valuation was performed on 31 March 2003. Miller provides post-retirement, medical and life insurance benefits, which are unfunded, to eligible employees and their dependants. Obligations for post-retirement medical benefit plans were US\$317 million at 9 July 2002, the date of the most recent valuation. The principal assumptions used in calculating the liabilities were an annual discount rate of 8%, consumer inflation of 3.5% and medical cost inflation of 10%.

The pension and post-retirement medical benefit costs for the years ended 31 March 2003 and 31 March 2002 are as follows:

	2003 US\$m	2002 US\$m
Defined contribution scheme costs	34	18
Defined benefit scheme costs	23	4
Post-retirement medical benefits costs	28	6
Pension accruals	26	13
Provisions for pensions	127	3
Provisions for post-retirement benefits	358	16

The group operates various defined contribution and defined benefit schemes. Details of the main defined contribution scheme is provided below:

The South African Breweries Staff Provident Fund

During the financial year ended 31 March 1998, the South African Breweries Pension Fund was liquidated. Members of this fund were converted from a defined benefit basis to a defined contribution basis and transferred to the South African Breweries Staff Provident Fund. On transfer to the Provident Fund, members received an enhancement of 27% of their actuarial reserve value. The market value of assets as at 1 December 1997 was US\$288 million. The liquidation of the pension fund was approved by the Financial Services Board of South Africa and the transfer of assets was substantially completed on 31 July 1998. At the liquidation date an actuarial valuation of the pension fund indicated an estimated surplus to the employer of approximately US\$55 million. The main assumptions used in the calculation of the defined benefit liabilities and to calculate the variation cost in accordance with SSAP 24 – 'Accounting for pensions costs' were a long-term investment return of 15% per annum and a real return in excess of salary inflation of approximately 1% per annum on average. The level of funding, being the actuarial value of assets expressed as a percentage of the accrued service liabilities, calculated at the liquidation date, was approximately 128%. The surplus has been transferred to the Staff Provident Fund and is held separately from members' assets as an employer reserve. In terms of the rules of the

Notes to the Consolidated Financial Statements *continued***34. Pensions and post-retirement benefits** *(continued)*

fund, this employer reserve is currently being used to fund a contribution holiday. In accordance with SSAP 24, the benefit of this contribution holiday is to be spread over the period of the average future working lives of the employees, estimated to be 10 years.

Details of the major defined benefit schemes are provided below:

The ABI Pension Fund

The latest valuation of the ABI Pension Fund was carried out at 1 January 2001 by an independent actuary using the attained age method. The main assumptions were price inflation of 8% per annum, a long-term investment return of 12.5% per annum, rate of salary inflation of 10% per annum and pension inflation of 8% per annum. The latest actuarial valuation revealed a surplus of US\$14 million in the actuarial value of the assets of US\$39 million compared to the actuarial value of the liabilities. This represents a funding level of 156%. The market value of assets at 1 January 2001 was US\$47 million.

Miller Pension Schemes

Salaried employees – substantially all salaried employees of Miller are covered by a defined benefit pension plan, a survivor income benefit plan and a long-term disability plan. Previously the salaried employees of Miller Brewing Company participated in the salaried employees' pension scheme of Altria. On 9 July 2002, Miller Brewing Company established its own pension scheme for salaried employees. Assets from the Altria plan will be transferred to the Miller plan upon approval as a qualified pension plan by the Internal Revenue Service. As of 9 July 2002, the salaried employee pension plan had a deficit of US\$36 million in the actuarial value of the plan assets of US\$364 million compared to the actuarial value of the liabilities. This represents a funding level of 91%.

Hourly employees – eligible hourly employees participate in stand-alone pension plans providing flat dollar benefits based on years of service. The most recent actuarial valuations of these plans, and of Miller's post-retirement benefit plans, were carried out by professionally qualified actuaries at 9 July 2002 using the projected unit method. The principal assumptions used in the preparation of the pension valuations were an annual discount rate of 8%, a rate of increase in flat dollar benefits of 2% and consumer inflation of 2.75%. The latest actuarial valuation revealed a deficit of US\$2 million in the actuarial value of the assets of US\$163 million compared to the actuarial value of the liabilities. This represents a funding level of 99%.

Certain of Miller's hourly employees participate in the Milwaukee Brewery Workers' Pension Plan. As part of the withdrawal settlement, Pabst, which had participated in the plan prior to 1997, has agreed to make annual contributions of approximately US\$4 million to this plan until 2013. The plan's funded status net of the present value of Pabst's withdrawal payments at 31 March 2003 is set out below:

	US\$m
Market value of assets	34
Present value of accrued obligations, net of Pabst withdrawal payments	(73)
Deficit	(39)

Additional disclosures required under Financial Reporting Standard FRS 17

In November 2000, the Accounting Standards Board issued FRS 17 – 'Retirement Benefits' – which changes the way in which companies are required to measure, recognise and disclose their obligations for pension and post-retirement benefits, and the related amounts charged to the profit and loss account and statement of recognised gains and losses. SABMiller has chosen not to early adopt this FRS, but in accordance with the transitional provisions of this standard, the following additional disclosures as at 31 March 2003, and for the year then ended, are set out below.

Notes to the Consolidated Financial Statements *continued***34. Pensions and post-retirement benefits** *(continued)***The ABI Pension Fund**

The above valuation was updated to 31 March 2003 by a qualified independent actuary. The major assumptions used were:

	2003	2002
Salary inflation	7.5%	9.5%
Pension inflation	6.2%	8.1%
Discount rate	11.0%	13.0%
Inflation	6.0%	8.0%

The market value of assets in the scheme and the expected rate of return were:

	2003		2002	
	US\$m	Long-term rate of return	US\$m	Long-term rate of return
Equities	40	13.0%	23	15.0%
Bonds	8	11.0%	5	13.0%
Cash	2	9.0%	2	11.0%
Property and other	-	13.0%	1	15.0%
International equities	12	13.0%	11	15.0%
Total market value of assets	62		42	
Present value of scheme liabilities	(25)		(17)	
Surplus in the scheme	37		25	
Unrecognised pension asset due to limit	(37)		(25)	
Pension asset recognised	-		-	

The pension asset recognised must be limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The limit has been set equal to nil as the surplus apportionment exercise required in terms of the new SA Legislation has not yet been performed.

Miller Pension Schemes

The above valuations were updated at 31 March 2003 by a qualified independent actuary. The major assumptions used were:

	31 March 2003	At acquisition
Discount rate	6.5%	7.0%
Inflation	2.7%	3.5%
Salary inflation	4.5%	4.5%

The market value of the assets in the schemes and the expected rates of return were:

	31 March 2003		At acquisition	
	US\$m	Long-term rate of return	US\$m	Long-term rate of return
Equities	342	9.5%	373	10.0%
Bonds	144	6.5%	158	7.0%
Cash	19	4.0%	20	4.0%
Property	4	9.5%	5	10.0%
Other	17	9.5%	18	10.0%
Total market value of assets	526		574	
Present value of scheme liabilities	(855)		(765)	
Deficit in schemes	(329)		(191)	
Related deferred tax asset	120		75	
Net provision for pension obligation	(209)		(116)	

Notes to the Consolidated Financial Statements *continued***34. Pensions and post-retirement benefits** *(continued)***Post-retirement medical schemes**

The main assumptions used for FRS 17 purposes at 31 March 2003 are as below:

	South Africa		Miller	
	2003	2002	2003	At acquisition
Salary inflation	7.0%	8.0%	4.5%	4.5%
Healthcare cost inflation	9.0%	10.0%	10.0%	10.0%
Discount rate	11.0%	12.0%	6.5%	7.0%

	South Africa		Miller		Total	
	2003 US\$m	2002 US\$m	2003 US\$m	At acquisition US\$m	2003 US\$m	2002 US\$m
Present value of scheme liabilities	(30)	(19)	(432)	(371)	(462)	(19)
Deficit	(30)	(19)	(432)	(371)	(462)	(19)
Related deferred tax asset	9	6	171	147	180	6
Net provision for post-retirement medical benefits	(21)	(13)	(261)	(224)	(282)	(13)

The following amounts would have been recognised in the performance statements in the year to 31 March 2003 under the requirements of FRS 17.

	Percentage of scheme assets/ liabilities	2003 Total US\$m
Operating profit		
Current service cost		27
Total operating charge		27
Other finance income		
Expected return on scheme assets		37
Interest on scheme liabilities		(63)
Net return		(26)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	(9)%	(53)
Experience gains and losses arising on the scheme liabilities	1%	(11)
Effect of changes in the actuarial assumptions		(99)
Actuarial loss recognised in the STRGL	12%	(163)
Movement in deficit during the year		
Opening balance		(32)
Acquisition activity		(562)
Disposal activity		2
Current service cost		(27)
Contributions		15
Other finance costs		(26)
Actuarial loss		(163)
Exchange adjustments		(8)
Other		(3)
Closing balance		(804)

The deficit and the movement therein include amounts in relation to a number of small pension schemes in addition to those described in more detail above, which in aggregate show a deficit at 31 March 2003 of US\$13 million (2002: US\$13 million).

Notes to the Consolidated Financial Statements *continued***34. Pensions and post-retirement benefits** *(continued)*

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 March 2003 and 31 March 2002 would be as follows:

	2003 US\$m	2002 US\$m
Net assets excluding pension and post-retirement liabilities	7,286	3,068
Pension and post-retirement liabilities	(501)	(23)
Net assets including pension and post-retirement liabilities	<u>6,785</u>	<u>3,045</u>
Profit and loss reserve excluding pension and post-retirement liabilities	1,590	835
Pension and post-retirement liabilities	(497)	(19)
Profit and loss reserve including pension and post-retirement liabilities	<u>1,093</u>	<u>816</u>

35. Related party transactions

During the year ended 31 March 2003, the group through its wholly owned subsidiary, Southern Sun Gaming Investments (Pty) Ltd (SSGI) had a 50% interest in Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun), a company formed in conjunction with Tsogo Investment Holdings (Pty) Ltd (TI) to pursue opportunities in the South African gaming industry.

With effect on 31 March 2003, the group entered into a transaction whereby it disposed of its Hotel and Gaming investments to a new company called Tsogo Sun Holdings (Pty) Ltd (TSH) in exchange for a 49% interest in TSH, with the remaining 51% interest held by TI. Effectively the group has disposed of 51% of its interests in Hotels and a 1% interest in its Tsogo Sun Gaming investment. A number of arrangements were in place with Tsogo Sun during the year, which were related party in nature.

Under the terms of a technical and management assistance agreement dated 30 August 1996 between Tsogo Sun and Southern Sun, Southern Sun is entitled to charge Tsogo Sun a consultancy fee of 2% to 2.5% of budgeted capital expenditure costs (excluding land and capitalised interest) on casino resort facilities that are being developed.

Furthermore, Southern Sun Hotel Interests (Pty) Ltd receives a management fee based mainly on turnover and gross operating profit for providing hotel management services for casino hotels owned by Tsogo Sun and food and beverage facilities related to its casino operations.

As of 31 March 2003 the group has a number of arrangements in place with TSH, which are related party in nature.

ABSA Bank Ltd (ABSA) has agreed to provide a series of facilities to TSH and its shareholders, including US\$88 million, of which US\$45 million had been drawn down at 31 March 2003 (2002: US\$33 million), to assist TI and other empowerment shareholders to invest in Tsogo Sun and its subsidiary companies. This facility has been guaranteed by SABSA Holdings (Pty) Ltd (SABSA).

Investec Bank Ltd has agreed to provide certain facilities to Tsogo Sun KwaZulu Natal (Pty) Ltd (TS-KZN), a subsidiary of TSH, for development of the Suncoast Casino in Durban. These facilities are subject to various levels of support from SABSA and Johnnic Ltd (Johnnic), the principal shareholder of Durban Add-ventures (Pty) Ltd (DAV), which owns 40% of TS-KZN:

- US\$76 million, all of which had been drawn down at 31 March 2003, as a bridging finance facility to fund the equity commitments of the shareholders to the Durban development, for a period of up to four years. This facility is 60% guaranteed by SABMiller (US\$46 million) and 40% by Johnnic (US\$30 million), until such time as the facility is repaid and the equity contributions of the shareholders are injected into TS-KZN;
- US\$76 million, of which US\$39 million had been drawn down at 31 March 2003, as a senior debt facility to fund various assets of the Durban development. SABSA and Johnnic have entered into a "sponsor support agreement" in terms of which they will undertake that only if the licence is suspended, withdrawn or not renewed as a result of the conduct of TS-KZN, the sponsors will, in the ratio 60:40, at their election, either assume the obligations of TS-KZN in respect of the senior debt facility; or pay Investec any shortfall in the repayment of the debt owing by TS-KZN to Investec in respect of the senior debt facility that may arise after realisation of Investec's security of TS-KZN's assets;
- The remaining development costs of US\$25 million are to be funded by cash flows generated from the development in the initial years of operation. To the extent that the cash flow generated is not sufficient to meet the outstanding development costs, the shareholders of TS-KZN will be required to procure the remaining funding requirements in terms of their commitments to the KwaZulu Natal Gambling Board.

Notes to the Consolidated Financial Statements *continued*

35. Related party transactions *(continued)*

SABMiller has guaranteed the lease commitments of Tsogo Sun in respect of the Sandton Convention Centre, which are based on a total capital cost of US\$40 million (2002: US\$28 million).

In return for its guarantees the SABMiller group earns an annual fee of between 1.35% and 2% based on the outstanding capital amount drawn down under the related facility during the year.

Prior to 31 March 2003, SSGI provided inter-group loans with market related interest rates, to the Tsogo Sun group, of US\$48 million (2002: US\$35 million). Interest received by SSGI on these loans amounted to US\$6 million during the year ended 31 March 2003 (2002: US\$5 million).

Funding arrangements between SABSA and TSH exist, with such arrangements attracting market related costs. With effect from 31 March 2003 SABSA has provided interest bearing loans to TSH of US\$48 million and subscribed for cumulative redeemable preference shares to a value of US\$51 million.

The group also has related party transactions with its associated undertaking Coca-Cola Canners (Pty) Ltd (Coca-Cola Canners). During the year the group, through its subsidiary ABI, purchased from Coca-Cola Canners canned Coca-Cola products for resale totalling US\$95 million (2002: US\$88 million). As at 31 March 2003 ABI owed US\$17 million (2002: US\$7 million) to Coca-Cola Canners.

During the year, as detailed in note 29, the group acquired through its subsidiary, Cervejas de Moçambique (CDM), the controlling interest in Laurentina from Brasseries Internationales Holdings (BIH), a subsidiary of the Castel group and an associated undertaking of the SABMiller group, by way of a cash payment of US\$1 million and the issue of shares in CDM with a value of US\$8 million.

In the period since its acquisition, Miller Brewing Company has received various services from the Altria group of companies, including information technology, legal, corporate affairs and other administrative services, with an aggregate cost of US\$18 million, of which US\$5 million was outstanding at 31 March 2003.

36. Ordinary shareholding analyses

Listed below are analyses of holdings extracted from the register of ordinary shareholders at 31 March 2003:

	Number of shareholders	Percentage of share capital
Portfolio size		
1 – 1,000	15,516	0.48
1,001 – 10,000	5,694	1.70
10,001 – 100,000	1,259	4.48
100,001 and over	718	93.34
	23,187	100.00
Category		
Individuals	19,962	4.00
Pension and provident funds	212	6.23
Banks, nominees and finance companies	1,597	41.66
Trust funds and investment companies	249	1.52
Other corporate entities	1,167	46.59
	23,187	100.00

The JSE STRATE CSDP system is still being refined in regard to sector and code class and as a result the above analysis should be treated as indicative only.

Notes to the Consolidated Financial Statements *continued***36. Ordinary shareholding analyses** *(continued)*

According to information received by the directors, the following are the only shareholders beneficially holding, directly or indirectly, at 31 March 2003 and 14 May 2003 respectively, in excess of 3% of the share capital having normal voting rights:

	14 May 2003 %	31 March 2003 %	31 March 2002 %
Altria Group, Inc.	23.5	23.5	–
Legal & General Investment Management Ltd	3.2	3.2	–
Putnam Investments	4.0	4.0	–
Investec Asset Management	4.8	4.8	–
Brandes Investment Partners	6.3	6.3	7.2
Liberty Group Limited	3.0	3.0	3.4
Nedcor Bank Nominees (Pty) Ltd	4.4	5.0	6.5
Public Investment Commission	9.5	9.3	7.8
South African Mutual Life Assurance Society & Subsidiaries ('Old Mutual')	3.9	3.8	3.8
Suid-Afrikaanse Nasionale Lewensassuransie Maatskappy ('Sanlam')	5.7	5.6	5.8
Standard Bank Nominees (Tvl) (Pty) Ltd*	14.7	14.5	18.8

*Includes ADRs

Certain of the major shareholders' shareholdings were partially included in the nominee company totals as given and have been excluded from these totals. No other beneficial nominee holders are entitled to shares exceeding 3% of the issued share capital.

37. Post balance sheet events

On 14 May 2003, the group announced it had reached an unconditional agreement to acquire a majority interest in Birra Peroni, the number two brewer in Italy, with options to increase the holding in the future. The transaction was completed on 4 June 2003 with SABMiller acquiring an initial stake of 60%. The acquisition was funded in cash, from existing resources.

A US\$2,000 million bank facility was put in place with an initial one year term and a one year term out option. This facility was fully drawn on 15 May 2003 and used to repay the Miller US\$2,000 million syndicated bank loan. The intention is to refinance this facility in the international capital markets at an appropriate time within the facility period.

On 21 May 2003, it was announced that SABMiller's subsidiary, Mysore Breweries, had become a strong number two brewer in India through a joint venture with the Shaw Wallace group of companies. This positions the group well in the high-growth Indian beer market.

Balance Sheets of SABMiller plc at 31 March

	Notes	2003 US\$m	2002 US\$m
Fixed assets			
Investments in subsidiary undertakings	(i)	5,430	1,947
Other fixed asset investments – employee benefit trust		11	–
		5,441	1,947
Current assets			
Debtors		7	7
Cash at bank and in hand		1	1
		8	8
Creditors – amounts falling due within one year	(ii)	(854)	(742)
Amounts owed by group undertakings		413	464
Net current liabilities		(433)	(270)
Net assets		5,008	1,677
Capital and reserves			
Share capital	23	127	84
Share premium	24	1,373	1,371
Merger relief reserve	24	3,395	–
Profit and loss reserve		113	222
Capital employed	(iii)	5,008	1,677
Profit/(loss) attributable to shareholders		193	(14)

This balance sheet was approved by the directors on 9 June 2003.



Graham Mackay
Chief executive



Malcolm Wyman
Chief financial officer

Notes to the Balance Sheets of SABMiller plc at 31 March

	2003 US\$m	2002 US\$m	
(i) Investment in subsidiary undertakings			
Opening balance	1,947	1,439	
Additions	6,965	1,947	
Disposals	(3,482)	(1,439)	
Closing balance	5,430	1,947	
Subsidiary companies			
SABMiller Holdings Ltd ⁽¹⁾	5,178	1,695	
SAB Ltd ⁽³⁾	250	250	
SAB Management Services Ltd ⁽²⁾	2	2	
South African Breweries Finance (Jersey) Ltd ⁽⁴⁾	-	-	
South African Breweries Finance (No 2) (Jersey) Ltd ⁽⁴⁾	-	-	
SAB Finance (Cayman Islands) Ltd ⁽⁵⁾	-	-	
	5,430	1,947	
Notes:			
Country of incorporation	Principal activity	Country of incorporation	Principal activity
⁽¹⁾ England	Group holding company	⁽³⁾ England	Holding company
⁽²⁾ England	Management services to fellow group companies	⁽⁴⁾ Jersey, Channel Islands	Finance company
		⁽⁵⁾ Cayman Islands	Finance company
		2003 US\$m	2002 US\$m
(ii) Creditors - amounts falling due within one year			
Amounts owed to group undertakings	601	577	
Other creditors	13	7	
Payroll related creditor	4	2	
Dividends payable to shareholders	236	156	
	854	742	
(iii) Reconciliation of movements in shareholders' funds			
Profit/(loss) for the financial year	193	(14)	
Dividends declared	(302)	(206)	
	(109)	(220)	
Nominal value of shares issued for the acquisition of Miller Brewing Company	43	-	
Merger relief reserve arising on shares issued for the acquisition of Miller Brewing Company	3,395	-	
Profit on redemption of redeemable preference shares held in subsidiary company	-	390	
Nominal value of shares issued for the acquisition of preference shares in South African Breweries Finance (Jersey) Ltd	-	7	
Net proceeds of ordinary shares issued for cash	2	4	
Net increase in shareholders' funds	3,331	181	
Shareholders' funds at start of year	1,677	1,496	
Shareholders' funds at end of year	5,008	1,677	

Principal Subsidiary Undertakings

The principal subsidiary undertakings of the group, as at 31 March, were as follows:

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital	
			2003	2002
Central administration				
SABMiller Finance BV ⁽¹⁾	Netherlands	Holding and finance company	100%	100%
SABSA Holdings (Pty) Ltd	South Africa	Holding company	100%	100%
SABMiller Africa and Asia BV ⁽²⁾	Netherlands	Holding company	100%	100%
Miller – US operations				
Miller Brewing Company	USA	Brewing	100%	–
Foster's USA, LLC	USA	Import and sale of beer	50%	–
Jacob Leinenkugel Brewing Co., Inc.	USA	Brewing	100%	–
Central American operations				
Bevco Ltd ⁽³⁾	British Virgin Islands	Holding company	58%	58%
Cervecería Hondureña, S.A.	Honduras	Brewing/CSDs	58%	57%
Industrias La Constancia, S.A. ⁽⁴⁾	El Salvador	Brewing/CSDs/Water	58%	–
La Constancia, S.A. ⁽⁵⁾	El Salvador	Leasing	58%	58%
Embotelladora Salvadoreña, S.A. ⁽⁵⁾	El Salvador	Leasing	58%	58%
Industrias Cristal, S.A. ⁽⁵⁾	El Salvador	Leasing	58%	58%
European operations				
SABMiller Europe BV ⁽⁶⁾	Netherlands	Holding company	100%	100%
Compania de Bere Romania ⁽⁷⁾	Romania	Brewing	97%	–
Compania Cervecera de Canarias SA	Spain	Brewing	51%	51%
Dreher Sörgyarak Rt	Hungary	Brewing	99%	99%
Kaluga Brewery Company OOO	Russia	Brewing	100%	100%
Kompania Piwowarska SA ⁽⁸⁾	Poland	Brewing	72%	72%
Pivovar Šariš AS ⁽⁹⁾	Slovakia	Brewing	100%	98%
Plzeňský Prazdroj SA	Czech Republic	Brewing	97%	98%
African operations				
SABMiller Africa BV ⁽¹⁰⁾	Netherlands	Holding company	62%	62%
SABMiller Botswana BV ⁽¹¹⁾	Netherlands	Holding company	62%	62%
Accra Brewery Ltd ⁽¹²⁾	Ghana	Brewing	43%	43%
Botswana Breweries (Pty) Ltd	Botswana	Sorghum brewing	29%	29%
Castle Brewing Kenya Ltd ⁽¹³⁾	Kenya	Brewing	–	54%
Cervejas de Moçambique SARL ⁽¹²⁾	Mozambique	Brewing	43%	49%
Coca-Cola Bottling Luanda Ltd	Angola	CSDs	28%	28%
Coca-Cola Bottling Sul de Angola SARL	Angola	CSDs	37%	37%
Chibuku Products Ltd	Malawi	Sorghum brewing	31%	31%
Kgalagadi Breweries (Pty) Ltd	Botswana	Brewing/CSDs	29%	29%

Principal Subsidiary Undertakings

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital	
			2003	2002
Lesotho Brewing Company (Pty) Ltd	Lesotho	Brewing/CSDs	24%	24%
National Breweries plc ⁽¹²⁾	Zambia	Sorghum brewing	43%	43%
Nile Breweries Ltd	Uganda	Brewing	59%	59%
Swaziland Brewers Ltd	Swaziland	Brewing	37%	37%
Tanzania Breweries Ltd ⁽¹²⁾⁽¹⁴⁾	Tanzania	Brewing	33%	41%
Zambian Breweries plc ⁽¹²⁾	Zambia	Brewing/CSDs	53%	56%
Asian operations				
SABMiller Asia BV ⁽¹⁵⁾⁽¹⁶⁾	Netherlands	Holding company	100%	100%
Mysore Breweries Ltd	India	Brewing	83%	82%
Narang Breweries (Pvt) Ltd	India	Brewing	85%	85%
Rochees Breweries Ltd ⁽¹⁷⁾	India	Brewing	81%	–
Beer South Africa⁽¹⁸⁾				
The South African Breweries Ltd ⁽¹⁸⁾	South Africa	Brewing and holding company	100%	100%
South African Breweries Hop Farms (Pty) Ltd	South Africa	Hop farming	100%	100%
Southern Associated Maltsters (Pty) Ltd	South Africa	Maltsters	100%	100%
Other Beverage Interests				
Other Beverage Interests (Pty) Ltd	South Africa	Holding company	100%	100%
Amalgamated Beverage Industries Ltd ⁽¹²⁾	South Africa	Beverages	74%	74%
Appletiser South Africa (Pty) Ltd	South Africa	Fruit juices and water	100%	100%

Notes:

- (1) Previously named South African Breweries International (Finance) BV.
(2) Previously named South African Breweries International BV.
(3) Voting rights are different from the nominal interest. A 50% voting right can be exercised. Control vests in SABMiller plc by virtue of the management agreement.
(4) In March 2003, the trade of Industrias Cristal, SA, Embotelladora Salvadoreña, SA and La Constancia, SA, were transferred into this company.
(5) In March 2003, the trade of these companies was transferred to Industrias La Constancia, SA. These companies retained the land and buildings which are leased to Industrias La Constancia, SA.
(6) Previously named South African Breweries International (Europe) BV.
(7) This company was formed following the merger of Bere Timisoreana SA and SC Ursus SA.
(8) SABMiller Poland BV, a wholly owned subsidiary of SABMiller Europe, holds 71.9% of Kompania Piwowarska SA at 31 March 2003.
(9) Pivovar Sariš AS is 100% owned by BBG Austria, a wholly owned subsidiary of SABMiller Europe BV.
(10) Previously named South African Breweries International (Africa) BV.
(11) Previously named Antler Corporation BV.
(12) Listed in country of incorporation.
(13) In December 2002 SABMiller Africa BV disposed of its subsidiary Castle Brewing Kenya Ltd in exchange for a 20% shareholding in Kenya Breweries Ltd, a subsidiary of East African Breweries Ltd.
(14) The shareholding in Tanzania Breweries Ltd has reduced as a result of the East African restructuring detailed in note 29.
(15) This company holds a 49% interest in China Resources Breweries Ltd – see the table for associated undertakings.
(16) Previously named South African Breweries International (Asia) BV.
(17) On 26 March 2003 Mysore Breweries Ltd acquired a 97.35% interest in Rochees Breweries Ltd, replacing a contract brewing arrangement that had been in place for the full year.
(18) When the operations and assets of the South African Beer Division were a part of SAB Ltd, they were held as a division of that company. Following the restructuring, these operations and assets were incorporated into a corporate legal entity, The South African Breweries Ltd.

Principal Subsidiary Undertakings

The group comprises a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. 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 was less than 50%, the basis on which the undertaking is a subsidiary undertaking of the group is as follows:

Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd

SABMiller Africa holds a 40% interest in each of Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd with the remaining 60% interest in each held by Sechaba Brewery Holdings Ltd. SABMiller Africa's shares entitle the holder to twice the voting rights of those shares held by Sechaba Brewery Holdings Ltd. SABMiller Africa's 7% indirect interest is held via an 11% interest in Sechaba Brewery Holdings Ltd.

Lesotho Brewing Company (Pty) Ltd (Lesotho Brewing)

SABMiller Africa holds a 39% interest in Lesotho Brewing with the remaining interest held by a government authority, the Lesotho National Development Corporation (51%), and the Commonwealth Development Corporation (10%). Lesotho Brewing is treated as a subsidiary undertaking based on the group's ability to control its operations through its board representation. The day to day business operations are managed in accordance with a management agreement with Bevman Services AG, a group company.

Coca-Cola Bottling Luanda SARL (CCBL)

SABMiller Africa is the largest shareholder in CCBL with a 45% holding. Management control is exercised through a contractual agreement with Bevman Services AG, a group company.

African operations

The group's effective interest in its African operations was diluted as a result of the disposal of a 38% interest in SABMiller Africa BV on 1 April 2001, in exchange for a 20% interest in the Castel group's African beverage interests. The operations continue to be consolidated due to SABMiller Africa BV's majority shareholdings, and ability to control the operations.

Principal Associated Undertakings

Associated undertakings

The principal associated undertakings of the group, as at 31 March, were as set out below. Where the group's interest in an associated undertaking is held by a subsidiary undertaking which is not wholly-owned by the group, the subsidiary undertaking is indicated in a note below.

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital	
			2003	2002
African operations				
Delta Corporation Ltd ⁽¹⁾⁽²⁾	Zimbabwe	Brewing/CSDs	17%	16%
Kenya Breweries Ltd ⁽²⁾⁽³⁾	Kenya	Brewing	12%	–
Société des Brasseries et Glacières Internationales	France	Holding company	20%	20%
Brasseries Internationales Holding Ltd	Gibraltar	Holding company	20%	20%
Asian operations				
China Resources Breweries Ltd, which holds the following subsidiary undertakings:	British Virgin Islands	Holding company	49%	49%
China Resources (Anhui) Brewery Co Ltd ⁽⁴⁾	China	Brewing	49%	49%
China Resources (Anshan) Brewery Co Ltd ⁽⁴⁾	China	Brewing	44%	44%
China Resources (Blue Sword) Brewery Co Ltd ⁽⁴⁾⁽⁵⁾	China	Brewing	30%	30%
China Resources (Chang Chun) Brewery Co Ltd ⁽⁴⁾	China	Brewing	42%	42%
China Resources (Dalian Banchuidao) Brewery Co Ltd ⁽⁴⁾	China	Brewing	39%	39%
China Resources (Dalian) Brewery Co Ltd ⁽⁴⁾	China	Brewing	49%	49%
China Resources (Heilongjiang) Brewery Co Ltd ⁽⁴⁾	China	Brewing	34%	34%
China Resources (Jilin) Brewery Co Ltd ⁽⁴⁾	China	Brewing	49%	44%
China Resources (Liaoyang) Brewery Co Ltd ⁽⁴⁾	China	Brewing	29%	29%
China Resources (Shenyang) Snowflake Beer Co Ltd ⁽⁴⁾	China	Brewing	49%	44%
China Resources (Tianjin) Brewery Co Ltd ⁽⁴⁾	China	Brewing	45%	45%
China Resources (Wanghua) Brewery Co Ltd ⁽⁴⁾	China	Brewing	39%	39%
China Resources Food and Beverage (Chengdu) Co Ltd ⁽⁴⁾	China	Bottled water	49%	49%
China Resources Food and Beverage (Shenzhen) Co Ltd ⁽⁴⁾	China	Bottled water	49%	49%
Shenyang Hwa-Jeng Winery Brewery Ltd ⁽⁴⁾	China	Brewing	44%	44%
Shenzhen C'est Bon Food and Drink Co Ltd ⁽⁴⁾	China	Bottled water	49%	49%
China Resources (Wuhan) Brewery Co Ltd ⁽⁴⁾⁽⁶⁾	China	Brewing	29%	29%
China Resources (Panjin) Brewery Co Ltd ⁽⁴⁾⁽⁷⁾	China	Brewing	34%	–
China Resources (Beijing Lido) Brewery Co Ltd ⁽⁴⁾⁽⁷⁾	China	Brewing	49%	–
Other Beverage Interests				
Coca-Cola Canners (Pty) Ltd ⁽⁸⁾	South Africa	Canning of beverages	24%	24%
Distell Group Ltd ⁽¹⁾⁽⁹⁾	South Africa	Wines and spirits	30%	30%

Principal Associated Undertakings *continued*

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital	
			2003	2002
Hotels and Gaming				
Tsogo Sun Holdings (Pty) Ltd (TSH) ⁽¹⁰⁾	South Africa	Holding company	49%	–
Southern Sun Hotels (Pty) Ltd ⁽¹⁰⁾	South Africa	Holding company	49%	–
Southern Sun Hotel Interests (Pty) Ltd ⁽¹⁰⁾⁽¹¹⁾	South Africa	Hotels	49%	100%
Tsogo Sun Gaming (Pty) Ltd ⁽¹⁰⁾	South Africa	Gaming	49%	–
Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun) ⁽¹⁰⁾	South Africa	Gaming	–	50%

Notes:

⁽¹⁾ Listed in country of incorporation.

⁽²⁾ Interests in these companies are held by SABMiller Africa BV which is held 62% by SABMiller Africa and Asia BV.

⁽³⁾ In December 2002 SABMiller Africa BV disposed of its subsidiary Castle Brewing Kenya Ltd in exchange for a 20% shareholding in Kenya Breweries Limited, a subsidiary of East African Breweries Ltd.

⁽⁴⁾ China Resources Breweries Limited, the group's 49% owned associated undertaking, holds between 60% and 100% of these companies.

⁽⁵⁾ China Resources (Blue Sword) Brewery Co Ltd has 12 operating subsidiaries, including China Resources (Mianyang) Brewery Co Ltd.

⁽⁶⁾ Shareholding acquired in March 2002.

⁽⁷⁾ Shareholding acquired in January 2003.

⁽⁸⁾ Amalgamated Beverage Industries Ltd, the group's 74% owned subsidiary undertaking, holds 32% of this company.

⁽⁹⁾ Distillers Corporation (SA) Ltd and Stellenbosch Farmer's Winery Group Ltd merged in November 2000 and the name was changed to Distell Group Ltd in March 2001.

⁽¹⁰⁾ The nature of SABMiller plc's interest in the Hotels and Gaming division has changed from subsidiary to associated undertaking (see note 29).

⁽¹¹⁾ Southern Sun Hotel Interests (Pty) Ltd was sold on 31 March 2003 to Tsogo Sun Holdings (Pty) Ltd as part of the partial disposal of the group's interests in the Hotels and Gaming division.

The principal country in which each of the above associated undertakings operates is the same as the country in which each is incorporated. However, Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd's (Castel group) principal subsidiaries are in Africa.

Five-year Financial Review for the years ended 31 March

	1999*	2000*	2001 Restated	2002	2003
	US\$m	US\$m	US\$m	US\$m	US\$m
Income statements					
Turnover (including associates' share)	6,184	5,424	4,184	4,364	9,112
Turnover (excluding associates' share)	4,923	4,390	3,624	3,717	8,295
Profit before interest and taxation (including associates' share)	717	844	700	704	933
Net interest payable	(117)	(80)	(54)	(98)	(163)
Taxation	(195)	(186)	(195)	(208)	(349)
Minorities	(85)	(94)	(99)	(105)	(125)
Profit for the year	320	484	352	293	296
Adjusted earnings	394	426	372	350	581
Balance sheets					
Fixed assets	2,600	3,510	3,667	4,758	11,060
Current asset investments/cash at bank and in hand	749	316	218	290	561
Other current assets	913	558	514	643	1,258
Total assets	4,262	4,384	4,399	5,691	12,879
Interest bearing debt	(953)	(602)	(1,053)	(1,535)	(3,523)
Other creditors and provisions	(1,445)	(1,223)	(1,054)	(1,102)	(2,377)
Total liabilities	(2,398)	(1,825)	(2,107)	(2,637)	(5,900)
Net assets	1,864	2,559	2,292	3,054	6,979
Shareholders' funds	1,703	2,161	2,006	2,309	6,201
Equity minority interests	161	398	286	745	778
Capital employed	1,864	2,559	2,292	3,054	6,979
Cash flow statements					
EBITDA	933	917	854	904	1,483
Working capital movements	(45)	(53)	5	71	85
Net cash inflow from operating activities	888	864	859	975	1,568
Net interest and dividends	(119)	(82)	(93)	(158)	(238)
Taxation	(166)	(175)	(179)	(179)	(286)
	603	607	587	638	1,044
Net capital expenditure	(544)	(401)	(331)	(250)	(429)
Net investments	(1)	(569)	7	(49)	(18)
Net acquisition of subsidiaries and associates	(273)	30	(700)	(768)	(54)
Net cash (shortfall)/surplus	(215)	(333)	(437)	(429)	543
Management of liquid resources	(419)	503	64	19	44
Net cash inflow from financing	256	72	491	699	(136)
Dividends paid	n/a	(50)	(177)	(173)	(203)
(Decrease)/increase in cash in the year	(378)	192	(59)	116	248
Performance per share (US cents per share)					
Basic earnings	43.9	64.3	50.4	40.7	27.5
Diluted earnings	43.8	64.1	50.3	40.3	27.8
Adjusted basic earnings	54.0	56.6	53.3	48.7	54.0
Net asset value	220.1	279.3	258.9	274.6	487.8
Share statistics					
Total number of shares (million)	773.7	774.3	775.0	840.9	1,271.2
Weighted average number of shares (million)	729.9	752.8	697.1	718.5	1,076.1
Weighted average number of shares (diluted) (million)	731.3	754.8	699.4	766.6	1,148.3
Returns and productivity					
Return on equity (%)	23.1	19.7	18.5	15.2	9.4
Operating margin (%)	13.2	14.6	16.7	16.1	11.0
Cash operating margin (%)	19.9	20.9	23.6	24.3	18.1
Operating return (%)	45.1	47.1	42.6	37.5	34.8
Cash operating return (%)	24.7	25.8	22.2	17.9	13.2
Group turnover per employee (US\$000's)	100.3	91.3	115.7	111.9	196.1
Average monthly number of employees	49,099	48,079	31,327	33,230	42,402
Solvency and liquidity					
Net interest cover (times)	7.4	9.9	13.0	7.2	6.1
Total borrowings to total assets (%)	22.4	13.7	23.9	27.0	27.4
Cash flow to total borrowings (%)	93.2	143.5	81.6	63.5	44.5

*Partial deferred tax basis.

Five-year Financial Review for the years ended 31 March

	Turnover					Operating profit				
	1999 US\$m	2000 US\$m	2001 US\$m	2002 US\$m	2003 US\$m	1999 US\$m	2000 US\$m	2001 US\$m	2002 US\$m	2003 US\$m
Business segment analysis										
North America	–	–	–	–	3,473	–	–	–	–	75
Central America	–	–	–	186	514	–	–	–	7	10
Europe	n/a	n/a	1,097	1,280	1,646	n/a	n/a	130	168	239
Africa and Asia	n/a	n/a	700	946	1,209	n/a	n/a	130	162	219
SABI	1,352	1,474				190	199			
Beer South Africa	1,609	1,608	1,365	1,112	1,270	380	407	343	287	338
Other Beverage Interests	967	954	816	676	788	117	120	106	95	120
Hotels and Gaming	276	263	206	164	212	42	40	25	28	42
Central Administration	–	–	–	–	–	(18)	(35)	(34)	(35)	(44)
Continuing businesses – excluding exceptional items	4,204	4,299	4,184	4,364	9,112	711	731	700	712	999
PGSI	1,751	1,125	–	–	–	75	61	–	–	–
Group – excluding exceptional items	5,955	5,424	4,184	4,364	9,112	786	792	700	712	999
Exceptional items										
North America	–	–	–	–	–	–	–	–	–	(58)
Central America	–	–	–	–	–	–	–	–	–	(12)
Europe	–	–	–	–	–	–	–	–	(8)	–
SABI	229	–	–	–	–	(50)	(11)	–	–	–
Hotels and Gaming	–	–	–	–	–	(9)	–	–	–	–
PGSI	–	–	–	–	–	(10)	(13)	–	–	–
Group – including exceptional items	6,184	5,424	4,184	4,364	9,112	717	768	700	704	929

n/a – not available prior to 2001, information is only available in respect of the international, non-South African group, in total.

	EBITA					Net operating assets				
	1999 US\$m	2000 US\$m	2001 US\$m	2002 US\$m	2003 US\$m	1999* US\$m	2000* US\$m	2001 US\$m	2002 US\$m	2003 US\$m
Business segment analysis										
North America	–	–	–	–	250	–	–	–	–	5,147
Central America	–	–	–	22	56	–	–	–	1,135	1,089
Europe	n/a	n/a	148	198	275	n/a	n/a	1,091	1,253	1,446
Africa and Asia	n/a	n/a	132	171	233	n/a	n/a	472	728	866
SABI	191	205				781	1,033			
Beer South Africa	380	407	343	287	338	539	509	415	263	356
Other Beverage Interests	117	120	106	95	120	600	601	520	355	524
Hotels and Gaming	42	40	25	28	42	134	169	159	140	167
Central Administration	(18)	(35)	(34)	(35)	(44)	(61)	(27)	(148)	(193)	(272)
Continuing businesses – excluding exceptional items	712	737	720	766	1,270	1,993	2,285	2,509	3,681	9,323
PGSI	75	61	–	–	–	75	–	–	–	–
Group – excluding exceptional items	787	798	720	766	1,270	2,068	2,285	2,509	3,681	9,323
Exceptional items										
North America	–	–	–	–	(58)	–	–	–	–	–
Central America	–	–	–	–	(12)	–	–	–	–	–
Europe	–	–	–	(8)	–	–	–	–	–	–
SABI	(50)	(11)	–	–	–	–	–	–	–	–
Hotels and Gaming	(9)	–	–	–	4	–	–	–	–	–
PGSI	(10)	(13)	–	–	–	–	–	–	–	–
Group – including exceptional items	718	774	720	758	1,204	2,068	2,285	2,509	3,681	9,323

*Partial deferred tax basis.

n/a – not available prior to 2001, information is only available in respect of the international, non-South African group, in total.

Definitions

Adjusted earnings

This comprises the profit for the financial year after adjusting for profits and losses on items of a capital nature, as well as the impact of exceptional items and goodwill amortisation.

Adjusted profit before tax

This is defined as profit before tax, goodwill amortisation and exceptional items.

Cash operating margin (%)

This is calculated on a pre-exceptional basis, by expressing EBITDA as a percentage of turnover, excluding associates.

Cash operating return (%)

This is calculated on a pre-exceptional basis, by expressing the sum of EBITDA and cash dividends received from associates and other investments, as a percentage of net operating assets, adjusted for cumulative goodwill eliminated against shareholders' funds and accumulated depreciation and amortisation.

EBITA

This is calculated by expressing earnings before interest, taxation and goodwill amortisation.

EBITA margin (%)

This is calculated by expressing earnings before interest, taxation and goodwill amortisation as a percentage of turnover (including associates).

EBITDA

This comprises net cash inflow from operating activities, before working capital movements.

Effective tax rate (%)

This is calculated by dividing the tax charge for the year by the profit before taxation excluding exceptional items and goodwill amortisation.

Net asset value per share

This is calculated by dividing shareholders' funds by the closing number of shares in issue.

Net interest cover (EBIT)

This is the ratio of profit before interest, taxation and exceptional items to net financing costs before exceptional items.

Net operating assets

This is the sum of fixed assets (excluding Safari shares), stocks and debtors less interest free liabilities. A reconciliation of this number is provided in note 3.

Operating margin (%)

This is calculated on a pre-exceptional basis, by expressing profit before interest and taxation as a percentage of turnover, including associates.

Operating return (%)

This is calculated on a pre-exceptional basis, by expressing profit before interest and taxation, including associates, as a percentage of net operating assets, excluding goodwill.

Return on equity (%)

This is calculated by dividing adjusted earnings by shareholders' funds.

Total borrowings

This comprises the sum of the interest bearing liabilities included in creditors due within and after one year.

Shareholders' Diary

Financial Reporting Calendar and Annual General Meeting

Announcement of interim results, for half-year to September	November
Preliminary announcement of annual results	May
Annual financial statements published	June
Annual General Meeting	July

Dividends	Declared	Paid
Ordinary:		
Interim	November	Late December
Final	May	August

STRATE

Dealings and settlements on the JSE Securities Exchange South Africa (JSE) are now exclusively in electronic form through the STRATE system such that share certificates are no longer good for delivery on that exchange. Shareholders resident in South Africa who currently retain their share certificates and who may wish to deal on the JSE are advised to contact Computershare Johannesburg or their professional adviser regarding the options available to enable them to do so through the STRATE system.

Administration

SABMiller plc

(Registration No. 3528416)

Company Secretary

A O C Tonkinson

Registered Office

Dukes Court, Duke Street,
Woking, Surrey, England
GU21 5BH
Telefax +44 1483 264117
Telephone +44 1483 264000

Head Office

One Stanhope Gate,
London, England
W1K 1AF
Telefax +44 20 7659 0111
Telephone +44 20 7659 0100

Internet Address

<http://www.sabmiller.com>

Investor Relations

investor.relations@sabmiller.com
Telephone +44 20 7659 0100

Independent Auditors

PricewaterhouseCoopers LLP,
1 Embankment Place,
London, England
WC2N 6RH
Telefax +44 20 7804 4770
Telephone +44 20 7583 5000

Registrar (United Kingdom)

Capita Registrars,
The Registry,
34 Beckenham Road,
Beckenham, Kent, England
BR3 4TU
Telefax +44 20 8658 3430
Telephone +44 20 8639 2157
(outside UK)
Telephone 0870 162 3100
(from UK)

Registrar (South Africa)

Computershare Investor Services Limited,
70 Marshall Street,
Johannesburg 2000,
South Africa

Postal address:
PO Box 61051,
Marshalltown 2107,
South Africa
Telefax +27 11 370 5487
Telephone +27 11 370 5000

United States ADR Depository

The Bank of New York,
ADR Department,
101 Barclay Street,
New York, NY 10286,
United States of America
Telefax +1 212 815 3050
Telephone +1 212 815 2051
Internet <http://www.bankofny.com>
Toll free +1 888 269 2377
(USA & Canada only)