SABMiller plc
Annual Report 2014

Building brands, brewing value

About SABMiller

We are in the beer and soft drinks business. We bring refreshment and sociability to millions of people all over the world who enjoy our drinks. We do business in a way that improves livelihoods and builds communities.

We are passionate about brewing and have a long tradition of craftsmanship in making superb beer from high quality natural ingredients. We are local beer experts, producing more than 200 local beers as well as global flagship brands.

Every minute of every day, more than 140,000 bottles of SABMiller beer are enjoyed by consumers around the world.

Performance highlights

-1%
Group net producer revenue[a]
2014: US$26,719m
2013: US$26,932m
+3%[b]

-4%
Revenue[c]
2014: US$22,311m
2013: US$23,213m
+3%[b]

+1%
Lager volumes
2014: 245m hectolitres
2013: 242m hectolitres
+1%[b]

+1%
EBITA[d]
2014: US$6,453m
2013[e]: US$6,379m
+7%[b]

+50 basis points
EBITA margin progression
2014: 24.2%
2013[e]: 23.7%

+3%
Profit before tax
2014: US$4,823m
2013[e]: US$4,679m

+2%
Adjusted EPS[f]
2014: 242.0 US cents
2013[e]: 237.2 US cents

+4%
Dividends per share[g]
2014: 105.0 US cents
2013: 101.0 US cents

-5%
Water usage
2014: 3.5 hl/hl
2013: 3.7 hl/hl

-8%
Net debt[h]
2014: US$14,303m
2013[e]: US$15,600m

-21%
Free cash flow[i]
2014: US$2,563m
2013: US$3,230m

203%
Total Shareholder Return[j]
Peer median: 105%

[a] Group net producer revenue (NPR), as defined on page 174, includes the attributable share of associates' and joint ventures' net producer revenue of US$10,015 million (2013: US$9,547 million).

[b] Growth on an organic, constant currency basis.

[c] Revenue excludes the attributable share of associates' and joint ventures' revenue but includes excise duties and similar taxes.

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

[e] Certain comparative figures have been restated as a result of the revision to the group's reporting metrics and changes in accounting standards implemented in the year. Further details are provided in the Chief Financial Officer's review.

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

[g] 2014 final dividend is subject to shareholder approval at the annual general meeting.

[h] Net debt comprises gross debt (including borrowings, financing derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts). An analysis of net debt is provided in note 27c to the consolidated financial statements.

[i] Note 27b to the consolidated financial statements provides a reconciliation of net cash from operating activities to free cash flow.

[j] Total Shareholder Return (TSR) is shown as the percentage growth in our TSR over the five years to 31 March 2014.

Front cover images
Coca-Cola bottling line image courtesy of The Coca-Cola Company.
SABMiller brands featured: Pilsner Urquell – Pilsner compass app, Hero Lager, Leinenkugel's.

Contents

What's inside

The strategic report and directors' report have been approved for and on behalf of the board of SABMiller plc on 2 June 2014.

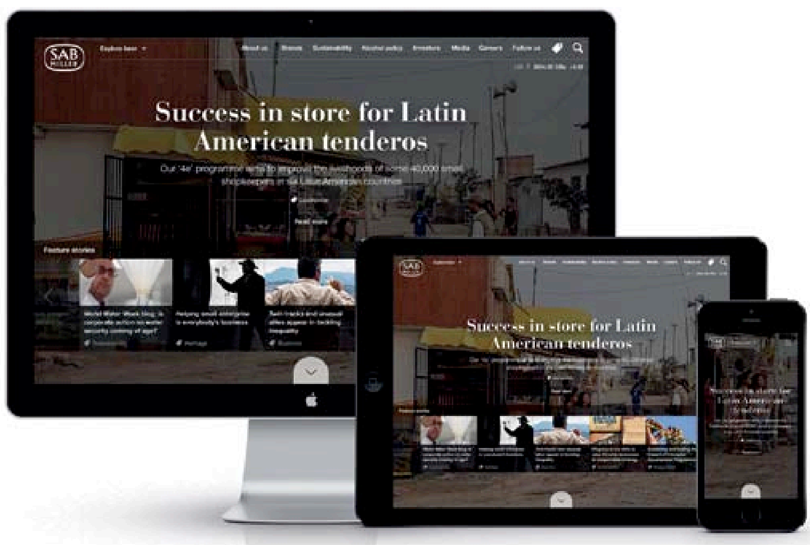
Alan Clark
Chief Executive

Further information

Go online for more details

This report covers the financial year ended 31 March 2014. It is also available on our website as a downloadable PDF www.sabmiller.com/annualreport

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



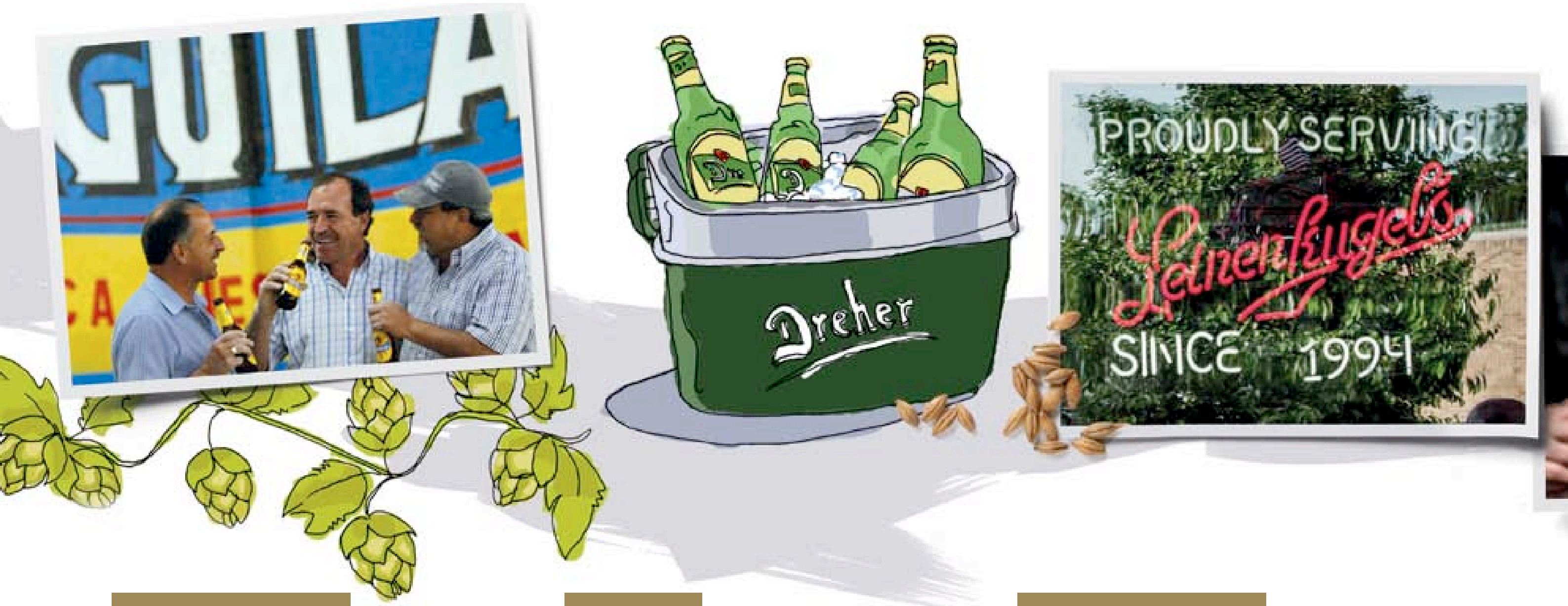
Key to further reading:

- Read more on page referenced
- Read more online
- Read more in our sustainable development summary report

Business overview

Global operations in beer and soft drinks

We have a balanced spread of regional businesses with a significant presence in developing markets.



Latin America

Where we operate

Regional office: Miami, USA

Our primary brewing and beverage operations cover six countries across South and Central America (Colombia, Ecuador, El Salvador, Honduras, Panama and Peru).

What we do

- In each of these countries we are the number one brewer by market share.
- We are also the third largest brewer in Argentina, and we export to Chile and Paraguay.
- We produce soft drinks across the region including products for The Coca-Cola Company in El Salvador and Honduras.

Contribution to group EBITA[1]

33%

Latin America operations review page 20

Europe

Where we operate

Regional office: Zug, Switzerland

Our primary brewing operations cover eight countries – the Czech Republic, Hungary, Italy, Poland, Romania, Slovakia, Spain (Canary Islands) and the Netherlands.

What we do

- In the majority of these countries we are the number one or two brewer by market share.
- We cover a further 16 countries including Russia, Turkey and Ukraine in a strategic alliance with Anadolu Efes through brewing, soft drinks or export operations.
- We export significant volumes to a further seven European markets, of which the largest are the UK and Germany.

Contribution to group EBITA[1]

11%

Europe operations review page 22

North America

Where we operate

Regional office: Chicago, USA

MillerCoors is a joint venture with Molson Coors Brewing Company which was formed in 2008 by bringing together the US and Puerto Rican operations of both groups.

What we do

- Headquartered in Chicago, MillerCoors is the second largest brewer in the USA, with 28% of the beer market.
- Our wholly-owned Miller Brewing International business is based in Milwaukee, USA and exports our brands to Canada and Mexico and throughout the Americas.

Contribution to group EBITA[1]

12%

North America operations review page 24

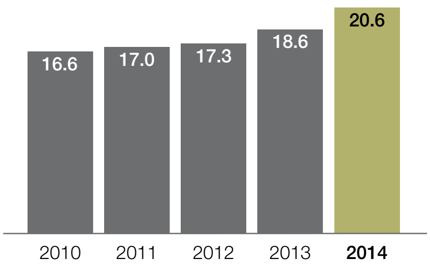
[1] Excluding corporate costs.

95%

The proportion of our total lager volume from markets in which we have no.1 or no. 2 national market share positions.

72%

The proportion of group EBITA from developing economies.



20.6%

Soft drinks volumes as a percentage of total group volumes.

Africa

Where we operate

Regional office: Johannesburg, South Africa

Our brewing and beverage operations in Africa cover 15 countries. A further 21 are covered through our associate interests in the Castel group's African beverage businesses and we also have an associated undertaking in Zimbabwe.

What we do

- In most of these countries we are the number one brewer by market share.
- We bottle soft drinks for The Coca-Cola Company in 21 of our African markets (with Castel in 14 of these markets and through our associated undertaking in Zimbabwe).

Asia Pacific

Where we operate

Regional office: Hong Kong

Our brewing interests across Asia Pacific cover four countries: Australia, China, India and Vietnam.

What we do

- CR Snow, our 20-year partnership with China Resources Enterprise, Limited, is the largest brewer in China.
- Carlton & United Breweries[2] (CUB) is a leading Australian brewer, which we acquired in December 2011.
- We are the second largest brewer in India.
- We have an operation in Vietnam and we export to various markets including South Korea.

South Africa

Where we operate

Regional office: Johannesburg, South Africa

The South African Breweries (Pty) Ltd (SAB) is South Africa's largest producer and distributor of lager and soft drinks.

What we do

- SAB also exports our brands across Namibia.
- Our soft drinks division is South Africa's leading bottler of products for The Coca-Cola Company.
- We also have hotel and gaming interests through our associate, Tsogo Sun Holdings Ltd, the largest hotel and gaming group in South Africa.

Contribution to group EBITA[1]

14%

Africa operations review page 26

Contribution to group EBITA[1]

13%

Asia Pacific operations review page 28

Contribution to group EBITA[1]

17%

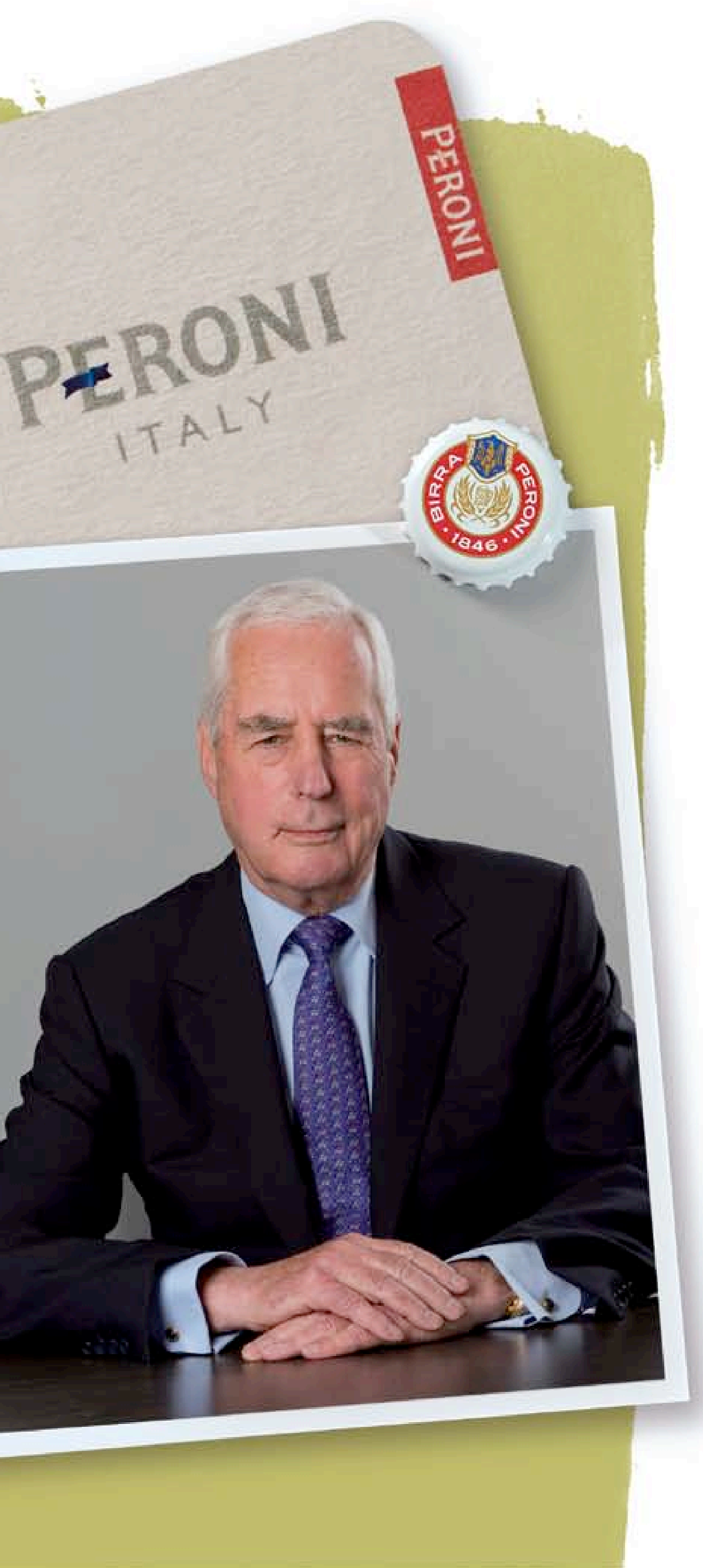
South Africa operations review page 30

[1] Excluding corporate costs.

[2] Carlton & United Breweries is the Australian beverage business of Foster's.

Chairman's statement

"I want to pay tribute to Graham Mackay, our late chairman. He was an outstanding leader and everyone in the SABMiller family has been blessed by his vision, his loyalty and his friendship during his 35 years with the group. He will be deeply missed."



Dear Shareholder

I had hoped with all my heart that Graham Mackay would be writing this year's Chairman's statement. Sadly it was not to be. He died on 18 December 2013, peacefully, with his family at his side, following the discovery in April of a brain tumour. Graham's personal modesty and willingness to share credit with others could make those who were close to him forget what a giant he was. To many of us, he was the most successful South African businessman and one of the two or three outstanding leaders of a consumer company of the modern era. Everyone in the SABMiller family has been blessed by his vision, his loyalty and his friendship during his 35 years with the group. He will be deeply missed, and our thoughts and prayers remain with Graham's wife and family.

Results and dividend

The group delivered earnings growth in the year, despite headwinds in several markets. The depreciation of key currencies against the US dollar had a significant negative impact on the translation of financial results in South Africa, Latin America and Australia, resulting in a 1% decline in reported group NPR and a 1% increase in EBITA.

Group NPR growth of 3% on an organic, constant currency basis was driven by our developing market operations in Latin America, Africa, Asia Pacific and South Africa, through a combination of volume growth, selective pricing and improved brand mix.

On an organic, constant currency basis EBITA grew by 7%, resulting in a 90 basis points (bps) increase in our organic, constant currency EBITA margin. Input cost increases were mitigated by procurement savings, leaving raw material input costs in line with the prior year on a constant currency, per hectolitre (hl) basis. Reported EBITA margin increased by 50 bps.

The group's gearing ratio as at 31 March 2014 was 52%. Net debt reduced by US$1,297 million, ending the year at US$14,303 million.

The board has recommended a final dividend of 80 US cents per share, to be paid to shareholders on 15 August 2014. This brings the total dividend for the year to 105 US cents per share, an increase of 4% over the prior year.

Notwithstanding the challenges of the year, our share price performance over the period from 1 April 2009 to 31 March 2014 continued to outperform both the International Brewers' Index and the FTSE 100.

Shareholder engagement

During April 2014 we invited our 20 largest shareholders (in addition to those represented on the board) to meet the Deputy Chairman and me to discuss any governance or other issues which they wished to raise. These invitations were taken up by 10 shareholders. Matters raised in these meetings included executive and non-executive succession planning, long-term sustainable growth prospects in developing markets, dividend policy, regulatory developments, and the principal risks facing the group. Our conversations were constructive and appropriately challenging, and we welcomed the opportunity to engage with shareholders.

Our new remuneration committee chairman, Lesley Knox, also undertook a consultation exercise with our 50 largest shareholders, of whom 12 took up the invitation to engage. More details of that exercise are set out in the directors' remuneration report on pages 62 to 84.

Corporate governance and the board

In the corporate governance report on pages 49 to 58 you will find a detailed description of the directors' approach to corporate governance, the board's application of the UK Corporate Governance Code and the role and effectiveness of the board.

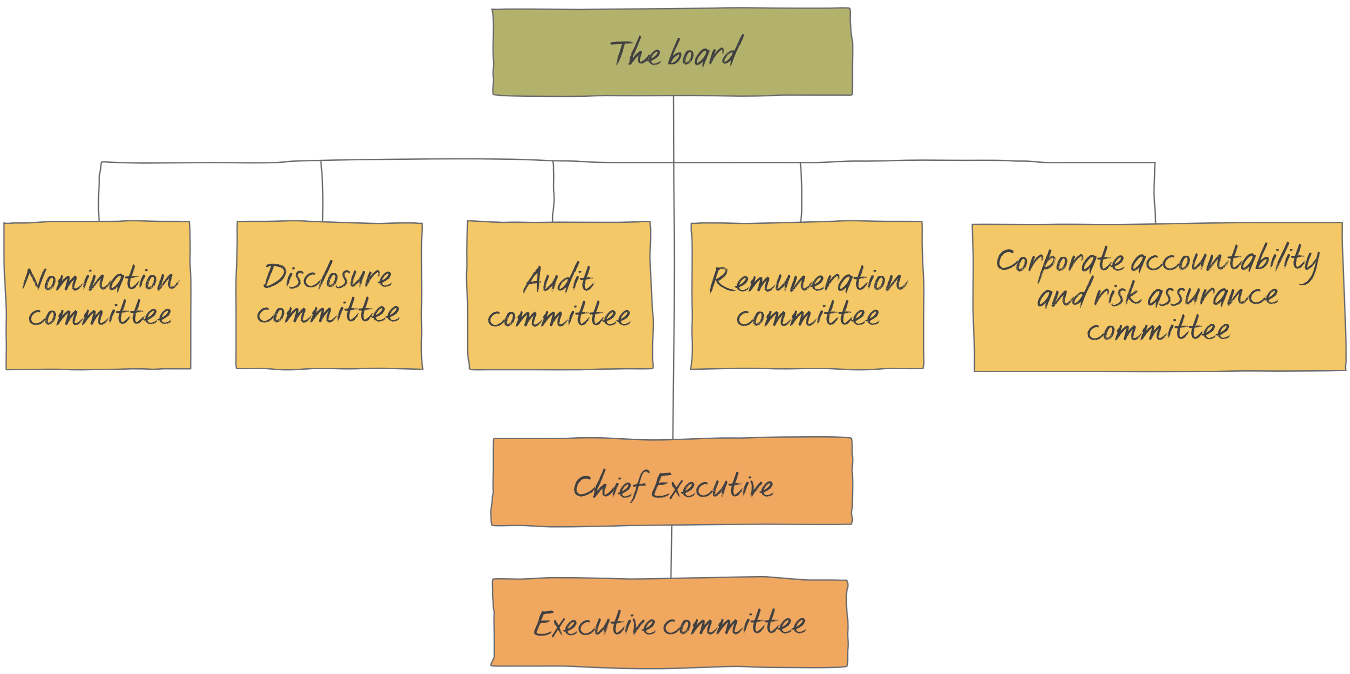
The board's principal focus this year, in addition to delivering performance in challenging circumstances, has inevitably been on matters of succession. Alan Clark succeeded Graham Mackay as Chief Executive, as planned, although this took place in April 2013, a few months earlier than we had envisaged owing to Graham's illness. The transition was smooth and I am pleased to report that Alan has shown strong leadership and focus in his new role. I spent part of 2013 as Acting Chairman, standing in for Graham during his illness. Following his death, the board requested that I step in as Chairman while we search for a longer term successor. I was pleased to offer my support and have deferred my previously announced retirement date by a year to July 2015 to allow adequate time for the search process. Guy Elliott, who joined the board in 2013, succeeded me as Deputy Chairman and Senior Independent Director on 18 December 2013.

In light of Graham's illness and the attendant uncertainties, the board concluded that it would not be beneficial to carry out an externally facilitated evaluation of the board's effectiveness for the year, but we conducted a detailed internal review of performance this year, ably orchestrated again by our Company Secretary. The results of the performance and effectiveness assessment process were reviewed in full and approved by the board. Matters identified as requiring further consideration included board composition and succession planning; the search for a suitably qualified candidate to replace Cyril Ramaphosa; the search for a longer term chairman (both of which are now under way); and a continued focus to allow the board additional time to consider group strategy.

Finally, we say farewell this year to Miles Morland, who, after 15 years of distinguished service since our listing in London in March 1999, has decided that it is time to step down from the board. Miles' experience in identifying business opportunities and running successful investment funds in Africa and other developing markets over many years has been hugely valuable to the board, and he also served with a unique blend of candour and insight as the chairman of our remuneration committee for nine years, until he handed that role on to Lesley Knox after last year's annual general meeting (AGM). His expertise will be difficult to replace.

The board has every confidence that, under Alan Clark's leadership, we will continue to build on Graham Mackay's legacy and success.

John Manser
Chairman



Chief Executive's review

Driving strong performance

"We continue to innovate and rejuvenate our products, seize opportunities for growth and increase the efficiency of our operations."

7%

EBITA growth on an organic, constant currency basis.

US$496m

Cumulative net operating benefits per annum from the business capability programme.

Business performance

We have produced a resilient performance in the face of a number of headwinds, with organic, constant currency EBITA growth of 7% and strong margin improvement. Group NPR growth was led by our developing market businesses in Africa and Latin America, together with our associate in China, where we continued to build capacity, make selective price increases and grow our premium brand portfolios. We completed our business capability programme, which achieved cumulative net operating benefits of US$496 million per annum, ahead of our most recent US$450 million per annum target. We have now launched a new programme to drive additional operational efficiencies, which is expected to deliver annual savings of approximately US$500 million by March 2018.

Innovation and growing the beer category

As a business we are putting increasing focus on growing the beer category. Refreshing our large, national icon lager brands to keep them relevant and attractive is at the heart of this. Introducing a heritage can for Miller Lite in the USA increased can sales significantly, Kozel performed strongly in the Czech Republic after we repositioned the brand, and we had strong volume growth in Carlton Dry and Carlton Mid in Australia.

We are increasing our offer in premium beer, finding opportunities to accelerate the growth of our global brands and to develop new local premium brands. MillerCoors in the USA has done this successfully with Blue Moon, Leinenkugel's and Redd's flavoured ales. Producing great premium products is important across the world, not just in more mature markets. In China, for example, our associate CR Snow now has more than 30% of volumes in the premium segment, led by Snow Draft and Snow Brave the World. Both Miller Genuine Draft and Miller Lite grew volumes by more than 50% in Latin America during the year.

At the other end of the price spectrum we have moved further into making beer affordable in developing markets, particularly in Africa, where the price relative to wages is high. This takes many forms, from offering a greater range of pack sizes to expanding traditional beers and using local crops like sorghum to brew affordable beer. The latter approach attracts an excise break from governments, which means that we are able to sell at a discount to our mainstream brands, and offer an alternative to illicit alcohol.

Innovation is crucial to growth of the beer category, with new liquids, packs and experiences helping to engage consumers with a greater range of flavours, beer styles and strengths, whatever their drinking preference and occasion.

Greater efficiency from global scale

We have launched a new efficiency programme to realise further benefits from our scale. We are now creating a new global business services function that will consolidate many of our back office and specialist functions in three centres around the world, which will serve operations in all of our markets. Our globally managed procurement organisation will, over the next three years, move from managing around 46% of all spend to more than 80%, together with changes to its current delivery model.

We have also been focused on optimising our supply chain. We have worked hard to improve efficiency in our brewing and manufacturing operations around the world. We are now turning our attention to distribution as the final element in the supply chain programme. Together these initiatives are expected to deliver annual savings of approximately US$500 million by March 2018.

Raising the bar on sustainable development

Since 2007 our 10 sustainable development priorities have driven responsible and sustainable growth and grown capability across our business, helping each of our operations to address local sustainable development challenges. Our minimum standards, which were a stretch for several of our businesses in 2007, are now well established across the group and are integrated into day-to-day management.

From this position of strength, we have evolved our sustainable development framework to focus on five shared imperatives:

- accelerate growth and social development in our value chains;
- make beer the natural choice for the moderate and responsible drinker;
- secure shared water resources for our business and local communities;
- create value through reducing waste and carbon emissions; and
- support responsible, sustainable use of land for brewing crops.

We call them shared imperatives as we believe these are big challenges shared by business, society and government. We seek to address them both locally and internationally in partnership with our suppliers, customers, consumers and communities.

Read more on pages 40 to 43

Extra Cold success

In South Africa, Castle Lite used an innovative labelling technology, pioneered by MillerCoors in the USA, which changes colour to indicate how well chilled it is. Consumers responded well to the 'Extra Cold' positioning, and Castle Lite grew premium market share to 39.4% for the year ended 31 March 2014.

39.4%
Premium market share

Chief Executive’s review continued

Addressing risks
We place great emphasis on identifying, monitoring and mitigating risks to our business and we have a well-developed risk management process in place. We continually review these risks and in the year we have added information security, including cyber security and the resultant possible disruption to business, as a specific principal risk. All principal risks are set out on pages 18 and 19.

Our people
Everyone has a right to work in the safest possible environment and I am determined to improve our safety performance. We have launched a new system of governance for group-wide health and safety, with 10 global minimum standards for managing risk areas and targeting improvements. More information is available on pages 44 and 45.

We announced in April 2014 that Norman Adami, Chairman of SABMiller Beverages South Africa, would retire from the group in July 2014. Norman has served the group since 1979 and has been a member of the executive committee for over 20 years. He has made an enduring contribution to the SABMiller group and I would like to thank him for his support and inspirational leadership.

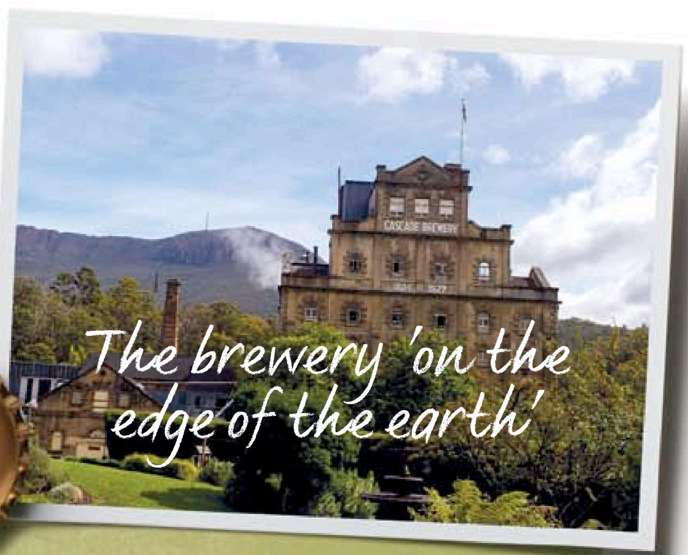
We have taken this opportunity to combine our South African and African businesses into one region under the leadership of Mark Bowman. We believe this will put us in a better position to grow across the entire continent. As Managing Director of SABMiller Africa for the past six years, Mark has been instrumental in developing our business in this fast-growing region.

Finally, I would like to thank all of my executive team who have so ably supported me in my first year as Chief Executive, and everyone else in the business who has contributed to SABMiller’s success.

Outlook
Trading conditions are expected to remain broadly unchanged from the year just ended, with growth continuing to be driven by our developing markets. However, the business will continue to be impacted by currency movements. Development of our brand and pack portfolios will continue, as we seek opportunities to reach new consumers and enhance the beer category. Revenue growth will also be driven by selective price increases and management of our price points across all brands and packs. Raw material unit input costs are expected to rise in low single digits in constant currency terms. Investment in production capacity, capability and strong commercial execution of existing and new consumer offerings will continue to drive growth. We will implement our new programme to deliver efficiencies to invest in this growth and improve our margins.

I look forward to leading SABMiller through the years ahead, continuing to innovate and rejuvenate our products, seize opportunities for growth and increase the efficiency of our operations. With this approach I believe we are well placed to continue to deliver strong returns for shareholders.

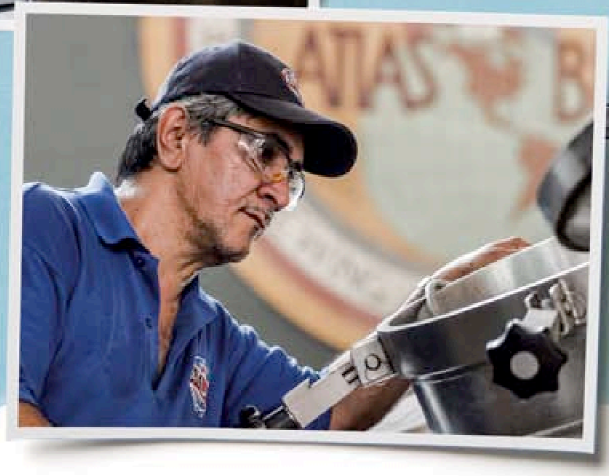
Alan Clark
Chief Executive

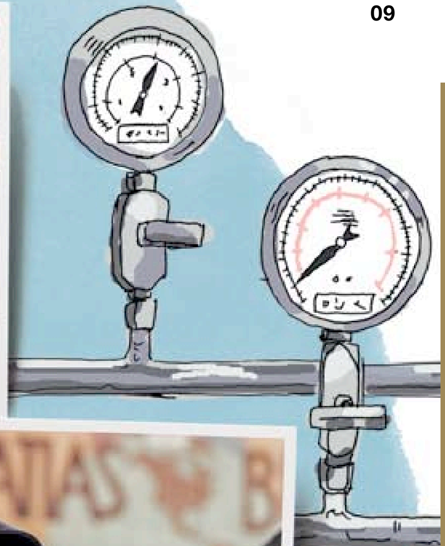


The relaunch of brands from the Cascade Brewery in Tasmania highlighted the ingredients, passion and skill involved in producing beer in Australia’s oldest brewery.

Cascade Bright Ale also hit the market for the first time, as we made the most of the heritage and quality of the Cascade portfolio to promote its brands. Cascade’s local credentials, including its use of Tasmanian hops alongside other ingredients, were also consistently reinforced.

Water efficiency ahead of target





During the year we used an average of 3.5 hl water to produce 1 hl beer (2013: 3.7 hl/hl), achieving our target to improve our brewery water efficiency by 25% (against a 2008 base) a year early. Across Europe, Latin America and Asia Pacific, 14 of our breweries used an average of 3.0 hl/hl or less. In Australia, the Yatala brewery continues to lead the group, using just 2.45 hl/hl.

SABMiller's approach – an overview of our strategy

Our priority is to build our unrivalled capability in brewing, marketing and selling beers with the broadest and deepest appeal to consumers in our markets. We will continue to produce and develop beers that set new standards in quality and taste. We are anticipating and responding to new trends in how and where people drink to produce varieties of beer for many different social occasions and to appeal to new consumers.

We have a broad portfolio of operations in the developing markets of Latin America, Africa and Asia and across more mature markets in Europe, Australia and North America. We aim to create superior revenue growth and profitability for our investors and bring broader benefits for all our stakeholders.

Our strength is built on deep understanding of each of our markets so we offer beers and soft drinks that appeal to local consumer tastes, making them attractive to our retail and trade customers.

Our teams on the ground are supported by central resources designed to produce economies of scale and skill, eliminate duplication of effort and allow sharing of insights and best practice around the group. In 2013 we began a five-year programme to create shared service centres to house specialist and support functions that serve our market operations efficiently.

Our local approach means we are very much part of the communities in each of our markets. We are creating real and lasting economic and social benefits in these communities, building supply chains, creating employment and managing impact on the environment.

Our people are skilled in and passionate about brewing beer and creating winning brands. They are our source of enduring advantage. The increasing diversity of our talent gives us the broadest possible range of skilled resources in our global team.

Read more on pages 14 to 16

Business model

Our business model is built on our passion for beer

Our success is rooted in deep local insights, global skills, talented people and local community investment.

Local insights and global reach, serving all tastes

We understand and share our consumers' passion for local beer that reflects their tastes, which is why we have more than 200 brands, mostly sold in a single country or region. Our deep local knowledge also means we understand which beers have broad appeal beyond national boundaries. Combining these insights with our global reach, we have a selected number of flagship brands to market internationally, which complement our local portfolios. We operate right across the price spectrum, from affordable to super premium, and in many markets we also offer soft drinks.

Refreshing our success with innovation

To continue to be successful we need to reflect changing demographics, cultural and societal shifts and evolving consumer tastes. So we are adding to our rich heritage and enduring brands with innovation across a vibrant spectrum of beer styles. Many operations have introduced variants of existing brands as well as new styles, from fruit-flavoured ales in North America to sorghum and cassava beers in sub-Saharan Africa. We continue to update and refresh national icon brands to keep our strength in core lager, and we are developing products for more occasions and consumer types.

Global scale and skill to drive better local performance

Our teams around the world learn from each other's experiences as we share best operating practices including innovation, marketing, technical standards, sourcing and training. Our insights help us to see emerging trends that echo developments we have seen in other markets and develop strategies to take advantage of new opportunities.

While commercial decisions about the right products for the market are taken locally, we support our country operations with broader shared service operations. These centres of expertise help us to derive economies and efficiencies of scale and drive duplicative costs out of local businesses.

The art of brewing

Producing beers that taste great every time our consumers drink them demands a mix of traditional craftsmanship, ultra-modern science and fresh, natural ingredients. Group Chief Brewer Professor Katherine Smart and her team are experts in the skilled art of brewing, making distinctive beers for different palates all over the world.

Creating sustainable local growth and long-term partnerships

Beer is a natural product and most of our beers are brewed, sold and consumed within the same local community. We often use local ingredients that are special to the area and create unique flavours.

In developing markets, working closely with small businesses including local suppliers, farmers and shopkeepers is fundamental to our success. This has also led to the creation of sustainable value chains that contribute to local economic and social development.

In many of these markets, our brewing interests are run in partnership with other businesses whose local knowledge is an important asset.

We invest in talent for competitive advantage

We are proud to attract and retain a highly talented, passionate group of people who are experts in producing, branding and marketing the finest quality beers and other drinks. We enjoy an unusually low turnover in our leadership team, and place emphasis on investing in their skills and careers. As leaders move from one part of the business to another, they take their insights to new markets, making the global mobility of our leadership team one of our major strengths.

We incentivise our management at every level through a rigorous goal-setting process that aligns the need for consistent improvement in profitability with the longer term ambition of achieving sustainable best practice.

Market overview

A dynamic environment

External view of the market – the evolving beer drinker.

The global beer industry has more than doubled operating profits in the last 10 years, generating some US$40 billion by December 2013. Worldwide beer consumption has grown at a healthy 3% per annum over this period, driven by developing markets. However, in 2013 total beer consumption was flat for only the second time in the last 20 years.

There is still significant opportunity to increase beer consumption in many countries in Africa, Latin America and Asia, especially as drinkers trade up from informal alcohol to branded products. There are still further cost efficiencies to come from the implementation of global IT platforms and through better economies of scale. But as per capita consumption reaches more mature levels in an increasing number of big markets, portfolio mix is integral to future value creation for the beer industry. Thankfully, consumer trends are supportive of this evolution.

The core beer drinker is evolving and becoming more experimental. For young men and women of legal drinking age in the 21st century, or 'millennials', lager is no longer their default choice, which is both a major challenge and a major opportunity for brewers. Other drinks are increasingly available and appealing, while drinking occasions are becoming less male-centric, more 'co-ed', and thereby further influencing brand decisions.

Heritage, craftsmanship and innovation

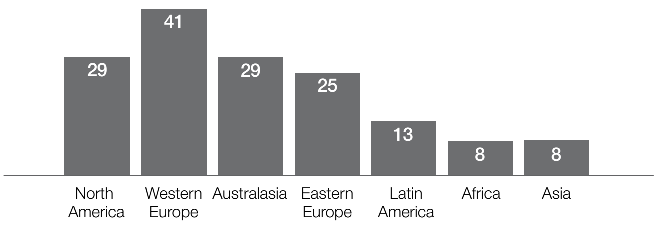
Drinkers in mature and developing markets alike are trading up in their choice of beer, wines and spirits. In developed markets, where premium beer already represents 29-41% of total beer consumption, there is the potential to stretch the category price points much further, as we see in other analogous consumer categories. In developing markets, there remains large scope for consumer trading up into, and up within, the beer category.

Mainstream lager still represents more than four out of every five beers drunk globally and, in many developing markets, offers a safer, affordable and more acceptable alternative to informal alcohol.

Beyond lager, looking to the broader market of long alcoholic drinks, there are some significant regional variances: the higher share of cider in Western Europe and Australasia; a greater preference for dark beers in Western Europe and Africa; and the success of the ready to drink (RTD) category in Australia. Lager remains the primary beer style, although brewers are innovating with increasingly broad ranges of flavoured beers, radlers and ales.

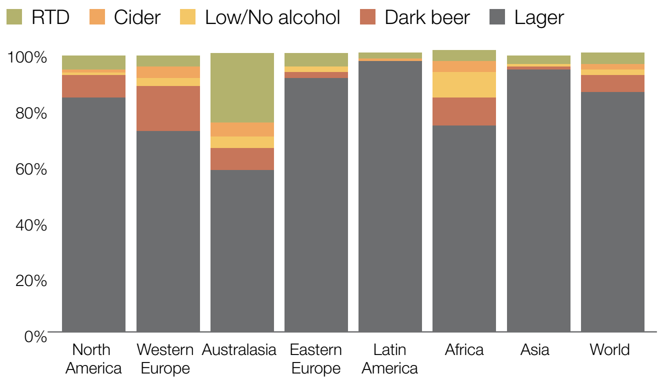
Leading beverage analyst

Premium beer as percentage of total beer consumption (2013E) %



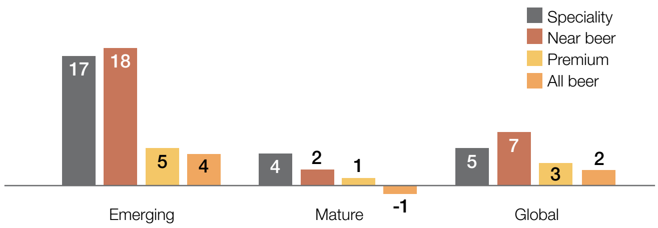
Source: Canadean

Retail sales value by region and category (2013E) US$m



Source: Euromonitor

Volume CAGR (2008-13E) by segment %



Source: Canadean

Our view of the beer market – a growth opportunity.

We're the leading or number two brewer in 95% of our markets. We deliver industry-leading growth and drive the success of our diverse brand portfolios by combining global skills with local insight.

We believe that beer markets around the world can be developed further and are showing an appetite for new beer styles and prices. Beer is an aspirational product and per capita consumption in developing markets is substantially lower than in mature markets. As these economies continue to grow we expect to see a natural momentum in increased demand for beer. Brewers are producing a wider range of high quality brands and package formats, positioned and marketed with differentiation to diversify the beer category and compete particularly with local spirits on more consumer occasions.

In Latin America, consumers' tastes are evolving towards lighter, easy drinking beers and a wider variety of beer flavours in the premium and affordable segments. In Africa and Asia Pacific, innovation and category expansion are also delivering more premium and affordable options, often using locally grown crops such as cassava and sorghum. Across our developing markets, the extension of our distribution reach and increased support for our retail customers is broadening our footprint and contributing to sales growth.

In the more mature markets of the USA, Europe and Australia, the fragmentation of consumer tastes and preferences seen over the past decade has become a defining feature of the market for alcoholic beverages. This is both broadening the field of competition and re-igniting consumer interest in beer.

Mainstream traditional lagers still dominate beer industry volumes and are being bolstered with innovative packaging and marketing. There is also much new product development, across styles ranging from richer, more deeply flavourful beers to sweeter or fruit-flavoured beers and ales, all appealing to more variety-seeking adult consumers on more occasions.

In many developed markets, retail consolidation is both challenging established practices and providing new opportunities for category management, retail merchandising and consumer interactions. In all these respects, brewers are building deep sales and category management capability.

Across all beer markets, our interactions with national and local government regulators, supranational bodies and NGOs continue to support responsible consumption efforts. Brewers continue to work in the interests of consumer health and safety and to support the development of local communities and local enterprises up and down the beer value chain.

Strategic focus

Beer is our source of greatest competitive advantage and offers significant value growth.

We aim to redefine beer for future generations, keeping our products relevant and differentiated. We will do this by refreshing our core lager brands, developing a wider range of beer styles, appealing to consumers who might otherwise choose wines or spirits, and finding new consumer occasions for beer.

Reinforcing

Poker in prime position

Poker consolidated its position as the leading mainstream beer in Colombia, hitting sales volumes of more than 8,500,000 hls in the year and increasing its share of the legal alcohol beverage market to 26.5%, and of the beer market to 41.4%, making it SABMiller's most profitable brand in Latin America.

A decade ago Poker was a regional brand with a beer market share of under 20%. Its transformation has been based on a brand positioning that reinforces values of friendship and trust and by bringing its narrative to life in a fresh and consistent manner.

This continued during 2013 with promotional platforms based on a range of friendship rituals that encouraged low income consumers to opt for Poker's new and affordable sharing packs (750 ml returnable bottles).

Meanwhile, we maximised Poker's role in creating an annual official Friends Day in the national calendar and started to replicate elements of Friends' Thursday to develop new consumer occasions. This is an initiative that has been successfully used by our business in Peru to meet consumers' desires to enjoy beer during the week.

More than 8.5 million hls

Sales volume in the year ended 31 March 2014.

Extending

Fruits of success for Redd's

Redd's Apple Ale became the fastest-growing brand in the US beer category, following its launch at the start of 2013.

It gave MillerCoors a significant foothold in the United States' promising flavoured malt beverage segment, which was previously dominated by three established competitor brands.

Redd's 'Pick Different' integrated marketing campaign, including TV advertising, social and digital engagement, resonated with consumers and drove sales volumes for Redd's Apple Ale that doubled initial forecasts.

Redd's Apple Ale quickly gained high awareness among key consumers aged between 21 and 34, who responded positively to its 'Crisp like an apple, brewed like an ale' positioning.

A total of 977,000 hls of Redd's were sold during the year, showing MillerCoors' ability to expand its portfolio into new markets and drinking occasions.

Following the success of Redd's Apple Ale, strawberry and iced tea variants were also launched, building on its appeal to target adult 'millennial' consumers, some of whom were new to the beer category altogether.

Strategic focus continued

Innovating

Chibuku Super benefits in Africa

Chibuku Super, a modern packaged version of the opaque beers traditional in many African countries, made using modern brewing science, achieved sales of over 700,000 hls in the year.

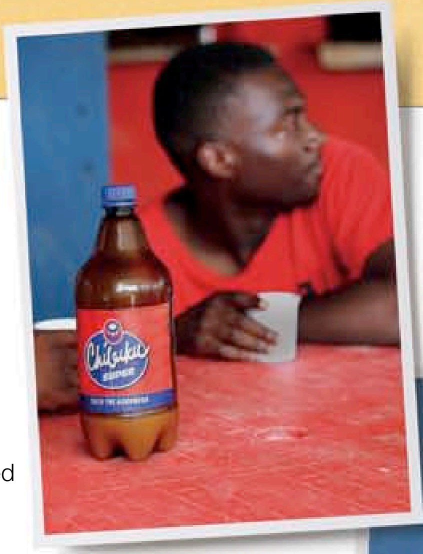
Chibuku Super commands a 50% premium compared with the long-established Chibuku Shake Shake.

It has been rolled out in Mozambique, Zimbabwe and Zambia with launches in Tanzania and Malawi during April 2014.

Chibuku Super benefits from brewing innovation that delivers it in a pasteurised form in a bottle, which can be chilled to keep it fresh.

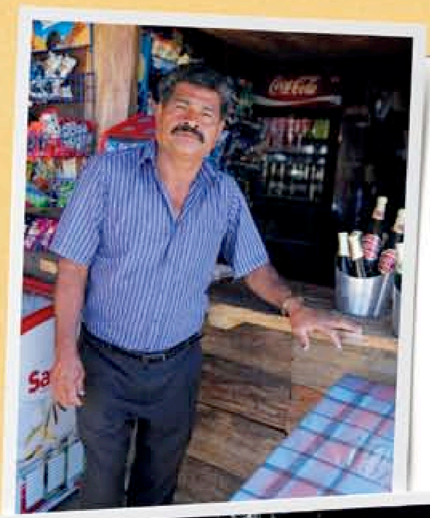
This transformation is the most significant development in the traditional beer category for 50 years. It has led to greater distribution opportunities, particularly in supermarkets and mainstream restaurants.

With its fresh, modern image boosted by its first-ever TV advertising campaign, Chibuku Super is proving popular with younger, less traditional consumers, who previously had not been attracted to traditional beers.



700,000 hls

Sales volume in the year ended 31 March 2014.



Contributing

4e – Path to Progress

In Latin America, small-scale shopkeepers – *tenderos* – are a vital part of our value chain, accounting for 40% of our sales volumes. Close to 50% of these retailers live in poverty and 60% are women who are heads of households. These micro-enterprises face significant challenges, not least access to finance and securing the necessary permits to operate.

In collaboration with the Multilateral Investment Fund of the Inter-American Development Bank, we have launched a four-year, US$17 million programme, *4e, Camino al Progreso* (Path to Progress) that aims to improve the livelihoods of 40,000 *tenderos* in six core markets in the region.

The programme provides comprehensive support including financial literacy and business skills training, access to professional credit and financial services, and assistance in meeting regulatory and other requirements, as well as training in responsible retailing of alcohol.

It gives *tenderos* the opportunity to develop the skills to improve their business and, at the same time, improve the quality of life of their families. *4e* supports a critical sales channel for SABMiller while also enabling *tenderos* to use their central position in their communities to become catalysts for development.

Key performance indicators

Measuring our progress

The key performance indicators (KPIs) outlined below are used to monitor progress against our overall financial goal and our strategy. Our strategy defines how SABMiller will achieve its overall financial goal. While it naturally evolves and changes in line with market conditions, this continues to guide our short, medium and long-term growth.

Further detail is contained within the Chief Financial Officer's review and the sustainable development review. Remuneration is linked to our financial goal KPIs as detailed in the directors' remuneration report. Detailed definitions together with an explanation of changes from the prior year are on pages 174 and 175.

What we measure	Why we measure	How we have performed		
Financial goal		**2014**	2013	2012
Total Shareholder Return in excess of the median of our peer group over five-year periods (2012: three-year periods)	Monitor the value created for our shareholders over the longer term relative to alternative investments in the drinks industry	**98%**	140%	89%
Growth in adjusted earnings per share	Determine the improvement in underlying earnings per share for our shareholders	**2%**	11%	12%
Free cash flow	Track cash generated to pay down debt, return to our shareholders and invest in acquisitions	**US$2,563m**	US$3,230m	US$3,048m
Commercial goals		**2014**	2013	2012
The proportion of our total lager volume from markets in which we have no. 1 or no. 2 national market share positions	Gain an overall picture of the relative strength of our market positions	**95%**	95%	93%
The proportion of group EBITA from developing economies	Assess the balance of our earnings exposure between regions of the world economy with highest growth potential and more mature regions	**72%**	73%	77%
Organic growth in lager volumes	Track underlying growth of our core business	**1%**	3%	3%
Group net producer revenue growth (organic, constant currency)	Assess the underlying rate of growth in net sales value of our brand portfolios	**3%**	7%	n/a[1]
Net producer revenue growth in premium brands (constant currency)	Monitor progress in building our portfolio of global and local premium brands	**3%**	7%	14%
EBITA growth (organic, constant currency)	Track our underlying operational profit growth	**7%**	9%	8%
EBITA margin progression	Monitor the rate of growth in our underlying operational profitability	**50 bps**	120 bps	n/a[1]
Hectolitres of water used at our breweries per hl of lager produced	Gauge our progress in reducing the amount of water used in our breweries	**3.5 hl/hl**	3.7 hl/hl	4.0 hl/hl
Fossil fuel emissions from energy use at our breweries per hl of lager produced	Assess progress towards reducing fossil fuel emissions at our breweries	**10.3 kg CO_2e/hl**	11.1 kg CO_2e/hl	12.4 kg CO_2e/hl
Accumulated financial benefits from our business capability programme	Track the payback from our investment in the group business capability programme to demonstrate the leveraging of skills and scale	**US$1,816m**	US$1,229m	US$890m

[1] Not available for 2012.

Principal risks

Focused on managing our risks

The principal risks facing the group and considered by the board are detailed below.

The group's well-developed risk management process is described in the corporate governance section while financial risks are discussed in the Chief Financial Officer's review on page 39 and in note 21 to the consolidated financial statements.

Principal risk	Context	Specific risks we face	Possible impact
Industry consolidation	The global brewing and beverages industry is expected to continue to consolidate. There will continue to be opportunities to enter attractive growth markets, to realise synergy benefits from integration and to leverage our global scale.	• Failing to participate in the right opportunities. • Paying too much to acquire a business. • Not implementing integration plans successfully. • Failing to identify and develop the capabilities necessary to facilitate market and category entry.	Lower growth rate, profitability and financial returns.
Change in consumer preferences	Consumer tastes and behaviours are constantly evolving, and at an increasingly rapid rate. Competition in the beverage industry is expanding and becoming more fragmented, complex and sophisticated.	• Failing to develop and ensure the strength and relevance of our brands with consumers, shoppers and customers. • Failing to continue to improve our commercial capabilities to deliver brand propositions which respond appropriately to changing consumer preferences.	Market positions come under pressure, market opportunities are missed, lower top line growth rates and profitability.
Management capability	We believe that our people are our enduring advantage and therefore it is essential that we develop and maintain global management capability.	• Failing to identify, develop and retain an appropriate pipeline of talented managers for the present and future needs of the group.	Failure to deliver the group's strategic and financial ambitions. Lower long-term profitable growth.
Regulatory changes	With an increasingly high profile debate over alcohol consumption in many markets, the alcohol industry is coming under more pressure from national and international regulators, NGOs and local governments.	• Regulation places increasing restrictions on the availability and marketing of beer. • Tax and excise changes cause pressure on pricing. • Anti-alcohol advocates erode industry reputation.	Lower growth, profitability and reduced contribution to local communities in some countries. Loss of consumer goodwill and public sentiment.
Acquisition of Foster's	A key aspect of the Foster's acquisition was the delivery of a turnaround plan with specific and communicated financial value creation.	• Failing to deliver integration objectives and commercial and operational excellence targets communicated as part of the turnaround plan. • Failing to achieve the synergy and cost-saving commitments of the transaction.	Lower growth rates and profitability. Damage to the group's reputation for strong commercial capability and for making value creating acquisitions.
Delivering business transformation	We continue to execute major efficiency programmes that will simplify processes, reduce costs and allow local management teams to focus more closely on their markets.	• Failing to derive the expected benefits from the projects currently under way. • Failing to contain programme costs or ensure execution is in line with planned timelines.	Increased programme costs, delays in benefit realisation, business disruption, reputational damage, reduced competitive advantage in the medium term.
Information and cyber security	There is increasing sophistication of cyber-attack capabilities. Business's increasing demand for consumers' and customers' personal data means legislators rightly continue to impose tighter data management control.	• Disruption of information technology (IT) systems and a loss of valuable and sensitive information and assets. • Significant business disruption. • Failing to comply with tightening legislation poses a threat of significant financial penalties or restrictions.	Loss of competitive advantage and reputational damage through the publicised loss of key operating systems and confidential data. Adverse effect on profitability, cash flows or financial position.

Mitigation	Associated strategic elements
• Continued competitor and target analysis to consider strategic and financial implications of potential transactions. • Potential transactions are subject to continual and rigorous analysis. Only opportunities with potential to create value are pursued. • Proven integration processes, procedures and practices are applied to ensure delivery of expected returns. • Activities to deliver synergies and leverage scale are in place, monitored closely and continuously enhanced. • Development of non-traditional capabilities to enter and grow profitably in new markets.	• Retaining a broad portfolio of operations. • Creating superior revenue growth and profitability for our investors.
• Ongoing evaluation of our brand portfolios in every market to ensure that they target current and future opportunities for profitable growth. • Developing a beer category structure that enables us to grow both the value of the beer category, and our share of it. • Ensuring we have a deep understanding of changing consumer and industry dynamics in key markets, enabling us to respond appropriately to opportunities and issues which may impact our business performance. • Building our brand equities through innovation and compelling marketing programmes; creating a pipeline of opportunities to support our premium offering. • Focus on monitoring and benchmarking commercial performance and developing the critical commercial capabilities that are required in order to win in local markets.	• Offering beers and soft drinks that appeal to local tastes. • Creating superior revenue growth and profitability for our investors. • Producing economies of scale and skill.
• Building the group's leadership talent pipeline through our Global Talent Management model, strategic people resourcing and long-term talent pipeline. • Sustaining a strong culture of accountability, empowerment and personal development.	• Offering beers and soft drinks that appeal to local tastes. • Creating superior revenue growth and profitability for our investors. • Producing economies of scale and skill.
• Rigorous adherence to the principle of self-regulation backed by appropriate policies and management review. • Building licence to trade capabilities across the group to facilitate sound risk analysis and mitigation plan development. • Constructive engagement with government and all external stakeholders on alcohol-related issues. Working collaboratively with them to address the harmful use of alcohol. • Investment to improve the economic and social impact of our businesses in local communities and working in partnership with local governments and NGOs.	• Retaining a broad portfolio of operations. • Offering beers and soft drinks that appeal to local tastes. • Creating real and lasting economic and social benefits in communities.
• Embedding of the SABMiller Ways (its processes, systems and tools) throughout the Foster's business. • Commercial efforts in market to effectively deliver volume, value and market share gains. • Continued monitoring of progress against the integration plan, including frequent and regular tracking of key performance indicators.	• Retaining a broad portfolio of operations. • Offering beers and soft drinks that appeal to local tastes. • Creating superior revenue growth and profitability for our investors. • Producing economies of scale and skill.
• Senior leadership closely involved in monitoring progress and in making key decisions. • Mechanisms in place to track both costs and benefits. • Rigorous programme management and governance processes with dedicated resources and clear accountability.	• Creating superior revenue growth and profitability for our investors. • Producing economies of scale and skill.
• Continued articulation and implementation of information security policies. • Increased investment to improve information security awareness, intelligence and implementation of sound security processes. • Building and enhancing processes to deal with IT security incidents.	• Producing economies of scale and skill. • Creating superior revenue growth and profitability for our investors.

Operations review

Latin America

Karl Lippert

President, SABMiller Latin America

"The continuing focus on market-facing activities and effective trade execution assisted in driving our revenue growth."

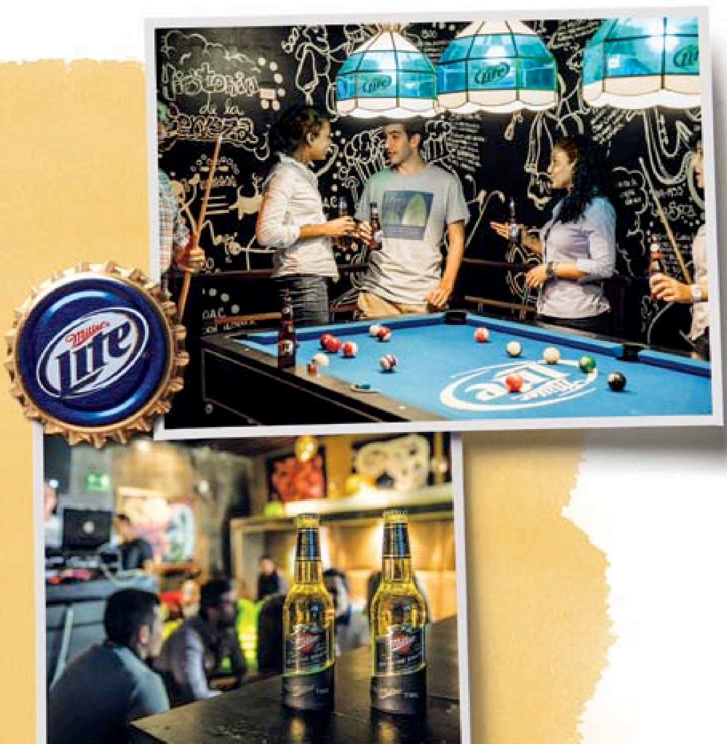
In Latin America, selective pricing and above mainstream brand momentum underpinned organic, constant currency group NPR growth of 5%. Reported group NPR declined by 1%, following the depreciation of key currencies against the US dollar and the disposal of our milk and juice business in Panama. Total beverage volumes and lager volumes grew by 3% and 1% respectively on an organic basis, with alcohol share gains across our markets, with the exception of Panama and Peru, where the excise increase in May 2013 impacted the beer category. The continuing focus on market-facing activities and effective trade execution assisted in driving our revenue growth despite trading disruptions and restrictions. We continue to see success with our bulk pack offerings in Colombia, Honduras and El Salvador where we offer more affordable lager to low income consumers. Our light beer segment has seen significant growth in key consumption occasions, driving trading up and improving our brand mix. Profitability was further boosted by lower production and fixed costs, as well as asset disposals, resulting in a reported EBITA margin increase of 180 bps to 38.2%.

In Colombia, lager volumes grew by 2% despite difficult trading conditions with social unrest and strikes during the second quarter, as well as restrictions on retailer trading hours, the national 'zero tolerance' drink and drive legislation enforcement, and dry days. This favourable lager volume performance was underpinned by the expansion of our bulk packs, improved distribution reach, and strong point of sale execution. Growth was driven by our mainstream Poker brand and trading up in our Águila franchise to Águila Light, while our local brand Club Colombia, with its recently introduced new proprietary packaging, and the international Miller range performed well in the premium segment. Selective price increases also assisted our top line performance while production costs reduced in real terms reflecting plant efficiencies, with distribution costs benefiting from the insourcing of transport operations. Further fixed cost productivity and the disposal of surplus real estate boosted margin growth. Our non-alcoholic malt brand, Pony Malta, performed well in a very competitive category, assisted by the launch of a new multi-serve pack, resulting in soft drinks growth of 3% for the year.

In Peru, domestic lager volumes were marginally ahead of the prior year despite an excise-driven price increase in May 2013 and a continuing shift in expenditure patterns, most notably to the communication and transport sectors. However, lager volumes returned to growth in the fourth quarter. Our lager portfolio, which includes the newly introduced Backus Ice,

Leading Lite

Miller Lite and Miller Genuine Draft (MGD) have continued to consolidate SABMiller's success in the growing premium and super premium segments in Panama, with Miller Lite having a 19.4% volume share of the total beer market and 51.9% volume share of the premium beer segment, while MGD continued to gain share in the super premium segment with 64.2%, each for the year ended 31 March 2014. The Miller brands have capitalised on consumer trends towards easy drinking and premium beers, which our other markets in Latin America are now replicating.



■ Significant business with production operations
■ Selling operations and major export markets

Focus areas

Improving above mainstream mix:

- Broadening appeal with lighter beers in upper mainstream
- Accelerated international brands
- Extended outlet reach with improved sales service

Bulk packs helping to drive affordable beer sales

Production, distribution and shared services efficiencies

40,000 tenderos

Read more about how we are improving the livelihoods of microretailers on page 16

40,000 tenderos – small-scale shopkeepers – across six core markets, will benefit from our four-year, US$17 million 4e, Camino al Progreso programme in partnership with the Inter-American Development Bank.

continued to benefit from the upper mainstream brand Pilsen Callao and its strong performance in the large Lima market, offsetting lower volumes of the Cristal and Cusqueña brands. While beer's share of alcohol declined owing to the excise increase, our lager market share improved by 150 bps. Our direct distribution model has allowed us to improve reach and capture more operational efficiencies, which together with fixed cost productivity has assisted margin growth. Soft drinks volumes were up by 14% with growth coming from sparkling soft drinks and water, assisted by pack innovations.

Ecuador achieved lager volume growth of 2% with extended distribution and increased availability offsetting restrictions on alcohol sales and a ban on alcohol advertising. Our upper mainstream brand Pilsener Light continued to grow at double digit rates with the trade up from Pilsener further boosting group NPR growth. This was supported by the new sales service model, expanded market development and enhanced trade execution, particularly at events and festivals. Our non-alcoholic malt brand, Pony Malta, saw volume growth of 9% for the year, with continuing success of smaller PET packs introduced in the year.

In Panama, lager volume growth of 1% was underpinned by the premium segment where our international brand Miller Lite continued to consolidate its position as one of the leading brands in the market with high double digit growth. This helped offset declining volumes of our mainstream brands, reflecting a structural shift within the category. Our soft drinks volumes also grew by 1% on an organic basis assisted by our non-alcoholic malt brand, Malta Vigor, which recorded 12% growth with increased reach aiding performance, while sparkling soft drinks volumes declined amid competitor discounting. The disposal of the milk and juice business, which was in line with our strategy to restructure and simplify our business in Panama, was completed in May 2013.

In Honduras, our operations felt the impact of a challenging social environment, security concerns, Sunday trading restrictions, and an increase in sales and alcohol taxes. Against this backdrop, lager volumes declined by 2%. Our premium brands, Barena and Miller Lite, performed well with the latter growing by double digits. Our mainstream brand, Salva Vida, continued to see robust growth from the more affordable bulk pack and helped solidify our market position and offset the decline of the Imperial brand. Soft drinks volumes grew by 2% aided by multi-serve packs, pack innovations and increased home consumption.

El Salvador saw lager volume growth of 2% driven by our flagship mainstream brand Pilsener, with bulk packs continuing to drive growth and consumers trading up from economy brands. In the premium segment our local brand Suprema grew by 25%, assisted by the launch of a red beer variant, Suprema Roja. Soft drinks volumes grew by 8% over the prior year, with robust growth in non-alcoholic malt beverages and juices.

Financial summary	Restated 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (including share of associates) (US$m)	7,821	(45)	(424)	460	**7,812**	6	–
Group NPR (including share of associates) (US$m)	5,802	(45)	(305)	293	**5,745**	5	(1)
EBITA[1] (US$m)	2,112	(11)	(112)	203	**2,192**	10	4
EBITA margin (%)	36.4				**38.2**		
Sales volumes (hl 000)							
Lager	43,007	–		579	**43,586**	1	1
Soft drinks	17,866	(344)		992	**18,514**	6	4

[1] In 2014 before exceptional credits of US$47 million being the profit on disposal of the Panama milk and juice business (2013: US$63 million being business capability programme costs).

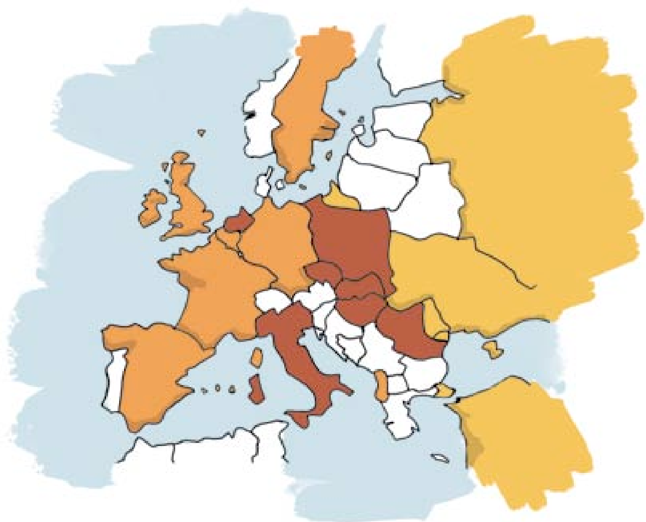
Operations review

Europe

Sue Clark

Managing Director, SABMiller Europe

"Volume performance improved in the second half of the year."



- Significant business with production operations
- Selling operations and major export markets
- Associates

Focus areas

Win at the front line, partnering with customers and creating new experiences

Strengthening brand portfolios across all price points

Sustaining core brands and investing in global premium brands

Strong innovation pipeline, broadening the portfolio

Moving to a new, more cost-effective operating model

In Europe, reported group NPR increased by 6%, which included the benefit of the full consolidation of Coca-Cola Icecek in Anadolu Efes' results. On an organic, constant currency basis, group NPR was in line with the prior year, while group NPR per hl grew by 1%, driven by price increases. Total volumes were down 1% on an organic basis, with lager volumes down 4% and soft drinks volumes up 13%. Volume performance improved in the second half of the year following a first half performance which was impacted by poor weather in the first quarter with a subsequent impact on our seasonal innovations. Across the region, economic uncertainty and weaker consumer sentiment persisted, along with increased competitive pressure in our key markets.

Reported EBITA was down 10% including the benefit of the full consolidation of Coca-Cola Icecek in Anadolu Efes' results. Organic, constant currency EBITA was down 15% compared with the prior year and margin declined by 280 bps driven by volume declines in Poland and lower profitability of Anadolu Efes.

In the Czech Republic, lager volumes were down 4% with an improved performance in the second half of the year compared with the first half, following better execution and focus on the on-premise channel where prices remained unchanged. Adverse weather at the start of the year resulted in outlet closures and affected distribution across the market, and particularly impacted the performance of our mainstream core brand, Gambrinus 10, and seasonal innovation launches. The premium segment was boosted by the successful launch of unpasteurised Gambrinus together with the continued growth of Kozel 11. With effect from 1 May 2014 our Czech and Slovak operations were consolidated for management purposes into a multi-country operation with one leadership team.

In Poland, lager volumes were down 9%, while the beer market declined low single digits, further intensifying competitive conditions. In addition, we cycled a strong prior year comparative associated with the Tyskie brand activation during the Euro 2012 football tournament and were additionally impacted by the planned stock build in the trade at the end of the prior year ahead of our global template deployment. Żubr, supported by promotional activity, performed well within a declining mainstream segment. The decline of Lech volumes, despite the growth of Lech Shandy, and decreased Redd's volumes owing to an expansion of competitors' brands in the flavoured segment resulted in adverse brand mix. Channel mix was unfavourable as discounters continued to grow. These mix effects together with the volume performance resulted in a significant margin decline.

In Italy, domestic volumes were down 1%, outperforming a declining market, impacted by low consumer confidence resulting from continued economic instability. This performance was primarily driven by Peroni, with a particularly strong

Premium power

Sales of Kozel 11° surpassed 550,000 hls for the first time, continuing the premiumisation of the Czech Republic's second largest brand and European power performer, Velkopopovický Kozel.

Kozel 11° is a premium variant of Kozel offering a fuller but still refreshingly smooth taste, with a higher margin per hl in both the off-trade and the on-trade.

performance in our southern strongholds, supported by on-premise expansion. Nastro Azzurro volumes declined, impacted by increased promotional pressure in the off-premise channel.

In the United Kingdom, domestic volume growth of 5% was the result of the continued growth of Peroni Nastro Azzurro through on-premise expansion and effective execution, along with solid growth of our Polish brands, partly offset by a decline in Miller Genuine Draft volumes due to reduced promotions. EBITA grew ahead of the prior year with NPR per hl improvements, volume increases and optimisation of distribution costs.

Domestic lager volumes in the Netherlands grew by 2% with improved execution in the on-premise channel and successful promotional activities in a highly competitive environment. Performance was boosted by Grolsch premium extensions and innovations.

88,000 jobs

Download the report, *The Contribution Made by SABMiller to the European Economy*, at sabmiller.com/reports

SABMiller Europe's operations support 88,000 jobs in the hospitality sector. Research from the Brewers of Europe found that the hospitality sector, in turn, supports around one in every 13 jobs in Europe.

Lager volumes were up 2% in Romania, outperforming a declining market, predominantly through the continued growth of our economy brand Ciucas in large PET packs. Volumes grew by 6% in Slovakia benefiting from the launch of Birell and Saris radlers. In Hungary, volumes grew by 2% compared with the prior year, in a declining market, driven by the strong performance of premium brand Dreher, in part due to the successful introduction of seasonal variants. Volumes in the Canaries declined by 3% with intense price competition in the economy segment, partly offset by growth of our on-premise business ahead of the market through outlet expansion and innovations.

On an organic basis, Anadolu Efes' total volumes grew, driven by strong soft drinks performance, while lager volumes declined predominantly in Turkey and Russia. The beer markets in both Turkey and Russia were impacted significantly by the tightening of regulatory environments. Volume performance in Russia was additionally affected by delisting in key accounts which were fully restored during the second half of the year. In Turkey, beer volume performance was also affected by competitive pressures particularly in the first half of the year. On a reported basis, Anadolu Efes' soft drinks volumes benefited from the full consolidation of Coca-Cola Icecek.

Financial summary	Restated 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (including share of associates) (US$m)	5,767	269	(16)	25	**6,045**	–	5
Group NPR (including share of associates) (US$m)	4,300	269	4	1	**4,574**	–	6
EBITA[1] (US$m)	784	33	7	(121)	**703**	(15)	(10)
EBITA margin (%)	18.2				**15.4**		
Sales volumes (hl 000)							
Lager	45,331	–		(1,741)	**43,590**	(4)	(4)
Soft drinks	7,581	6,144		991	**14,716**	13	94

[1] In 2014 before exceptional charges of US$11 million (2013: US$64 million) being capability programme costs.

Operations review

North America

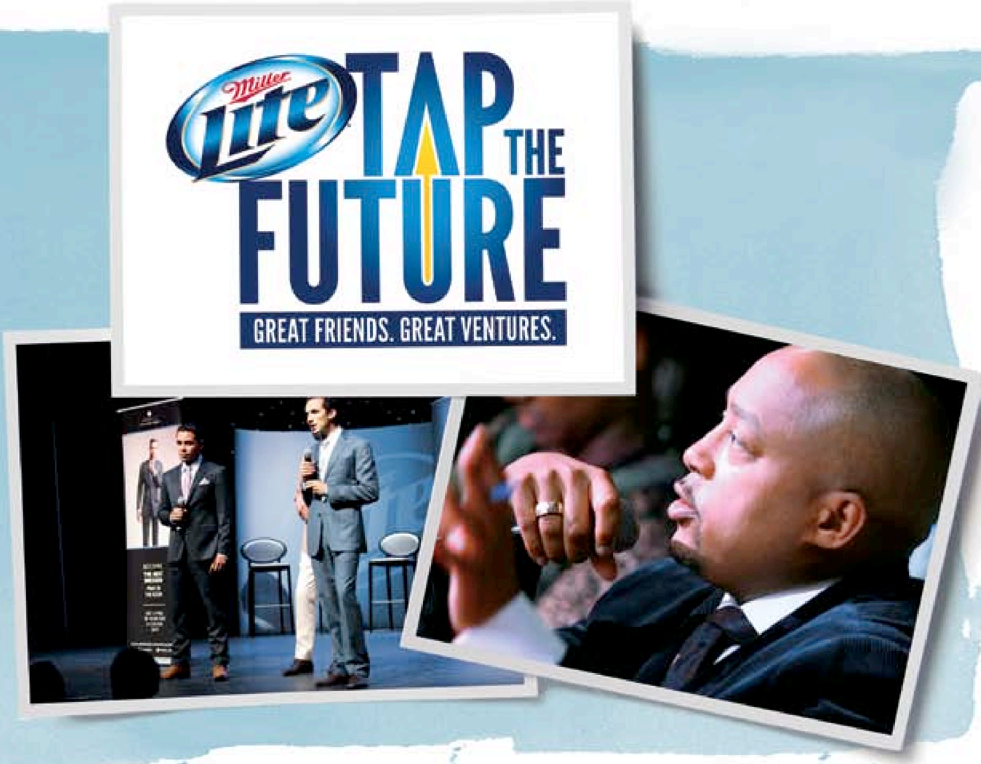
Tom Long
Chief Executive Officer, MillerCoors

"MillerCoors continued to transform its brand portfolio to expand in the growing above premium segments."

Tap the Future

The *Miller Lite Tap the Future* contest saw 2,000 ambitious entrepreneurs bid to pitch ideas to a celebrity business expert, and win a share of the US$400,000 prize fund. Community engagement in the programme was even higher than expected, helping Miller Lite build profile with aspirational 21 to 35-year-olds.

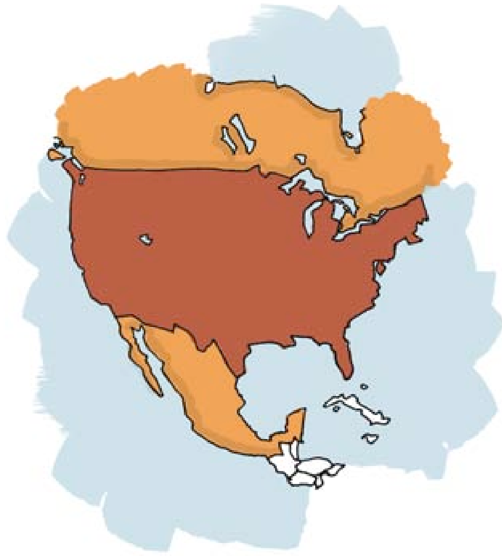
Read more online at www.mltapthefuture.com



Reviving a classic

The revival of a 100-year-old recipe, along with a localised campaign that celebrates the heritage of this beer, resulted in Batch 19 increasing its market share – one of the five highest share increases in the US craft category.

Consumers relish the taste and authenticity of this niche pre-prohibition style lager, which benefits from evocative packaging, including the nostalgic serving jugs, or growlers, which were used in the late 1800s.



■ Significant business with production operations
■ Selling operations and major export markets

Focus areas

- Refreshing the premium light portfolio through new packaging and variants
- Expanding in above premium with large-scale innovations, including craft and flavoured beers
- Increasing sales through chain accounts
- Continuing focus on cost reduction

The North America segment includes our 58% share of MillerCoors and 100% of Miller Brewing International and our North American holding companies. Total North America reported EBITA was 8% higher than the prior year driven by growth in MillerCoors.

MillerCoors

For the year ended 31 March 2014 MillerCoors' group NPR was in line with the prior year as MillerCoors continued to transform its brand portfolio to expand in the growing above premium segments. Domestic volume sales to retailers (STRs) and sales to wholesalers (STWs) both declined by 3%. Group NPR per hl grew by 3% as a result of firm pricing and favourable brand mix. EBITA increased by 8% on the prior year, as improved NPR per hl and reduced fixed costs more than offset lower volumes and input cost inflation. The business gained share in the higher-margin above premium segment.

Premium light volumes were down mid single digits, with Coors Light down low single digits and Miller Lite down mid single digits. Coors Light gained market share within the premium light segment, while Miller Lite share trends improved during the second half of the year. MillerCoors' above premium segment volumes grew by double digits driven by the launch of Redd's Strawberry Ale and Miller Fortune, along with the full year impact of Redd's Apple Ale and Third Shift Amber Ale, which were launched in the prior year. The Tenth and Blake division delivered mid single digit volume growth, driven primarily by the nationwide distribution of the Leinenkugel's range, the success of its Shandy variants, the continued growth of Blue Moon Belgian White, and the launch of Batch 19. The economy segment declined mid single digits driven by Miller High Life and Keystone Light, as economic conditions continued to adversely impact this segment's consumers, and MillerCoors' share of this segment declined. The premium regular segment was down low single digits with a double digit decline in Miller Genuine Draft, partly offset by high single digit growth in Coors Banquet, which was fuelled by the introduction of a new size stubby bottle.

Input costs per hl increased by low single digits, driven by the higher cost of brewing and packaging materials, and the increased unit cost of innovations. Marketing spend decreased mainly due to lower media investment. The business continued to seek efficiencies in its cost base, achieving cost savings in the year primarily related to procurement savings and brewery efficiencies, as well as lower fixed costs, which were driven in part by an organisational restructuring undertaken in the second half of the year.

Financial summary	Restated 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (including share of joint ventures) (US$m)	5,355	–	(1)	(12)	**5,342**	–	–
Group NPR (including share of joint ventures) (US$m)	4,656	–	–	9	**4,665**	–	–
EBITA[1] (US$m)	740	–	–	57	**797**	8	8
EBITA margin (%)	15.9				**17.1**		
Sales volumes (hl 000)							
Lager – excluding contract brewing	40,585			(1,185)	**39,400**	(3)	(3)
MillerCoors' volumes							
Lager – excluding contract brewing	39,268	–		(1,217)	**38,051**	(3)	(3)
Sales to retailers (STRs)	38,818	n/a		n/a	**37,846**	n/a	(3)
Contract brewing	4,760	n/a		n/a	**4,674**	n/a	(2)

[1] In 2014 before exceptional charges of US$5 million (2013: US$ nil) being capability programme costs.

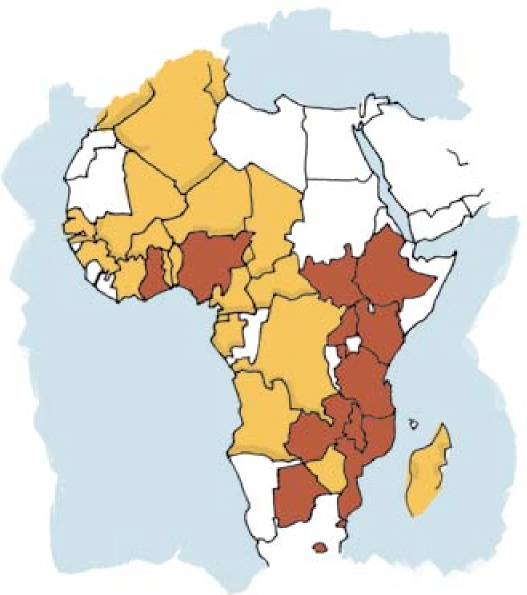
Operations review

Africa

Mark Bowman

Managing Director, SABMiller Africa

"Lager volumes grew by 6% supported by growth in a number of markets."



■ Significant business with production operations
■ Associates

Focus areas

Driving volume growth across the price ladder:
- Affordable: continue to expand, particularly traditional beers
- Mainstream: build core lager brands
- Premium: keep momentum behind Castle Lite

Expanding portfolio, extending distribution and outlet service

Investing in capacity expansion

Increasing cost efficiencies and local sourcing

In Africa, group NPR grew by 4% (5% on an organic, constant currency basis), driven by total volume growth following effective in-trade execution and share gains across most of our subsidiary markets. Lager volumes grew by 6% supported by growth in a number of markets, although growth was hampered by poor economic fundamentals in South Sudan and Zimbabwe. Our portfolio continued to be relevant to our consumers with Castle Lite volumes up 31%, supported by strong performance across our local mainstream brands, as well as Eagle lager in the affordable segment. We continue to invest in capacity and capability, with brewery expansion projects having commenced during the year in Nigeria and Ghana. Soft drinks volume growth of 6% reflected good performances in Ghana and Zambia, and by our associates Castel and Delta in Zimbabwe. Other alcoholic beverage volumes were 2% lower than the prior year, primarily as a result of lower sales in Zambia. Chibuku Super, a traditional beer offering in PET packs which has a longer shelf life, is now available in five markets, having been launched in Mozambique during the year and in Tanzania and Malawi recently.

EBITA growth of 12% (13% on an organic, constant currency basis) was underpinned by this volume growth, pricing in numerous markets, and a strong focus on cost management. We continued to invest in our mainstream brands across the region, while variable costs benefited from production efficiencies, increased local sourcing of raw materials across a number of markets, and improved distribution networks. This resulted in EBITA margin advancing by 190 bps compared with the prior year, despite increased fixed costs related to incremental capacity.

In Tanzania, lager volumes grew by 4% aided by strong premium segment growth driven by Castle Lite, together with growth in Kilimanjaro in the mainstream segment and Eagle in the affordable segment, partially offset by poor weather in the fourth quarter. The volume growth was further supported by share gains in the market. The price point for Castle Lager impacted volumes, but this was more than offset by the growth in mainstream volumes. Our market execution continued to achieve results with improvements in our outlet footprint and route to market. Tanzania delivered strong earnings growth for the year.

Political tensions in Mozambique negatively impacted consumer demand and resulted in our lager volumes declining by 2%, mainly impacting mainstream brand Manica. Castle Lite continued its robust growth, while Impala, our cassava-based affordable beer offering, performed to expectations. Growth in traditional beer volumes of 90% was aided by increased capacity. On 2 December 2013 we acquired a local wines and spirits business which is in the process of being integrated.

Double digit lager volume growth was delivered in Nigeria underpinned by 23% volume growth in Trophy Lager, while Hero lager volumes more than doubled as we progressively increase capacity at the Onitsha brewery. Non-alcoholic malt beverage volumes continued to grow strongly.

In Zambia, a decline in lager volumes in the fourth quarter due to the excise-related pricing taken in January 2014 resulted in full year growth being moderated to 6%. During the year improved availability aided strong growth in Mosi and Castle Lite. In the soft drinks category, the prior year price repositioning drove continued double digit volume growth. Utility-related disruptions to production in Kitwe and pricing taken during the year contributed to a decline in traditional beer volumes.

Total alcoholic beverage volumes in Botswana declined owing to the impact of the zoning legislation coupled with lower consumer demand caused by another alcohol levy price increase. Soft drinks volumes declined by 4% compared with the prior year owing to intense competition.

Despite challenging market conditions, lager volumes in Ghana grew by 12% aided by market share gains with Club lager performing particularly well. Our cassava-based beer has been launched in a number of regions with good success. Soft drinks volumes grew by 12% driven by growth in water as a result of improved availability following capacity upgrades.

Soft economic conditions led to a slow start to the year in Uganda, but we saw an improved trend in the fourth quarter and market share gains, following utilisation of additional capacity at Mbarara. Lager volumes were down 3%, driven by mainstream brands Nile Special and Club, partially offset by growth in the affordable segment. Profitability was assisted by lower manufacturing costs, despite the incremental costs associated with the new Mbarara brewery.

The economic environment in Zimbabwe hampered the performance of our associate, Delta, with lager volumes declining by 18%. However, traditional beer volumes grew strongly at 12%, supported by the innovative Chibuku Super, and soft drinks volumes also grew in the year.

Our associate, Castel, delivered lager volume growth of 6%, with strong growth in Angola, Gabon, Burkina Faso, Ethiopia and the Democratic Republic of Congo. Castel's reported group NPR growth was lower than the volume growth due to country mix, an excise increase in Cameroon and lower inflation-led pricing.

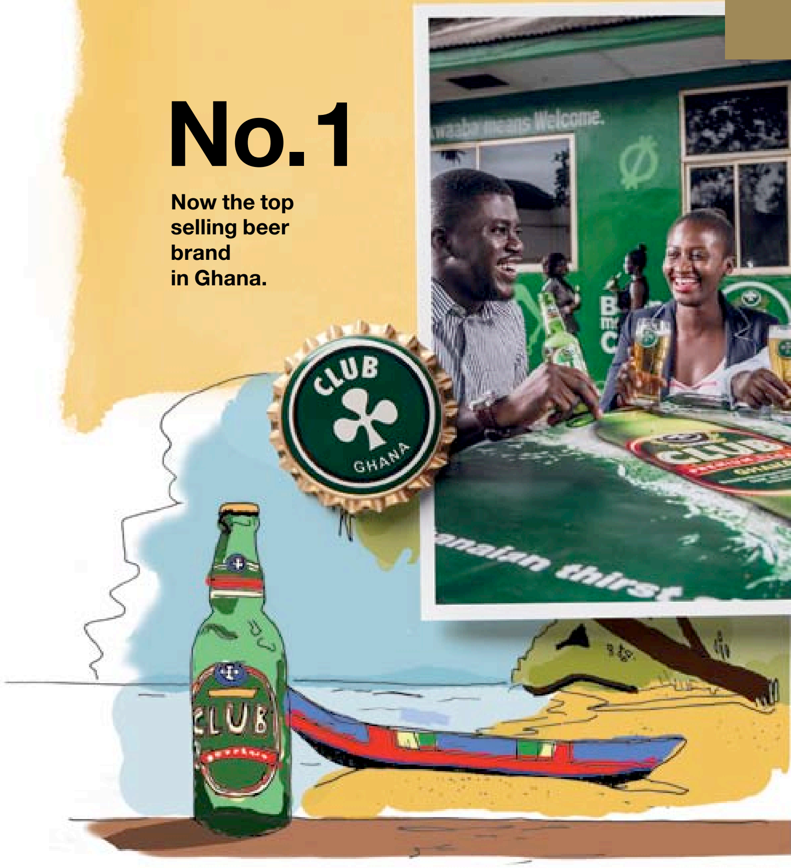
Truly Ghanaian

After becoming Ghana's number one mainstream beer during 2013, Club lager extended its market leadership during the year. Club had a 34% share of the total beer market for the year ended 31 March 2014, up from 6% in 2009.

Club's continued growth was driven by a consistent focus on delivering the brand promise of a crisp, refreshing taste and through communication that resonated with consumer pride in national identity, epitomised through its 'Truly Ghanaian' tagline.

No. 1

Now the top selling beer brand in Ghana.



20,000 farmers

In Uganda, Nile Breweries buys from and supports 20,000 sorghum farmers.

Read more about our local sourcing programmes on page 43

Financial summary	Reported 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (including share of associates) (US$m)	3,853	16	(71)	260	**4,058**	7	5
Group NPR (including share of associates) (US$m)	3,290	9	(55)	180	**3,424**	5	4
EBITA[1] (US$m)	838	–	(10)	111	**939**	13	12
EBITA margin (%)	25.5				**27.4**		
Sales volumes (hl 000)							
Lager	18,445	–		1,078	**19,523**	6	6
Soft drinks	12,963	–		808	**13,771**	6	6
Other alcoholic beverages	5,726	236		(133)	**5,829**	(2)	2

[1] In 2014 before net exceptional credits of US$25 million (2013: US$79 million) being profit on disposal of a business.

Operations review

Asia Pacific

Ari Mervis

Managing Director, SABMiller Asia Pacific

"Organic, constant currency group NPR per hl improved in all the region's markets."

In Asia Pacific, organic, constant currency group NPR grew by 4%, with lager volume growth of 5% on an organic basis. Reported group NPR declined by 2% driven by the depreciation of the Australian dollar against the US dollar, together with the impact of the termination of discontinued brands in the prior year in Australia, and the sale on 7 September 2012 of Foster's interest in its Fijian beverage business. Organic, constant currency group NPR per hl improved in all the region's markets, but overall reported group NPR per hl for the region declined, as China's growth, with a lower than average group NPR per hl, outpaced the rest of the region. On an organic, constant currency basis, EBITA grew by 8%, driven by Australia and China, with organic, constant currency EBITA margin improvement of 100 bps. Reported EBITA margin growth was diluted by the inclusion of Kingway's results in the second half of the financial year, following completion of the acquisition of the brewery business in September 2013 by our associate CR Snow.

In Australia, continuing[2] domestic group NPR on a constant currency basis was in line with the prior year, with a 3% volume decline (in a market which declined by 2%) offset by NPR per hl improvement of 3%, driven predominantly by price increases, coupled with the execution of premium growth platforms along with more disciplined and performance-based discounting.

Continuing[2] lager volumes were negatively impacted by persisting economic uncertainty and weak consumer sentiment along with increased competitive intensity, which negatively impacted our lager volume share. The strategy to restore the core portfolio and build a winning competitive position resulted in strong volume growth of Carlton Dry and Carlton Mid, although Victoria Bitter declined by 1% off a higher base (while still outperforming the beer market) and Crown Lager declined, reflecting both a strong prior year comparative and price compression from imported brands.

2.45 hl water

In Australia, our most efficient brewery, Yatala, used an average of 2.45 hl water to make 1 hl beer.

Read more about our water efficiency programmes on page 41

Carlton Draught was impacted by its exposure to the more depressed on-premise channel. Focus on premium growth platforms delivered 10% volume growth in the super premium portfolio, most notably Peroni Nastro Azzurro, and the craft brand Fat Yak. In addition, the launch of Kopparberg added an international premium cider to the portfolio. Total reported volumes, including discontinued brands and disposals, were down 9%.

The integration programme continued to be ahead of schedule in both synergy delivery and capability build, delivering cumulative synergies of A$150 million in the year, and remains on track to deliver on an accelerated timeline. In light of the excess capacity in the network, we announced in January 2014 the intended closure of the Warnervale brewery. During the year we initiated the roll-out of our global template, which will assist with value creation and investment in commercial capabilities.

A continuing focus on price realisation and effective cost control resulted in strong EBITA growth and margin expansion on an organic, constant currency basis.

Financial summary	Restated 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (including share of associates) (US$m)	5,685	1	(342)	107	**5,451**	2	(4)
Group NPR (including share of associates) (US$m)	4,005	9	(213)	143	**3,944**	4	(2)
EBITA[1] (US$m)	854	(9)	(72)	72	**845**	8	(1)
EBITA margin (%)	21.3				**21.4**		
Sales volumes (hl 000)							
Lager	67,292	787		3,414	**71,493**	5	6

[1] In 2014 before exceptional charges of US$103 million being integration and restructuring costs (2013: US$104 million being integration and restructuring costs of US$74 million and impairments of US$30 million).

- Significant business with production operations
- Selling operations and major export markets
- Associates

Focus areas

Growing contemporary brands in Australia

Tight revenue and cost management in Australia

Growing upper mainstream, premium and above premium sales in China

Building CR Snow's market leadership in China

In India, group NPR on a constant currency basis declined by 3% as a result of lower volumes, partially offset by robust NPR per hl growth of 4%. Lager volumes fell by 7%, impacted by adverse regulatory changes in a number of our key states, including Maharashtra, together with an unusually intense and prolonged monsoon earlier in the year. On a constant currency basis, EBITA was lower than the prior year and EBITA margin declined, reflecting the volume decline coupled with inflationary and input cost increases which were in excess of price realisation and state constrained pricing.

In China, strong group NPR growth of 17% on an organic, constant currency basis was underpinned by volume growth of 8% and favourable mix. Our associate, CR Snow, further expanded its national market leadership, with healthy volume growth achieved in key provinces including Anhui, Zhejiang and Sichuan.

Organic, constant currency group NPR per hl increased by 9% driven by growth in both premium brands and packs. With the continuing focus on premiumisation, led by Snow Draft and Snow Brave the World, more than 30% of volumes are now in the premium segment. CR Snow continued to invest in market-facing activities in an extremely competitive environment, in order to support its premiumisation strategy and to enhance its market leadership.

On 17 September 2013 CR Snow completed the acquisition of the brewery business of Kingway Brewery Holdings Limited and the results of this business have been included in the results of CR Snow for the second half of the financial year, diluting reported EBITA margin for the year. The Kingway integration is under way, with the planned turnaround of the business expected to take two to three years.

[2] Continuing information basis adjusts for the impact of discontinued licensed brands in all comparative information.

#hellobeer

Keeping a very clear focus on its target young adult consumers ensured Carlton Dry was the fastest-growing brand in the top 10 beer brands in Australia and number one in the country's easy-drinking sector.

As well as continuing its association with action sports (snowsports, surfing and motocross) and music, Carlton Dry launched its witty #hellobeer campaign, which was designed particularly for social media. This resulted in a record 90,000 hls being sold during December 2013 alone.

No.1

Beer brand in Australia's easy-drinking sector.

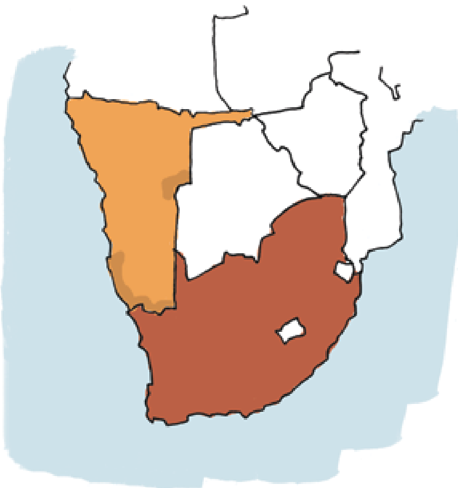
Operations review

South Africa

Norman Adami

Chairman, SABMiller Beverages South Africa

"Organic, constant currency EBITA grew by 7%, with improved EBITA margin, driven by the strong performance of our beer operation."



■ Significant business with production operations
■ Selling operations and major export markets

Focus areas

Strong brand campaigns, pack and brand innovation

Effective trade sales execution

Brand and retail execution improving segment mix

Addressing soft drinks through portfolio expansion, market penetration, retail execution and productivity improvements

Optimising our fixed cost base

Beverages

The South Africa: Beverages business reported a 6% increase in group NPR on an organic, constant currency basis (declining by 11% on a reported basis), with group NPR per hl growing by 6% driven by price increases and positive lager brand mix. Organic, constant currency EBITA grew by 7%, with improved EBITA margin, driven by the strong performance of our beer operation, amid a weak consumer environment and the timing of Easter. Reported EBITA declined by 9% due to the depreciation of the South African rand against the US dollar.

Lager volumes were level with the prior year but we continued to take both beer volume and value market share, driven by successful brand campaigns, pack and brand innovation and effective execution in the trade.

The local premium portfolio performed strongly, benefiting from our efforts in brand and retail execution, with Castle Lite and Castle Milk Stout delivering combined growth of more than 10%. Castle Lite continued to build on its 'Extra Cold' brand positioning and continued to take market share in the premium segment. In the mainstream segment, Castle Lager grew and Carling Black Label continued to stabilise, while we targeted investment in Hansa Pilsener to address the volume decline. Castle Lager grew through leveraging the 'It all comes together with a Castle' campaign and its association with national sports in South Africa. There was noticeable activity towards the end of the year in relation to Hansa Pilsener, with the introduction of the 'Celebrating 20 years of freedom' campaign and new packs across the range. The year also saw the introduction of a number of innovations, including Flying Fish, the first fruit-flavoured beer in the premium segment in South Africa.

Brand campaigns were underpinned by improved sales execution and customer service, with particularly pleasing results in the growing convenience channel. Initiatives included innovative channel specific incentive schemes and targeted trade campaigns.

Our focus on social investment and tackling alcohol abuse remains a priority. *Kickstart*, an entrepreneurship programme which has created more than 21,000 jobs over the past two decades, shifted its focus to transforming start-up youth-owned businesses into high growth businesses. It was profiled as a best practice programme by Harvard Kennedy School. The next phase of the *You Decide* programme, to raise awareness of underage drinking, was launched with a 13 part TV reality show.

Read more on page 41

Soft drinks volumes, including Appletiser, were also level with the prior year, amid challenging economic conditions and particularly bad weather in the last quarter of the financial year, and the impact of the growing intensity of sparkling B-brand competition in the marketplace. The business remained focused on portfolio expansion, market penetration, retail execution, and productivity initiatives with the use of market logistics partners and incentive structures. However, increased competition in the category resulted in a decline of returnable glass bottle sales which offset the growth in PET packs. The still drinks portfolio continued to show growth with strong contributions from the water brands and the Play brand.

Implementation of our strategy strengthened our competitive advantage in our soft drinks business. Market penetration was a key focus as we expanded into new outlets and transformed existing outlets. We invested in market logistics partners to distribute our brands, allowing for greater flexibility and the ability to tailor delivery services. The continued transformation of the supply chain, including the implementation of new technology and improved processes, resulted in elevated customer service, reliability and responsiveness, and drove productivity as well as an increase in demand fulfilment. Further, all support functions have been centralised through improved IT infrastructure and reporting tools.

Driven by increased volumes, our associate Distell reported double digit EBITA growth on an organic, constant currency basis, after adjusting for the one-off excise charge included in the prior year's results.

We continued to focus on productivity while increasing investment in market-facing activities across the whole business. Input costs came under significant pressure due to the weakening South African rand and rising fuel rates. As a result, EBITA margin contracted in the soft drinks business where competitor activities continued to inhibit pricing. However, both the beer and soft drinks businesses continued to leverage the noticeable progress to date in optimising the fixed cost base to deliver further productivity during the year.

Castle Milk Stout extends its reach

Castle Milk Stout is a distinctive premium brand, appealing to both urban and rural consumers in South Africa.

A draught offering, mass sampling and innovative glassware increased the number of different occasions for consumers to enjoy the brand, which helped drive sales volumes by 5% in the year.

Hotels and Gaming

SABMiller currently has an effective 39.6% shareholding in Tsogo Sun Holdings Limited, a company listed on the Johannesburg Stock Exchange. This investment is not considered to be core to our beverage operations and therefore we are reviewing our strategic options for the shareholding. However, there can be no certainty that the review will result in any action being taken.

Our share of Tsogo Sun's reported group NPR decreased by 8% compared with the prior year (up 7% on an organic, constant currency basis). Trading during the second half of the year was generally weaker than the first half, with tough economic conditions putting pressure on the consumer.

In the gaming business, growth was varied across the major provinces with Gauteng, the largest in terms of gaming win, reporting 3% growth and KwaZulu-Natal growing by 4%. Tsogo Sun's four large casinos in these provinces outperformed market growth.

The South African hotel business recorded positive revenue per available room growth in local currency, largely driven by growth in average room rates. Although demand is still constrained, occupancies ended the year at 64%, in line with the prior year and above the South African industry average of 62%. Group-wide occupancies ended the year at 64% compared with 65% in the prior year.

Reported EBITA for the full year decreased by 8%, as a result of the depreciation of the South African rand, with growth of 8% on an organic, constant currency basis driven by higher gaming and hotel revenues together with cost savings.

Beverages

Financial summary	Restated 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (including share of associates) (US$m)	5,540	20	(938)	329	**4,951**	6	(11)
Group NPR (including share of associates) (US$m)	4,475	17	(757)	262	**3,997**	6	(11)
EBITA[1] (US$m)	1,119	2	(188)	82	**1,015**	7	(9)
EBITA margin (%)	25.0				**25.4**		
Sales volumes (hl 000)							
Lager	27,280	–		(35)	**27,245**	–	–
Soft drinks	18,368	–		(59)	**18,309**	–	–
Other alcoholic beverages	1,613	(4)		180	**1,789**	11	11

[1] In 2014 before exceptional charges of US$33 million being Broad-Based Black Economic Empowerment related charges (2013: US$22 million being Broad-Based Black Economic Empowerment scheme charges of US$17 million, integration and restructuring costs of US$17 million, net of business capability programme credits of US$12 million).

Hotels and Gaming

Financial summary	Restated 2013	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2014**	Organic, constant currency growth %	Reported growth %
Group revenue (share of associates) (US$m)	466	7	(80)	32	**425**	7	(9)
Group NPR (share of associates) (US$m)	404	7	(69)	28	**370**	7	(8)
EBITA (US$m)	134	2	(23)	10	**123**	8	(8)
EBITA margin (%)	33.1				**33.2**		
Revenue per available room (Revpar) – US$	66.2	n/a	n/a	n/a	**61.4**	n/a	(7)

Chief Financial Officer's review

Our goal: market-leading shareholder returns

On an organic, constant currency basis group NPR increased by 3% driven by our developing market operations.

Jamie Wilson
Chief Financial Officer

"EBITA growth of 7% on an organic, constant currency basis, with all divisions except Europe delivering growth."

Financial highlights

The depreciation of key currencies against the US dollar had a significant negative impact on the translation of reported results

Group net producer revenue (NPR) declined 1% to US$26,719 million; revenue down 4% to US$22,311 million

EBITA of US$6,453 million, an increase of 1% on the prior year restated amount

EBITA margin progression of 50 bps compared with the restated prior year

Adjusted profit before tax of US$5,712 million, an increase of 2%; profit before tax of US$4,823 million, up 3%

Adjusted EPS of 242.0 US cents, a 2% increase; basic EPS of 211.8 US cents

Total dividend for the year of 105 US cents per share, up 4%

Free cash flow of US$2,563 million was US$667 million lower than the prior year, primarily as the result of the phasing of tax payments

Net debt of US$14,303 million, a decrease of US$1,297 million from the restated prior year

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

We achieved adjusted EPS growth in the year of 2%, as a result of higher operating profit, lower finance costs and a lower tax charge, and after reflecting the adverse impact of foreign exchange rate movements. Free cash flow at US$2,563 million also continued to be robust but was US$667 million lower than the prior year, as a result of the phasing of payments to the Australian tax office and additional investment in our Chinese associate to fund, in part, the acquisition of the Kingway brewery business.

In the five years to 31 March 2014 we achieved a TSR of 203%, compared with the median of the comparator group of 105% as measured in accordance with the terms of our performance share awards. The differential of 98% between the two is our TSR key performance indicator as shown on page 17.

New and revised reporting metrics

We have revised in the year the non-GAAP metrics used to assess our performance to reflect changes in the way in which the performance of our operations is evaluated and resources allocated. In order to show more clearly our underlying revenue performance, excluding the impact of excise duties and other similar taxes charged to the group by tax authorities, we have presented an additional new metric, group net producer revenue (NPR), which is defined as group revenue less excise duties and other similar taxes including our share of associates' and joint ventures' excise duties and other similar taxes. Following the introduction of the group NPR metric, we have calculated EBITA margin using group NPR as the denominator rather than group revenue. This demonstrates the underlying margin progression without the distortions of changes in excise duties and other similar taxes charged to the group.

We have also amended the definition of EBITDA. Historically we used a cash flow-based EBITDA metric, with a number of non-cash adjustments in addition to depreciation and amortisation. However, with an increasing number of non-cash items, this measure had become more complicated. Consequently, in an effort to simplify the calculation of the metric and to aid comparability with other beverage companies, we have presented an income statement-based EBITDA metric instead, which only adjusts for depreciation and amortisation. EBITDA comprises EBITA plus depreciation and amortisation of computer software, including our share of associates' and joint ventures' depreciation and amortisation of computer software.

Additionally we have amended our net debt definition to include the fair value of derivative financial instruments designated as net investment hedges as these hedges are considered to be inextricably linked to the underlying borrowings because they are used to mitigate the foreign exchange risk arising from our foreign currency borrowings. This enables a more appropriate presentation of the currency profile of our borrowings. Further details are included in note 27c to the consolidated financial statements.

New accounting standards and restatements

The accounting policies followed are the same as those used in the prior year except for the new standards, interpretations and amendments adopted by the group since 1 April 2013 as detailed in note 1 to the consolidated financial statements.

The adoption of these new standards, interpretations and amendments has resulted in changes to our results for the year ended 31 March 2013, including EBITA and profit for the year being reduced by US$42 million and US$24 million respectively and adjusted EPS being reduced by 1.5 US cents, due to the adoption of the amendment to IAS 19 'Employee benefits'. The consolidated balance sheet and cash flow were unaffected. Comparative information has been restated as detailed in note 28 to the consolidated financial statements. Additional disclosures are also included in the consolidated financial statements as a result of adopting these new standards and amendments.

As part of the regular review of accounting practices and policies, fair value gains and losses on financial instruments and exchange gains and losses on financing items are now presented on a net basis within net finance costs.

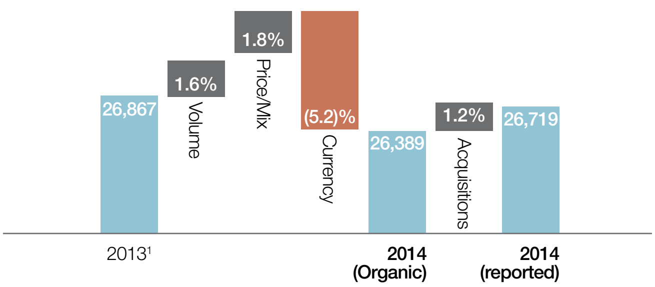
Key performance indicators (KPIs)

We use a range of KPIs to monitor progress against our strategic priorities and our financial goal, as noted on page 17. A number of our KPIs have changed since last year reflecting the revision to some of our reporting metrics described above. As a result of these changes, we do not have a full three-year history for certain of the revised KPIs as the definitional changes were only applied from 2012 and not in earlier years. Our KPIs and other performance indicators include non-GAAP performance measures to assess underlying performance. These incorporate constant exchange rates for measuring revenue and profit growth; organic measures to exclude acquisition and divestment effects; adjusted profit measures to exclude exceptional items and amortisation of certain intangible assets; and adjusted EBITDA as a key cash flow measure. Detailed definitions of these terms can be found on pages 174 and 175, and for certain items reconciliations to the nearest equivalent GAAP measure are provided below or in the notes to the consolidated financial statements.

Net producer revenue (NPR)

Group net producer revenue (NPR) was US$26,719 million (including our share of associates' and joint ventures' NPR of US$10,015 million). This represented a decrease of 1%, due to the adverse impact of foreign currency movements. However, on an organic, constant currency basis group NPR increased by 3% driven by our developing market operations in Latin America, Africa, Asia Pacific and South Africa, through the combination of volume growth, selective pricing and improved brand mix.

Group net producer revenue US$m
Components of performance



[1] Adjusted for disposals

As can be seen in the chart above, improved price and mix and higher volumes have contributed similarly to the growth in group NPR, with price/mix gains in all divisions except Asia Pacific. Currency movements during the year reduced reported group NPR by 5%, mainly due to the weakening of the South African rand, the Colombian peso, the Peruvian nuevo sol and the Australian dollar, partly offset by the appreciation of European currencies. The impact of the full consolidation of Coca-Cola Icecek into Anadolu Efes' results was the main contributor to the 1% added to group NPR by acquisitions on the prior year base as adjusted for disposals.

Group revenue declined in line with group NPR, while statutory revenue, which relates to the revenue of our subsidiaries only, decreased by 4%, primarily in South Africa and Australia as a result of the impact of currency weakness on translated results.

Chief Financial Officer's review continued

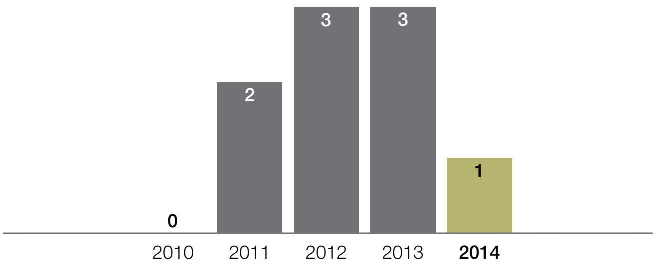
Volumes

Good volume performance was delivered from our developing markets in Africa, Latin America and our associate in China, while volumes in North America, Europe and Australia declined amid continued tough trading conditions. Total volumes, including lager, soft drinks and other alcoholic beverages volumes, grew by 2% compared with the prior year on an organic basis and by 4% on a reported basis. Lager volumes grew by 1% on the prior year on both organic and reported bases.

	Reported			Organic
	2014 hl m	2013 hl m	% change	% change
Total volumes	**318**	306	4	2
Lager volumes	**245**	242	1	1

The chart below shows organic growth in lager volumes for each of the last five years. Volumes in the 2010 financial year were impacted by the global economic recession following the global financial crisis.

Lager: organic volume growth %



Input costs

Cost of goods sold, including raw materials and distribution costs, increased approximately 1% on the prior year on a constant currency per hl basis, at the lower end of our previous guidance. Raw material input costs decreased marginally in the second half of the year bringing full year costs in line with the prior year on a per hl basis. Commodity prices were adversely impacted by higher 2012 global grain crop prices following the US drought in 2012, higher sugar prices and the weakness of the South Africa rand and Eastern European currencies. These higher prices were mitigated by savings achieved through our global procurement programme, particularly through commercial negotiations in brewing and packaging raw materials, as well as light weighting and value engineering initiatives. Distribution costs also grew at a slower rate in the second half of the year as efficiency programmes throughout our distribution network continued to progress, which partly offset crude oil price increases.

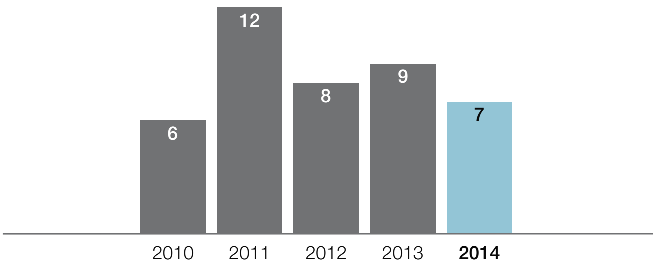
We expect raw material input costs to increase by low to mid single digits on a per hl basis in the forthcoming financial year. This will be principally driven by increased sugar and packaging raw material market prices, moderated by our forward cover positions, but could be lower dependent on global grain harvests, with our supply predominantly sourced from the grain markets in Argentina and Europe. Packaging costs are expected to grow at a slightly higher rate driven by increases in underlying raw material inputs for glass and plastic packaging, but will be partly offset by our expanding procurement function which is expected to continue to deliver savings.

EBITA

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

Our financial performance in the year was good with EBITA growth of 7% on an organic, constant currency basis, with all divisions except Europe delivering growth. We grew reported EBITA (including the impact of acquisitions) by 1%, compared with the restated prior year amount, to US$6,453 million. The depreciation of key currencies adversely impacted reported EBITA. The chart below shows the increase in EBITA for each of the last five years with each year's growth shown in constant currency after excluding the impact of acquisitions and disposals.

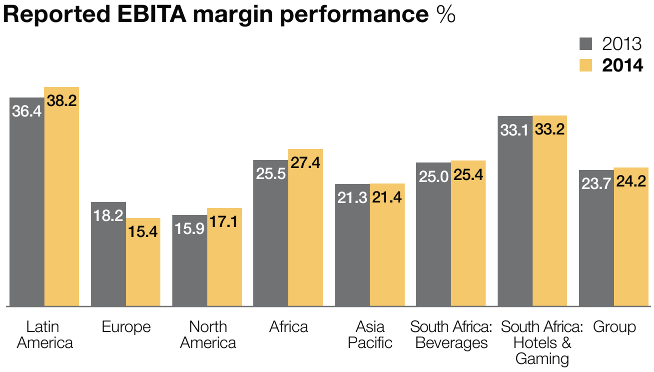
EBITA growth %
Organic, constant currency basis



EBITA margin

EBITA margin at 24.2% was 50 bps higher than the prior year, both calculated on the revised metric using group NPR as the denominator. The chart below shows EBITA margin by division, with Latin America and Africa making particular progress with growth of 180 and 190 bps respectively. However, the margin in Europe declined by 280 bps.

Reported EBITA margin performance %



Exceptional items

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

Net exceptional charges of US$202 million before finance costs and tax were reported during the year (2013: US$203 million) and included net exceptional charges of US$5 million (2013: US$3 million) related to the group's share of associates' and joint ventures' exceptional charges. The net exceptional charges included:

- US$47 million profit on the disposal of a milk and juice business in Latin America;
- US$25 million additional gain on the prior disposal of our Angolan businesses to the Castel group in Africa;
- US$133 million charge related to the capability programmes;
- US$103 million charge related to integration and restructuring costs in Asia Pacific; and
- US$33 million Broad-Based Black Economic Empowerment (BBBEE) related charges in South Africa.

Our share of joint ventures' and associates' exceptional items in the year comprised a US$5 million charge relating to restructuring associated with the group's new efficiency and cost saving programme in MillerCoors in North America.

Finance costs

Net finance costs were US$645 million, an 11% decrease on the prior year's US$726 million (restated) primarily as a result of the reduction in net debt over the course of the year including the repayment of some higher interest rate bonds that matured in the year. Finance costs in the prior year included a net gain of US$12 million from the mark to market adjustments of various derivatives on capital items for which hedge accounting cannot be applied which was excluded from adjusted finance costs and adjusted EPS. Adjusted net finance costs are reconciled to net finance costs in the table below. They were 13% lower than the prior year. Interest cover increased to 10.3 times from 8.9 times in the prior year (restated).

	2014 US$m	2013 US$m (restated)
Net finance costs	**645**	726
Mark to market gain on capital items	**–**	12
Adjusted finance costs	**645**	738

We expect finance costs in the 2015 financial year to be broadly similar to those in 2014.

Tax

The effective rate of tax for the year (before amortisation of intangible assets other than computer software and exceptional items) was 26.0% compared with a rate of 27.0% in the prior year. This change in the rate resulted from a combination of factors including:

- beneficial foreign exchange deductions on refinancing;
- the resolution of various uncertain tax positions; and
- a positive geographic mix of profits across the group.

In the medium term we continue with our expectation that the effective tax rate will be between 27% and 29%. This is a level which we believe is sustainable based upon the current structure of the group.

The effective rate of tax is calculated as the ratio of adjusted tax expense to adjusted profit before tax as shown below.

	2014 US$m	2013 US$m (restated)	% change
Taxation expense	**1,173**	1,192	(2)
Tax on amortisation	**123**	135	(9)
Tax on exceptional items	**27**	20	33
Share of associates' and joint ventures' taxation	**162**	164	(1)
Adjusted tax expense	**1,485**	1,511	(2)
Profit before tax	**4,823**	4,679	3
Exceptional items	**202**	205	(1)
Adjustments to finance costs	**–**	(12)	
Amortisation (excluding computer software)	**436**	483	(10)
Share of associates' and joint ventures' tax and non-controlling interests	**251**	242	4
Adjusted profit before tax	**5,712**	5,597	2
Effective tax rate	**26.0%**	27.0%	(4)

The statutory corporate tax charge for the year was US$1,173 million, a small decrease compared with US$1,192 million (restated) in the prior year.

Corporate income taxes paid can be distorted relative to the annual tax charge as a result of the payment of a tax liability falling outside the financial year, and because of deferred tax accounting treatment. Uncertainty of interpretation and application of tax law in some jurisdictions also contributes to differences between the amounts paid and those charged to the income statement. The amount of tax paid in the year increased to US$1,596 million from US$683 million in the prior year. The increase was largely as a result of the anticipated tax prepayment in Australia. Approximately US$440 million was received in 2012 from the Australian Tax Office as a result of tax audit settlements and tax losses. Under specific local legislation we were required to repay this in April 2013, as a prepayment of tax which will be recovered in future years against tax liabilities that arise in Australia.

Chief Financial Officer's review continued

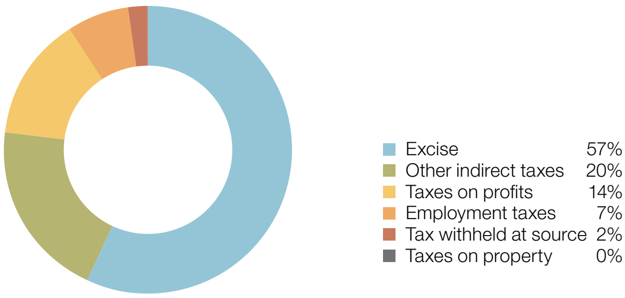
Tax revenues play a key role in funding local public services and supporting vibrant communities. We pay a significant amount of tax and in many countries we are one of the largest contributors to government income. We are proud to make a contribution to the economic development in countries where we do business.

In all our tax affairs, we seek to work proactively with the local tax authorities to ensure that we comply with legislation and pay the right amount of tax. Within this framework, we aim to adopt a balanced and commercial position, making decisions as transparently as possible. We recognise that tax policy and management are a significant part of running a sustainable and responsible business.

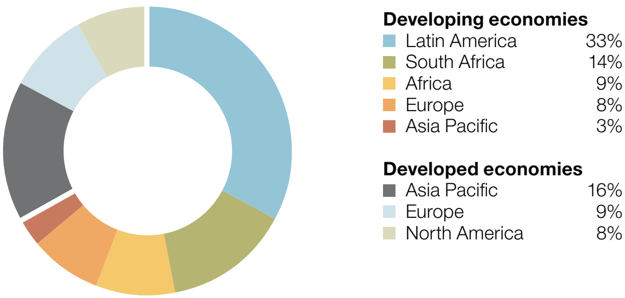
In September 2013 we issued 'Our Approach to Tax' report which provided details of how we manage our taxes. In response to positive feedback we are publishing an updated version for 2014. We are keen to develop this transparency initiative and remain committed to ensuring that our reporting reflects best practice and regulatory developments.

Total taxes borne and collected by the group, including excise and indirect taxes, amounted to US$10,750 million (2013: US$9,900 million) in the year. The composition and divisional analysis is shown in the charts below.

Tax borne and collected by category



Tax borne and collected by region



During the year approximately US$2,423 million (2013: US$2,500 million) of taxes have been paid to African tax authorities (including South Africa).

Profit and earnings

Adjusted profit before tax improved by 2% over the prior year to US$5,712 million primarily as a result of increased volumes, improved constant currency revenue per hl reflecting selective price increases and positive sales mix, cost efficiencies and lower finance costs, partly offset by the impact of currency depreciation. On a statutory basis, profit before tax of US$4,823 million was 3% more than the prior year for the reasons given above together with a reduction in the amortisation charge principally owing to the translation impacts of the depreciation of the Australian dollar, the Turkish lira and the Colombian peso. The table below reconciles EBITA to adjusted profit before tax and to the statutory profit before tax.

	2014 US$m	2013 US$m (restated)	% change
EBITA	**6,453**	6,379	1
Adjusted finance costs	**(645)**	(738)	13
Share of associates' and joint ventures' finance costs	**(96)**	(44)	
Adjusted profit before tax	**5,712**	5,597	2
Exceptional items	**(202)**	(205)	1
Adjustments to finance costs	**–**	12	
Amortisation	**(436)**	(483)	10
Share of associates' and joint ventures' tax and non-controlling interests	**(251)**	(242)	(4)
Profit before tax	**4,823**	4,679	3

Adjusted earnings increased by 2% to US$3,865 million. With the weighted average number of basic shares in issue for the year of 1,597 million, up slightly from the prior year's 1,590 million, we achieved adjusted EPS growth in both our reporting currency of US dollars and also in the currencies in which our shares are quoted, as demonstrated in the table below.

Adjusted EPS	**2014**	2013 (restated)	% change
US cents	**242.0**	237.2	2
UK pence	**152.1**	150.2	1
South African cents	**2,451.7**	2,018.9	21

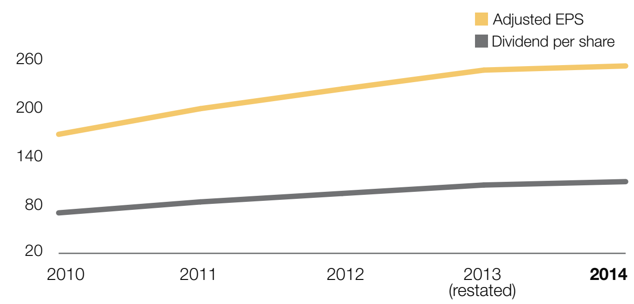
A reconciliation of the statutory measure of profit attributable to equity shareholders with adjusted earnings is shown in note 8 to the consolidated financial statements. On a statutory basis, basic earnings per share were 4% up on the prior year primarily as a result of lower amortisation charges in the year because of currency depreciation.

Dividends

The board has proposed a final dividend of 80 US cents to make a total of 105 US cents per share for the year – an increase of 4% over the prior year. This represents dividend cover of 2.3 times based on adjusted earnings per share (2013: 2.4 times). Our guideline is to achieve dividend cover of between 2.0 and 2.5 times adjusted earnings. The relationship between the growth in dividends per share and adjusted earnings per share is demonstrated in the chart below.

Adjusted earnings per share (EPS) and dividend per share

US cents



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

Business combinations, disposals and similar transactions

In May 2013 we completed the disposal of our non-core milk and juice business in Panama, which generated a profit of US$47 million.

On 17 September 2013 our Chinese associate, CR Snow, completed the acquisition of the brewery business of Kingway Brewery Holdings Ltd. The shareholders in CR Snow increased their investment in CR Snow in proportion to their existing shareholdings to assist the financing of this acquisition, with our investment amounting to US$196 million.

In December 2013 we acquired the trade and assets of a wine and spirits business in Africa for consideration of US$42 million, with US$39 million being paid in cash. The acquisition is in line with our African strategy to offer a full drinks portfolio.

Adjusted EBITDA

We now use an adjusted EBITDA measure which comprises operating profit before exceptional items, depreciation and amortisation, and includes our share of MillerCoors' EBITDA, in order to provide a useful indication of the cash generation. Adjusted EBITDA of US$6,639 million grew by 1% compared with the prior year. Adjusted EBITDA margin, including our share of MillerCoors' net producer revenue, improved by 130 bps in the year to 31.3%.

	2014 US$m	2013 US$m
Subsidiaries' EBITDA (see note 2)	**5,720**	5,705
Group's share of MillerCoors' EBITDA (see note 2)	**919**	859
Adjusted EBITDA	**6,639**	6,564
Net producer revenue (NPR)	**16,704**	17,385
Group's share of MillerCoors' NPR	**4,526**	4,519
	21,230	21,904
Adjusted EBITDA margin	**31.3%**	30.0%

Cash flow and investment highlights

Net cash generated from operations before working capital movements of US$5,677 million decreased by 1% compared with the prior year. This excludes cash contributions from joint ventures but includes the effects of cash flows from exceptional items. While operating profit was higher, despite the adverse impact of foreign exchange rate movements, more non-cash credits were included compared with the prior year.

Cash flow from working capital was an inflow of US$93 million, principally as a result of the extension of supplier payment terms, a reduction in year end receivables compared with the prior year in part due to the timing of Easter, partially offset by the impact of inventory stock build in advance of Easter together with the continued utilisation of restructuring and onerous contract provisions, primarily in Australia. Cash generated from operations increased by 4% over the prior year to US$5,770 million.

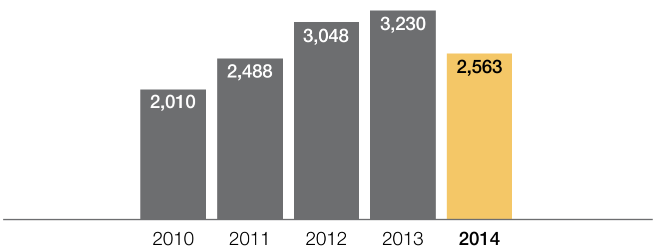
Tax paid in the year was up to US$1,596 million from US$683 million in the prior year. As described in the tax section the increase arose mainly as a result of the anticipated tax prepayment to the Australian Tax Office of approximately US$440 million in April 2013, whereas the prior year tax paid was reduced by a refund of the same amount. Tax payments in the year ending 31 March 2015 are expected to decrease as the Australian tax prepayment will not recur.

Net interest paid decreased compared with the prior year to US$743 million from US$770 million reflecting the reduction in net debt over the course of the year.

Capital expenditure on property, plant and equipment for the year was US$1,401 million (2013: US$1,335 million), and US$1,485 million (2013: US$1,479 million) including the purchase of intangible assets. We have continued to invest in brewing capacity and capability, principally in Africa and Latin America. Capital expenditure of approximately US$1,700 million is expected in the next financial year.

Free cash flow deteriorated by US$667 million to US$2,563 million, reflecting the phasing of the Australian tax receipts and payments, together with our increased investment in associates in the year to fund, in part, our Chinese associate's acquisition of the Kingway brewery business. Free cash flow over the last five years is shown in the chart below.

Free cash flow US$m



Capability programmes

The financial year saw the conclusion of the business capability programme which was launched in 2009. Cumulative net operating benefits per annum amounted to US$496 million (2013: US$321 million), and accumulated improvements in working capital were US$651 million. These include benefits generated from the global procurement programme and the regional manufacturing operation in Europe. The cumulative benefits of US$496 million were in excess of the forecast issued in 2012 of US$450 million by March 2014.

The total cost of the business capability programme since 2009 has included exceptional charges of US$1,093 million. The accumulated net operating benefits from this programme were US$1,061 million as at 31 March 2014. Including cost avoidance benefits and the net operating benefits of prior years, the accumulated benefits from the programme now amount to US$1,816 million.

We will continue to benefit from our globally managed procurement programme and other components of the business capability programme.

In order to drive additional operational efficiencies we have now launched a new programme. It will provide a global business services organisation delivering standardised finance, HR, procurement and data analytics services to the group's operations, enabled by the global template, from central locations and restructuring of the in-country back office teams.

Chief Financial Officer's review continued

It will also expand the scope of our supply chain activities, including increasing the reach of our procurement organisation to in excess of 80% of spend under management, together with changes to its current delivery model. This programme will involve upfront restructuring costs of approximately US$350 million, of which US$59 million has been incurred in the year and a further US$290 million will be incurred over the next three financial years. These costs exclude the further deployment of the global template and the running costs of the new global business services organisation which will be embedded into business as usual costs. We expect additional direct cost and efficiency savings rising to approximately US$500 million per annum by the financial year ending 31 March 2018. This programme and related benefits are incremental to the cost savings and operating benefits forecast and delivered under the concluded business capability programme.

Balance sheet

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

Total assets decreased to US$53,751 million from the prior year's US$56,294 million primarily as a result of the impact of currency translation, partly offset by the profits earned and cash generated in the year.

Goodwill decreased by US$1,365 million to US$18,497 million, compared with the prior year amount, predominantly as a result of the impact of foreign exchange rate changes on goodwill denominated in currencies other than the US dollar.

Intangible assets decreased by US$1,103 million, compared with the prior year amount, to US$8,532 million primarily reflecting foreign exchange movements and amortisation, partially offset by additions mainly related to software development under the business capability programme.

Gross debt at 31 March 2014 decreased to US$16,384 million from US$17,771 million at 31 March 2013 (restated). Gross debt comprises borrowings together with the fair value of financing derivative assets or liabilities held to manage interest rate and foreign currency risk of borrowings. The reduced level of debt resulted primarily from the repayment in the year of US dollar and Colombian peso bonds and a portion of the three and five-year term facilities used to finance the acquisition of Foster's. Net debt (comprising gross debt net of cash and cash equivalents) decreased to US$14,303 million from US$15,600 million at 31 March 2013 (restated). As at 31 March 2014 we held cash and cash equivalent investments of US$2,081 million (2013: US$2,171 million).

An analysis of net debt is provided in note 27c to the consolidated financial statements. Our gearing (presented as a ratio of net debt to equity) has decreased to 52.0% from 56.8% at 31 March 2013 (restated).

Total equity increased marginally from US$27,460 million at 31 March 2013 to US$27,482 million at 31 March 2014. The increase was primarily owing to profit for the year and share-based payment credits partly offset by adverse currency translation movements and dividend payments.

Financial structure and liquidity

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

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

The following table summarises our funding structure as at 31 March 2014.

	2014 US$m	2013 US$m (restated)
Overdrafts	**(213)**	(212)
Borrowings	**(16,783)**	(18,301)
Derivatives	**663**	777
Finance leases	**(51)**	(35)
Gross debt	**(16,384)**	(17,771)
Cash and cash equivalents	**2,081**	2,171
Net debt	**(14,303)**	(15,600)
Maturity of gross debt:		
Within one year	**(4,452)**	(2,376)
Between one and two years	**(842)**	(4,126)
Between two and five years	**(5,190)**	(4,738)
Over five years	**(5,900)**	(6,531)

The average maturity of the gross committed debt portfolio is 6.3 years (2013: 6.7 years).

On 29 June 2013, 15 August 2013 and 15 January 2014 respectively COP338,520 million IPC+7.5% Ordinary Bonds due 2013, US$1,100 million 5.5% Notes due 2013 and US$550 million 5.7% Notes due 2014 matured and were repaid from existing resources.

On 13 August 2013 SABMiller Holdings Inc issued bonds with a value of US$1,100 million in two tranches: US$750 million 2.2% Notes and US$350 million floating rate notes, both due in August 2018 and guaranteed by SABMiller plc. The proceeds of the bonds were used to repay a portion of the three and five-year term facilities put in place to finance the acquisition of Foster's.

Our committed undrawn borrowing facilities decreased marginally from US$3,352 million at 31 March 2013 to US$3,274 million at 31 March 2014. We have sufficient headroom to service our operating activities and ongoing capital investment. Maturing debt in the next 18 months included COP640,000 million bonds which matured in May 2014, COP561,800 million bonds maturing in January 2015, PEN150 million bonds maturing March 2015, US$300 million bonds maturing in October 2014, US$1,000 million and €1,000 million bonds maturing in January 2015, US$700 million bonds maturing in June 2015 and a number of local bank facilities. As at 31 March 2014 committed headroom including committed undrawn borrowing facilities and cash and cash equivalents was sufficient to cover all maturing facilities over the next 18 months. We have continued to be able to access sufficient and significant funding from a number of sources and expect to renew maturing facilities as necessary.

Subsequent to the financial year end a number of financing actions have been completed. We have amended the US$2,500 million committed syndicated facility, originally entered into on 7 April 2011 and due to mature in April 2018. The amendment extended the maturity date to May 2019, with the option of two one-year extensions. SABMiller Holdings Inc entered into a five-year US$1,000 million committed syndicated facility on 20 May 2014 with the option of two one-year extensions. This facility replaced the existing US$500 million committed syndicated facility originally entered into as part of the Foster's acquisition and due to expire in September 2016, which has been voluntarily cancelled.

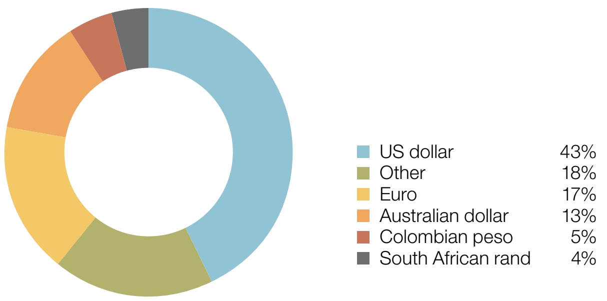
Currency, interest rate, commodity and credit risk management

We manage the risks from foreign exchange, interest rates, commodities and credit risk within a framework of policies approved by the board which are reviewed on a regular basis. Exposures are managed within target hedge levels and reported regularly to the treasury and audit committees. Further details on individual risk management policies are described in note 21 to the consolidated financial statements. The impact of our key risk management policies is detailed below.

Currency risk

Our debt profile by currency as at 31 March 2014 (after taking account of derivatives) is illustrated below.

Net debt profile



Interest rate risk

The weighted average interest rate for the total gross debt portfolio at 31 March 2014 decreased to 3.9% (2013: 4.1%) primarily reflecting the repayment of some high interest rate debt during the year.

Usage of derivative instruments

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

Currency

The exchange rates to the US dollar used in the preparation of the consolidated financial statements are detailed in note 1 to the consolidated financial statements. Most of the major currencies in which we operate depreciated against the US dollar over the year with the exception of the euro, Czech koruna and Polish zloty.

Accounting policies

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

In addition, note 1 to the consolidated financial statements details the areas where a high degree of judgement has been applied in the selection of a policy, an assumption or estimates used. These are broadly aligned with areas of significant judgement which have been considered by the audit committee and which are reported within the audit committee report on pages 59 to 61.

Jamie Wilson
Chief Financial Officer

Sustainable development

Improving livelihoods

Since 2007 our 10 sustainable development (SD) priorities have driven responsible and sustainable growth and grown capability across our business, helping each of our operations to address local sustainable development challenges.

From this position of strength, we have evolved our SD framework. The substance of our 10 sustainable development priorities remains, and is integrated into the day-to-day management and reporting of our business, underpinned by demanding core standards on issues such as human rights. In the future we will focus on five shared imperatives that will enable our businesses to benefit as local communities prosper. Through the shared imperatives we aim to tackle the five most material challenges for our business at both a local and international level, which requires collaborative action across our value chains and communities. Next year we will report against these five shared imperatives:

- accelerate growth and social development in our value chains;
- make beer the natural choice for the moderate and responsible drinker;
- secure shared water resources for our business and local communities;
- create value through reducing waste and carbon emissions; and
- support responsible, sustainable use of land for brewing crops.

Accelerating growth and social development

We produce high quality beers and soft drinks which are enjoyed by millions of people. Our businesses throughout the world provide direct and indirect employment, pay taxes, and help to sustain and develop local economies. During the year we generated US$24,254 million of economic value[1] through our business activities, most of which was distributed to employees, shareholders, governments and local communities.

The multiplier effect – employment created through our investments and operations – can be a powerful force for local development. In Africa and South Africa we employ more than 24,000 people and support more than a million jobs across our value chain[2]. In Europe, for every person we employ, a further 17 jobs are supported, mainly in the hospitality industry, an important employer of first time labour market entrants.

We work with thousands of micro, small and medium enterprises – many of them run by women – within our value chains and local communities. We have significant experience of supporting these businesses and entrepreneurs, from the farmers who grow our brewing crops to the retailers who

Our Sustainability Assessment Matrix (SAM) assesses country-level performance against each of our 10 SD priorities to five levels – from a minimum standard (level one) to leading edge (level five). Our minimum standards, which were a stretch for several of our businesses in 2007, are now well-established across the group. This is the last year we will report against the 10 priorities: from 2015 we will report against the new five shared imperatives, with existing KPIs captured under the new framework.

In the year ended 31 March 2014 the average score achieved by SABMiller across all priorities was 3.5 – the seventh year of continual improvement and a 51% improvement since the first group average SAM score of 1.7. Group average scores increased across all 10 sustainable development priorities, with significant improvements made in enterprise development and transparency and ethics.

Stairway level assessment criteria

5 **Leading edge:** performance that represents genuine global leadership on an issue.

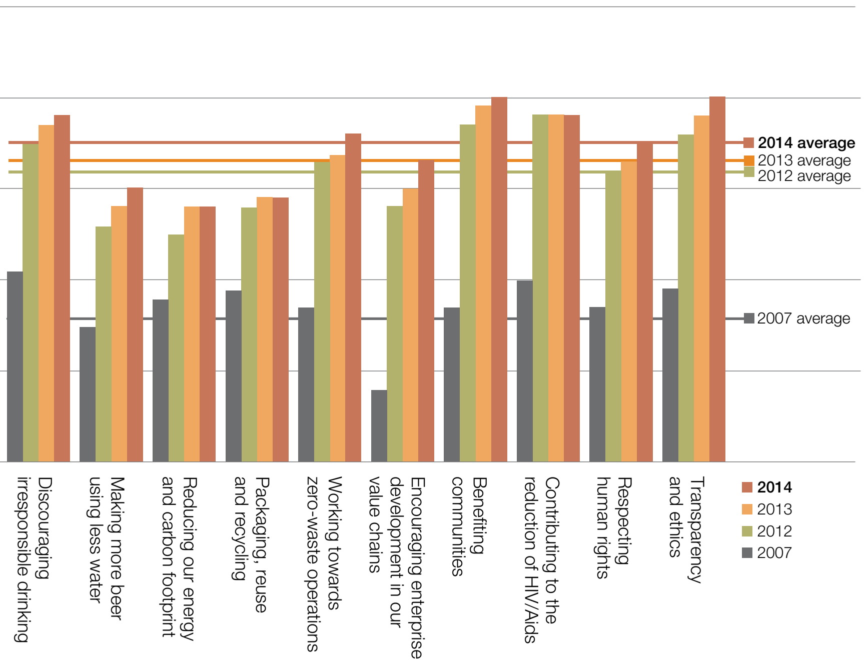
4 **Best practice:** achieving what is currently considered to be global best practice in a particular field.

3 **Developing leadership:** applying a comprehensive approach including innovative tools and widespread engagement.

2 **Progressing:** ensuring consistent performance is achieved in a particular field.

1 **Minimum standard:** all operations must achieve level one, or have a plan in place to do so, as it represents management of our key sustainable development risks.

Group average level assessment scores



Discover more about SAM online at sabmiller.com/sam

sell our beers (read about how we support *tenderos* in Latin America on page 16). To make better use of this knowledge, we are gathering best practice experience from all our businesses so we can build world-class business support, tools and training materials.

We also look to invest beyond our value chains. In South Africa, the SAB Foundation *Social Innovation Awards*, now in their third year, awarded 40 innovators a total of ZAR10.3 million (US$1.0 million) for sustainable solutions to the challenges facing those on low incomes, or who belong to disadvantaged groups or communities. Our *KickStart* youth entrepreneurship programme supports sustainable enterprises owned by black and young people; since 1995 *KickStart* South Africa has supported 3,200 new businesses that have employed 21,000 people. We have now extended *KickStart* to Lesotho.

A fair approach to taxation

The tax paid by multinational companies is of interest to many stakeholders. In 2013 we published our first report on the role of tax in economic development, *Our Approach to Tax 2013*, offering a new level of disclosure on our tax principles. Our second report is published alongside this report.

The total taxes borne and collected by SABMiller plc and its subsidiaries and our share of taxes paid by our US joint venture during the year amounted to US$10,750 million (2013: US$9,900 million). These include: excise, corporate and transactional taxes and taxes borne by employees. Of this total, 67% was paid in developing countries. The corporate tax charge for the year was US$1,173 million (2013: US$1,192 million (restated)), an effective tax rate of 26.0% (2013: 27.0%).

Making beer the natural choice for the moderate and responsible drinker

The majority of our consumers enjoy our beers in moderation. However, a minority drink alcohol irresponsibly, increasing the risks of doing damage to themselves and the people around them. Combating the harmful use of alcohol is a core priority for us; we run more than 110 alcohol responsibility programmes worldwide, tackling issues such as drinking while pregnant, drink-driving and underage drinking. We tailor each programme to local needs, working alongside local partners including governments, NGOs, civil society groups, and public bodies such as the police.

Our comprehensive policies – publicly available – help our employees and partners to meet our demanding standards on producing and marketing our products to encourage responsible consumption. For example, we will not employ models under the age of 25 in any commercial communication, and we continue to prohibit the addition of stimulants, such as caffeine, to any alcoholic beverages, and products that mix beer and spirits.

We have internal mechanisms to ensure compliance with both our own standards and local regulations, supported by a group-wide education programme. All our companies have a sales and marketing compliance committee (SMCC), which ensures that marketing materials comply with our policy on commercial communication, local laws and self-regulatory requirements. The SMCC has the power to reject outright, or demand modifications to, any materials that fail to comply.

TV sponsorship broadens the reach of 'You Decide' in South Africa

Launched in 2012, the *You Decide* campaign encourages South African teenagers to turn away from underage drinking, using powerful and inspiring multimedia messages, including hard-hitting drama, to highlight the consequences of alcohol misuse.

During the year *You Decide* built a national profile by sponsoring *Future Leaders*, a new reality television series following five ordinary teenagers who had previously experimented with alcohol.

You Decide has reached almost 500,000 students in 877 schools and gathered just under 22,000 Facebook 'likes'. The programme is run in co-ordination with the Department of Trade and Industry and the National Youth Development Agency.

Follow *You Decide* on Facebook at www.facebook.com/YouDecideZA

Together with 12 other leading beer, wines and spirits companies, we are signatories to a five-year global action plan to help reduce the harmful use of alcohol. This includes 10 commitments, supported by 18 key performance indicators. During the year we reported our progress in several areas. For example, we engaged more than 17,000 stakeholders including retailers, parents, teachers and police officers across 24 countries to seek enforcement of government regulations on underage drinking. In the field of marketing self-regulation, 56% of our marketing contracts now include a requirement to comply with our global policy on commercial communication.

Read more about our performance against these commitments, and that of our fellow signatories, at www.sabmiller.com/alcohol

Securing shared water resources for the future

Water is fundamental not only to SABMiller's value chain but also to the health and success of the markets and communities in which we operate and sell our products. The accessible supply of freshwater is finite, however, and in many countries both water quantity and quality is in decline as populations surge and demand grows from agriculture, energy generation, industry and households. The Water Resources Group (WRG) estimates the shortfall between supply and global demand could reach 40% by 2030.

Many of our breweries are in areas of water risk. To help us better understand the nature and extent of local risk during the year we launched a bespoke water risk assessment process, which builds on earlier iterations but allows us to investigate risks more deeply, building a detailed, watershed-level, site-by-site picture of our water exposure. The process is now complete in 29 facilities across 14 countries, including all of our Latin American operations. This data enables our facilities to identify and prioritise risks, and develop mitigation plans.

Water risks rarely impact one company in isolation, so collaborating on mitigating shared water risks is essential. Since 2009 our *Water Futures Partnership* with WWF and the German development agency GIZ has addressed shared water risks across 12 projects in nine countries.

[1] For more information on the economic value generated by SABMiller, see *Sustainable Development Summary Report 2014*, page 7.

[2] Source: *Our economic impact in Africa* animation and *Working in South Africa: the contribution of SAB to the South African Economy*, both available at www.sabmiller.com.

Sustainable development continued

Protecting vital water resources in India

India is a water-scarce country; freshwater availability per capita decreased by 15% between 2001 and 2011, under pressure from agriculture and a large and growing population. We are working to safeguard water sources for our breweries and the communities that share them; detailed assessments reveal the specific water-risk factors at each location, and we work with local stakeholders and external partners to tailor a mitigation plan.

In Neemrana, Rajasthan, we partnered with the Confederation of Indian Industry to build water harvesting and replenishment structures aimed at reducing groundwater removal by 23%. Identifying that 87% of groundwater use was by farmers, we provided 'smart irrigation' training to a group of farmers who served as demonstrators to others, and organised training camps for farmers. Over the past three years participating farmers have, on average, increased productivity by 17-34%, increased disposable incomes by 18%, and reduced their water use by 13%.

We are also a founding partner of the WRG, which co-ordinates collaboration on, and prioritisation of, key water issues between private sector and government stakeholders.

Through the WRG, we are a lead contributor to the *Strategic Water Partners Network* in South Africa, which is tackling three key focus areas: effluent and waste water treatment; industrial water efficiency and municipal leakage reduction; and agriculture and supply chain water efficiency. Building on the success of this partnership, we have become the founding partner of a WRG partnership in Tanzania and, more recently, a new partnership in Maharashtra, India.

In 2008 we set our breweries a target of 25% water use reduction by 2015. In the year ended 31 March 2014 a water-efficiency ratio of 3.5hl/hl[4] (2013: 3.7 hl/hl) means we hit this target a year early, a credit to the efforts of our breweries to drive improvements throughout our manufacturing processes. In absolute terms, during the year we used 621 million hl of water to produce our beer[4] (2013: 667 million hl).

Creating value through reducing waste and carbon emissions

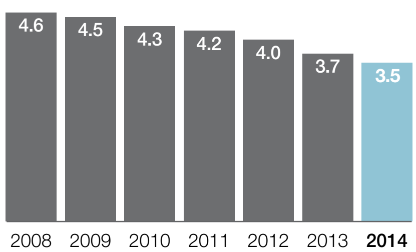
Reusing, recycling and eliminating waste are fundamental to sustainable growth. We work hard to eliminate waste from all stages of brewing; during the year our breweries reused or recycled 95.6% of their general waste (2013: 94.4%). Approximately 99% of spent grains from brewing are sold and reused as nutrient-rich inputs to the agricultural sector or to make animal feed.

Around half our beer is packaged in returnable bottles and kegs, which have a lower carbon and waste impact than single-use packs. We work with suppliers to reduce the weight and environmental impact of all packaging. In Australia, we introduced lighter bottles for several beer brands, while in Europe a research-led programme is encouraging consumers to use returnable bottles.

In the year ended 31 March 2014 fossil fuel emissions per hl of lager produced fell by 7%, with total carbon emissions of 1.8 million tonnes[4] (2013: 2.0 million tonnes), of which 1.0 million tonnes were generated from our direct use of fuels such as natural gas, coal and oil (scope one) and 0.8 million tonnes were generated indirectly from the production of electricity we purchase (scope two).

These efforts are driven at a brewery level, where water and energy efficiency is a key element of our technical excellence and sustainability agendas. Breweries have stretching targets, benchmarked globally each month, with water and energy performance now part of the measurement criteria for employees responsible for each stage of the brewing process.

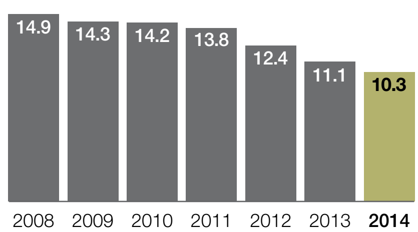
Water to lager ratio[4]
hl water/hl lager



-5%

Water to lager ratio down by 5% to 3.5 hl/hl, hitting our 25% reduction target a year early.

Total CO_2e emissions from fossil fuel energy used on site[4]
$kgCO_2e/hl$



-7%

Fossil fuel emissions from energy use at our breweries down 7% to 10.3 $kgCO_2e/hl$.

Supporting responsible, sustainable use of land for brewing crops

Food security is of paramount importance to everyone in the agricultural supply chain. Today around a billion people go to bed hungry, a situation that will only become more acute given the projected need for 70% more food production by 2050[3].

Across the African continent, 65% of the population depend on smallholder agriculture. Our aim is to provide new markets for their crops, giving them incentives to increase production, and therefore support both increased income and food security. We have developed under-commercialised crops, such as cassava and sorghum, creating secure, sustainable supply chains that improve the livelihoods of smallholders and drive economic growth.

Naturally, we place major focus on malting barley, our key brewing crop. We source both from long-established barley-growing regions, and from newer growing areas in which we have supported the introduction of malting barley as a new source of income. Wherever we source from, we aim to support productivity, resource efficiency, and the profitability of malting barley so that it plays a core role in farmers' crop rotations and in local economies.

We provide practical support to farmers through various initiatives:

- in South Africa, our *Better Barley, Better Beer* programme, run in association with WWF, provides a resilient, sustainable framework for farmers to use;
- in Uganda, Nile Breweries launched a broad-based Local Enterprise Agriculture Programme (LEAP) in 2002. Today 15 farmers' associations have been formed, 10 of which grow, process and deliver direct to the brewery. During the year gross direct income to sorghum farmers amounted to US$4 million. The brewery buys from and supports some 20,000 sorghum farmers; and
- in Honduras, our sugarcane farm and mill Azunosa works with the government and Honduran financial institutions to provide small farmer co-operatives with financial, technical and administrative assistance plus forward contracts for the purchase of sugarcane at a fair price. Azunosa aims to achieve Bonsucro certification in the coming year, which we hope will be the first in Central America with this accreditation. Bonsucro is a global, multi-stakeholder, non-profit organisation dedicated to reducing the environmental and social impacts of sugarcane production, while also recognising the need for economic viability.

Building sustainable development into our operations and business planning

The *Sustainable Development Way* is at the heart of our approach to SD, providing a consistent framework for managing SD and focusing all of our operations' efforts and resource priorities. The *SD Way* is supported by policies and position papers, as well as guidelines, training and tools for building capability and sharing best practice globally. Individual operations are accountable for improving their own SD performance, which often forms part of our senior managers' performance objectives and remuneration.

SD performance is overseen by the group corporate accountability and risk assurance committee (CARAC), a sub-committee of the SABMiller plc board.

The CARAC chair is Dr Dambisa Moyo, a non-executive director of SABMiller plc (see pages 46 and 47 for a full list of members). Each region has its own CARAC, chaired by the regional managing director, which reviews SD performance and discusses emerging issues twice-yearly. The group CARAC is regularly updated on each region's progress.

Transparency and ethics

SABMiller is committed to working against bribery and corruption in all its forms. Our Code of Business Conduct and Ethics requires compliance with all applicable laws, including anti-corruption laws, and we have a zero-tolerance approach to corruption. Our Code and Anti-Bribery Policy both apply group-wide to all the entities we control and to all employees and officers; together with our Supplier Anti-Bribery Policy, they also set out our expectations of other persons who act on our behalf.

SABMiller has implemented a comprehensive anti-corruption programme to underpin our Anti-Bribery Policy. This includes training and communication, vetting and communicating our ethical standards to suppliers on a risk-based approach, and approval procedures in areas such as gifts and entertainment, donations and sponsorships. We also take steps to promote our independently managed, anonymous whistleblowing hotlines. Our anti-corruption programme is reviewed by the audit committee.

In addition to our businesses continuing to administer the anti-corruption programme in their day-to-day activities, one of our projects during the year has been to enhance the programme's transparency. We recognise the importance of explaining to stakeholders how our values are being translated into action, and we will launch a new webpage in 2014 providing more information about our approach to anti-corruption compliance.

Another important project has been to review the business integrity module of our supplier accreditation programme. Managed by SABMiller Procurement, this assesses prospective suppliers from an ethics and business governance perspective. As part of the integration of our global procurement processes, the accreditation programme will be rolled out to cover a broader range of suppliers. We have been reviewing the programme to take account of practical experience since its implementation, and to ensure it is effective and scaleable. This work has included refining our risk assessment categorisation, our business governance questionnaire, and our approval approach.

We place a high value on reporting to and communicating with all our stakeholders in an open way, and recognise the importance of explaining how our values are being translated into action. We produced our first group sustainable development report in 1998. 19 of our businesses regularly produce their own local SD reports and many others provide information online. We also contributed to several independent reports, including the Harvard Kennedy School report *Sustaining and Scaling the Impact of Enterprise Development Programmes,* which draws on our experience of strengthening the business ecosystem to promote entrepreneurship.

Download local SD reports and independent reports at www.sabmiller.com/reports

[3] Source: FAO, *How to feed the world 2050: Global agriculture towards 2050,* 2009.

[4] Information for the year ended 31 March 2014 has been subject to limited assurance by PricewaterhouseCoopers. For further details of the assurance provided see the independent assurance report on page 21 of the *Sustainable Development Summary Report 2014.*

People

An employer of choice around the world

Road safety in South Africa

In South Africa, driving is hazardous: there are 27.5 fatalities per 100,000 people, more than twice the rate of the USA and more than seven times that of the UK. With a fleet of more than 5,000 vehicles in primary and secondary distribution, and almost 1,700 used by our salesforce, many of our employees are on the road.

In September we launched a ZAR5.8 million (US$0.6 million) driver safety programme to equip our drivers with improved skills in defensive, safe and economical driving.

Drivers spend a day on the road with a specialist assessor – who analyses their strengths and weaknesses and provides on-the-spot coaching as required – and attend two days of classroom-based activities, learning safe driving techniques and working through real-life traffic scenarios, including hazards such as driving in the wet or on rural roads.

The programme aims to reach every driver within two years, with ongoing refreshers provided to maintain the new standards. Over the next five years our aim is to reduce accidents per million kilometres driven by 60%. We also expect to see a full return on investment in the form of reduced accident damage to vehicles, fewer insurance claims and less maintenance downtime. Most importantly, by equipping our drivers to deal with the daily hazards encountered behind the wheel, we will keep our employees safer and contribute to overall road safety.

Providing a fair and diverse workplace across our business and beyond
Our success is driven by each of the 70,000 people we employ worldwide. We believe that better business decisions – and stronger business performance – are driven by groups of competent, high-calibre individuals operating in a diverse environment with the right skills, experience and motivation.

We seek to treat all our employees and contractors equitably and with respect, while providing them with a safe working environment. We reward them fairly by delivering a range of benefits, together with opportunities to reach their potential and enjoy long, fulfilling careers with us. Our policies and processes ensure we recruit and treat people on merit, regardless of age, gender, sexual orientation, religion, disability or ethnic origin.

Our industry is traditionally perceived to be male-dominated, and we are working towards better representation for women. On 31 March 2014 19.7%[1] of our workforce was female (2013: 18.8%) and 28.4%[2] of our executives and managers were women (2013: 28.1%)[3]. Two of the 12 members of the group's executive committee are female, 20%[4] of SABMiller plc's board are women, which is at the FTSE 100 average of 20.4%[5], and three of our seven independent non-executive directors are female.

We regularly solicit employees' views and ideas via engagement surveys. We respect the right to union representation and 40.9% of employees are union members (2013: 37.8%). Many of our businesses have developed productive partnerships with trade unions on collective bargaining and other issues.

SABMiller is a signatory of the UN Global Compact and has an established approach to managing human rights risks, taking account of the UN's Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights. This approach helps our local businesses to identify and mitigate any significant risks within their operations and value chains.

We are members of SEDEX, the Supplier Ethical Data Exchange, and AIM-PROGRESS, a forum of leading FMCG companies that promotes responsible sourcing practices and sustainable supply chains. A total of 655 suppliers are now registered with SEDEX, a 36% year-on-year increase. During the year we led the AIM-PROGRESS *Mutual Recognition* work stream, which seeks to reduce duplication in supplier assessments.

We continue to support South Africa's Broad-Based Black Economic Empowerment (BBBEE) initiatives aimed at growing the economy by including and empowering previously disadvantaged citizens. More than three-quarters of SAB (Pty) Ltd's workforce is drawn from previously disadvantaged groups and 77% of its employees are black. SAB achieved 75.25 (2013: 73.11) in the annual BBBEE verification, making it a Level 3 contributor to BBBEE.

Promoting employee safety, health and wellbeing
Our first priority is to ensure the safety of our employees, contractors and visitors to our premises. In 2013 we reviewed our health and safety practices; during 2014 we launched a

[1] 12,414 women and 50,576 men.
[2] 2,473 women and 6,250 men.
[3] As at 31 March 2014 60 women and 438 men were directors of subsidiary companies included within the consolidated financial statements.
[4] Three women and 12 men.
[5] Source: Professional Boards Forum BoardWatch.

new system of governance for group-wide health and safety, with 10 global minimum standards for managing risk areas such as road transport, security, occupational health, and health and safety management processes.

This will standardise reporting, help us with sharing best practice and allow targeted improvements. It draws on the best practice developed by our regional health and safety specialists, in particular those in Australia and South Africa.

It is with regret that we report 15 employee and contractor fatalities during the year. Five of these were the result of accidents involving maintenance or repairs, seven resulted from motor vehicle accidents, and three resulted from robberies or assaults inflicted on our staff while on sales or trade visits. In each case we have undertaken an investigation and, where applicable, implemented measures to minimise the likelihood of such an incident recurring. During the year we recorded 12,395 days lost through injury – a 21% decrease on 2013 – and 1,642 industrial injuries (2013: 1,788).

We aim to create a healthy and positive work environment for all our employees, acknowledging the benefits this provides in terms of productivity. We have now implemented our *Wellness Development Programme* in Africa, which focuses on HIV/Aids, malaria, sexually transmitted infections, hepatitis B and C, and tuberculosis; it trains employees to become peer educators both internally and within their communities, promoting prevention, testing and treatment.

Where HIV/Aids has high prevalence (defined as affecting more than 5% of the population), our peer educators – one for every 12 employees – work to reduce the stigma attached to the disease, leading to greater appetite for voluntary counselling and testing among employees and their dependents. In countries where prevalence is above 1%, we provide access to voluntary counselling and testing as well as managed healthcare programmes for employees and immediate dependents as required.

Specific country-level public health and wellbeing initiatives have included SAB (Pty) Ltd distributing free condoms to local taverns across South Africa. Over three years the company has distributed 16 million condoms to almost 12,000 taverns, averting more than 32,000[6] new HIV infections.

Delivering business success through high performance
We recognise and reward strong performance. Each year, all employees set themselves stretching individual objectives in conjunction with their managers. These goals are linked to local company objectives, ensuring that each individual has clear accountability for delivering against the business strategy.

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

Attracting and retaining talent
We aim to offer appropriate and continuous career development opportunities to all our employees. Each individual is encouraged to take ownership of, and manage, their own development, supported by their manager.

During the year, we focused on embedding our new career framework, introduced in 2013, across a selection of functions. The framework identifies the skills, experience and competencies required for each role, allowing close alignment between employees' needs and business needs.

[6] Assumes that for every 500 condoms distributed one new HIV infection is averted, John Stower, 2004, published by the South African National Department of Health.

Through our global learning curricula, we offer more than 200 courses. These use a variety of techniques, from e-learning to programmes facilitated by leading educational institutions. In the year ended 31 March 2014 we provided an average 3.9 training days per employee (2013: 3.7).

During the year we launched new functional academies to help employees develop the specialist skills they need to do their job. Our *Key Account Management Academy* is a good example of this approach. It has enabled regions to develop their account managers across a range of key topics, from winning with customers to effective negotiation skills dependent on individual need and market maturity.

We have also introduced a new framework that focuses on developing leaders across the leadership pipeline and across regions, seeking to ensure that the talent we need to provide tomorrow's leaders is identified early and properly nurtured. We have identified the roles most critical to delivering our business strategy, and have a global succession pool – monitored by the group's executive committee – in place for these roles, with candidates from all regions. In the past year we have made 41 key appointments from this pool to fill senior posts group-wide. More broadly, 67% of senior appointments have been made internally.

Promoting gender diversity

The beer industry is traditionally perceived to be male-dominated. We remain keen to tackle this perception and to promote gender diversity at all levels of our business.

Gender diversity varies from region to region; South Africa has the highest representation of women in leadership roles. During the year we took an in-depth look at the factors that contribute to varying gender diversity levels, region by region. Our aim is to understand the underlying causes, recognising that these may differ across our regions, so we can then identify solutions.

In support of this regional work, in Australia, Europe, India and the USA we have signed up as a global supporter of Catalyst, a non-profit organisation that seeks to expand opportunities for women and business.

Board of directors

1. Alan Clark, Chief Executive

● ■

Alan Clark was appointed as Chief Executive in April 2013. He joined The South African Breweries Ltd in 1990 and held a number of management roles in South Africa, both in beer and soft drinks. He became Managing Director, SABMiller Europe, in 2003 before being appointed as an executive director and Chief Operating Officer in 2012. He has an extensive knowledge of the global beverage industry.

Before joining the group, he received his Doctorate of Psychology degree from the University of South Africa.

2. Jamie Wilson, Chief Financial Officer

● ■

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

Before joining SABMiller he held a number of senior roles in the global beverage industry.

3. John Manser CBE, Chairman

● ▲

John Manser was appointed as Chairman in December 2013, having been a non-executive director since 2001. He has a comprehensive understanding of the SABMiller group and of the global beverage industry. He has an extensive knowledge of the banking and financial services industries, following a career with Robert Fleming Holdings, and is an experienced chairman, having previously chaired the boards of a number of listed companies.

He is currently the Chairman of Trustees for Marlborough College and Deputy Chairman of the College Council.

4. Guy Elliott, Deputy Chairman and Senior Independent Director

▼ ◆ ▲

Guy Elliott joined the board in July 2013. He was Chief Financial Officer of Rio Tinto plc and Rio Tinto Limited (Australia) until April 2013, and previously held a variety of marketing, strategy and general management positions. He has extensive experience of operating in both developed and emerging markets.

He is a member of the UK Takeover Panel and Chairman of the Panel's Code Committee. He is a non-executive director of Royal Dutch Shell plc and chairman of its audit committee, and was Senior Independent Director of Cadbury plc between 2008 and 2010.

5. Mark Armour

▼ ◆

Mark Armour joined the board in 2010. He was Chief Financial Officer of Reed Elsevier from 1996 until 2012. He brings financial and strategic expertise to the board and has considerable experience of managing an international group. Prior to joining Reed Elsevier in 1995, he was a partner of Price Waterhouse in London.

He is a non-executive director and member of the audit committee of Tesco plc and a non-executive director of the Financial Reporting Council. He is a fellow of the Institute of Chartered Accountants.

6. Geoffrey Bible

▲ ●

Geoffrey Bible joined the board in 2002 as a nominee of Altria Group, Inc. (Altria) following completion of the Miller Brewing Company transaction. A former President and CEO of the Philip Morris group of companies and a former Chairman of both Altria and Kraft Foods Inc, he has a wealth of experience of global consumer products businesses.

7. Dinyar Devitre

▼

Dinyar Devitre joined the board in 2007 as a nominee of Altria. He is a member of the board and a former Chief Financial Officer of Altria and brings both financial expertise and strategic counsel to the group. He has extensive experience of managing global fast-moving consumer goods corporations.

He is a director of Western Union Company and a special advisor to General Atlantic LLC. He is a director of Pratham USA, serves as a Trustee of the Brooklyn Academy of Music and is a Trustee Emeritus of the Asia Society.

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

8. Lesley Knox
◆ ▼
Lesley Knox joined the board in 2011. She brings a wealth of strategic and financial experience across a range of businesses and is an experienced remuneration committee chair.

She is a non-executive director of Centrica plc and is a Trustee of the Grosvenor Estates and Chairman of Grosvenor Group Limited. She is involved with a number of arts and charitable organisations.

9. John Manzoni
● ◆ ▲
John Manzoni joined the board in 2004. Formerly the President and Chief Executive Officer of Talisman Energy Inc. and an executive director at BP plc, he has extensive experience of leading global operations and delivering complex challenging projects.

In February 2014 he was appointed as Chief Executive of the UK Government's Major Projects Authority (a partnership between the Cabinet Office and HM Treasury). He is the chairman of Leyshon Energy Limited and is also a member of the Accenture Energy Advisory Board.

10. Miles Morland
▲ ▼
Miles Morland joined the board in 1999. He has considerable experience of the global beverage industry and of operating in emerging markets. He is founder and Chairman of two companies investing in Africa, Blakeney Management and Development Partners International, and is a director of a number of companies investing in the emerging world. He served as chairman of the remuneration committee until July 2013 and will retire from the board at the annual general meeting in 2014.

11. Dambisa Moyo
●
Dambisa Moyo joined the board in 2009. She is an international economist and commentator on the macro-economy and global affairs. She has wide-ranging expertise in economic and business trends in the African continent, with a particular focus on socially responsible business.

She is a non-executive director of Barclays PLC and Barrick Gold Corporation.

12. Carlos Pérez Dávila
Carlos Pérez joined the board in 2005 as a nominee of the Santo Domingo Group following completion of the Bavaria transaction. A former investment banker, he has extensive experience of the global beverage industry and of operating in the Latin America region.

He is a Managing Director at Quadrant Capital Advisors, Inc., Chairman of the Board of Caracol TV S.A. and serves on the board and executive committee of Valorem S.A. He is also a Director of Comunican S.A., Cine Colombia S.A. and the Queen Sofia Spanish Institute.

13. Alejandro Santo Domingo Dávila
▲
Alejandro Santo Domingo joined the board in 2005, as a nominee of the Santo Domingo Group following completion of the Bavaria transaction. He has a detailed knowledge of the global beverage industry and of the Latin America region.

He is a Managing Director at Quadrant Capital Advisors, Inc., and serves on the boards of Valorem S.A., Comunican S.A., Caracol Television S.A., Millicom International Cellular S.A. and D.E Master Blenders B.V. He is the treasurer of Aid for AIDS Charity, a member of the board of trustees of The Metropolitan Museum of Art and is also a member of the board of the US-based DKMS Americas Foundation, WNET (Channel Thirteen) and the Wildlife Conservation Society.

14. Helen Weir
▼ ▲ ●
Helen Weir joined the board in 2011. She is Group Finance Director of the John Lewis Partnership and has previously held a number of senior positions in both Lloyds Banking Group and Kingfisher plc. She brings significant financial and retail expertise to the board.

She is a member of the Said Business School Advisory Council and was previously a member of the Accounting Standards Board.

15. Howard Willard
Howard Willard joined the board in 2009 as a nominee of Altria. He is Executive Vice President and Chief Financial Officer of Altria and also oversees the financial services business of Philip Morris Capital Corporation and the Strategy and Business Development organisation. He has considerable global business experience and an extensive knowledge of the fast-moving consumer goods industry.

He serves on the Executive Advisory Council for the Robins School of Business at the University of Richmond.

Executive committee

The executive committee (excom) is appointed by the Chief Executive. It comprises the Chief Executive, the Chief Financial Officer, regional managing directors and directors of group functions. Its purpose is to support the Chief Executive in carrying out the duties delegated to him by the board. In that context, excom executes the strategy and budget approved by the board. It also ensures that regular financial reports are presented to the board, that effective internal controls are in place and functioning, and that there is an effective risk management process in operation throughout the group.

1. Norman Adami, Chairman, SABMiller Beverages South Africa
Norman Adami was appointed as Chairman, SABMiller Beverages South Africa in January 2013 with overall strategic responsibility for SABMiller's beverage businesses in South Africa. From 2008, he was Chairman and Managing Director of the South African Breweries Limited (SAB Ltd), having previously served in a number of senior positions in the group including President and Chief Executive Officer, Miller Brewing Company, and President and Chief Executive Officer, SABMiller Americas.

Having served the group since 1979 and been a member of the executive committee for over 20 years, he will stand down as Chairman, SABMiller Beverages South Africa from 1 July 2014 and will be retiring from the group with effect from 31 July 2014.

He is an independent non-executive director of Allied Electronics Corporation Limited.

2. Mark Bowman, Managing Director, SABMiller Africa
Mark Bowman was appointed Managing Director of SABMiller Africa in 2007 and has been instrumental in developing SABMiller's beer and soft drinks operations on the African continent since then. He joined SABMiller's beer division in 1993 and has held various senior positions in the group including Managing Director of Kompania Piwowarska S.A., Managing Director of Amalgamated Beverage Industries Ltd (now the soft drinks division of SAB Ltd) and Chairman of Appletiser.

He is an independent non-executive director of Tiger Brands Limited.

With effect from 1 July 2014, SABMiller's South African and African regions will be consolidated into one region for management purposes, and Mark Bowman will become Managing Director of the enlarged SABMiller Africa region.

3. Sue Clark, Managing Director, SABMiller Europe
Sue Clark was appointed Managing Director, SABMiller Europe in June 2012. She has been a member of the SABMiller executive committee since 2003 when she joined as Corporate Affairs Director. Before this, she held a number of senior roles in UK companies, including Director of Corporate Affairs for Railtrack Group and Scottish Power plc.

She is a Trustee of the Clore Social Leadership Programme.

4. John Davidson, General Counsel and Group Company Secretary, SABMiller plc
John Davidson joined the group as General Counsel and Group Company Secretary in 2006. Before joining SABMiller, he spent his entire legal career at Lovells, a leading international law firm, where he had been a partner since 1991, specialising in international corporate finance, cross border mergers and acquisitions, and corporate governance advisory work. He was the Chairman for 2010 and 2011 of the GC100 group (the association of general counsel and company secretaries of companies in the FTSE 100), and he is a director of Tsogo Sun Holdings Limited (listed on the JSE).

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

6. Nick Fell, Marketing Director, SABMiller plc
Nick Fell was appointed Marketing Director, SABMiller plc in 2006. He has extensive experience in developing global commercial strategy and previously held senior roles in Cadbury Schweppes Plc and Diageo plc.

7. Tony van Kralingen, Director, Supply Chain & Human Resources, SABMiller plc
Tony van Kralingen was appointed Director: Supply Chain & Human Resources, SABMiller plc in October 2008. He joined SAB Ltd in 1982 and has held a number of senior positions in the group, including Chairman and Chief Executive Officer, Plzenský Prazdroj a.s. and, most recently, Chairman and Managing Director: SAB Ltd. He is accountable for Group Procurement, Distribution, Supply & Operational Planning, Technical and R&D, and Human Resources.

8. Karl Lippert, President, SABMiller Latin America
Karl Lippert was appointed President, SABMiller Latin America in 2011. He joined the Group in 1992 and has extensive experience in the global brewing industry. He has held a number of senior positions in the group including President of Bavaria S.A. and Managing Director of Kompania Piwowarska S.A.

9. Catherine May, Corporate Affairs Director, SABMiller plc
Catherine May was appointed Corporate Affairs Director, SABMiller plc in October 2012. She joined SABMiller from Centrica plc, where she served as Corporate Affairs Director from 2006 until December 2011, having previously been Group Director of Corporate Relations at the global information publishing business Reed Elsevier Group plc.

She is a non-executive trustee of the English National Opera and of the UK National Funding Scheme.

10. Ari Mervis, Managing Director, SABMiller Asia Pacific and Chief Executive Officer, Carlton & United Breweries
Ari Mervis was appointed Managing Director Asia Pacific and Chief Executive Officer of Carlton & United Breweries in 2011, having been Managing Director of SABMiller Asia since 2007. He joined SAB Ltd's soft drinks division, Amalgamated Beverages Industries Ltd, in 1989 and has held various senior positions in sales, marketing, finance and general management. He has been Managing Director of Appletiser and of SABMiller operations in Russia and Australia.

He is a director of the Melbourne Business School, and Chairman of China Resources Snow Breweries.

Corporate governance

Introduction

This report describes our directors' approach to corporate governance and how the board applies the UK Corporate Governance Code. In his statement on pages 4 and 5 of the annual report, our Chairman reports on how we apply the principles of the Code relating to the role and effectiveness of the board.

Application of the UK Corporate Governance Code
The board applied all of the principles and provisions of the Code throughout the year ended 31 March 2014, except in four respects:

1. Between 1 April 2013 and 23 April 2013 Graham Mackay was our Executive Chairman, and as such he held the roles of Chairman and Chief Executive. As we announced in April 2012, we originally intended that as part of the board's succession planning Mr Mackay would remain as Executive Chairman until July 2013, and this was overwhelmingly approved by shareholders at our annual general meeting in July 2012. However, when Mr Mackay was diagnosed with a brain tumour in April 2013, the board accelerated the planned promotion of Alan Clark from Chief Operating Officer to Chief Executive, with Mr Mackay becoming our non-executive Chairman until his death in December 2013.
2. Our audit committee did not consist solely of independent directors. Under our relationship agreement with Altria Group, Inc. (Altria), as approved by shareholders in 2002 and in 2005, Altria has the right to nominate a director to the audit committee, and has nominated Mr Devitre, whom the board does not consider to be an independent director for the purposes of the Code. The board nevertheless considers that the composition of the audit committee remains appropriate, given Altria's interest as the company's largest shareholder, and is satisfied that, having regard to the experience and background in financial matters of Mr Devitre, as a former chief financial officer of Altria, the independence from management and the effectiveness of our audit committee in discharging its functions continue to be considerably enhanced and not in the least compromised.
3. Two directors, Mr Mackay, who was on medical leave of absence, and Mr Ramaphosa, who was at short notice called to a meeting convened by the President of South Africa, were unable to attend our 2013 annual general meeting.
4. The Code recommends that the performance evaluation of the boards of FTSE 350 companies should be externally facilitated at least every three years. Given the director changes first announced in April 2012 and the subsequent period of transition into new roles, the board did not consider it beneficial to conduct an externally facilitated evaluation during the year ended 31 March 2013. Following the diagnosis of Mr Mackay's illness and consequential changes to responsibilities, including the appointment of Mr Manser as acting Chairman and his subsequent appointment as Chairman, the board concluded that there would be no benefit in carrying out an externally facilitated evaluation during the year ended 31 March 2014. As described in the Chairman's statement and detailed later in this report, the board carried out a formal and rigorous evaluation of the performance and effectiveness of the board, its principal committees and its individual directors. The board will keep under review the benefit of carrying out an externally facilitated performance evaluation in future years.

With regard to the Code provision stating that external audit contracts should be put out to tender at least every 10 years, the company has not tendered within that period. The audit committee keeps under review the ongoing legislative proposals on audit tendering and rotation from the EU and the Competition and Markets Authority. Further details are provided on page 61.

Leadership and effectiveness

Board of directors: composition, independence and performance evaluation

Composition

We have 15 directors: our Chairman (Mr Manser); seven independent non-executive directors (including Mr Elliott, who is also our Deputy Chairman and Senior Independent Director); five non-executive directors who we do not consider to be independent; and two executive directors (Mr Clark, the Chief Executive, and Mr Wilson, the Chief Financial Officer). Short biographies of each of the directors are on pages 46 and 47.

The size and certain aspects of the composition of our board and our audit, nomination and corporate accountability and risk assurance committees continue to be determined in part by the terms of our relationship agreements with Altria and with BevCo Ltd (a holding company of the Santo Domingo Group), both of which have been approved by SABMiller's shareholders. Our agreement with Altria limits the size of the board to a maximum of 15 directors, of whom no more than two are to be executive directors, up to three are to be non-executive directors nominated by Altria, up to two are to be non-executive directors nominated by BevCo, and up to eight are to be non-executive directors nominated by the board. Our agreement with BevCo allows BevCo to nominate up to two non-executive directors for appointment to the board.

Altria and BevCo have each exercised their right under their respective agreements to nominate one director for appointment to the nomination committee, being Mr Bible and Mr Santo Domingo respectively. Both Altria and BevCo have the right to nominate directors for appointment to the corporate accountability and risk assurance committee (CARAC), which Altria has exercised (nominating Mr Bible) but BevCo has not, and Altria has exercised its right to nominate one director (Mr Devitre) for appointment to the audit committee.

Independence

The board considers seven directors – Mr Armour, Mr Elliott, Ms Knox, Mr Manzoni, Mr Morland, Dr Moyo and Ms Weir – to be independent for the purposes of the Code. The board considers five non-executive directors not to be independent for the purposes of the Code: Mr Bible, Mr Devitre and Mr Willard, as they are nominees of Altria, the company's largest shareholder; and Mr Santo Domingo and Mr Pérez, as they are nominees of BevCo, the company's second largest shareholder.

Corporate governance continued

In respect of Mr Manzoni, an independent director who has served on the board for more than nine years and offers himself for re-election, the board has considered specifically whether his length of service has compromised his independence. The board has determined that he remains independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement, and that his independence of character and judgement is not in any way affected or impaired by length of service, noting also that as a result of executive directors' succession over the last three years, Mr Manzoni has not served concurrently with any executive director for more than three years.

The board also conducted a rigorous review of the performance of Mr Manzoni and considers that he continues to bring invaluable integrity, wisdom and experience to the board and to contribute positively to board and committee deliberations with his frequent and reasoned challenges to management. The board is therefore entirely satisfied as to the performance and continued independence of Mr Manzoni.

Mr Morland will be retiring from the board at the annual general meeting in July 2014, having served on the board since our listing on the London Stock Exchange in 1999.

The test of independence does not apply to Mr Bible who is not considered independent as he was nominated to the board by Altria.

The test of independence does not apply to the Chairman other than on his appointment. When considering the appointment of Mr Manser as Chairman on 18 December 2013, following the death of Mr Mackay, the board gave the most particular consideration to whether his service on the board since 2001 compromised his independence, and concluded that he remained resolutely independent in character and judgement and that there were no relationships or circumstances which are likely to affect, or could appear to affect, his judgement, and that his independence of character and judgement was not in any way affected or impaired by length of service.

The board continues to believe that its overall composition remains appropriate, having regard in particular to the independence of character and integrity of all of our directors, and the experience and skills which they bring to their duties, and that there is an appropriate balance of skills, collective experience, independence, knowledge and gender among our non-executive directors to enable them to discharge their respective duties and responsibilities effectively.

Board, committee and director performance evaluation

Performance evaluations are carried out each year and are reported in the next annual report. Given the planned transition of management responsibilities first announced in 2012, which saw the then Chairman, Mr Kahn, retire, Mr Mackay become Executive Chairman for what was expected to be a transitional period of one year, and Mr Clark join the board initially as Chief Operating Officer and subsequently as Chief Executive, the board did not consider it appropriate to carry out an externally facilitated review during the year ended 31 March 2013. Following the illness and death of Mr Mackay and consequential changes to responsibilities during 2013, the board concluded that it would not be beneficial to carry out an externally facilitated review during the year ended 31 March 2014. Instead, a formal and rigorous evaluation of the performance and effectiveness of the board and its principal committees was led by the Chairman in consultation with the Deputy Chairman and the Company Secretary.

The evaluation process involved each non-executive director considering a tailored questionnaire which included specific consideration of board structure, board meetings, key responsibilities of the board, its relationship with management, its priorities and any changes which directors believed would improve the board's effectiveness.

The performance of the Chief Executive and the Chief Financial Officer was reviewed by the Chairman and the nomination committee, and reported on to the board by the nomination committee. Each non-executive director's performance was evaluated by the Chairman, in consultation with the Deputy Chairman and Company Secretary.

In reviewing the performance of the board and its committees, the Chairman and the Deputy Chairman were aligned in their conclusion that, measured against the principal duties expected of them, the board and its standing and ad hoc sub-committees continued to operate effectively, including in their support of management, in monitoring of performance, and in maintaining the board's strategic oversight.

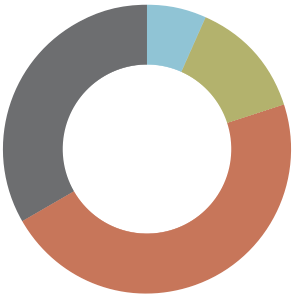
The Chairman, the Deputy Chairman, the committee chairmen and the Company Secretary met at the end of the process to review the results of the performance and effectiveness evaluations conducted in respect of the board, of the directors individually, of the Chairman and the Deputy Chairman and of each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

The results of the performance and effectiveness assessment process as outlined above were reviewed in full and approved by the board. Matters identified as requiring more focus in the coming year included: a review of marketing expenditure and strategies; a continuing focus on succession at senior executive level; board composition and the search for a suitably qualified candidate to replace Mr Ramaphosa, and for a longer term chairman to succeed Mr Manser; long-term growth outlook and the strategy for developed markets; continuing the practice of holding board meetings in and focussed on specific regions, to drive the board's knowledge of local businesses and build relationships with local management; and a more effective tying together of the board's strategic review and three-year financial projections.

All directors, except for Mr Morland, will be standing for re-election at this year's annual general meeting. The nomination committee has confirmed to the board that each of the existing directors offering themselves for election or re-election continues to perform effectively and to demonstrate commitment to their role. Mr Elliott, as Deputy Chairman and Senior Independent Director, confirms that the Chairman has performed effectively and demonstrated commitment to his role during the year, both as acting Chairman during Mr Mackay's illness and subsequently as Chairman. Mr Manser's outside commitments have not changed since his appointment as Chairman.

Board

Balance



Tenure

How the board operates

Board meetings and attendance

During the year we held seven board meetings. Individual directors' attendance at board and committee meetings and at the annual general meeting is set out in the table below.

In the few instances where directors were not able to attend a board or committee meeting, any comments which they have had on the matters to be considered at that meeting have been given in advance to the chairman of the meeting or to the Company Secretary.

Directors' attendance (1 April 2013 to 31 March 2014)

		Board		Audit		Remuneration		Nomination		CARAC		AGM
	Independent	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
EAG Mackay	n/a	3	5					1	2	1	1	N
PJ Manser	n/a	7	7	1	1	1	1	3	3	2	2	Y
AJ Clark	n/a	7	7							2	2	Y
JS Wilson	n/a	7	7							2	2	Y
MH Armour	Yes	7	7	4	4	3	3					Y
GC Bible	No	6	7					3	3	2	2	Y
DS Devitre	No	6	7	4	4							Y
GR Elliott	Yes	5	5	3	3	2	2	1	1			Y
LMS Knox	Yes	7	7	4	4	3	3					Y
JA Manzoni	Yes	6	7			3	3	3	3	2	2	Y
MQ Morland	Yes	6	7	4	4	1	1	3	3			Y
DF Moyo	Yes	7	7							2	2	Y
CA Pérez Dávila	No	6	7									Y
MC Ramaphosa	Yes	2	3					1	1			N
A Santo Domingo Dávila	No	6	7					3	3			Y
HA Weir	Yes	6	7	4	4			1	2			Y
HA Willard	No	6	7									Y

- Mr Mackay was unable to attend the annual general meeting and preceding board meeting in July 2013 and the November 2013 board and nomination committee meetings which were held while he was on medical leave of absence.
- Messrs Bible, Devitre, Manzoni, Morland, Pérez, Santo Domingo and Willard were unable to attend the board meeting in June, which was called at short notice to consider a small potential transaction.
- Mr Ramaphosa was unable to attend the annual general meeting in July 2013 and preceding board meeting as he had to remain in South Africa to attend a meeting called at short notice by the President of South Africa.
- Ms Weir was unable to attend the January 2014 board and nomination meetings due to pre-existing business commitments.

Corporate governance continued

Operation of the board

The board sets the strategic objectives of the group, determines investment policies, agrees on performance criteria, and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through monthly and quarterly performance reporting and budget updates.

The board receives regular briefings from the Chief Executive and the Chief Financial Officer, and from the General Counsel on legal, regulatory and corporate governance matters. Other members of our executive committee (our regional managing directors and the directors of our key group functions: corporate affairs; corporate finance and development; marketing; and supply chain and human resources) make regular presentations to the board, enabling directors to explore and interrogate specific issues and developments in greater detail. Presentations during the year by other members of the executive committee are summarised in the table below:

Presentations to the SABMiller plc board

May 2013 Presentations from the **President, SABMiller Latin America** covering the performance of the region, focus areas, licence to trade matters and digital opportunities; and the **Corporate Affairs Director, SABMiller plc** on IR strategy, sustainable development issues, reputational risks and stakeholder perceptions of SABMiller.

Pre-dinner presentation from the **Deputy General Counsel, SABMiller plc** on regulatory and litigation developments.

June 2013 Presentation on strategic projects from the **Director, Corporate Finance and Development, SABMiller plc**.

July 2013 Pre annual general meeting presentation from the **General Counsel and Group Company Secretary** on shareholder and institutional investor engagement and from the **Chief Financial Officer** on the group's tax philosophy and policy.

September 2013 Presentations from the **Director, Supply Chain and Human Resources, SABMiller plc** covering the group's global talent management model, and progress in developing an integrated supply chain; and the **Marketing Director, SABMiller plc** on category structure and innovation.

November 2013 Presentations from the **Managing Director, SABMiller Europe** and the **Chief Executive Officer, MillerCoors,** covering the European and US beer markets respectively.

January 2014 Held in Mozambique: the board received presentations from the regional and local country management team, and also presentations by the **Managing Director, SABMiller Africa** and the **Chairman, SABMiller Beverages South Africa** on performance, strategy, sustainable development issues and licence to trade matters. In addition, the board received a detailed presentation on the new cost and efficiency programme.

March 2014 Presentations from the **Managing Director, SABMiller Asia Pacific** on the Chinese beer market; the **Marketing Director, SABMiller plc**, providing an analysis of commercial spend; and the **Director, Corporate Finance and Development**, **SABMiller plc** and the **General Counsel and Group Company Secretary** on strategic projects.

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

Matters reserved for the board

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

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

Conflicts of interest

Our directors are required to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. As permitted by the Companies Act 2006, the articles of association of the company allow the board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. Procedures are in place for the disclosure by directors of any potential conflicts and for the appropriate authorisation to be sought if a conflict arises. These procedures continue to operate effectively. There were no actual or potential conflicts of interest which were required to be authorised by the board during the year ended 31 March 2014.

The roles of executive and non-executive directors

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

Information and training

Our Company Secretary is responsible for advising the board, through the Chairman, on matters of corporate governance. The board and its committees are supplied with full and timely information, including detailed financial information, to enable directors to discharge their responsibilities, and the committees are provided with sufficient resources to undertake their duties. All directors have access to the advice of the Company Secretary. Independent professional advice is also available to directors in appropriate circumstances, at the company's expense. During the year ended 31 March 2014 none of the directors sought independent external advice through the company.

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

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

Upon appointment to the board Mr Elliott received a tailored induction which included, among other things, an extensive review of our operations in South Africa, incorporating meetings with senior management in both the beer and soft drinks divisions, site visits to a brewery, a bottling plant and a distribution depot, and trade visits. In addition, in light of his appointment to the audit committee, Mr Elliott met senior members of finance management.

Outside appointments

Non-executive directors may serve on a number of other boards provided that they continue to demonstrate the requisite commitment to discharge effectively their duties to SABMiller. The nomination committee keeps under review the extent of directors' other interests to ensure that the effectiveness of the board is not compromised by the extent of their external commitments, and do not give rise to conflicts of interest. The board is satisfied that all of the non-executive directors commit sufficient time to their duties as directors of the company and the non-executive directors standing for election or re-election have confirmed that they have sufficient time to fulfil their respective obligations to the company.

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

During the year ended 31 March 2014 Mr Mackay was a non-executive director of Reckitt Benckiser Group plc, until he resigned on 12 June 2013, and was a member of the board of Philip Morris International Inc. until his death on 18 December 2013. Fees earned by Mr Mackay from these appointments are set out in the directors' remuneration report, and were retained by Mr Mackay. Of the other executive committee members, Mr Adami is a non-executive director of Allied Electronics Corporation Limited, and Mr Bowman is a non-executive director of Tiger Brands Limited, both being companies listed on the Johannesburg Stock Exchange, and Mr Mervis is a director of the Melbourne Business School.

Corporate governance continued

Roles of the Chairman, Chief Executive, Deputy Chairman and Senior Independent Director

The roles of the Chairman and Chief Executive are separate with responsibilities divided between them, as formalised in a written statement of responsibilities approved by the board. The statement of responsibilities was last revised in light of Mr Manser's appointment as Chairman and approved by the board in its meeting in January 2014.

Mr Elliott is the Deputy Chairman and Senior Independent Director, having succeeded Mr Manser on 18 December 2013 when Mr Manser was appointed as Chairman. Mr Elliott is a highly experienced business leader who is well placed to influence the governance of the company and to meet his responsibilities as Deputy Chairman and Senior Independent Director. He serves as an additional contact point for shareholders, and is also available to fellow non-executive directors, either individually or collectively, to discuss any matters of concern in a forum that does not include the Chairman, the executive directors or other members of the management team. The statement of responsibilities of the Deputy Chairman and Senior Independent Director was last revised following Mr Elliott's appointment and was approved by the board in its meeting in March 2014.

Our Chairman and Deputy Chairman are both available to consult with shareholders throughout the year. During April 2014 our 20 largest shareholders (in addition to those represented on the board) were invited to meet the Chairman and Deputy Chairman to discuss any governance or other issues which they wished to raise, and the invitations were taken up by 10 shareholders. Matters raised in these meetings included executive and non-executive succession planning, long-term sustainable growth prospects in developing markets, prospects for future value-adding mergers and acquisitions in the light of the relative consolidation of the global beer industry, efficient capital allocation and dividend policy, progress in recruiting a longer term chairman, the transition of responsibilities to Mr Clark as the new Chief Executive, and relationships with the group's joint venture and business partners.

The board is kept informed of the views of shareholders through regular updates from the Chairman, the Deputy Chairman, and the Company Secretary, as well as through regular circulation to the board and the inclusion in the board papers of reports on comments from, and exchanges with, shareholders, investor bodies and analysts. In the year under review, Mr Manser, acting at that time as the Deputy Chairman, hosted a meeting of the non-executive directors without the executive directors being present at which, among other things, the performance of the then Chairman, Mr Mackay, was discussed.

Retirement of directors

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

The Company Secretary

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

Share capital

The information required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (information about share capital required under Directive 2004/25/EC (the Takeover Directive)) is contained in the directors' report on pages 85 to 90 of this annual report.

The board's committees and the executive committee

The executive committee

The board delegates responsibility for proposing and implementing the group's strategy and for managing the group to the Chief Executive, Mr Clark, who is supported by the executive committee (excom), which he chairs. Excom members are appointed by Mr Clark, after consultation with the board. The other members of excom are our Chief Financial Officer, our regional managing directors and the directors of our key group functions (corporate affairs; corporate finance and development; legal; marketing; and supply chain and human resources). Excom's purpose is to support the Chief Executive in carrying out the duties delegated to him by the board and, in that context, excom executes the strategy and budget approved by the board and, through the Chief Executive, reports on these matters to the board.

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

The audit committee

Mr Manser chaired the audit committee until 5 June 2013 and was succeeded by Mr Armour. Mr Armour, who first joined the committee on 1 May 2010, is a qualified accountant and, as the former chief financial officer of Reed Elsevier, he has recent and relevant financial experience. He was a partner of Price Waterhouse until 1995, and is currently also a non-executive director of Tesco plc, and a member of its audit committee, and of the Financial Reporting Council.

Mr Morland, Mr Devitre, Ms Knox and Ms Weir also served on the committee throughout the year. Mr Morland has been a member of the committee since 13 April 1999, Mr Devitre since 16 May 2007, and Ms Knox and Ms Weir since 19 May 2011. The board is satisfied that the chairman, Mr Devitre, Ms Knox and Ms Weir have recent and relevant financial experience. Mr Elliott joined the audit committee on 25 July 2013, and also has recent and relevant financial experience, having been chief financial officer of Rio Tinto until April 2013, and is currently the chairman of the audit committee of Royal Dutch Shell. Mr Morland will retire from the committee at the conclusion of the 2014 annual general meeting.

Biographical information concerning Mr Armour and members of the committee is set out on pages 46 and 47, and further details of the work and responsibilities of the audit committee are included in the audit committee report on pages 59 to 61 of this annual report.

The nomination committee

During the year the nomination committee was chaired by Mr Manser, except for the period between 25 July 2013 and 18 December 2013, when Mr Mackay joined the committee and was appointed chairman. Mr Bible, Mr Manzoni, Mr Morland and Mr Santo Domingo were members of this committee throughout the year. Ms Weir, who was appointed a non-executive director in May 2011, became a member of the committee on 25 July 2013, in place of Mr Ramaphosa who retired as a director. Mr Elliott joined the committee on 15 January 2014. The committee considers the composition of the board and its committees, and the retirement, appointment and replacement of directors, and makes appropriate recommendations to the board. The nomination committee has continued to evaluate the balance of skills, knowledge and experience of the board and remains committed to the progressive renewal of the board through orderly succession.

Our directors have shown their commitment to the progressive refreshment of the board in terms of age, experience, gender and balance of skills, appointing eight new independent non-executive directors since 2006.

The committee is conscious of the need for due regard to be given to diversity when considering appointments to the board. Five of the last eight independent non-executive directors appointed to the board were women, and currently three out of seven of the company's independent non-executive directors are women. The committee therefore believes that the company is well positioned in terms of the future balance of the board.

Where vacancies arise, the committee prepares a description of the role and capabilities required for the appointment. Appropriate succession plans for the non-executive directors, for the executive directors, and for senior management are also kept under close review.

Where non-executive vacancies arise, the committee may use the services of external consultants in order to identify suitable candidates for the board to consider. In relation to the most recent non-executive board appointment, Mr Elliott, in July 2013, an external search firm, JCA Group, was retained and produced a strong list of candidates, who were then shortlisted for consideration by the nomination committee on the basis of their relevant skills and experience. External consultants, Heidrick & Struggles, have also been retained in the search for a new independent non-executive director to replace Mr Ramaphosa.

The committee has subsequently engaged JCA Group to assist in the recruitment of a new chairman to succeed Mr Manser for the longer term.

Neither JCA Group nor Heidrick and Struggles have any other connection with the group, except that certain offices of Heidrick and Struggles have been retained from time to time during the year by various group companies to assist in executive recruitment in one or more countries at levels below the excom.

The remuneration committee

During the year the remuneration committee consisted entirely of independent directors. Mr Morland chaired the committee until 25 July 2013, when he stepped down. He was succeeded by Ms Knox, who was appointed as a non-executive director in May 2011. Mr Armour and Mr Manzoni were members of the committee throughout the year. Mr Manser was a member of the committee until he stood down with effect from 5 June 2013 and Mr Elliott joined the committee on his election as a director on 25 July 2013.

The committee is responsible for the assessment and approval of a broad remuneration strategy for the group, for the operation of the company's share-based incentive plans and for reviewing and approving short-term and long-term remuneration for the executive directors and members of the executive committee.

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

Details of the company's remuneration policy and the work of the remuneration committee during the year, including the shareholder consultation on proposed changes to executive share option performance conditions and to the value share awards comparator group, and on the introduction of more formalised forfeiture and clawback provisions, are in the directors' remuneration report on pages 62 to 84.

The corporate accountability and risk assurance committee (CARAC)

Dr Moyo chaired the committee throughout the year. Mr Bible, Mr Clark, Mr Manser, Mr Manzoni, and Mr Wilson served as members for the entire period. Mr Mackay was a member of the committee until 18 December 2013, and Mr Ramaphosa was a member of the committee until his retirement from the board on 25 July 2013. Ms Weir joined the committee with effect from 20 March 2014. The Corporate Affairs Director, Ms May, met regularly with Dr Moyo to discuss implementation and planning issues, and she attended all meetings of the committee during the year.

The objective of the committee is to assist the board in the discharge of its responsibilities in relation to the group's alcohol policies and corporate accountability, including sustainable development, corporate social responsibility and corporate social investment. More details of the committee's activities are in the sustainable development review section of this report and in our separate sustainable development summary report, which is available on our website.

During the year the committee continued to focus on company-specific and industry issues which are critical to protecting our licence to operate. Particular areas of focus for the committee during the year included our longer term sustainable development ambition, building on existing core standards to meet five shared imperatives, designed to secure sustainable development which benefits SABMiller and local communities. The committee reviewed our sustainable development performance including progress towards meeting our water and carbon efficiency targets; our entrepreneurship strategy and approach to small scale retailers in Latin America; a review of the approach to sustainability in both South Africa and Italy; and the review and approval of a new corporate governance and leadership policy for groupwide health and safety.

Corporate governance continued

The chairman of the CARAC, Dr Moyo, also had meetings during the year with a number of interested shareholders to discuss a range of sustainable development and corporate social responsibility issues.

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

Accountability

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

Risk management
The group's risk management system is subject to regular review to ensure compliance with the Code and the Financial Reporting Council's guidance to directors on internal control (the 'FRC Guidance', formerly known as the Turnbull Guidance (2005)) covering internal control and risk management.

Risk and the board of directors
The directors are ultimately responsible for the group's risk management system and for reviewing its effectiveness. There is a regular schedule for the board to consider the group's significant risks and mitigating actions. The risk management system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and there is a continuous process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by individual group companies and by the group as a whole. This process has been in place for the year under review up to the approval of the annual report and accounts. The principal risks and uncertainties facing the group are set out on pages 18 and 19.

Executive committee
Excom has specific responsibility as the risk management committee for the group's system of risk management. Excom reviews our significant risks and subsequently reports to the board on material changes and the associated mitigating actions. Reviews on the effectiveness of the risk management system were carried out by excom, as the risk management committee, in April and October 2013 and in March 2014.

Enterprise-wide risk management
Excom views the careful and appropriate management of risk as a key management role. Managing business risk to deliver opportunities is a key element of all our business activities, and is undertaken using a practical and flexible framework which provides a consistent and sustained approach to risk evaluation. Business risks, which may be strategic, operational, financial or environmental, or concern the group's reputation, are understood and visible. The business context determines in each situation the level of acceptable risk and controls. We continue to seek improvement in the management of risk and during the year we have refreshed our guidance on risk management and revised our internal protocols, and we continue to seek to share best practice throughout our organisation.

Key features of our system of risk management are:

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

In addition to excom's bi-annual reports to the board on key risks, there is a process of regular reporting to the board through the audit committee on the status of the risk management process. Strategic planning, internal audit and other risk control specialist processes are integrated into line management's risk processes and simplified risk reporting. The team, led by internal audit, has rolled out a refreshed guidance and group methodology.

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

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

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

Key features of the systems of internal control are:

- the risk management system described on page 56;
- written policies and procedures within our businesses;
- clearly defined lines of accountability and delegations of authority;
- management of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- business continuity planning, including preventative and contingency measures, back-up capabilities and the purchase of insurance;
- maintenance of a state of preparedness towards compliance with Section 404 of the US Sarbanes-Oxley Act through the identification and testing of key financial controls under its Internal Financial Control (IFC) programme. This is a voluntary initiative, which strengthens internal control systems and processes within the group;
- key policies employed in managing financial and operating risk involve segregation of duties, transaction authorisation, monitoring, financial and managerial review and comprehensive reporting and analysis against approved standards and budgets;
- a treasury operating framework which establishes policies and manages liquidity and financial risks, including foreign exchange, interest rate and counterparty exposures, and incorporates group and regional treasury committees that monitor these activities and compliance with the policies. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the audit committee on behalf of the board; and
- a group tax policy and tax operating framework which forms the basis of tax governance across the group and is managed by our group tax function which monitors tax risk and implements strategies and procedures to control it, and which is also reviewed regularly by the audit committee on behalf of the board.

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, reviews of key financial controls, internal audit reviews including business capability programme and other programme assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations and regular reports to the audit committee by the internal and external auditors. Our regional finance, control and assurance committees consider the results of these reviews within each region twice a year, together with reports from country audit committees, to confirm that controls are functioning and to ensure that any material breakdowns and remedial actions have been reported to the appropriate boards of directors. In relation to our associated undertakings or joint ventures, these matters are reviewed at the level of the associates' or joint ventures' boards or other governing committees.

At the half year and at the year end the members of country and business units, regional and country business executive committees, each of our functional directors (corporate affairs; corporate finance and development; legal; marketing; and supply chain and human resources), each of the direct reports to the Chief Financial Officer (finance and control; global business services; global template design authority; global procurement; information technology; internal audit; tax; treasury; and strategy and planning) are required to submit to the Company Secretary on behalf of the board formal letters of representation on compliance with internal controls and key policies, including notification of continuing or potential significant financial, regulatory, environmental and other exposures. Similar rigorous letter of representation processes operate at country and regional levels within our global business entities.

These letters form the subject of reports to the audit committee, and cover all subsidiary companies, as well as MillerCoors LLC and Tsogo Sun Holdings Limited which submit tailored letters of representation. Executive directors and executive committee members sit on the boards of major associated companies such as CR Snow, Anadolu Efes and Castel. Directors and members of the executive committee also make annual written declarations of interests and are obliged to report without delay any potential or actual conflicts of interest which may arise.

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

Carlton & United Breweries (CUB) in Australia became part of the group in December 2011. As part of the integration of CUB into the SABMiller group, we have continued to embed systems, controls and procedures to bring them into full alignment with those in place throughout the rest of the group, and we expect CUB to be brought into full compliance when the global template is rolled out to Australia during the coming year.

The board, with advice from the audit committee, has completed its annual review of the effectiveness of the system of internal control and risk management for the period since 1 April 2013 in accordance with the FRC Guidance.

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

Corporate governance continued

Internal audit activities, all of which are risk-based, are performed by teams of appropriately qualified and experienced employees. Third parties may be engaged to support audit work as appropriate. The Chief Internal Auditor, who reports jointly to the SABMiller plc audit committee and to the Chief Financial Officer, has direct right of access to, and regular meetings with, the audit committee chairman and prepares formal reports for each audit committee meeting on the consolidated activities and key findings of the global internal audit function. The audit committee also has unrestricted access to the universe of internal audit reports, should they wish to review any of them.

Our global internal audit function uses a standardised group-wide internal audit methodology which is in compliance with the 'International Standards for the Professional Practice of Internal Auditing' of the Institute of Internal Auditors. The function operates a formal global quality assurance and effectiveness programme. Accordingly, detailed quality review assessments are performed with regard to the regional and country internal audit teams, to ensure compliance with defined quality and performance measures. This process provides a basis for the annual review of the effectiveness of the global internal audit function and results in a formal report (prepared by the Chief Internal Auditor) to the audit committee to support the committee's formal annual assessment of the effectiveness of internal audit. In addition, a periodic review of internal audit is undertaken by an independent external consultant in accordance with the guidelines of the Institute of Internal Auditors. In early 2014 an external review was performed by Ernst & Young LLP (EY) under the supervision of the General Counsel and the Deputy General Counsel. EY reported positive results to the audit committee in May 2014 and assessed the group's internal audit function as operating effectively. The audit committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the group. Continuous improvement in the quality and objectivity of the global internal audit function remains a key objective of the department. The internal audit function is also responsible for facilitating the risk management and reporting processes across the group. It also provides assurance on the effectiveness of the process to excom, the audit committee and the board.

Whistleblowing measures

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

Relations with shareholders

All shareholders were again encouraged to attend the annual general meeting held in July 2013, which provided shareholders with the opportunity to ask questions of the board and chairmen of all the board committees. At the meeting, all resolutions were put to a vote on a poll, with the results being published on the company's website, and on the London and Johannesburg stock exchange news services. As the geographic spread of shareholders inevitably means that not every shareholder can attend a meeting in the UK, a video film and a full transcript of the proceedings of the meeting were published on the company's website. Similar arrangements are planned for the forthcoming 2014 annual general meeting.

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

In addition to scheduled management-led programmes in which executives interact with investors and analysts, the Chairman annually contacts all shareholders (or their representatives) holding more than 1% of the issued share capital of the company, to enable him to address any queries which shareholders may have about the governance of the company or non-operational aspects of company strategy. It is also, more broadly, designed to give the board a greater awareness of shareholder concerns. As noted above, the Chairman and the Deputy Chairman met with a number of institutional shareholders in April and May 2014. The Chairman, Deputy Chairman, the Company Secretary and the chairmen of our board committees are also available to discuss issues with shareholders, and views expressed by shareholders are communicated to the board. As part of this initiative the Chairman also offers to meet with significant shareholders in the month before the annual general meeting specifically to deal with issues arising from the annual report and notice of the annual general meeting. Institutional and shareholder comment on the annual report is conveyed by the Company Secretary to the full board and to the audit and remuneration committees and the CARAC in relation to matters within their respective terms of reference.

As described in our remuneration report, in both 2013 and 2014 shareholders were invited to meet with the chairman of the remuneration committee to discuss our remuneration philosophy.

John Davidson
General Counsel and Group Company Secretary

For and on behalf of the board of SABMiller plc

2 June 2014

Audit committee report

The audit committee assists the board in fulfilling its oversight responsibilities regarding in particular the company's financial and corporate reporting, its risk management and internal controls, and the independence and effectiveness of the external auditors.

This year, following changes in the Corporate Governance Code (the Code) and its Guidance to Audit Committees, the committee has prepared this report which sets out how it has discharged its responsibilities during the year and, in relation to the financial statements, the significant issues it has considered and how these have been addressed. The revised Code also requires the board to ensure that the annual report is fair, balanced and understandable, and the board requested the audit committee to assist it by considering this.

The work of the committee is far-ranging as described in this report. Without attempting to summarise it here, I would draw attention to the following: in considering the integrity of financial reporting, we looked in detail at the carrying value of goodwill and the provisioning for uncertain tax positions which are two significant areas of judgement; in risk management and internal controls, we focused among other matters on IT network security, anti-bribery and corruption policies and compliance, fraud, whistleblowing arrangements, and the business capability programme; in relation to external auditor independence and effectiveness, we noted the changing regulations on audit tendering and rotation and will determine the timing of an audit tender once the regulations and transitional arrangements are finalised and non-audit services currently provided by other firms on our cost and efficiency programme can be managed so as not to unduly restrict choice or disrupt the associated elements of the programme.

In June 2013 John Manser stood down as a member and chairman of the committee when he became acting Chairman of the board, and in July 2014, following the annual general meeting, Miles Morland will retire from the board and the committee. On behalf of the committee, I would like to thank them both for the wisdom and experience they have brought to the committee's deliberations over many years. We were pleased to welcome Guy Elliott as a member of the committee in July 2013.

Mark Armour
Chairman of the audit committee

Responsibilities
The main role and responsibilities of the committee are to assist the board in fulfilling its responsibilities regarding:

- the integrity of SABMiller's interim and full year financial statements and reporting, including the appropriateness and consistent application of accounting policies, the adequacy of related disclosures, and compliance with relevant statutory and listing requirements;
- risk management and internal controls, related compliance activities, and the effectiveness of the internal audit function; and
- the scope, resources, performance and effectiveness of the external auditors, including monitoring their independence and objectivity.

At the request of the board, with effect from the financial year ended 31 March 2014, the committee considers whether the annual report is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the group's performance, business model and strategy.

The committee reports to the board on its activities, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The committee's terms of reference are reviewed annually and are available on the SABMiller website, www.sabmiller.com.

Committee meetings
The committee meets four times in the year. Meetings are attended by the committee members and typically, by invitation, the Chairman, the Chief Executive, the Chief Financial Officer, senior members of the group finance team, the General Counsel and his deputy, and the Chief Internal Auditor. Other non-executive directors attend from time to time as observers. Other members of management are also invited to attend certain meetings in order to provide the committee with greater insight into specific issues and developments. The audit partners and senior members of the group audit team from our external auditors, PricewaterhouseCoopers LLP, attend each meeting.

The committee receives and discusses regular written and oral reports from the Chief Financial Officer, the Chief Internal Auditor, the General Counsel, and the external auditors relating to matters falling within the committee's terms of reference. Reports are also received from time to time by other external assurance providers in relation to specific topics addressed by the committee.

The committee meets separately at least twice a year with the external auditors without management present and likewise at least once a year with the Chief Internal Auditor. The committee chairman has separate meetings at least four times a year with the Chief Financial Officer, the Chief Internal Auditor, and with the external auditors, and the committee chairman also meets separately with the General Counsel. The Chief Internal Auditor, the external auditors and the General Counsel have direct access to the committee, primarily through the chairman, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities.

New members of the committee are briefed on matters relevant to the responsibilities of the committee and meet a range of finance management as part of their induction. Training is provided to committee members on financial, regulatory and other compliance matters through briefings presented by the external auditors and the General Counsel. Committee members have a standing invitation to attend the bi-annual finance, control and assurance meetings for each of the group's regions and do so from time to time. The committee has also instituted a rotational programme of receiving presentations from and holding discussions with the regional finance directors.

The committee chairman briefs the board on the matters discussed at each committee meeting and the minutes of each meeting are circulated to all board members.

The effectiveness of the operation of the committee was reviewed as part of the effectiveness review of the board and its committees in March 2014.

Audit committee report continued

Financial and corporate reporting

In discharging its responsibilities in relation to the integrity of the interim and full year financial statements and reporting, before their submission to the board for approval, the committee reviewed reports from management and from the external auditors, and discussed with them:

- the appropriateness and the consistency of application of the accounting policies, their compliance with applicable accounting standards, and the implementation of changes in international financial reporting standards including IAS 19 (revised), 'Employee benefits', which was adopted for the financial year with prior year restatements;
- the critical accounting judgements and estimations made in the preparation of the financial statements and those matters where there have been substantive discussions between management and the external auditors;
- the contingent liabilities and judgements made in respect of significant legal matters, on which the committee receives regular reports from the General Counsel;
- the adequacy and clarity of reporting disclosures and compliance with applicable financial and other reporting requirements, including the treatment of exceptional items excluded from adjusted earnings used by management as an additional performance measure and the adoption during the financial year of additional financial performance measures including net producer revenue and revised definitions of EBITDA and net debt;
- the appropriateness of the going concern basis of accounting, with reference to budgeted and projected future cash flows, debt maturities, cash resources and committed financing facilities, key credit ratios and sensitivity analyses; and
- whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Critical judgements and key sources of uncertainty in the accounts are set out in note 1 to the consolidated financial statements and these were reviewed by the committee. Of particular significance in both the interim and full year financial statements were the judgements made in respect of the carrying values of goodwill and the provisioning for uncertain tax positions. These were addressed by the committee as follows:

Carrying values of goodwill

The judgements in respect of the carrying values of goodwill and potential asset impairment relate to the assumptions underlying the value in use calculations and include the robustness of business plans, long-term growth assumptions and discount rates. The committee received and discussed a report from the Chief Financial Officer on the methodologies applied, the bases for the assumptions used, and a range of sensitivity analyses.

Uncertain tax positions

The judgements in respect of provisioning for uncertain tax positions relate to the inherent uncertainties in the application of tax law and practice, the assumptions underlying deferred tax asset recognition, and the complexity of assessing potential liabilities across numerous jurisdictions. The committee received and discussed a report from the Chief Financial Officer on the potential liabilities identified and estimates applied and on assumptions used in respect of deferred tax asset recognition.

The committee also received reports from the external auditors on these matters and discussed with them the judgements made. The committee was satisfied with the explanations provided and conclusions reached.

The committee reviewed and discussed with management the processes undertaken to ensure that the annual report was fair, balanced and understandable and reviewed drafts of the annual report to consider whether, based on the knowledge and understanding of committee members, it appeared to be so. The committee also received reports from the Chief Internal Auditor and the external auditors on whether or not, having reviewed the document, the results of their respective reviews and other work would suggest otherwise. The General Counsel reported on the steps taken to verify the accuracy of statements in the annual report, and on compliance with legal disclosure requirements. Based on this, the committee recommended the annual report to the board as fair, balanced and understandable and providing the information necessary for shareholders to assess the group's performance, business model and strategy.

Risk management and internal controls

With respect to its oversight of risk management and internal controls, the committee has reviewed and discussed a wide range of matters with management, and with the internal auditors and external auditors as appropriate, and in particular the committee:

- reviewed the processes for the identification and management of material risks across the group, and discussed changes to the principal risks and risk profiles during the year;
- discussed the principal risks identified by the risk management processes, the mitigating actions and residual risk. These were also discussed by the board. As part of its review of the annual report, the committee reviewed the disclosures with respect to principal risks and mitigating factors;
- received and discussed regular reports from the Chief Internal Auditor on the progress of internal audit work against the agreed annual plan, the principal findings of the internal audit work undertaken, actions agreed with management, and the progress on implementation of prior recommendations. The reports also provided further detail on assurance activities in respect of major change projects under way in the group, including the findings of any third party firms appointed to provide related assurance services, and addressed any identified frauds of significance. Areas of assurance focus during the year included: management of the design and implementation of the global template as part of the business capability programme; the planning and organisation of the new cost and efficiency programme; IT network security; implementation and compliance with anti-bribery and corruption policies; and continued progress towards voluntary compliance with the requirements of Section 404 of the Sarbanes-Oxley Act relating to the documentation and testing of internal controls over financial reporting;
- reviewed and approved the annual internal audit plan and resource requirements;
- reviewed the effectiveness of the internal audit function, including consideration of its scope as set out in the terms of reference, the adequacy of resources including skills and expertise, the relevance of its findings and quality of reporting, and the impact of its recommendations.

This year, in reviewing the effectiveness of internal audit, the committee received a report from an independent external consultant, Ernst & Young, under the supervision of the General Counsel. This looked in more detail at the working methods and practices of the function in addition to the matters annually reviewed by the committee and compared the function with industry benchmarks. An independent review of this nature is typically undertaken every five years. The conclusion of this review was positive and assessed the group's internal audit function as operating effectively. It also highlighted some scope for further improvement, particularly in more extensive use of data analytics;

- received and discussed regular reports from the General Counsel on compliance matters, including the operation of the group's code of business conduct and ethics and related training programmes, the adequacy of the group's anti-bribery and corruption framework and the implementation of its policies, and whistleblowing arrangements. In relation to the group's whistleblowing arrangements the committee received reports from the General Counsel on concerns raised through these arrangements, both to assess whether these suggested any need for the enhancement of internal controls, and to assess whether the whistleblowing arrangements appear to be functioning effectively, with proportionate and independent investigation of reported matters, appropriate protection for whistleblowers, and suitable follow-up action. The General Counsel also reports to the committee on the bi-annual letters of representation received from the group's businesses on compliance matters and on management actions taken on any issues identified;
- received and discussed reports on treasury policies, including compliance with commodity hedging policies and counterparty credit limits, on the group's global insurance arrangements, and on the operation and funding of the group's defined benefit post-retirement plans; and
- received a presentation from the Chief Financial Officer on developments within the finance function, including bench-strength and succession planning, training and effectiveness of the function, and the development of competencies in decision support capabilities.

As part of the year-end procedures, the audit committee has reviewed the effectiveness of the systems of internal control and risk management during the financial year. The objective of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, they can only provide reasonable, but not absolute, assurance against material misstatement or loss. The committee has reported to the board on this basis.

External audit independence and effectiveness

SABMiller has a well-established policy on independence and audit effectiveness that sets out: the responsibilities of the committee in the selection of auditors to be proposed for appointment or reappointment and for agreement on the terms of their engagement, scope and remuneration; the auditor independence requirements and the policy on the provision of non-audit services; the rotation of audit partners and staff; and the conduct of the relationship between the auditors and the committee.

The auditors are precluded from engaging in non-audit services that would compromise their independence or violate any professional requirements or regulations affecting their appointment as auditors. The auditors may, however, provide non-audit services which do not interfere with their independence, and where their skills and experience make them a logical supplier, subject to pre-approval by the committee. The policy stipulates the types of work which are not permitted to be performed by the auditors and those which may be permitted in appropriate circumstances. The group's procedures require that any non-audit services proposed to be provided by the auditors be supported by a justification as to why the appointment of the external auditors to provide the services is in the best interests of the group, and how auditor independence would be safeguarded in the specific context of the proposed services. The committee has, at each meeting, reviewed and agreed the non-audit services provided in the year and the related fees, which are summarised in note 3 to the consolidated financial statements.

The external auditors, PricewaterhouseCoopers LLP, have confirmed to the committee their independence and compliance with the SABMiller policy on auditor independence. The external auditors are required to rotate the lead audit partner responsible for the audit engagement every five years, unless there are unusual extenuating circumstances when a further year may be considered. The lead audit engagement partner, Richard Hughes, has now completed three years.

The committee conducted its annual review of the performance of the external auditors and the effectiveness of the external audit process for the year ended 31 March 2014. The review was based on a survey of key stakeholders across the group, consideration of public regulatory reports on PricewaterhouseCoopers member firms, and the quality of the auditors' reporting to and interaction with the committee. Based on this review, the committee was satisfied with the performance of the auditors and the effectiveness of the audit process.

PricewaterhouseCoopers, later becoming PricewaterhouseCoopers LLP in 2003, were appointed as the company's external auditors in 1999 when the company moved its headquarters to London and listed on the London Stock Exchange. The committee has monitored recent regulatory developments in the UK and the European Union regarding the length of audit tenure, audit tendering and audit firm rotation and the provision of non-audit services by auditors. The European Union has now directed member states to adopt legislation within the next two years requiring that companies change their external auditors at least every 10 years, or every 20 years if an audit tender is held after 10 years, subject to transitional rules, and restricting further the non-audit services that may be provided. Specific UK regulations, including any additional requirements of the Competition and Markets Authority and transitional rules, are not yet finalised. In the light of this and the continued objectivity, independence and effectiveness of the PricewaterhouseCoopers LLP audit, the committee has recommended to the board that a resolution for the reappointment of the external auditors for the financial year ending 31 March 2015 be proposed at the forthcoming annual general meeting.

The committee will determine the timing of a future audit tender taking into account any final guidance on transitional arrangements and the practical considerations of managing the significant non-audit services currently provided to SABMiller by other audit firms as part of the cost and efficiency programme so that a tender process is not unduly restricted in choice or disruptive to the associated elements of the programme. SABMiller does not indemnify its external auditors and there are no contractual obligations restricting the choice of external auditors.

Directors' remuneration report Remuneration policy

The remuneration committee's main responsibility is to ensure that payments to executives are appropriate and aligned with shareholder interests, producing sustainable value creation through the delivery of our long-term business strategy.

Dear Shareholder

In this, my introduction to the directors' remuneration report, I summarise the group's performance and the resulting pay outcomes for the year ended 31 March 2014, and highlight some of the key issues that the remuneration committee has considered during the year. The remainder of this report consists of our remuneration policy and the annual report on remuneration, both of which are presented for shareholder approval this year.

Performance and outcome for 2014

This has been a year of resilient financial performance, against a number of headwinds, with the depreciation of key currencies against the US dollar also having a significant negative impact on the translation of reported financial results for the year. This is reflected in the reduced annual bonus payments to executive directors and in some of the long-term incentive awards not vesting in full, illustrating the very challenging performance targets set each year by the remuneration committee. Year on year improvements in underlying performance have produced a 26% increase in EPS and a 99% increase in TSR over the three years to 31 March 2014, and a 76% increase in EPS and a 203% increase in TSR over the five years to 31 March 2014. Further details of the performance measures and payouts are shown on pages 74 to 76, with the outcome for the current executive directors' remuneration summarised in the 'remuneration at a glance' table on page 63.

Graham Mackay

During the year, the untimely death of Graham Mackay on 18 December 2013 meant that it was our sad duty to consider how to treat his unvested long-term incentive awards. Graham presided over a significant corporate success, leading the company from its listing on the London Stock Exchange in 1999. £100 invested in SABMiller at that time was worth £1,114 by 31 March 2013, while over that same period a £100 investment across the FTSE 100 would have been worth just £167. The committee approached this matter in the same way that it has in the past for other employees in the same circumstances. In accordance with the rules of the plans and the company's termination policy, the treatment of unvested long-term incentive awards was determined by EPS performance to 31 March 2013 (being the latest audited full-year EPS before his death) and Total Shareholder Return performance to 17 December 2013. This resulted in some awards vesting in full while others lapsed. It had already been agreed with Graham that he would not be entitled to any annual bonus payment for the year ended 31 March 2014.

Lesley Knox, Chairman of the remuneration committee

"This has been a year of resilient financial performance, against a number of headwinds. Based on feedback from our shareholder consultation, we have strengthened the performance conditions for the vesting of share options, changed the comparator group for the vesting of value shares, and formalised our forfeiture and clawback provisions."

Details of achievement against each performance condition with the resulting outcomes are shown on pages 75 and 76. The early vesting of awards, which would ordinarily have vested over a number of years through to June 2017, have resulted in a sizeable single figure of remuneration for Graham this year, as it includes the outcome of all long-term incentive awards in accordance with the reporting regulations, which do not cater for such sad circumstances.

Remuneration policy review and changes

In 2010 we changed the structure of remuneration so that performance at median or below would not be rewarded at all, but exceptional performance relative to our peers over performance periods of up to five years would result in exceptional rewards. In 2013 this philosophy was retained, but the quantum of long-term incentive awards was significantly reduced by around 43% for executive directors and executive committee members.

With the appointment of new Chief Executive Alan Clark during the year, we reviewed pay structures and incentive arrangements to ensure that they remained aligned with, and re-inforced, business strategy. As part of this review, we invited 50 of our largest shareholders to consult, and I was delighted that many chose to contribute. Based on feedback from our shareholder consultation, we have strengthened the performance condition for the vesting of share options, changing from an EPS growth measure linked to UK RPI to fixed targets in constant currency, which is considered a more relevant and consistent measure of performance. We have also changed the comparator group for the vesting of value share awards, to remove some of the smaller beer competitors and include large consumer goods companies with a similar exposure to developing markets. We have back-tested both of these changes (based on historical performance) to ensure that they would not have made vesting easier to achieve – in fact, both would have made vesting more difficult. We have also incorporated more formal and explicit provisions into our annual bonus and long-term incentive plans enabling the forfeiture and clawback of annual bonus and share awards if there is required to be a material restatement of financial results (other than due to changes in accounting policy), misconduct, or other action causing harm to the reputation of the company. Of course, it is not anticipated that this will prove necessary, but the committee agreed with shareholders that this is a sensible precaution.

The committee considered all the remuneration structures in light of the new remuneration reporting regulations, and we have taken a number of steps to clarify and strengthen our reporting, building on the success of our early adoption of the draft regulations in the prior year.

No other significant changes to remuneration policy are proposed and we were encouraged by the support of more than 95% of shareholders voting in favour of our remuneration report last year. I hope that I can count on your continued support this year, and look forward to working with you to ensure that SABMiller's pay structures continue to support the success of our business and your investment.

Lesley Knox
Chairman of the remuneration committee

2 June 2014

Remuneration at a glance

The table below summarises the pay of the current executive directors for the year ended 31 March 2014. Further details are contained in pages 72 to 76 of this report.

	Base pay	Retirement and other benefits	Annual bonus		Long-term incentive (vesting in respect of performance periods ended 31 March 2014)		2014 Total remuneration (single figure)	2013 Total remuneration (single figure)	
Name	£'000	£'000	£'000	% of maximum	£'000	% of maximum	£'000	£'000	% Change
Alan Clark (Chief Executive)	**1,085**	**499**	**1,196**	**63%**	**3,683**	**87%**	**6,463**	6,696	-3.5%
Jamie Wilson (Chief Financial Officer)	**740**	**284**	**542**	**61%**	**2,281**	**80%**	**3,847**	2,021	+90%

Fixed pay Short-term incentives Long-term incentives

Jamie Wilson was appointed an executive director on 21 July 2011. The increase in his total remuneration for 2014 compared with 2013 is mainly due to the vesting of long-term incentive awards for the first time as an executive director in respect of the year ended 31 March 2014.

Directors' remuneration report
Remuneration policy continued

This report covers the year from 1 April 2013 to 31 March 2014 and also presents the company's proposed directors' remuneration policy for the three-year period commencing from the 2014 AGM on 24 July 2014.

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) ('the regulations') and the provisions of the UK Corporate Governance Code relating to remuneration. The format and content take into account the Directors' Remuneration Reporting Guidance of the GC100 and Investor Group, together with other guidance issued by institutional investor and governance bodies.

Directors' remuneration report

Remuneration policy

It is intended that the remuneration policy will be put to a shareholder vote every three years (unless a change of policy is proposed) and apply from the date of the relevant general meeting. Therefore the policy described in this report will take effect from 24 July 2014, subject to shareholder approval.

Role of the remuneration committee

In accordance with its terms of reference (which are available on the company's website), the committee determines the basis on which the executive directors and the members of the executive committee are to be paid and the amount of their remuneration. In addition, the committee has oversight of the remuneration strategy for the group as a whole, monitoring the level and structure of remuneration for senior management, and approving all awards under the company's share incentive arrangements. When determining executive pay, the committee considers the specific performance measures for each incentive plan, as well as overall business performance and shareholder returns, paying particular regard to environmental, social and governance issues, to ensure that the incentive arrangements do not inadvertently motivate or reward inappropriate outcomes or excessive risk. In such circumstances the committee has the discretion to adjust, forfeit and clawback annual bonus payments and share awards.

Remuneration philosophy

The company's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the committee takes into account appropriate market benchmarks, while also ensuring an emphasis on pay for performance. This approach helps to attract, retain and motivate individuals of the necessary calibre, while ensuring employee behaviours remain consistent with SABMiller's values.

Total remuneration comprises fixed pay and variable performance-related pay, which is further divided into short-term incentives (with a one-year performance period) and long-term incentives (with three, four and five-year performance periods). In addition, executive directors are required to own outright shares in the company, to provide further alignment with shareholder returns by ensuring a reduction in their own wealth if there is a reduction in SABMiller's share price.

Key to colours

The following colours are used throughout the directors' remuneration report to denote the following:

Fixed pay | Short-term incentives | Long-term incentives

Our remuneration philosophy

Ensure employees are rewarded fairly and appropriately

Attract, retain and motivate individuals with the necessary calibre and behaviours

Fixed pay
- base pay
- retirement benefits
- other benefits

Appropriate to recruit and retain, but no in-built premium for performance

Short-term incentives
- annual bonus plan (one year)

Aligned to financial performance and strategic priorities

Long-term incentives
- share option plan (3 and 5 years)
- share award plan (3, 4 and 5 years)

Aligned to shareholder returns

High rewards are achieved only for high performance and high shareholder returns

Base pay is a fixed cost for the company, and is therefore set at the level appropriate to recruit and retain individuals of the necessary calibre, but with no in-built premium for performance, which is otherwise rewarded through the company's incentive plans. Short-term incentives are structured to reward the achievement of annual financial performance balanced with the delivery of the company's strategic priorities. Long-term incentives are an integral part of the company's approach to competitive performance-based pay, and are aligned to shareholder returns to ensure a clear line of sight between executive pay and value creation for shareholders. For this reason, long-term incentives with performance periods of up to five years are the component of pay which represent the largest opportunity for executive directors and executive committee members.

In practice, this approach means setting fixed pay at around median for the relevant market, with a significant proportion of variable performance-related pay to incentivise and reward performance, re-inforced by executive shareholding requirements. The combination of these components ensures that high rewards are achieved only for high performance and high shareholder returns.

Before the quantum of awards is determined, extensive modelling of the potential outcomes is undertaken, and any necessary adjustments made, so that remuneration remains appropriate in all the circumstances. The targeted positions for each performance level are:

- upper decile pay for upper decile performance;
- upper quartile pay for upper quartile performance;
- median pay (or lower) for median performance; and
- fixed pay only for below median performance.

At the end of each performance period, before any variable payments are confirmed, remuneration payable is compared with the expected level of pay for actual performance achieved, to ensure that any payouts remain appropriate for overall business performance and shareholder returns.

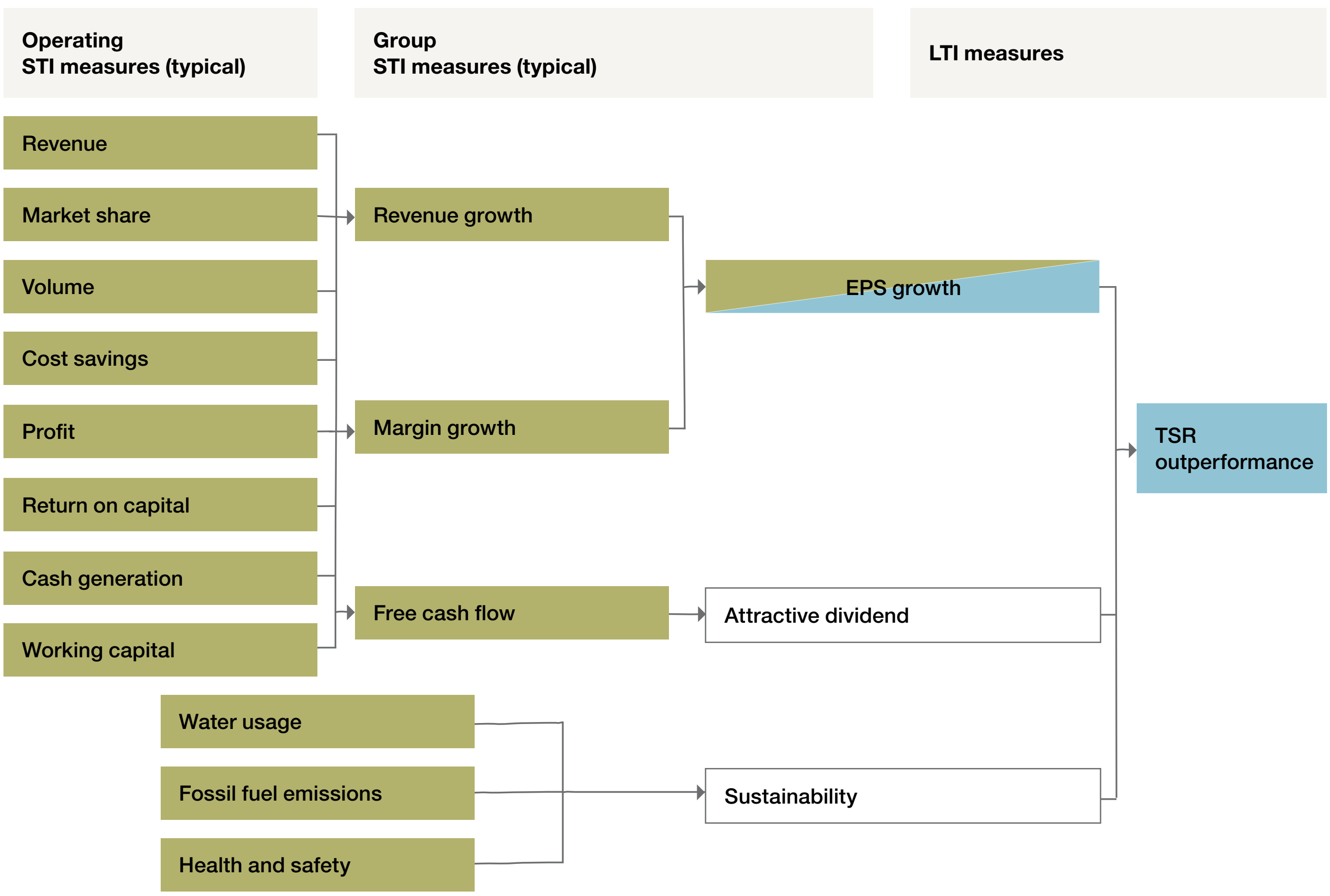
Alignment of strategy, pay and performance

The company's key strategic priorities aim to deliver a higher return to shareholders than our peers. Accordingly, these same strategic priorities determine the performance measures and targets for both the short-term and long-term incentive plans.

The financial performance measures for short-term incentives (STI) are selected as being the drivers of superior EPS growth, with strict control of cash flow enabling an attractive dividend. The long-term incentives (LTI) measures reward the achievement of stretching EPS growth targets and delivery of superior TSR. In addition, sustainability metrics including water usage and reductions in fossil fuel emissions, and other strategic objectives, comprise the total bonus opportunity for executives, to ensure that the achievement of short-term financial performance is not at the expense of enabling future shareholder value creation.

Governance

Alignment of strategy, pay and performance



Directors' remuneration report
Remuneration policy continued

Remuneration policy table

The table below sets out the remuneration policy that the committee intends to apply to executive directors from 24 July 2014, subject to shareholder approval.

	Fixed pay			Short-term incentives
	Base pay	**Retirement benefits**	**Other benefits**	**Annual bonus plan**
Purpose and link to strategy	Provides a fixed level of earnings, appropriate to the market and requirements of the role.	Provides a basis for savings to provide an income in retirement.	Provides benefits and allowances appropriate to the market, and to assist executives in efficiently carrying out their duties.	Incentivises and rewards the achievement of annual financial performance balanced with the delivery of the company's strategic priorities. With base pay set at around median, the annual bonus plan ensures that above-market pay cannot be achieved unless challenging performance targets are met.
Operation	Base pay is reviewed annually with effect from the start of each financial year. There is no obligation to increase base pay upon any such review. Annualised base pay for the year ended 31 March 2014 and for the year ending 31 March 2015 are shown on page 73.	SABMiller does not provide guaranteed retirement income (defined benefit pension), but makes defined contributions towards pension savings. In the UK, amounts up to the annual and lifetime allowances are generally contributed to the SABMiller plc UK Staff Pension Scheme (a registered defined contribution pension scheme in which all UK employees are eligible to participate). Any amounts in excess of these limits are notionally credited to the company's unfunded retirement benefits scheme, or paid in lieu as a taxable cash amount.	Benefits and allowances may include a company car or car allowance, fuel card, family medical and dental insurance, long-term disability insurance, life insurance, accompanied travel, occasional overnight accommodation, legal and professional fees relevant to duties, club subscriptions, and a beer allowance. In addition, executive directors may also participate in employee discount programmes and all-employee share plans on the same basis as other employees. Executive directors also have access to the same facilities as other UK employees, including access to on-site staff car parking at certain locations and a company bar.	The total bonus opportunity is split: • minimum of 60% annual financial performance; and • maximum of 40% individual strategic objectives. This balance, with a significant proportion of the annual bonus opportunity based on longer term and sustainability metrics ensures that the achievement of short-term financial performance is not at the expense of enabling future shareholder value creation. If overall business performance is not satisfactory, or if there is required to be a material restatement of financial results (other than due to a change in accounting policy), misconduct, or other action causing harm to the reputation of the company, all or part of any annual bonus not already paid may be forfeited, and any annual bonus already paid may be clawed-back.
Opportunity and maxima	Around median for the relevant market (generally the FTSE-30 for UK-based executive directors), while recognising experience and responsibilities. Any increases will be in the context of overall business performance, with reference to the market median and any further increases will not exceed the average annual increase awarded to other UK-based employees.	Pension contributions for executive directors are fixed at 30% of base pay.	Company car allowance is fixed at £17,150 per annum. The maximum amount paid for other benefits will be the actual cost of providing those benefits which, particularly in the case of insured benefits, may vary from year to year, although the committee is mindful of achieving the best value from benefit providers.	The policy maximum bonus opportunities for executive directors at each performance level are: • Maximum: 200% of base pay. • Target: 100% of base pay. • Threshold: 50% of base pay. The current bonus opportunities are: *Chief Executive*: up to a maximum of 175% of base pay, with 87.5% of base pay at target, and 43.75% of base pay at threshold. *Other executive directors*: up to a maximum of 120% of base pay, with 60% of base pay at target, and 30% of base pay at threshold.
Performance measures	Not applicable.	Not applicable.	Not applicable.	The annual financial performance measures and weightings are reviewed each year, and may be changed to ensure that they continue to align with the company's key strategic priorities. The range of performance measures will typically be selected from revenue, market share, volume, cost savings, profit, return on capital, cash, working capital, margin growth, EPS and sustainability metrics including water usage, reductions in fossil fuel emissions, and health and safety measures. The performance measures for bonus payments for the year ended 31 March 2014 and the year ending 31 March 2015 are shown on page 74.

Remuneration policy notes

[1] The committee reserves the right to make any remuneration payment, notwithstanding the policy set out in this report, where the terms of the payment were determined before the policy came into effect, or if the individual was not an executive director at the date the remuneration was determined (unless that remuneration was set in consideration or in anticipation of becoming an executive director). The committee may make minor amendments to the policy (for regulatory, exchange control, or administrative purposes, or to take account of a change in other legislation) without obtaining shareholder approval for that minor amendment.

[2] The remuneration policy for other UK employees is similar to that for executive directors in accordance with our philosophy that remuneration should be appropriate to the local competitive market. Certain components of remuneration (for example, car allowance and long-term incentives) are paid only to certain levels of employees. There are other variances depending on geographic location and local market practice, but the general approach is consistent across the group.

[3] The specific financial performance measures applicable to short-term and long-term incentive plans may be varied to align with the company's key strategic priorities. The targets for each performance measure are set to be stretching, based on a number of reference points including company targets, analyst forecasts, and shareholder expectations.

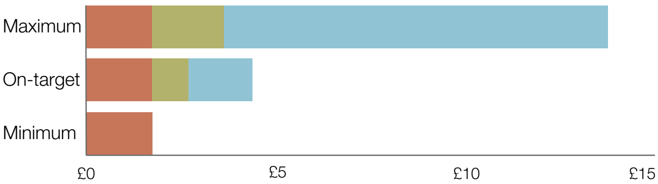
Long-term incentives			
Share option plan	**Share award plan**	**Shareholding requirement**	**Non-executive directors' fees**
Provides a direct and transparent link between executive pay and value creation for shareholders. Share options may be structured as stock appreciation rights (SARs), which are economically equivalent to share options but result in less dilution of share capital.	The combination of a share option plan and share award plan enables executives to be incentivised and rewarded for achieving a broader range of performance measures, in addition to share price increase.	Provides alignment with shareholder returns by ensuring a reduction in executive directors' own wealth if there is a reduction in SABMiller's share price.	Compensates non-executive directors for their responsibilities and time commitment.
Share options reward executive directors only if there is an absolute increase in the share price. Furthermore, to ensure that any share price increase is supported by a sustainable improvement in the group's underlying financial performance, additional performance conditions are applied before vesting of: • two-thirds of the share options after three years; and • one-third of the share options after five years Vesting at threshold cannot be greater than 65% of the maximum award for the Chief Executive and 80% of the maximum award for other executive directors. If these performance conditions are not met, the appropriate proportion of share options will lapse, and there is no opportunity for retesting. If there is required to be a material restatement of financial results (other than due to a change in accounting policy), misconduct, or other action causing harm to the reputation of the company, all or part of any share award not yet vested may be forfeited, and any share award already vested may be clawed-back.	Share awards comprise performance shares and value shares. Performance shares vest in a single tranche on the third anniversary of the grant date, subject to achieving the performance conditions. 25% of the shares vest at threshold, with 100% vesting at maximum. Value shares vest only if SABMiller's TSR outperforms the median of a comparator group. No shares vest for median performance or below, but for every £10 million of additional shareholder value created (being the percentage out-performance multiplied by the company's market capitalisation at the commencement of the performance period), a fixed number of shares will vest. Value shares vest one-third on each of the third, fourth and fifth anniversaries of the grant date, based on performance to these fixed dates. If the performance conditions are not achieved by the relevant dates, the appropriate proportion of the share awards will lapse, and there is no opportunity for retesting. If there is required to be a material restatement of financial results (other than due to a change in accounting policy), misconduct, or other action causing harm to the company, all or part of any share award not yet vested may be forfeited, and any share award already vested may be clawed-back.	Any shares arising from the exercise of share options or vesting of share awards must be retained (except those shares sold to pay the exercise price and any tax upon exercise or vesting of any such award) until the relevant shareholding requirement is met, unless the committee determines otherwise in exceptional circumstances.	Fees are reviewed annually by the board, and the Chairman's fee is determined annually by the committee. Fees are paid in cash, but may be paid in shares having the equivalent value at the request of the non-executive director. Non-executive directors are not eligible to participate in any of the company's incentive plans, and receive no benefits other than a beer allowance which is at the same level as for UK-based employees.
Grants are made annually at the discretion of the committee. *Chief Executive*: share options with a face value at grant up to a maximum of 500% of base pay. *Other executive directors*: share options with a face value at grant up to a maximum of 400% of base pay. Share option awards to executive directors, for the year ended 31 March 2014, are shown on page 80.	Grants are made annually at the discretion of the committee. *Chief Executive*: performance shares with a face value at grant up to a maximum of 250% of base pay, plus value shares up to a maximum of 125 shares for every £10 million of additional shareholder value created. *Other executive directors*: performance shares with a face value at grant of up to a maximum of 200% of base pay, plus value shares up to a maximum of 100 shares for every £10 million of additional shareholder value created. Share awards to executive directors for the year ended 31 March 2014 are shown on page 80.	Shares owned outright equivalent to: *Chief Executive*: 300% of base pay. *Other executive directors*: 200% of base pay.	Fees are set at around median for the FTSE-30. Any increases will be in the context of overall business performance, and with reference to the market median.
A core financial performance measure (being EPS growth over periods of three and five years).	A core financial performance measure for performance shares (being EPS growth over three years). An external relative performance measure for value shares (being TSR out-performance of the median of a comparator group over three, four and five years).	Not applicable.	Not applicable.

Directors' remuneration report
Remuneration policy continued

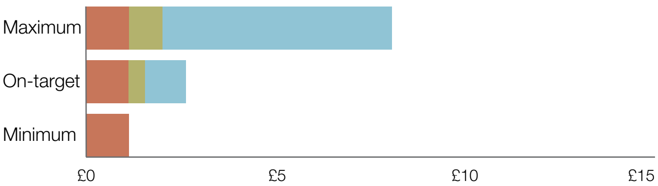
Remuneration scenarios

The charts below provide an indication of the remuneration opportunity for each director for the year ending 31 March 2015, showing potential total remuneration at maximum, on-target, and minimum performance levels.

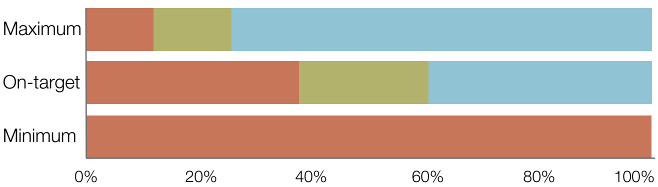
Chief Executive
Value of package £m



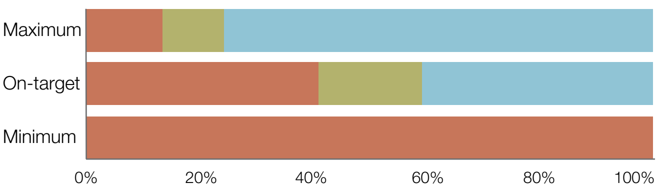
Chief Financial Officer
Value of package £m



Chief Executive
Composition of package %



Chief Financial Officer
Composition of package %



Fixed pay   Short-term incentives   Long-term incentives

The scenario charts assume fixed pay comprising base pay for the year ending 31 March 2015 (as shown on page 73), retirement benefits, plus the anticipated value of other benefits (assumed to be the same amount as for the year ended 31 March 2014 for this purpose, as shown on page 72). The value of short-term incentives is based on current bonus opportunity (a maximum of 175% of base pay for the Chief Executive and a maximum of 120% of base pay for the Chief Financial Officer), and the value of long-term incentives is based on the awards granted for the year ending 31 March 2015.

Assumptions for each performance scenario relating to short-term incentives and long-term incentives are shown in the table below. In accordance with the regulations, no share price appreciation has been factored into these calculations, except for share options where share price growth of 33% is assumed for all performance periods and scenarios.

	Short-term incentives	Long-term incentives		
	Payout % of maximum	Share options vesting %	Performance shares vesting %	TSR out-performance value shares vesting
Maximum	100	100	100	30% above median
On-target	50	65	25	Median/nil
Minimum (threshold)	nil	nil	nil	Below median/nil

Recruitment policy

The committee will pay no more than it considers necessary to attract appropriate candidates, and it is not contemplated that remuneration will need to be different from the structure or exceed the limits set out in the remuneration policy table. The maximum variable remuneration will be in line with that set out in the policy table on pages 66 to 67. For internal appointments, the committee may allow any unvested long-term incentive awards upon appointment to remain subject to the original performance conditions and vesting timescale applicable to those awards. For external appointments, where a newly appointed executive director forgoes a bonus or long-term incentive award (or similar) upon leaving a previous employer, the committee will determine the expected value of the amounts forgone (taking into account any performance conditions and duration until vesting), and may pay compensation in cash, in SABMiller shares, or an award of long-term incentives, but, in any event, the total compensation amount will not exceed the expected value of the amounts forgone. Furthermore, any such compensation will be subject to forfeiture and clawback if the executive director leaves the company voluntarily within a fixed time period determined by the committee, being not less than two years. Compensation for amounts forgone upon recruitment is not payable to non-executive directors.

Relocation policy

To enable the company to move or recruit the appropriate individual into a role, relocation assistance may be provided. The extent of assistance provided will depend on the specific circumstances, but may include payment of relocation costs, housing or temporary accommodation for a fixed period, children's schooling, home leave, tax equalisation and repatriation. In respect of executive directors, the total cost provided in any year will not exceed one times base pay.

Termination policy

The committee's approach, when considering payments in the event of termination, is to take account of the individual circumstances including the reason for termination, any contractual or other legal obligations, and the relevant share plan and pension scheme rules. The overriding principle is that there should be no reward for failure. While the treatment applied is at the discretion of the committee, in normal circumstances the application is tabulated below.

Reason	Fixed pay	Short-term incentives	Long-term incentives
Voluntary termination, giving notice to company.	Nil after notice period has been completed, with provision for pay in lieu of notice, comprising base pay and benefits only.	Forfeited.	Any unvested share options, share awards and deferred shares are forfeited. Any vested but unexercised share options must be exercised before the date of termination.
Retirement, injury, disability, or ill-health.	Nil after leaving date. Long-term disability insurance may become payable.	Not contractual, but normal practice is to pro-rate the annual bonus for the year in which the employee departs, subject to performance.	Not contractual, but normal practice is that unvested share options and share awards are pro-rated for time served, with vesting subject to applicable performance conditions. Any vested but unexercised share options must be exercised within 12 months of termination.
Redundancy, or other termination.	Fixed pay in lieu for the remainder of the notice period, less any deduction considered appropriate and reasonable taking into account any accelerated receipt of payment and the employee's duty to mitigate any loss, subject to any statutory minimum entitlements which may apply.		
Death in service.	Fixed pay will cease at the end of the month in which death occurs. Life insurance and dependant pension (if any) may become payable.		Subject to the absolute discretion of the committee. Any unvested share options and share awards may vest in full, or in part or may lapse completely depending on the specific circumstances and business performance to the date of death.

Service contracts and notice periods

It is the policy that executive directors have service contracts with the company which may be terminated with not less than 12 months' notice given by the company or by the executive. The committee retains the discretion to appoint a new executive director on a notice period of up to 24 months reducing to 12 months during the first year, such that after 12 months' service the notice period would have reverted to the standard 12 months. Non-executive directors do not have service contracts, but serve the company under letters of appointment which may be terminated without liability for compensation.

	Date first appointed to the board	Date of service contract or letter of appointment	Date next due for election or re-election
Executive directors			
AJ Clark	26 July 2012	23 May 2013	2014 AGM
JS Wilson	21 July 2011	17 August 2011	2014 AGM
Non-executive directors			
MH Armour	1 May 2010	14 April 2010	2014 AGM
GC Bible	1 August 2002	27 September 2002	2014 AGM
DS Devitre	16 May 2007	16 May 2007	2014 AGM
GR Elliott	1 July 2013	4 April 2013	2014 AGM
LMS Knox	19 May 2011	17 May 2011	2014 AGM
PJ Manser	1 June 2001	9 January 2014	2014 AGM
JA Manzoni	1 August 2004	12 May 2004	2014 AGM
MQ Morland	8 February 1999	23 February 1999	n/a
DF Moyo	1 June 2009	26 May 2009	2014 AGM
CA Pérez Dávila	9 November 2005	12 October 2005	2014 AGM
A Santo Domingo Dávila	9 November 2005	12 October 2005	2014 AGM
HA Weir	19 May 2011	17 May 2011	2014 AGM
HA Willard	1 August 2009	1 August 2009	2014 AGM

Copies of the relevant service contracts can be viewed at the company's registered office or on the company's website at www.sabmiller.com

Directors' remuneration report Remuneration policy continued

Policy on external appointments

Each executive director is permitted to accept a non-executive directorship in another company, subject to the prior approval of the board. This will normally be limited to one appointment. Fees received in respect of external appointments may be retained by the individual. Currently, neither of the executive directors has non-executive directorships in external companies.

Pay and employment conditions across the group

The company operates in a number of different locations with employees paid by reference to applicable market rates, and base pay reviewed annually. The ratio between fixed and variable pay for employees differs by level, geographic location and business unit. Variable performance-related pay and share plans operate across the group but may differ in terms of structure, award levels and performance measures. Long-term incentives on similar terms to executive directors are cascaded to the other executive committee members, and to around 1,700 other employees in the group. Employment conditions and benefits are determined according to the local market to enable high standards of health and safety and employee wellbeing.

The company does not consult directly with employees when determining directors' remuneration, but undertakes regular employee engagement surveys which provide a mechanism for feedback on a number of issues, including remuneration. Furthermore, many employees are also shareholders in SABMiller, and are able to participate in the votes on directors' remuneration.

Remuneration comparison measurements are not used routinely, because of the inconsistencies in comparing pay levels across different geographies and workforce profiles.

Discretion and judgement

Discretion is necessary to ensure that outcomes remain appropriate in all the circumstances, including those not anticipated by the remuneration policy. Mechanistic or formulaic remuneration outcomes are not always appropriate in context, and the committee may exercise discretion to adjust a payment, performance metric or targets in exceptional circumstances. Judgement is applied by the committee in setting performance targets to ensure they are sufficiently stretching, and to alter performance metrics and targets if they are no longer considered a fair measure of performance (providing any new metrics and targets are not materially less challenging than the originals).

The committee has discretion to interpret the rules of any remuneration plan, and to determine the participation and level of the awards including the extent of vesting of awards under certain leaver situations. The committee also maintains discretion to adjust share awards in the event of a variation of capital, and to determine the treatment in the event of a corporate transaction, including whether incentives vest in full, or in part or lapse completely, or are rolled over into replacement awards, and how any special dividend might be treated.

If there is required to be a material restatement of financial results (other than due to a change in accounting policy), misconduct or other action causing harm to the reputation of the company, the committee has the discretion to adjust, forfeit or clawback payments and awards in respect of a participant, a group of participants, or all participants.

Consideration of shareholder views

The company maintains regular communications with key shareholders regarding remuneration policy and implementation, led by the committee chairman. In 2013, 32 of our 50 largest shareholders accepted an invitation to participate in our consultation, and a further two shareholders submitted written comments. This consultation led to more detailed disclosure of performance measures and outcomes relating to annual bonus payments, determined the vesting schedule for value shares, and supported a reduction in the quantum of long-term incentive awards for executive directors and executive committee members. In 2014, 12 of our 50 largest shareholders accepted an invitation to participate in our consultation, and a further two shareholders submitted written comments. This consultation confirmed that there was broad support for our proposals to strengthen the performance condition for the vesting of share options, and change the comparator group for the vesting of value share awards, and to formalise arrangements for the forfeiture and clawback of annual bonuses and long-term incentive awards. The original proposals were modified to reflect feedback from shareholders, and these changes have now been incorporated into the remuneration policy. The committee has committed to consult regularly with key shareholders, to ensure a continuing useful dialogue on remuneration matters.

Directors' remuneration report
Annual report on remuneration

During the year ended 31 March 2014, committee members' attendance at meetings and details of the core agenda items discussed are shown below:

Meeting	Core agenda items	Members eligible to attend	Attended
May 2013	• Determine base pay for the year ending 31 March 2014. • Consider and approve short-term incentive payments for the year ended 31 March 2013. • Consider and approve long-term incentive awards vesting in respect of the performance periods ended 31 March 2013. • Determine short-term incentive and long-term incentive performance measures and targets, and consider total remuneration for various performance outcomes for awards to be made during the year ending 31 March 2014. • Approve long-term incentive awards to be granted in 2013.	MQ Morland (chairman) MH Armour LMS Knox PJ Manser JA Manzoni	■ ■ ■ ■ ■
November 2013	• Review remuneration policy, practice, pay and conditions for employees across the group. • Approve (off-cycle) long-term incentive awards to selected employees below executive committee.	LMS Knox (chairman) MH Armour GR Elliott JA Manzoni	■ ■ ■ ■
March 2014	• Report on shareholder consultations, and consideration of changes to performance measures and the introduction of forfeiture and clawback. • Consider changes to the directors' remuneration report in accordance with the new reporting regulations.	LMS Knox (chairman) MH Armour GR Elliott JA Manzoni	■ ■ ■ ■

The following non-executive directors attended some committee meetings during the year as observers: Mr Mackay, Mr Manser, Mr Santo Domingo and Mr Willard. Also present, at the invitation of the committee, were Mr Clark (Chief Executive), Mr Davidson (General Counsel and Group Company Secretary), Mr Fairhead (Group Head of Compensation & Benefits) and Mr Shapiro (Deputy Company Secretary), although none was present when his own remuneration was discussed.

Advisers to the remuneration committee

External advisers	Kepler Associates is appointed by the committee to provide independent advice on remuneration matters including current market practices, incentive design, performance measures, and independent monitoring of TSR. They have also provided guidance on the new remuneration reporting regulations. The committee reviews the advice provided by Kepler Associates to satisfy itself that it is independent. Kepler Associates does not provide any other advice to the group, and fees are charged on a time basis. Total fees in respect of support to the committee during the year ended 31 March 2014 were £86,650. Market data is sourced by the group compensation & benefits function from a number of consultancies, including Towers Watson, Mercer and Hay Group to provide context for the committee. Other than Kepler Associates, the provision of information to the committee by other providers is incidental to their main function of advising the group compensation & benefits function on the remuneration of employees outside the scope of this report.
Internal advisers	The committee considers the views of the Chairman and the Chief Executive on the remuneration and performance of other members of the executive committee. The General Counsel and Group Company Secretary, and the Group Head of Compensation & Benefits also provide information and advice to the committee on legal, regulatory and governance issues, and on the pay and conditions for employees throughout the group.

Directors' remuneration report
Annual report on remuneration continued

Executive directors' emoluments for the year ended 31 March 2014 (audited)

£'000	Base pay		Retirement benefits		Other benefits[1]		Total fixed pay		Annual bonus (see page 74)		Long-term incentives (including the effect of share price growth) (see pages 75 and 76)		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
AJ Clark[2]	**1,085**	580	**326**	174	**173**	96	**1,584**	850	**1,196**	530	**3,683**	5,316	**6,463**	6,696
JS Wilson[3]	**740**	720	**222**	216	**62**	41	**1,024**	977	**542**	536	**2,281**	508	**3,847**	2,021

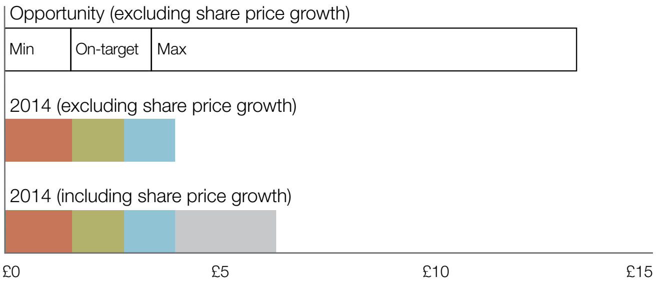
1 Other benefits include car allowance and fuel card, family medical and dental insurance, long-term disability insurance, life insurance, accompanied travel, occasional overnight accommodation, legal and professional fees, and a beer allowance.

2 Mr Clark was appointed a director on 26 July 2012 and therefore received only pro-rated emoluments from the company as an executive director during the year ended 31 March 2013. The value of long-term incentives includes those vesting by reference to the performance periods ended 31 March 2014 and 31 March 2013 granted to him in respect of his services as an employee rather than as, or in contemplation of his appointment as, an executive director.

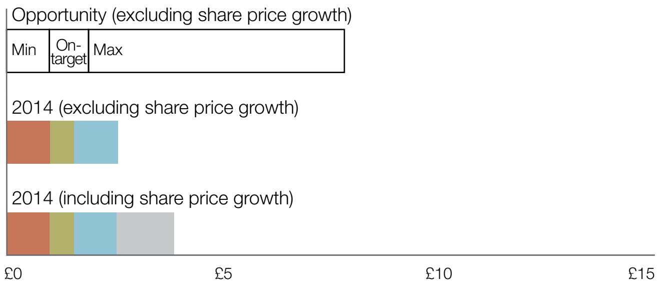
3 Mr Wilson was appointed a director on 21 July 2011. The value of long-term incentives for the year ended 31 March 2013 includes those vesting by reference to the performance period ended 31 March 2013 granted to him in respect of his services as an employee rather than as, or in contemplation of his appointment as, an executive director.

The charts below have been prepared on the same basis as the remuneration scenario charts on page 68. For comparison purposes, the charts provide an indication of minimum, on-target and maximum total remuneration for the period, shown with and without the effect of share price growth over the performance periods. In the five years ended 31 March 2014, SABMiller's share price has increased by 289%.

A J Clark
£m



J S Wilson
£m



Fixed pay | Short-term incentives | Long-term incentives | Share price growth

Mr Mackay was remunerated as Executive Chairman from 1 April 2013 until 25 July 2013 before becoming non-executive Chairman until his untimely death on 18 December 2013. He was on medical leave of absence from 6 June 2013 to 5 September 2013 and from 14 November 2013 until his death. His remuneration as an executive director, including the value of long-term incentive awards that vested upon his death, is shown in the table below and further explained on pages 75 to 76, with his remuneration as non-executive Chairman from 25 July 2013 until 18 December 2013 disclosed in the table on page 73. Mr Mackay was not entitled to a bonus for any part of the year ended 31 March 2014.

£'000	Base pay		Retirement benefits		Other benefits[2]		Total fixed pay		Annual bonus		Long-term incentives (including the effect of share price growth) (see pages 75 and 76)		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
EAG Mackay[1]	**432**	1,295	**129**	388	**44**	123	**605**	1,806	**–**	1,400	**25,520**	10,704	**26,125**	13,910

1 Mr Mackay received a fee for his service as a non-executive director of Reckitt Benckiser Group plc of £63,500 for the year ended 31 December 2013, of which £15,000 was applied to the purchase of Reckitt Benckiser Group plc ordinary shares. In addition, Mr Mackay received annual fees for his service as a non-employee director of Philip Morris International Inc of US$137,500 plus an annual award of shares of common stock in Philip Morris valued at US$175,000 during the year ended 31 December 2013.

2 Other benefits include car and fuel card, family medical insurance, long-term disability insurance, life insurance, accompanied travel, occasional overnight accommodation, legal and professional fees, and a beer allowance.

Non-executive directors' emoluments for the year ended 31 March 2014 (audited)

£'000	Fees		Benefits[4]		Total	
	2014	2013	**2014**	2013	**2014**	2013
MH Armour	**123**	107	**–**	–	**123**	107
GC Bible	**92**	85	**–**	–	**92**	85
DS Devitre	**100**	95	**–**	–	**100**	95
GR Elliott[1]	**36**	n/a	**–**	n/a	**36**	n/a
LMS Knox	**124**	107	**–**	–	**124**	107
EAG Mackay[2]	**286**	n/a	**31**	n/a	**317**	n/a
PJ Manser	**552**	171	**–**	–	**552**	171
JA Manzoni	**107**	100	**–**	–	**107**	100
MQ Morland	**109**	119	**–**	–	**109**	119
DF Moyo	**102**	100	**–**	–	**102**	100
CA Perez Davila	**80**	80	**–**	–	**80**	80
MC Ramaphosa	**29**	88	**–**	–	**29**	88
A Santo Domingo Davila	**80**	80	**–**	–	**80**	80
HA Weir	**100**	95	**–**	–	**100**	95
HA Willard[3]	**–**	–	**–**	–	**–**	–
JM Kahn	**n/a**	109	**n/a**	1	**n/a**	110
R Pieterse	**n/a**	28	**n/a**	–	**n/a**	28

1 Mr Elliott was appointed to the board on 1 July 2013. For the period from 1 July 2013 to 31 December 2013, his non-executive directors' fees of £58,636 were paid directly to his employer Rio Tinto plc.

2 Mr Mackay received benefits including car and fuel card, family medical insurance, long-term disability insurance, life insurance, and accompanied travel. Medical insurance for his family was continued for a short period after his death, and members of his family travelled to represent him at certain company events. The total cost of £26,148 was borne by the company.

3 Mr Willard is an executive officer of Altria Group, Inc (Altria) and in line with the company's agreement with Altria, he does not receive a director's fee from the company.

4 Non-executive directors do not participate in any of the company's incentive plans, nor do they receive retirement benefits or other benefits, other than a beer allowance (the value of which during the year ended 31 March 2014 was considerably less than £1,000).

Base pay and non-executive directors' fees

Executive directors' base pay, and non-executive directors' fees, for the year ended 31 March 2014 and those for the year ending 31 March 2015 (annualised for ease of comparison), are as follows.

	Annualised		
	Year ended 31 March 2014 £	**Year ending 31 March 2015 £**	**% change**
Executive directors			
Chief Executive	1,100,000	1,133,000	3
Chief Financial Officer	740,000	762,200	3
Non-executive directors			
Non-executive Chairman's fee (inclusive of all committee fees)	650,000	650,000	nil
Base fee	80,000	80,000	nil
Senior Independent Director (additional fee)	30,000	30,000	nil
Committee chairman fee (inclusive)			
• Audit	30,000	30,000	nil
• Remuneration	28,000	28,000	nil
• Nomination	25,000	25,000	nil
• CARAC	22,000	25,000	13.6[1]
Committee member fee (inclusive)			
• Audit	20,000	20,000	nil
• Remuneration	15,000	15,000	nil
• Nomination	–	–	nil
• CARAC	12,000	12,000	nil

1 At its meeting on 21 May 2014 the board considered the level of non-executive directors' fees and resolved not to increase them for the year ending 31 March 2015, except for the fee for the chairman of CARAC, which was significantly below the median for the FTSE-30, and which the board resolved to increase to the median.

Directors' remuneration report
Annual report on remuneration continued

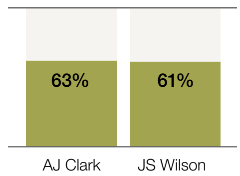
Outcome for the year ended 31 March 2014 (audited)

For the year ended 31 March 2014, the total bonus opportunity for executive directors was split:
- 60% annual financial performance; and
- 40% individual strategic objectives.

The performance measures and achievement against each target for the year ended 31 March 2014 are shown in the table below. The actual financial targets and detailed strategic objectives of the executive directors have not been disclosed in order to maintain commercial confidentiality in the competitive markets in which we operate. The committee will continue to review this position, and when the risk is no longer considered significant, retrospective disclosure of the financial targets and strategic objectives will be made in a future annual report.

			Outcome	
Performance measure	**Weighting**	**Achievement**	**AJ Clark**	**JS Wilson**
Financial performance targets:				
• Revenue growth	15%	nil	nil	nil
• Margin growth	15%	100%	15%	15%
• EPS growth	15%	45%	7%	7%
• Free cash flow	15%	59%	9%	9%
	60%		**31%**	**31%**
	+		**+**	**+**
Individual strategic objectives include: • Cost optimisation projects • Category strategy implementation • Business integration	Selection only, so separate weightings not disclosed			
	40%		**32%**	**30%**
	=		**=**	**=**
Total (% of maximum bonus opportunity)	**100%**		**63%**	**61%**
			x	**x**
Maximum bonus opportunity (% of base pay)			**175%**	**120%**
			x	**x**
Base pay during the year			**£1,085,000**	**£740,000**
			=	**=**
Annual bonus			**£1,196,300**	**£541,700**

Bonus (% of maximum)



Performance measures for the year ending 31 March 2015

To be the investment of choice, SABMiller must deliver a higher return to its shareholders than other companies or investment opportunities. In the short term this can be achieved by focusing on the key levers of financial performance: revenue growth and margin growth, driving EPS and share price growth, with strict control of cash flow enabling an attractive dividend. Therefore, as for 2014, the committee has selected the financial performance measures and weightings that will determine 60% of the total bonus opportunity for the year ending 31 March 2015 as follows.

Performance measure	**Weighting**
Financial performance targets:	
• Revenue growth	15%
• Margin growth	15%
• EPS growth	15%
• Free cash flow	15%
	60%

Achievement against each performance measure will be disclosed in next year's annual report. The targets and individual strategic objectives for each executive director will be disclosed retrospectively, when the commercial confidentiality risk is no longer considered to be significant.

Share option plan
Outcome for the year ended 31 March 2014 (audited)

As explained in the remuneration policy table on pages 66 and 67, share options provide a direct and transparent link between executive pay and value creation for shareholders, as no gains are possible unless there has been an absolute increase in the share price. Furthermore, to ensure that any share price increase is supported by a sustainable improvement in the group's underlying financial performance, additional performance conditions are applied before vesting of:

- two-thirds of the share options after three years; and
- one-third of the share options after five years.

If these performance conditions are not met, the appropriate proportion of share options will lapse, and there is no opportunity for retesting.

Following Mr Mackay's untimely death on 18 December 2013, the committee considered the treatment of his unvested share options in accordance with the rules of the Executive Share Option Plan 2008 and the termination policy. The existence of pre-determined performance conditions enabled the committee to calculate the vesting with reference to the extent that the performance conditions had been achieved by the date of his death. Accordingly, the last audited full-year EPS before his death (as at 31 March 2013) was used to calculate the appropriate vesting of his remaining share options over shortened performance periods, as shown in the table below.

The vesting of share options for the other executive directors for the full performance periods ended 31 March 2014 are also shown in the table below, which for Alan Clark also includes share options granted in respect of services as an employee, rather than as, or in contemplation of appointment as, an executive director.

					Outcome
Performance conditions / period	**Performance**	**Vesting**	**AJ Clark**	**JS Wilson**	**EAG Mackay**
Compound annualised adjusted EPS growth, expressed in sterling, of UK RPI plus a fixed percentage compounded	Threshold vesting: UK RPI+3% pa; Maximum vesting: UK RPI+5% pa				
Performance achieved: Five years ended 31 March 2014	UK RPI + 11.2% pa	100%	24,750 shares at £12.31[1]		
Vesting period: Three years ended 31 March 2014	no performance conditions[5]	100%	65,000 shares at £22.495[2]		
Performance achieved: Three years ended 31 March 2014	UK RPI + 4.7% pa	96.1%	41,851 shares at £22.495[2]	64,387 shares at £22.495[2] 32,193 shares at £22.40[3]	
Performance achieved (shortened period):					
Four years ended 31 March 2013	UK RPI + 14.4% pa	100%			94,896 shares at £12.31[4]
Three years ended 31 March 2013	UK RPI + 11.1% pa	100%			82,500 shares at £19.51[4]
Two years ended 31 March 2013	UK RPI + 7.6% pa	100%			250,000 shares at £22.495[4]
One year ended 31 March 2013	UK RPI + 8.9% pa	100%			250,000 shares at £23.95[4]
Total number of share options vesting			**131,601**	**96,580**	**677,396**
Value at vesting			**£1,628,233**	**£892,401**	**£5,899,015**

1 Vested 15 May 2014, share price = £32.27
2 Vested 1 June 2014, share price = £33.11
3 Vesting 1 December 2014, with value at vesting shown using the average share price for the quarter ended 31 March 2014 (in accordance with the regulations) = £28.89
4 Vested 18 December 2013, share price = £29.95
5 Under the terms of the share option grant to Mr Clark in 2011, before he became an executive director, options over 65,000 of the 108,550 shares capable of vesting for the three years ended 31 March 2014 were not subject to performance conditions. Similarly, under the terms of the share option grant to Mr Clark in 2010, before he became an executive director, options over 65,000 of the 108,550 shares vested for the three years ended 31 March 2013 were not subject to performance conditions.

Performance conditions for share options granted in the year ending 31 March 2015 (audited)

Following consultation with shareholders in early 2014 the performance condition for share options has been changed, and the performance targets for the share options granted to executive directors in the year ending 31 March 2015 are:

Performance conditions / period		**Performance targets**
Compound growth in adjusted EPS – in constant currency	Threshold vesting: 6% pa	Maximum vesting: 11% pa

Details of executive directors' share options awarded during the year are shown on page 80, and those outstanding at 31 March 2014 are shown on page 81.

Directors' remuneration report
Annual report on remuneration continued

Share award plan
Outcome for the year ended 31 March 2014 (audited)

As explained in the remuneration policy table on pages 66 and 67, the share awards comprise performance shares and value shares to incentivise and reward executives for achieving:

- core financial performance (EPS growth over three years) – performance shares; and
- external relative performance (TSR out-performance of the median of a comparator group over three, four and five years) – value shares.

The number of shares which can be released under a value share award is dependent upon TSR out-performance compared with a comparator group (identified on page 77) with:

- below median TSR performance, no shares will vest;
- at median TSR performance, no shares will vest; but
- for every £10 million of additional shareholder value created, a fixed number of shares will vest.

Following Mr Mackay's untimely death on 18 December 2013, the committee considered the treatment of his unvested share awards in accordance with the rules of the Executive Share Award Plan 2008 and the termination policy. The existence of pre-determined performance conditions enabled the committee to calculate the vesting with reference to the extent that the performance conditions had been achieved by the date of his death. Accordingly, the last audited full-year EPS before his death (31 March 2013) was used to calculate the appropriate vesting of his remaining performance shares, and TSR to 17 December 2013 was used to calculate the vesting of his remaining value shares over shortened performance periods, as shown in the table below, with the vesting of share awards for the other executive directors for the full performance periods ended 31 March 2014.

Performance conditions / period	Performance	Vesting / multiplier	Outcome AJ Clark	 JS Wilson	 EAG Mackay
Performance shares:					
Compound growth in adjusted EPS	Threshold vesting: 6% pa Maximum vesting: 11% pa				
Performance achieved: Three years ended 31 March 2014	8.3% pa	58.38%	37,947 shares[1]	29,190 shares[1] 14,595 shares[3]	
Performance achieved (shortened period): Two years ended 31 March 2013	11.6% pa	100%			125,000 shares[4]
One year ended 31 March 2013	11.1% pa	100%			125,000 shares[4]
TSR out-performance: 5 years ended 31 March 2014	47.7% above median	100%	24,750 shares[2]		
TSR out-performance (shortened period): c.4.5 years ended 18 December 2013	49.6% above median	100%			47,850 shares[4]
Value shares TSR out-performance (shortened period):					
c.3.5 years ended 30 November 2013	39.574% out-performance x £27,746m capitalisation = £10,980m additional value	220 x £10,980m/ £10m			241,560 shares[5]
c.2.5 years ended 17 December 2013	13.976% out-performance x £33,485m capitalisation = £4,680m additional value	220 x £4,680m/ £10m			102,960 shares
c.1.5 years ended 17 December 2013	nil out-performance x £37,639m capitalisation = £nil additional value	220 x £nil/£10m			nil shares
Total number of shares vesting			**62,697**	**43,785**	**642,370**
Value at vesting (including share price growth)			**£2,055,108**	**£1,388,130**	**£19,620,646**
Value at vesting (excluding share price growth)			£1,158,290	£983,557	£13,423,579

1 Vested 1 June 2014, share price = £33.11
2 Vested 15 May 2014, share price = £32.27
3 Vesting 1 December 2014, with average share price for the quarter ended 31 March 2014 used (in accordance with the regulations) = £28.89
4 Vested 18 December 2013, share price = £29.95
5 Vested 30 November 2013, share price = £31.53

Performance conditions for share awards granted in the year ending 31 March 2015 (audited)
The performance condition and performance target for performance share awards granted to executive directors in the year ending 31 March 2015 are:

Performance conditions / period		Performance targets
Compound growth in adjusted EPS – in constant currency	Threshold vesting: 6% pa	Maximum vesting: 11% pa

The performance condition for value share awards granted in 2014 remains TSR out-performance of a comparator group, but following consultation with shareholders in early 2014 the comparator group and weighting have been changed. The previous comparator groups comprised global and regional beer and alcoholic drinks companies, but with the continuing consolidation of the industry, the scale and characteristics of the comparator group members have diverged. It had become apparent that many shareholders increasingly see SABMiller as a global consumer business with significant exposure to developing markets, rather than just a global brewer. Accordingly, other companies operating in wider consumer goods categories in developing markets are considered more relevant comparators than some of the smaller scale, regional, beer and alcoholic beverage companies in the previous comparator groups. Accordingly, the comparator group has been changed for performance periods commencing from 2014, to remove some of the smaller beer competitors (i.e. Molson Coors, Asahi Breweries, Constellation Brands and Sapporo Holdings) and include large consumer goods companies with a similar exposure to developing markets (Coca-Cola, Nestlé, Unilever and Mondelez), while maintaining a larger weighting for our principal global competitors for beer.

	Weighting of comparator group constituents for awards granted:		
	before 2010	2010 to 2013	from 2014
Anheuser-Busch InBev	10%	21%	20%
Heineken	10%	21%	20%
Molson Coors Brewing Co	10%	11%	–
Carlsberg	10%	11%	10%
Diageo	10%	11%	10%
Pernod-Ricard	10%	5%	10%
Kirin Holdings	10%	5%	10%
Asahi Breweries	10%	5%	–
Constellation Brands	10%	5%	–
Sapporo Holdings	10%	5%	–
The Coca-Cola Company	–	–	5%
Nestlé	–	–	5%
Unilever	–	–	5%
Mondelez	–	–	5%
	100%	100%	100%

Details of executive directors' performance shares and value shares awarded during the year are shown on page 80, and those outstanding at 31 March 2014, are shown on page 82 and 83.

Directors' remuneration report
Annual report on remuneration continued

Total shareholdings of directors (audited)

The total shareholdings and requirements at 31 March 2014 are shown in the table below.

	Shares held[1]			Options held (see table on page 81)			
Executive director	Owned outright (see table below)	Subject to performance conditions (see table on page 82)	Subject to deferral	Owned outright (vested and exercisable)	Subject to performance conditions	Shares owned outright as % of annualised base pay at 31 March 2014 (@ £29.95)	Shareholding requirement
AJ Clark[2]	227,644	259,750	–	653,546	516,200	620%	300%
JS Wilson[3]	17,321	192,500	–	16,623	385,000	70%	200%

[1] The numbers of shares shown in the table above include those held by connected persons.

[2] As a result of shares retained from awards vested in respect of the year ended 31 March 2014, but not received until after the year end, Mr Clark's shares owned outright at 2 June 2014 were equivalent to 717% of base pay.

[3] Mr Wilson was appointed a director in 2011 and did not meet the shareholding requirement at 31 March 2014. However, as a result of shares retained from awards vested in respect of the year ended 31 March 2014, but not received until after the year end, Mr Wilson's shares owned outright at 2 June 2014 were equivalent to 133% of base pay.

The company will maintain a periodically updated table on its website, showing the shareholdings of the directors in line with the recommendation made by the GC100 and Investor Group.

Directors' interests in shares of the company (audited)

Director	Ordinary shares held at 31 March 2013 (or date of appointment if later)	Ordinary shares acquired during the period	Ordinary shares disposed of during the period	Ordinary shares held as at 31 March 2014 (or date of ceasing to be a director if earlier)
AJ Clark[1, 13]	174,683[14]	89,750	(36,789)	227,644
JS Wilson[2, 13]	12,275	9,000	(3,954)	17,321
MH Armour	3,000	–	–	3,000
GC Bible[6]	75,775	13,475	–	89,250
DS Devitre[7]	–	30,000	–	30,000
GR Elliott[8]	–	2,000	–	2,000
LMS Knox	3,000	–	–	3,000
EAG Mackay[3, 4, 5]	1,671,823	172,850	(446,610)	1,398,063
PJ Manser	5,000	–	–	5,000
JA Manzoni[12]	5,566	1,868	–	7,434
MQ Morland[9]	40,000	10,000	–	50,000
DF Moyo	386	–	–	386
CA Perez Davila	–	–	–	–
M C Ramaphosa[11]	4,000	–	–	4,000
A Santo Domingo Davila	–	–	–	–
HA Weir[10]	100	200	–	300
HA Willard	–	–	–	–

[1] Mr Clark had awards vested in respect of 89,750 shares during the year ended 31 March 2014, with 36,789 shares sold to settle the resulting tax liability, and the balance of shares retained by Mr Clark beneficially.

[2] Mr Wilson had awards vested in respect of 9,000 shares during the year ended 31 March 2014, with 3,954 shares sold to settle the resulting tax liability, and the balance of shares retained by Mr Wilson beneficially.

[3] Mr Mackay had awards vested in respect of 172,850 shares during the year ended 31 March 2014, with 81,240 shares sold to settle the resulting tax liability, and the balance of shares retained by Mr Mackay beneficially.

[4] The EAG Mackay Family Trust, a person connected to Mr Mackay, sold 138,000 shares on 16 July 2013 at a price of £32.67 per share, 50,000 shares on 17 July 2013 at a price of £32.51 per share, 162,000 shares on 18 July 2013 at a price of £32.51 per share and 15,370 shares on 25 November 2013 at a price of £32.53 per share.

[5] Mr Mackay died on 18 December 2013, and the table reflects his shareholding on that date.

[6] Mr Bible acquired 1,225 shares on 30 May 2013 at a price of £33.78 per share, 2,600 shares on 1 July 2013 at a price of £31.98 per share, 1,150 shares on 26 July 2013 at a price of £31.29 per share and 5,000 shares on 22 November 2013 at a price of £32.14 per share. The S.C.M. Bible Revocable Trust, a person connected to Mr Bible, acquired 3,500 shares on 22 November at a price of £32.14 per share.

[7] Mr Devitre acquired 10,000 shares on 23 May 2013 at a price of £34.96 per share, 10,000 shares on 28 May 2013 at a price of £35.20 per share and 10,000 shares on 29 May 2013 at a price of £34.36 per share.

[8] Mr Elliott acquired 2,000 shares on 18 February 2014 at a price of £27.91 per share.

[9] Mr Morland acquired 10,000 shares on 7 February 2014 at a price of £27.29 per share.

[10] Ms Weir acquired 200 shares on 22 July 2013 at a price of £32.48 per share.

[11] Mr Ramaphosa's interest in 4,000 shares is non-beneficial, he retired from the board on 25 July 2013 and the table reflects his shareholding at that date.

[12] Mr Manzoni has elected to apply his quarterly non-executive director's fees to the regular purchase of ordinary shares after the deduction of taxes by way of a trading plan, and accordingly acquired 404 shares on 25 June 2013 at a price of £30.39 per share, 390 shares on 25 September 2013 at a price of £32.14 per share, 462 shares on 20 December 2013 at a price of £30.31 per share, and 612 shares on 25 March 2014 at a price of £29.33 per share. The trading plan will remain in place until revoked by Mr Manzoni, although it cannot be revoked or altered except in open dealing periods with the clearance of the Chairman in accordance with the Model Code.

[13] On 15 May 2014 Mr Clark's beneficial holding increased by 14,927 shares following the vesting of an award over 24,750 shares, and the subsequent sale of shares to settle tax liabilities on the gross award vested, with the balance of shares being retained. On 2 June 2014 Messrs Clark and Wilson's beneficial holdings increased by 20,781 and 15,470 shares respectively, following the vesting of awards over 37,947 and 29,190 shares respectively, and the subsequent sale of shares to settle tax liabilities on the gross awards vested, with the balance of shares being retained. There have been no other changes in the directors' beneficial interests as at 2 June 2014.

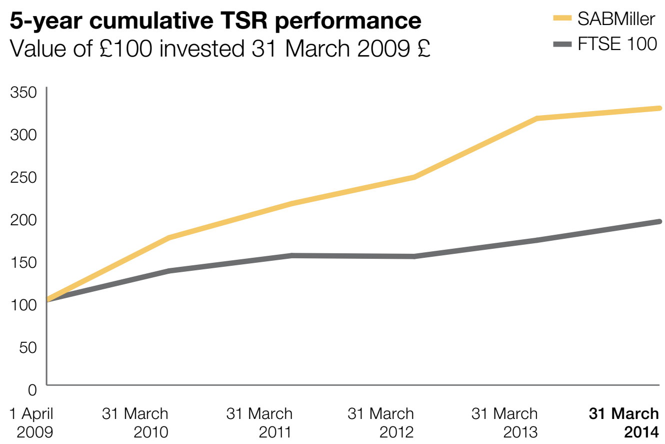
[14] Mr Clark's ordinary shares held at 31 March 2013 have been restated to include an additional 936 shares held.

During the year ended 31 March 2014 the highest and lowest market prices for the company's shares were £26.61 and £36.57 respectively, and the closing market price on 31 March 2014 was £29.95.

Performance review

In accordance with the regulations, the company is required to include a line graph showing the company's TSR performance compared with an appropriate broad equity market index for the preceding five years. The chart below compares the company's TSR with the FTSE 100 Total Return Index over the period from 1 April 2009 to 31 March 2014, assuming an initial investment of £100. The company is a constituent of the FTSE 100 Total Return Index and, accordingly, this is considered to be an appropriate comparison to demonstrate the company's relative performance.

5-year cumulative TSR performance
Value of £100 invested 31 March 2009 £



Note: Spot prices

Chief Executive remuneration table

Year	2009	2010	2011	2012	2013	2014
Incumbent	**EAG Mackay**	**EAG Mackay**	**EAG Mackay**	**EAG Mackay**	**EAG Mackay**	**AJ Clark**
Total remuneration 'single figure' (£'000)	3,752	8,515	12,713	13,728	13,910	6,463
Annual variable pay (as a % of maximum)	46%	79%	85%	77%	62%	63%
LTI vesting (as a % of maximum)	69%	100%	98%	100%	100%	87%

Alan Clark was appointed an executive director on 26 July 2012 and became Chief Executive on 23 April 2013. His total remuneration for the whole of the year ended 31 March 2014 is shown above for ease of comparison.

Percentage change in remuneration for the Chief Executive compared with other employees

The table below shows the percentage change in remuneration for the Chief Executive from the prior year, compared with a comparator group of other employees of the SABMiller group based in the UK over the same time period. This population was felt to be the most appropriate comparator to the Chief Executive, who is also UK-based.

	Salary and fees (annualised)	Taxable benefits[1]	Annual cash bonus[2]
Chief Executive (% change)	+3.0%	+80%	+126%
UK employees (% change)[3]	+3.4%	-19%	-3%

[1] Mr Clark was appointed an executive director on 26 July 2012. Therefore, the increase in taxable benefits for him in his new position of Chief Executive is mainly due to the comparison with only a part of the prior year. The decrease in taxable benefits for UK employees is due to a reduction in the cost of medical insurance premiums, and not due to any reduction in the level of benefits provided.

[2] The 126% increase in annual cash bonus for Mr Clark is also mainly due to the comparison with only a part of the prior year, and also the increase in bonus opportunity upon his appointment as Chief Executive on 23 April 2013. The small decrease in the average annual cash bonus for UK employees reflects the lower achievement against the group financial performance targets for 2014 compared with 2013, which also impacted the bonus payments to executive directors to the same extent.

[3] Given the global nature of SABMiller's operations and the diverse pay markets in which our employees operate, the UK employees were deemed to provide the most appropriate comparator group for the purposes of this table.

Payments to past directors and treatment of Graham Mackay's outstanding LTI awards (audited)

Following the death of Graham Mackay on 18 December 2013, the committee determined the appropriate treatment of his outstanding long-term incentive awards in accordance with the rules of the Executive Share Option Plan 2008 and the Executive Share Award Plan 2008, and with reference to the company's termination policy. The existence of pre-determined performance conditions enabled the committee to calculate the vesting with reference to the extent that the performance conditions had been achieved by the date of his death. The outcomes are shown on pages 75 and 76.

Payments for loss of office

There were no termination payments or payments for loss of office made to directors during the year ended 31 March 2014.

Directors' remuneration report
Annual report on remuneration continued

Relative importance of expenditure on pay
The table below sets out the remuneration paid to or receivable by all employees, in the year and in the prior year compared with the distributions to shareholders. The reduction in total employee pay is a function of the depreciation of key currencies against the US dollar during the year.

	2014 US$m	2013 US$m	% change
Total employee pay	2,501	2,720	-8%
Dividends to shareholders	1,640	1,517	+8%

Scheme interests awarded during the year (audited):
On 3 June 2013, the following share options were granted and share awards conditionally allocated to executive directors, subject to the achievement of the relevant performance conditions as disclosed on pages 82 to 84.

Executive director	Award type	Number of share options/ conditional shares	Face value of share options and shares[1]	Face value of share options and shares as percentage of annualised base pay	Percentage achievable if minimum performance is achieved	Latest performance period ending
AJ Clark	Share options	93,800	£3,123,540	284%	65% at threshold	31 Mar 2016
	Share options	46,200	£1,538,460	140%	65% at threshold	31 Mar 2018
	Performance shares	70,000	£2,331,000	212%	25% at threshold	31 Mar 2016
	Value shares	125	£4,163 per £10m of additional shareholder value		Nil at median or below	31 Mar 2018
JS Wilson	Share options	56,950	£1,896,435	256%	76.6% at threshold	31 Mar 2016
	Share options	28,050	£934,065	126%	76.6% at threshold	31 Mar 2018
	Performance shares	42,500	£1,415,250	191%	25% at threshold	31 Mar 2016
	Value shares	75	£2,498 per £10m of additional shareholder value		Nil at median or below	31 Mar 2018

[1] The face value of share options and conditional shares has been calculated by multiplying the maximum number of shares under option and at maximum vesting by the share price on the date of grant, being £33.30 on 3 June 2013.

Statement of 2013 shareholder voting
The table below sets out the result of the vote on the directors' remuneration report at the 2013 annual general meeting.

Votes for	Votes against	Votes withheld
1,301,680,199	62,310,444	10,598,021
95.43%	4.57%	

Share options

Director	Exercisable for 3-10 years from	Performance period (year ending 31 March)	Subscription price £	Outstanding as at 31 March 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2014	Vested and exercisable as at 31 March 2014	Sale price/ market price (if applicable) £
AJ Clark[1]	20 May 2005	Vested	8.28	69,746	–	–	–	69,746	69,746	
	19 May 2006	Vested	10.61	100,000	–	–	–	100,000	100,000	
	18 May 2007	Vested	11.67	100,000	–	–	–	100,000	100,000	
	16 May 2008	Vested	12.50	100,000	–	–	–	100,000	100,000	
	1 Aug 2008	Vested	10.49	50,000	–	–	–	50,000	50,000	
	15 May 2009	Vested	12.31	125,250	–	–	–	125,250	125,250	
	15 May 2009	5 years (2014)	12.31	24,750	–	–	–	24,750	–	
	1 Jun 2010	Vested	19.51	108,550	–	–	–	108,550	108,550	
	1 Jun 2010	5 years (2015)	19.51	21,450	–	–	–	21,450	–	
	1 Jun 2011	3 years (2014)	22.495	65,000	–	–	–	65,000	–	
	1 Jun 2011	3 years (2014)	22.495	43,550	–	–	–	43,550	–	
	1 Jun 2011	5 years (2016)	22.495	21,450	–	–	–	21,450	–	
	1 Jun 2012	3 years (2015)	23.95	134,000	–	–	–	134,000	–	
	1 Jun 2012	5 years (2017)	23.95	66,000	–	–	–	66,000	–	
	3 Jun 2013	3 years (2016)	33.30	–	93,800	–	–	93,800	–	
	3 Jun 2013	5 years (2018)	33.30	–	46,200	–	–	46,200	–	
				1,029,746	**140,000**	**–**	**–**	**1,169,746**	**653,546**	
JS Wilson[1]	20 May 2005	Vested	8.28	3,623	–	–	–	3,623	3,623	
	1 Jun 2010	Vested	19.51	13,000	–	–	–	13,000	13,000	
	1 Jun 2011	3 years (2014)	22.495	67,000	–	–	–	67,000	–	
	1 Jun 2011	5 years (2016)	22.495	33,000	–	–	–	33,000	–	
	1 Dec 2011	3 years (2014)	22.40	33,500	–	–	–	33,500	–	
	1 Dec 2011	5 years (2016)	22.40	16,500	–	–	–	16,500	–	
	1 Jun 2012	3 years (2015)	23.95	100,500	–	–	–	100,500	–	
	1 Jun 2012	5 years (2017)	23.95	49,500	–	–	–	49,500	–	
	3 Jun 2013	3 years (2016)	33.30	–	56,950	–	–	56,950	–	
	3 Jun 2013	5 years (2018)	33.30	–	28,050	–	–	28,050	–	
				316,623	**85,000**	**–**	**–**	**401,623**	**16,623**	
EAG Mackay[2]	19 May 2006	Vested	10.61	230,000	–	–	–	230,000	230,000	32.52
	18 May 2007	Vested	11.67	230,000	–	–	–	230,000	230,000	32.52
	16 May 2008	Vested	12.50	230,000	–	–	–	230,000	230,000	32.52
	14 Nov 2008	Vested	9.295	60,000	–	–	–	60,000	60,000	32.52
	15 May 2009	Vested	12.31	195,104	–	–	–	195,104	195,104	32.52
	15 May 2009	5 years (2014)	12.31	94,896	–	–	–	94,896	94,896	32.52
	1 Jun 2010	Vested	19.51	167,500	–	–	–	167,500	167,500	32.52
	1 Jun 2010	5 years (2015)	19.51	82,500	–	–	–	82,500	82,500	32.52
	1 Jun 2011	3 years (2014)	22.495	167,500	–	–	–	167,500	167,500	32.52
	1 Jun 2011	5 years (2015)	22.495	82,500	–	–	–	82,500	82,500	32.52
	1 Jun 2012	3 years (2015)	23.95	167,500	–	–	–	167,500	167,500	32.52
	1 Jun 2012	5 years (2017)	23.95	82,500	–	–	–	82,500	82,500	32.52
				1,790,000	**–**	**–**	**–**	**1,790,000**	**1,790,000**	

[1] On 2 June 2014 Mr Clark and Mr Wilson were granted options over 150,867 and 91,598 shares respectively at an exercise price of £33.11 per share, subject to the performance conditions listed on page 82.

[2] Following the untimely death of Mr Mackay on 18 December 2013, in accordance with the rules of the Executive Share Option Plan 2008, share options remain exercisable for a period of 12 months after death, expiring on 17 December 2014. On 6 May 2014 the executors of Mr Mackay's estate exercised all 1,790,000 share options at a price of £32.52 per share selling sufficient shares to pay the subscription price and retaining the balance in shares.

Directors' remuneration report
Annual report on remuneration continued

Share options granted to executive directors before 2014 have a performance condition that requires compound annualised adjusted EPS growth, expressed in sterling, of:
- UK RPI + 3% per annum for any of the share options to vest; and
- UK RPI + 5% per annum for full vesting.

Share options granted to executive directors from 2014 have a performance condition that requires compound growth in adjusted EPS in constant currency of:
- 6% per annum for any of the share options to vest; and
- 11% per annum for full vesting.

Performance shares

Director	Award date	Performance period (year ending 31 March)	Share price at award date £	Outstanding as at 31 March 2013	Awarded during the year	Released during the year	Lapsed during the year	Outstanding as at 31 March 2014	Share price/ market price £
AJ Clark[1]	16 May 2008	Vested	12.50	16,500	–	16,500	–	–	36.57
	1 Aug 2008	Vested	10.49	8,250	–	8,250	–	–	32.476
	15 May 2009	5 year (2014)	12.31	24,750	–	–	–	24,750	
	1 Jun 2010	Vested	19.51	65,000	–	65,000	–	–	33.30
	1 Jun 2011	3 year (2014)	22.495	65,000	–	–	–	65,000	
	1 Jun 2012	3 year (2015)	23.95	100,000	–	–	–	100,000	
	3 Jun 2013	3 year (2016)	33.30	–	70,000	–	–	70,000	
				279,500	**70,000**	**89,750**	**–**	**259,750**	
JS Wilson[1]	1 Jun 2010	Vested	19.51	9,000	–	9,000	–	–	33.30
	1 Jun 2011	3 year (2014)	22.495	50,000	–	–	–	50,000	
	1 Dec 2011	3 year (2014)	22.40	25,000	–	–	–	25,000	
	1 Jun 2012	3 year (2015)	23.95	75,000	–	–	–	75,000	
	3 Jun 2013	3 year (2016)	33.30	–	42,500	–	–	42,500	
				159,000	**42,500**	**9,000**	**–**	**192,500**	
EAG Mackay	16 May 2008	Vested	12.50	37,950	–	37,950	–	–	36.57
	14 Nov 2008	Vested	9.295	9,900	–	9,900	–	–	31.946
	15 May 2009	5 year (2014)	12.31	47,850	–	47,850[2]	–	–	30.205
	1 Jun 2010	Vested	19.51	125,000	–	125,000	–	–	33.30
	1 Jun 2011	3 year (2014)	22.495	125,000	–	125,000[2]	–	–	30.205
	1 Jun 2012	3 year (2015)	23.95	125,000	–	125,000[2]	–	–	30.205
				470,700	**–**	**470,700**	**–**	**–**	

[1] On 2 June 2014 Mr Clark and Mr Wilson were conditionally awarded 75,434 and 45,799 shares respectively, subject to achieving the EPS-related performance condition listed below.
[2] Following the untimely death of Mr Mackay on 18 December 2013, 297,850 performance shares were released on 14 January 2014 with a market value of £30.205 per share.

Before 2010, 50% of the performance shares awarded to executive directors and to executive committee members (and all the performance shares awarded to Mr Wilson) had a performance condition that required compound annualised adjusted EPS growth over a three-year period. All performance shares awarded since 2010 have this performance condition.

The other 50% of the performance shares awarded to executive directors and to executive committee members before 2010 had a performance condition that required the company's TSR to exceed the median TSR of a comparator group (identified on page 77). Two-thirds of these shares had a three-year performance period and the remaining one-third of these shares had a five-year performance period, the last award being made in May 2009 and shown in the table above, vesting during the year ended 31 March 2014 with performance condition of:
- Below median TSR performance – no shares vest;
- At median TSR performance – 25% of the shares vest; and
- If TSR exceeds the median by 33% or more – 100% of the shares vest.

For performance shares conditionally awarded in 2009 and 2010, the performance condition is compound growth in adjusted EPS of:
- 5% per annum for any performance shares to vest; and
- 9% per annum for full vesting.

For performance shares conditionally awarded from 2011 onwards, the performance condition is compound growth in adjusted EPS (from 2014 onwards, in constant currency) of:
- 6% per annum for any performance shares to vest; and
- 11% per annum for full vesting.

Value shares

Director	Award date	Share price at award date £	Outstanding as at 31 March 2013 (shares per £10m of additional shareholder value)	Awarded during the year (shares per £10m of additional value)	Released during the year (shares per £10m of additional value)	Lapsed during the year (shares per £10m of additional value)	Outstanding as at 31 March 2014 (shares per £10m of additional value)	Earliest possible release date	Final vesting date
AJ Clark[1]	1 Jun 2010	19.51	115	–	–	–	115	1 Jun 2013	1 Jun 2015
	1 Jun 2011	22.495	115	–	–	–	115	1 Jun 2014	1 Jun 2016
	1 Jun 2012	23.95	175	–	–	–	175	1 Jun 2015	1 Jun 2017
	3 Jun 2013	33.30	–	125	–	–	125	3 Jun 2016	3 Jun 2018
			405	**125**	**–**	**–**	**530**		
JS Wilson[1]	1 Jun 2011	22.495	100	–	–	–	100	1 Jun 2014	1 Jun 2016
	1 Dec 2011	22.40	30	–	–	–	30	1 Jun 2014	1 Jun 2016
	1 Jun 2012	23.95	130	–	–	–	130	1 Jun 2015	1 Jun 2017
	3 Jun 2013	33.30	–	75	–	–	75	3 Jun 2016	3 Jun 2018
			260	**75**	**–**	**–**	**335**		
EAG Mackay	1 Jun 2010	19.51	220	–	220[2]	–	–	1 Jun 2013	1 Jun 2015
	1 Jun 2011	22.495	220	–	220[3]	–	–[2]	1 Jun 2014	1 Jun 2016
	1 Jun 2012	23.95	220	–	–	220[3]	–[3]	1 Jun 2015	1 Jun 2017
			660	**–**	**440**	**220**	**–**		

[1] On 2 June 2014 Mr Clark and Mr Wilson were conditionally awarded 125 and 75 shares respectively of which one-third is capable of vesting for every £10 million of additional shareholder value created over three, four and five-year performance periods commencing 1 April 2014.

[2] The value shares awarded to Mr Mackay on 1 June 2010, and available for release from 1 June 2013, were released conditional upon TSR out-performance to 30 November 2013. The resulting award, comprising 241,560 shares, was released in the form of a nil cost option granted on 5 December 2013 and vesting one-third immediately, one-third on the fourth anniversary of the grant date, and one-third on the fifth anniversary of the grant date, in accordance with the plan rules. Following Mr Mackay's death a short time thereafter, the deferred awards became exercisable and were subsequently exercised in full by Mr Mackay's estate on 6 May 2014, with a market value of £32.52 per share.

[3] Following the untimely death of Mr Mackay on 18 December 2013, the outcome of his remaining value share awards were calculated with reference to the extent that the performance conditions had been achieved by the date of death, and were released or lapsed as shown on page 76. Accordingly, in respect of the value shares awarded on 1 June 2011, an award comprising 102,960 shares was released to Mr Mackay's estate in the form of a nil cost option, and was subsequently exercised in full on 6 May 2014 at a market price of £32.52 per share. The value shares awarded on 1 June 2012 did not achieve the required performance criteria and therefore the award lapsed in full.

The number of shares which can be released under a value share award is dependent upon TSR out-performance compared with the median of a comparator group (identified on page 77) over three, four and five-year performance periods:

- for below median TSR performance, no shares will vest;
- at median TSR performance, no shares will vest; but
- for every £10 million of additional shareholder value created, a fixed number of shares (as set out in the table above) will vest.

Additional shareholder value represents the amount of additional return to shareholders as a result of the company's TSR performance exceeding that of the comparator group. It is calculated as the percentage change in TSR of the company, less the percentage change in TSR of the median of the comparator group, multiplied by the company's market capitalisation at the commencement of the performance period. The maximum number of shares that can vest is capped at the level at which additional shareholder value at the end of each performance period equals the market capitalisation of the company at the commencement of the performance period. The maximum value for all participants (including executive directors) in the aggregate is therefore capped at 0.4% of additional shareholder value created for any five-year performance period. This is the maximum theoretical percentage that can be earned in aggregate by all participants, with 99.6% of the additional value created accruing to shareholders.

Directors' remuneration report
Annual report on remuneration continued

The value shares conditionally awarded before 2013 vest on the fifth anniversary of the grant date, subject to TSR out-performance, but participants may request the release of all or part of the award from the third anniversary of the grant date. If the committee exercises its discretion to release shares in such circumstances, the number of shares is determined based on TSR out-performance to that date, with the shares partially deferred and released in equal instalments over the period until the fifth anniversary of the grant date. There is no opportunity for retesting against future TSR performance, and the deferred shares are subject to forfeiture under certain circumstances should the participant's employment terminate before the fifth anniversary. Value shares conditionally awarded from 2013 vest one-third on each of the third, fourth and fifth anniversaries of the grant date respectively. Any shares are then released, based on TSR out-performance to the preceding 31 March. If the performance conditions for any award are not achieved at the relevant date, the appropriate proportion of shares will lapse and there is no opportunity for retesting.

The earliest opportunity for any value shares to be released was in the period ended 31 March 2014, although no awards had been released to Mr Clark or Mr Wilson as at 2 June 2014. At 31 March 2014 TSR out-performance, additional shareholder value created, and the indicative value of shares capable of vesting for the highest paid executive (Alan Clark) were:

	Performance period commencing			
	1 April 2010	**1 April 2011**	**1 April 2012**	**1 April 2013**
SABMiller's TSR to 31 March 2014	87.601%	52.636%	33.139%	3.719%
Comparator group median TSR to 31 March 2014	45.799%	36.485%	37.601%	7.183%
Out-performance	41.802%	16.151%	nil	nil
SABMiller market capitalisation *(at commencement of the performance period)*	£27,746m	£33,485m	£37,639m	£47,580m
Additional shareholder value created	£11,598m	£5,408m	nil	nil
Value of shares capable of vesting (at £29.95 per share)	£4.0m	£1.9m	nil	nil
Value of shares as % of additional shareholder value created	0.03%	0.03%	–	–

Approval
This report complies with the requirements of the regulations. Those parts of the report that are subject to audit are identified separately.

This report and the recommendations of the committee were approved by the board on 2 June 2014 as recommended by the committee on 20 May 2014 and will be submitted to shareholders for approval at the 2014 annual general meeting.

Signed on behalf of the board of directors by

John Davidson
General Counsel and Group Company Secretary

2 June 2014

Directors' report

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 31 March 2014.

Much of the information previously provided as part of the directors' report is now required to be presented as part of the strategic report, which includes a description of the principal risks and uncertainties we face, our development and performance during the year, our position at the end of the year, key performance indicators, and information relating to environmental matters, employee matters and social, community, and human rights issues.

The directors' report includes information required under the Companies Act 2006, the Listing Rules and the Disclosure and Transparency Rules.

For the purposes of compliance with the Disclosure and Transparency Rules, the strategic report and this directors' report, including those sections of the annual report incorporated by reference, constitute a management report.

Directors

The names and biographical details of the current directors are set out on pages 46 and 47. All the current directors served throughout the period, except Mr Elliott, who was appointed as a director on 1 July 2013. Mr Mackay served as a director until his death on 18 December 2013, and Mr Ramaphosa served as a director until his retirement on 25 July 2013. Mr Morland will retire from the board at the conclusion of the 2014 annual general meeting. Details of the interests in shares and options of the directors who held office during the year and any persons connected to them are set out in the directors' remuneration report on pages 62 to 84.

Corporate governance

The directors' approach to corporate governance and statements of our application of the UK Corporate Governance Code are set out in the corporate governance report, which forms part of this directors' report, on pages 49 to 58, in the audit committee report on pages 59 to 61 and in the directors' remuneration report on pages 62 to 84.

Share capital

Details of the issued share capital and movement in it during the year are provided in note 25 to the consolidated financial statements.

During the year 1,576,935 ordinary shares were purchased by the trustee on behalf of the EBT (at an average price of £31.96 per share) which amounted to 0.09% of the issued ordinary shares of the company, in order to ensure that the EBT continued to hold sufficient ordinary shares to meet expected future obligations in respect of performance shares conditionally awarded under the Performance Share Award Plans. The total consideration paid amounted to US$79,330,236.

Annual general meeting

Our 2014 annual general meeting will be held at the InterContinental London Park Lane, One Hamilton Place, London W1V 7QY, UK at 11.00am on Thursday 24 July 2014. Copies of the notice of this meeting may be obtained from our website.

Dividends

An interim dividend of 25.0 US cents per share was paid to shareholders on 13 December 2013 in respect of the year ended 31 March 2014. Details of the final dividend proposed by the board for the year ended 31 March 2014 are set out below:

Amount of final dividend proposed by the board:

- 80 US cents per share.

Total proposed dividend for the year ended 31 March 2014:

- 105 US cents per share.

If approved, the final dividend will be payable to shareholders on either section of the register on 8 August 2014 in the following way:

Dividend payable on:
15 August 2014.

Currency of payment:
- South African rands – to shareholders on the RSA section of the register;
- US dollars – to shareholders shown as having an address in the USA and recorded on the UK section of the register (unless mandated otherwise); and
- Pounds sterling – to all other shareholders on the UK section of the register.

Ex-dividend dates:
- 4 August 2014 for shares traded on the JSE Limited, South Africa.
- 6 August 2014 for shares traded on the London Stock Exchange (LSE).

The rate of exchange for conversion from US dollars will be calculated on 23 July 2014 and published on the RNS of the LSE and the SENS of the JSE Limited on 24 July 2014.

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

Note 9 to the consolidated financial statements discloses dividends waived.

Directors' report continued

Purchase of own shares

At the last annual general meeting, shareholder authority was obtained for us to purchase our own shares up to a maximum of 10% of the number of ordinary shares in issue as at 3 June 2013. This authority is due to expire at the earlier of the next annual general meeting or 24 October 2014, and remains exercisable provided that certain conditions relating to the purchase are met. The notice of annual general meeting proposes that shareholders approve a resolution updating and renewing the authority allowing us to purchase our own shares.

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

Political donations

In March 2013 the board announced that the group would provide funding to political parties in the May 2014 South African elections. Donations of ZAR8,904,000 in total were made in May 2013, distributed across the six largest parties in proportion to their seats in the National Assembly. The group made contributions of ZAR5 million in the run up to the 1999, 2004, and 2009 elections and has not made any other political donations in South Africa outside the national election cycle. This year's higher donation value in South African rand follows a number of years of double digit inflation in South Africa.

Our Carlton & United Breweries (CUB) business paid membership fees to registered political parties and incurred expenditure in attending public policy events by registered political parties. The total value of the fees and expenditure incurred was US$42,852. All CUB expenditure related to participation and attendance at public policy events. CUB does not provide stand-alone cash or in kind donations to any political party. Donations of this nature in Australia are an accepted part of the socio-political environment.

To support democracy in Colombia, our subsidiary Bavaria SA made donations totalling US$1,604,021 to a number of political parties and movements participating in the congressional elections.

To support the democratic process in El Salvador, our subsidiary Industrias La Constancia, SA de CV made donations totalling US$404,000 allocated across seven political parties participating in the 2014 presidential elections in accordance with rules laid down by the electoral authorities. In addition it donated soft drinks to the value of US$39,000 to those parties for the benefit of volunteers assisting during the elections.

To support the democratic process in Honduras, our subsidiary Cerveceria Hondurena, donated soft drinks to the value of US$45,881 to eight parties for the benefit of volunteers assisting during the 2014 general elections.

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

Employment, environmental and social policies

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

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

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

Certain employees throughout the group are eligible to participate in the group's share incentive plans.

The sustainable development review on pages 40 to 43 gives an overview of the progress against our 10 sustainable development priorities and of the impact of our business on the environment. More detailed information is provided in our sustainable development report 2014, available on our website.

Research and development

To ensure improved overall operational effectiveness, we place considerable emphasis on research and development in our global technical activities. This enables us to develop new products, packaging, processes and manufacturing technologies. Continued progress was made in our research in the key areas of raw materials, brewing, flavour stability, packaging materials and energy and water saving.

Greenhouse gas emissions

Disclosures concerning greenhouse gas emissions required by law are included in the strategic report, on page 42.

Overseas branches

SABMiller plc does not have any branches registered overseas.

Substantial shareholdings
As at 2 June 2014, we had received the following notifications of interests in voting rights of the issued share capital of the company pursuant to Rule 5.1.2 of the Disclosure and Transparency Rules:

	Date of notification	Number of shares	Percentage of issued share capital
Altria Group, Inc.	29 June 2012	430,000,000	26.99
BevCo Ltd	2 June 2014	225,000,000	13.99
Public Investment Corporation	13 January 2009	67,663,248	4.49

The Companies Act 2006 requires disclosure of persons with significant direct or indirect holdings of securities as at the year end. At the year end we were aware of the following shareholdings of 3.00% or more:

	Percentage of issued share capital
Altria Group, Inc.	26.77
BevCo Ltd	14.01
Public Investment Corporation	3.17
BlackRock Inc.	3.02

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

These indemnities are categorised as qualifying third-party indemnity provisions as defined by Section 234 of the Companies Act 2006. They will continue in force for the benefit of directors and officers in respect of their periods of office.

Substantial shareholdings
Details of notifications received by the company in accordance with the Disclosure and Transparency Rules as at 2 June 2014 and of persons with significant direct or indirect holdings known to the company at the year end are set out in the table above.

Financial instruments
Information on our financial risk management objectives and policies and details of our exposure to price risk, credit risk, liquidity risk and cash flow risk are contained in note 21 to the consolidated financial statements.

Future developments
Details of likely future developments in the business of the group are included in the strategic report.

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

The structure of our share capital, including the rights and obligations attaching to each class of share and the percentage of the share capital that each class of share comprises, is set out in note 25 to the consolidated financial statements. There are no securities of the company that grant the holder special control rights.

At 31 March 2014 our employees' benefit trusts held 6,833,632 ordinary shares in the company. By agreement with the company, voting rights attached to these shares are not exercised unless shares are beneficially owned by a participant and that participant has instructed the underlying shareholder to vote. As at 31 March 2014 there were no shares beneficially owned by a participant in our employees' benefit trusts.

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

Our articles of association give the board of directors power to appoint directors. The articles of association may be amended by special resolution of the shareholders.

Directors' report continued

Directors appointed by the board are required to submit themselves for election by the shareholders at the next annual general meeting. Additionally, as disclosed in the corporate governance report on pages 49 to 58, Altria Group, Inc. (Altria) and BevCo Ltd (BevCo) have power under their respective relationship agreements with the company to nominate directors for appointment to the board and certain committees. These relationship agreements also regulate orderly marketing processes applicable in relation to any disposal of shares by Altria and BevCo.

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

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

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

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

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

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

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

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

Going concern

The directors have reviewed the group's performance for the year and the principal risks it faces, together with the budget and cash flow forecasts, in particular with reference to the period to the end of September 2015, and the application of reasonably possible sensitivities associated with these forecasts. On the basis of this review, and in light of the current financial position and existing committed borrowing facilities, the directors are satisfied that the group has adequate resources to continue in operational existence and therefore have continued to adopt the going concern basis in preparing the consolidated financial statements.

Directors' responsibility statement

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

A copy of the consolidated and company financial statements is placed on the company's website. The directors are responsible for the maintenance and integrity of the statutory and audited information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 46 and 47 of this annual report, confirm that, to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, the Companies Act 2006 and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the management report contained in this annual report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

The directors in office at the date of this report have each confirmed that:

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

Post balance sheet events

There are no material post balance sheet events.

John Davidson

General Counsel and Group Company Secretary

For and on behalf of the board of SABMiller plc

2 June 2014

Directors' report continued

In accordance with Listing Rule 9.8.4 R the table below gives the location of information required to be included in the annual report and accounts.[1]

Listing Rule	Information	Location
LR 9.8.4 (1)	Amount of interest capitalised and amount and treatment of tax relief.	Not applicable: no interest capitalised.
LR 9.8.4 (2)	Information required by Listing Rule 9.2.18 regarding the prior publication of unaudited financial information.	Not applicable: no relevant information published in advance of this annual report and accounts.
LR 9.8.4 (3)	Rule deleted.	Not applicable.
LR 9.8.4 (4)	Long-term incentive schemes where the only participant is a director or prospective director of the company and the arrangement is established specifically to facilitate the recruitment of retention of the director.	Not applicable: no such arrangements exist.
LR 9.8.4 (5)	Arrangements under which a director has waived or agreed to waive emoluments from the company or any subsidiary undertaking.	In accordance with our agreement with Altria, Howard Willard, as an executive director of Altria, does not receive a director's fee from SABMiller (see page 73).
LR 9.8.4 (6)	Agreements with a director to waive future emoluments.	Not applicable: no such agreement exists.
LR 9.8.4 (7)	Details of shares allotted during the period under review which have not been allotted to existing shareholders in proportion to their shareholdings and which have not been specifically authorised by the company' shareholders.	Not applicable: the only shares that have been allotted during the period have been to satisfy the exercise of options under various share incentive plans as approved by the company's shareholders, see note 25 to the consolidated financial statements for further details of these allotments.
LR 9.8.4 (8)	Shares allotted in major subsidiary undertakings during the period under review which have not been allotted to existing shareholders in proportion to their shareholdings.	Not applicable: no individual subsidiary is a major subsidiary undertaking as defined by the Listing Rules.
LR 9.8.4 (9)	Details of any parent undertaking's participation in any placing during the period under review.	Not applicable: SABMiller does not have a parent undertaking.
LR 9.8.4 (10)	Details of any contract of significance (as defined by the Listing Rules) existing between SABMiller, or any of its subsidiaries, in which either a director is materially interested or one of the parties is a controlling shareholder of SABMiller.	Not applicable: no such contract of significance exists.
LR 9.8.4 (11)	Details of any contract for the provision of services to SABMiller, or any of its subsidiaries, by a controlling shareholder.	Not applicable: SABMiller does not have a controlling shareholder.
LR 9.8.4 (12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	The trustees of the two employee benefits trusts have elected to waive dividends, except in circumstances where they may be holding shares beneficially owned by participants. See notes 9 and 26 to the consolidated financial statements.
LR 9.8.4 (13)	Details of any arrangement under which a shareholder has agreed to waive future dividends.	As noted above the trustees of the two employee benefits trusts have elected to waive dividends, except in circumstances where they may be holding shares beneficially owned by participants. See notes 9 and 26 to the consolidated financial statements.
LR 9.8.4 (14)	Agreements with any controlling shareholder.	Not applicable: SABMiller does not have a controlling shareholder.

[1] Although this disclosure is only required to be included for accounting periods ending on or after 1 September 2014, we have elected to include the information for shareholders' ease of reference.

Independent auditors' report

to the members of SABMiller plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2014 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The consolidated financial statements and company financial statements (the financial statements), which are prepared by SABMiller plc, comprise:

- the consolidated and company balance sheets as at 31 March 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the company reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements comprises applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report (the Annual Report), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole to be US$250 million. This represents approximately 5% of the consolidated profit before tax adjusted for exceptional items, as disclosed in note 4 on page 114 because, in our view, this is the most appropriate measure of underlying performance.

We agreed with the audit committee that we would report to them misstatements identified during our audit above US$20 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The group is structured in seven segments (being Latin America, Europe, North America, Africa, Asia Pacific, South Africa: Beverages and Hotels and Gaming, and Corporate). Each segment is a consolidation of a number of country-based operating businesses, central functions and the group's interests in associates and joint ventures within that geographical region.

In establishing the overall approach to the group audit, we considered the type of work that needed to be performed at the segment, country level or central function by us, as the group engagement team, or by component auditors within PwC UK and from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those segments or operating businesses to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Accordingly, we identified four segments and three country-based operating businesses and one joint venture which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specific procedures were also performed on certain of the group's associates. This, together with procedures performed on central functions and at the group level, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the audit committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 59 to 61.

Independent auditors' report to the members of SABMiller plc continued

Area of focus	How the scope of our audit addressed the area of focus
Carrying value of goodwill – Australia	
The directors assess the carrying value of goodwill and conduct an annual impairment review. (Refer to note 10 to the consolidated financial statements.) We specifically focused on the goodwill balance within the Australian cash generating unit (or CGU) given its size, recent acquisition and because the impairment review involves subjective judgements by the directors about the future performance of the business which are sensitive to changes in assumptions.	We evaluated the group's future cash flow forecasts for the Australian business, including comparing them to the latest board approved budgets and considering the historical accuracy of forecasts. We challenged the key assumptions including forecasted EBITA, longer term growth rates and the discount rate by reference to past performance, future plans and by performing independent market analysis. We performed sensitivity analysis around the key drivers of cash flow forecasts, including EBITA growth assumptions and the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such movements in those key assumptions arising and the appropriateness of related disclosures in the financial statements.
Provisions for uncertain tax positions	
The directors are required to exercise significant judgement when determining the appropriate amount to provide in respect of potential tax exposures relating to challenges by tax authorities. We focused on this area because of the inherent judgements required in estimating the amount of provision required, the complexity of the calculations involved and the numerous jurisdictions in which the potential exposures reside.	We obtained a detailed understanding of the group's tax framework and the status of the group's tax compliance in significant countries. We assessed and tested the appropriateness of tax provisions by reviewing and considering the implications of correspondence and investigations with local tax authorities, the group's internal documentation and external legal opinions (where applicable). We recalculated the provisions to assess whether they were in line with the group's methodology and accounting policies and that the methodology and accounting policies had been consistently applied. Furthermore, we assessed the reasonableness of the quantum of the tax provisions recognised for uncertain tax positions and the appropriateness of related disclosures, utilising our experience of similar challenges elsewhere.
Fraud in revenue recognition	
ISAs (UK and Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.	We assessed the design of the group's key controls over revenue recognition and tested the operating effectiveness of those controls at relevant businesses. We performed substantive testing of revenue recorded during the year using sampling techniques. We tested the accuracy and timing of a sample of individual transactions, including consideration of the appropriate recording of customer discounts. We also tested manual journals posted to revenue to determine whether those postings were consistent with the group's revenue recognition policy.
Risk of management override of internal controls	
ISAs (UK and Ireland) require that we consider this.	We assessed the overall control environment of the group, including the 'tone at the top' arrangements for staff to 'whistle blow' inappropriate actions, and interviewed senior management and the group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias that may represent a risk of material misstatement due to fraud. We also tested key reconciliations and manual journal entries posted at the segment and country operating businesses to ensure journals were approved and corroborated to supporting evidence.

Going concern
Under the Listing Rules we are required to review the directors' statement, set out on page 88, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the consolidated and company financial statements using the going concern basis of accounting. The going concern basis presumes that the group and company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and the company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the corporate governance statement set out on pages 49 to 58 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code (the Code). We have nothing to report having performed our review.

On page 89 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy. On page 60, as required by C.3.8 of the Code, the audit committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK and Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the directors
As explained more fully in the directors' responsibilities statement set out on page 88, the directors are responsible for the preparation of the consolidated and company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated and company financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

2 June 2014

Consolidated income statement

for the year ended 31 March

	Notes	2014 US$m	2013[1] US$m
Revenue	2	**22,311**	23,213
Net operating expenses	3	**(18,069)**	(19,021)
Operating profit	2	**4,242**	4,192
Operating profit before exceptional items	2	**4,439**	4,392
Exceptional items	4	**(197)**	(200)
Net finance costs	5	**(645)**	(726)
Finance costs	5a	**(1,055)**	(1,186)
Finance income	5b	**410**	460
Share of post-tax results of associates and joint ventures	2	**1,226**	1,213
Profit before taxation		**4,823**	4,679
Taxation	7	**(1,173)**	(1,192)
Profit for the year	27a	**3,650**	3,487
Profit attributable to non-controlling interests		**269**	237
Profit attributable to owners of the parent	26a	**3,381**	3,250
		3,650	3,487
Basic earnings per share (US cents)	8	**211.8**	204.3
Diluted earnings per share (US cents)	8	**209.1**	202.0

[1] As restated (see note 28).

The notes on pages 99 to 161 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2014 US$m	2013[1] US$m
Profit for the year		**3,650**	3,487
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Net remeasurements on defined benefit plans	31	**22**	(19)
Tax on items that will not be reclassified	7	**(13)**	19
Share of associates' and joint ventures' other comprehensive income/(loss)		**23**	(26)
Total items that will not be reclassified to profit or loss		**32**	(26)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on foreign currency net investments:		**(2,288)**	(700)
– Decrease in foreign currency translation reserve during the year		**(2,290)**	(700)
– Recycling of foreign currency translation reserve on disposal		**2**	–
Available for sale investments:	26b		
– Fair value losses arising during the year		**–**	(1)
Net investment hedges:	26b		
– Fair value gains arising during the year		**102**	63
Cash flow hedges:	26b	**34**	(5)
– Fair value gains/(losses) arising during the year		**33**	(8)
– Fair value (gains)/losses transferred to inventory		**(1)**	8
– Fair value losses/(gains) transferred to profit or loss		**2**	(5)
Tax on items that may be reclassified subsequently to profit or loss	7	**1**	6
Share of associates' and joint ventures' other comprehensive income/(loss):		**122**	(13)
– Share of associates' and joint ventures' other comprehensive income/(loss) during the year		**131**	(13)
– Share of associates' and joint ventures' recycling of available for sale reserve on disposal		**(9)**	–
Total items that may be reclassified subsequently to profit or loss		**(2,029)**	(650)
Other comprehensive loss for the year, net of tax		**(1,997)**	(676)
Total comprehensive income for the year		**1,653**	2,811
Attributable to:			
Non-controlling interests		**248**	233
Owners of the parent		**1,405**	2,578
Total comprehensive income for the year		**1,653**	2,811

[1] As restated (see note 28).

The notes on pages 99 to 161 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 March

	Notes	2014 US$m	2013 US$m
Assets			
Non-current assets			
Goodwill	10	**18,497**	19,862
Intangible assets	11	**8,532**	9,635
Property, plant and equipment	12	**9,065**	9,059
Investments in joint ventures	13	**5,581**	5,547
Investments in associates	14	**5,787**	5,416
Available for sale investments		**22**	22
Derivative financial instruments	22	**628**	732
Trade and other receivables	16	**139**	144
Deferred tax assets	19	**115**	71
Loan participation deposit	17	**–**	100
		48,366	50,588
Current assets			
Inventories	15	**1,168**	1,175
Trade and other receivables	16	**1,821**	2,067
Current tax assets		**174**	159
Derivative financial instruments	22	**141**	111
Cash and cash equivalents	17	**2,081**	2,171
		5,385	5,683
Assets of disposal group classified as held for sale		**–**	23
		5,385	5,706
Total assets		**53,751**	56,294
Liabilities			
Current liabilities			
Derivative financial instruments	22	**(78)**	(34)
Borrowings	20	**(4,519)**	(2,469)
Trade and other payables	18	**(3,847)**	(4,004)
Current tax liabilities		**(1,106)**	(1,460)
Provisions	24	**(450)**	(558)
		(10,000)	(8,525)
Liabilities of disposal group classified as held for sale		**–**	(1)
		(10,000)	(8,526)
Non-current liabilities			
Derivative financial instruments	22	**(37)**	(52)
Borrowings	20	**(12,528)**	(16,079)
Trade and other payables	18	**(25)**	(132)
Deferred tax liabilities	19	**(3,246)**	(3,507)
Provisions	24	**(433)**	(538)
		(16,269)	(20,308)
Total liabilities		**(26,269)**	(28,834)
Net assets		**27,482**	27,460
Equity			
Share capital	25	**167**	167
Share premium		**6,648**	6,581
Merger relief reserve		**4,321**	4,586
Other reserves	26b	**(702)**	1,328
Retained earnings	26a	**15,885**	13,710
Total shareholders' equity		**26,319**	26,372
Non-controlling interests		**1,163**	1,088
Total equity		**27,482**	27,460

The balance sheet of SABMiller plc is shown on page 162.
The notes on pages 99 to 161 are an integral part of these consolidated financial statements.
The financial statements were authorised for issue by the board of directors on 2 June 2014 and were signed on its behalf by:

Alan Clark
Chief Executive

Jamie Wilson
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March

	Notes	2014 US$m	2013 US$m
Cash flows from operating activities			
Cash generated from operations	27a	**5,770**	5,554
Interest received		**365**	468
Interest paid		**(1,108)**	(1,238)
Tax paid		**(1,596)**	(683)
Net cash generated from operating activities	27b	**3,431**	4,101
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,401)**	(1,335)
Proceeds from sale of property, plant and equipment		**70**	30
Purchase of intangible assets		**(84)**	(144)
Proceeds from sale of intangible assets		**–**	4
Purchase of available for sale investments		**(1)**	–
Proceeds from disposal of available for sale investments		**–**	5
Proceeds from disposal of associates		**–**	21
Proceeds from disposal of businesses (net of cash disposed)		**88**	57
Acquisition of businesses (net of cash acquired)		**(39)**	(6)
Investments in joint ventures		**(188)**	(272)
Investments in associates		**(199)**	(23)
Dividends received from joint ventures	13	**903**	886
Dividends received from associates	14	**224**	113
Dividends received from other investments		**1**	1
Net cash used in investing activities		**(626)**	(663)
Cash flows from financing activities			
Proceeds from the issue of shares		**88**	102
Proceeds from the issue of shares in subsidiaries to non-controlling interests		**20**	36
Purchase of own shares for share trusts	26a	**(79)**	(53)
Purchase of shares from non-controlling interests		**(5)**	–
Proceeds from borrowings		**2,585**	2,318
Repayment of borrowings		**(3,829)**	(2,878)
Proceeds from associate in relation to loan participation deposit	17	**–**	100
Capital element of finance lease payments		**(9)**	(6)
Net cash receipts/(payments) on derivative financial instruments		**228**	(5)
Dividends paid to shareholders of the parent	9	**(1,640)**	(1,517)
Dividends paid to non-controlling interests		**(194)**	(131)
Net cash used in financing activities		**(2,835)**	(2,034)
Net cash (outflow)/inflow from operating, investing and financing activities		**(30)**	1,404
Effects of exchange rate changes		**(61)**	(51)
Net (decrease)/increase in cash and cash equivalents		**(91)**	1,353
Cash and cash equivalents at 1 April		**1,959**	606
Cash and cash equivalents at 31 March	27c	**1,868**	1,959

The notes on pages 99 to 161 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Called up share capital US$m	Share premium account US$m	Merger relief reserve US$m	Other reserves US$m	Retained earnings US$m	Total shareholders' equity US$m	Non-controlling interests US$m	Total equity US$m
At 1 April 2012		166	6,480	4,586	1,978	11,863	25,073	959	26,032
Total comprehensive income		–	–	–	(650)	3,228	2,578	233	2,811
Profit for the year[1]		–	–	–	–	3,250	3,250	237	3,487
Other comprehensive loss[1]		–	–	–	(650)	(22)	(672)	(4)	(676)
Dividends paid	9	–	–	–	–	(1,517)	(1,517)	(128)	(1,645)
Issue of SABMiller plc ordinary shares	25	1	101	–	–	–	102	–	102
Proceeds from the issue of shares in subsidiaries to non-controlling interests		–	–	–	–	–	–	36	36
Non-controlling interests disposed of via business disposal		–	–	–	–	–	–	(13)	(13)
Arising on business combinations		–	–	–	–	–	–	1	1
Payment for purchase of own shares for share trusts	26a	–	–	–	–	(53)	(53)	–	(53)
Credit entry relating to share-based payments	26a	–	–	–	–	189	189	–	189
At 31 March 2013		167	6,581	4,586	1,328	13,710	26,372	1,088	27,460
Total comprehensive income		–	–	–	(2,030)	3,435	1,405	248	1,653
Profit for the year		–	–	–	–	3,381	3,381	269	3,650
Other comprehensive (loss)/income		–	–	–	(2,030)	54	(1,976)	(21)	(1,997)
Dividends paid	9	–	–	–	–	(1,640)	(1,640)	(193)	(1,833)
Issue of SABMiller plc ordinary shares		–	67	–	–	21	88	–	88
Proceeds from the issue of shares in subsidiaries to non-controlling interests		–	–	–	–	–	–	20	20
Payment for purchase of own shares for share trusts	26a	–	–	–	–	(79)	(79)	–	(79)
Buyout of non-controlling interests	26a	–	–	–	–	(5)	(5)	–	(5)
Utilisation of merger relief reserve	26a	–	–	(265)	–	265	–	–	–
Credit entry relating to share-based payments	26a	–	–	–	–	178	178	–	178
At 31 March 2014		**167**	**6,648**	**4,321**	**(702)**	**15,885**	**26,319**	**1,163**	**27,482**

[1] As restated (see note 28).

The notes on pages 99 to 161 are an integral part of these consolidated financial statements.

Merger relief reserve

At 1 April 2013 the merger relief reserve comprised US$3,395 million in respect of the excess of value attributed to the shares issued as consideration for Miller Brewing Company over the nominal value of those shares and US$1,191 million relating to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of non-controlling interests in the group's Polish business. In the year ended 31 March 2014 the group transferred US$265 million of the reserve relating to the Polish business to retained earnings upon realisation of qualifying consideration.

Notes to the consolidated financial statements

1. Accounting policies

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

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

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

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

b) Recent accounting developments
(i) New standards, amendments and interpretations of existing standards adopted by the group
The following standards, interpretations and amendments have been adopted by the group as of 1 April 2013.

- Amendment to IAS 19, 'Employee benefits'. The adoption of this revised standard retrospectively from 1 April 2013 has resulted in the interest charge on retirement benefit liabilities and the expected return on plan assets being replaced by a net interest charge on net defined benefit liabilities based on high quality corporate bond rates. This net charge is included within operating costs. Further details of these adjustments are provided in note 28.
- Amendment to IAS 1, 'Financial statement presentation'. The adoption of this amendment has resulted in changes to the presentation of certain items within other comprehensive income in the consolidated statement of comprehensive income.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting introduced new disclosure requirements to facilitate comparison between entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The additional disclosures are included in note 23.
- IFRS 13, 'Fair value measurement'. This new standard provides a single source of fair value measurement and disclosure requirements. It does not require restatement of historical information. The additional disclosures required by this standard are included in note 21.
- Annual improvements to IFRS 2009-11. The application of the annual improvements has had no material impact on the consolidated results of operations or financial position of the group.
- Amendment to IAS 36, 'Impairment of assets', on recoverable amount disclosures. This amendment clarified the disclosure requirements in relation to impairment testing of goodwill. There has been no material impact on the group.

(ii) New standards, amendments and interpretations of existing standards that are not yet effective and have not been early adopted by the group
The following standards, interpretations and amendments to existing standards mandatory for the group's accounting periods beginning on or after 1 April 2014 are not expected to have a material impact on the consolidated results of operations or financial position of the group.

- Amendment to IAS 32, 'Offsetting financial instruments asset and liability', is effective from 1 January 2014.
- Amendment to IAS 39, 'Financial instruments: recognition and measurement', on novation of derivatives and hedge accounting, is effective from 1 January 2014.
- IAS 27 (revised), 'Separate financial statements', is effective from 1 January 2014.
- IAS 28 (revised), 'Associates and joint ventures', is effective from 1 January 2014.
- IFRS 10, 'Consolidated financial statements', is effective from 1 January 2014.
- IFRS 11, 'Joint arrangements', is effective from 1 January 2014.
- IFRS 12, 'Disclosures of interests in other entities', is effective from 1 January 2014.
- IFRIC 21, 'Levies', is effective from 1 January 2014[1].

The group has yet to assess the full impact of the following standards and amendments to existing standards mandatory for the group's accounting periods beginning on or after 1 April 2015 or later periods, which have not been early adopted.

- Amendment to IAS 19, 'Employee benefits', on defined benefit plans, is effective from 1 July 2014[1].
- Amendment to IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets', on depreciation and amortisation, is effective from 1 January 2016[1].
- Annual improvements to IFRS 2012 are effective from 1 July 2014[1].
- Annual improvements to IFRS 2013 are effective from 1 July 2014[1].
- IFRS 9, 'Financial Instruments', is effective from 1 January 2018[1].
- IFRS 15, 'Revenue from contracts with customers', is effective from 1 January 2017[1].

[1] Not yet endorsed by the EU.

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

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

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

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

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

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

d) Segmental reporting
Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group net producer revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focused geographically, and while not meeting the definition of reportable segments, the group reports separately as segments South Africa: Hotels and Gaming and Corporate as this provides useful additional information.

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

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

Control is presumed to exist when the group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

On the subsequent disposal or termination of a business, the results of the business are included in the group's results up to the effective date of disposal. The profit or loss on disposal or termination is calculated after charging the amount of any related goodwill to the extent that it has not previously been taken to the income statement.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Some of the company's subsidiaries have a local statutory balance sheet date of 31 December. These are consolidated using management prepared information on a basis coterminous with the company's balance sheet date.

(ii) Associates
Associates are entities in which the group has a long-term interest and over which the group has directly or indirectly significant influence, where significant influence is the ability to influence the financial and operating policies of the entity.

The associate, Distell Group Ltd, has a statutory balance sheet date of 30 June. In respect of each year ending 31 March, this company is included based on financial statements drawn up to the previous 31 December, but taking into account any changes in the subsequent period from 1 January to 31 March that would materially affect the results. All other associates are included on a coterminous basis.

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

The group's share of the recognised income and expenses of associates and joint ventures are accounted for using the equity method from the date significant influence or joint control commences to the date it ceases based on present ownership interests.

The group recognises its share of associates' and joint ventures' post-tax results as a one line entry before profit before taxation in the income statement and its share of associates' and joint ventures' equity movements as one line entries under each of items of other comprehensive income that will not be reclassified to profit or loss, and items of other comprehensive income that may be reclassified to profit or loss, in the statement of comprehensive income.

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

1. Accounting policies continued

(iv) Transactions with non-controlling interests
Transactions with non-controlling interests are treated as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity where there is no loss of control.

(v) Reduction in interests
When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, certain amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that certain amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, or if the ownership interest in a joint venture is reduced but joint control is retained, only the proportionate share of the carrying amount of the investment and of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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

	Year ended 31 March 2014	Year ended 31 March 2013
Average rate		
Australian dollar (AUD)	**1.07**	0.97
Colombian peso (COP)	**1,920**	1,796
Czech koruna (CZK)	**19.68**	19.65
Euro (€)	**0.75**	0.78
Peruvian nuevo sol (PEN)	**2.77**	2.61
Polish zloty (PLN)	**3.15**	3.26
South African rand (ZAR)	**10.13**	8.51
Turkish lira (TRY)	**1.98**	1.80
Closing rate		
Australian dollar (AUD)	**1.08**	0.96
Colombian peso (COP)	**1,965**	1,832
Czech koruna (CZK)	**19.90**	20.07
Euro (€)	**0.73**	0.78
Peruvian nuevo sol (PEN)	**2.81**	2.59
Polish zloty (PLN)	**3.03**	3.26
South African rand (ZAR)	**10.53**	9.24
Turkish lira (TRY)	**2.14**	1.81

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

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

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

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

(iv) Hyperinflationary economies
In hyperinflationary economies, when translating the results of operations into US dollars, adjustments are made to local currency denominated non-monetary assets, liabilities, income statement and equity accounts to reflect the changes in purchasing power. South Sudan was considered to be a hyperinflationary economy in the years ended 31 March 2013 and 2014. The effect of inflation accounting in South Sudan for the years ended 31 March 2013 and 2014 was not material.

Notes to the consolidated financial statements continued

1. Accounting policies continued

g) Business combinations

(i) Subsidiaries

The acquisition method is used to account for business combinations. The identifiable net assets (including intangibles) are incorporated into the financial statements on the basis of their fair value from the effective date of control, and the results of subsidiary undertakings acquired during the financial year are included in the group's results from that date.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable assets (including intangibles), liabilities and contingent liabilities acquired. Fair values of these assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be acquired or similar obligations entered into, or by discounting expected future cash flows to present value, using either market rates or the risk-free rates and risk-adjusted expected future cash flows.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the group's estimate of the fair value of any deferred consideration payable. Acquisition-related costs are expensed as incurred. Where the business combination is achieved in stages and results in a change in control, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Where the business combination agreement provides for an adjustment to the cost that is contingent on future events, the consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On an acquisition by acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

(ii) Associates and joint ventures

On acquisition the investment in associates and joint ventures is recorded initially at cost. Subsequently, the carrying amount is increased or decreased to recognise the group's share of the associates' and joint ventures' income and expenses after the date of acquisition.

Fair values reflecting conditions at the date of acquisition are attributed to the group's share of identifiable assets (including intangibles), liabilities and contingent liabilities acquired. The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the group's estimate of the fair value of any deferred consideration payable.

The date significant influence or joint control commences is not necessarily the same as the closing date or any other date named in the contract.

(iii) Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in the income statement.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in the income statement and is not reversed.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying value of the investment in the associate or joint venture.

h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at their fair value at the date of acquisition. Amortisation is included within net operating expenses in the income statement. Internally generated intangibles are not recognised except for computer software and applied development costs referred to under computer software and research and development below.

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

(i) Brands

Brands are recognised as an intangible asset where the brand has a long-term value. Acquired brands are only recognised where title is clear or the brand could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable.

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

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

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

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

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

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

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

1. Accounting policies continued

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

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

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

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

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

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

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

(i) Assets in the course of construction
Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as on other property, plant and equipment.

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

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

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

- The excess over deposit value is written down over a period of one to 10 years.
- Provisions are made against the deposit values for breakages and losses in trade together with a design obsolescence provision held to write off the deposit value over the expected container design period – which is a period of no more than 14 years from the inception of a container design. This period is shortened where appropriate by reference to market dynamics and the ability of the entity to use containers for different brands.

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

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

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

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount.

(v) Capitalisation of borrowing costs
Financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use, are capitalised up to the time of completion of the project.

j) Advance payments made to customers (principally hotels, restaurants, bars and clubs)
Advance payments made to customers are conditional on the achievement of contracted sales targets or marketing commitments. The group records such payments as prepayments initially at fair value and amortises them in the income statement over the relevant period to which the customer commitment is made (typically three to five years). These prepayments are recorded net of any impairment losses.

Where there is a volume target the amortisation of the advance is included in sales discounts as a reduction to revenue and where there are specific marketing activities/commitments the amortisation is included as an operating expense. The amounts capitalised are reassessed annually for achievement of targets and are impaired where there is objective evidence that the targets will not be achieved.

Assets held at customer premises are included within property, plant and equipment and are depreciated in line with group policies on similar assets.

Notes to the consolidated financial statements continued

1. Accounting policies continued

k) Inventories
Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows.

- Raw materials, consumables and goods for resale: Purchase cost net of discounts and rebates on a first-in first-out basis (FIFO).
- Finished goods and work in progress: Raw material cost plus direct costs and a proportion of manufacturing overhead expenses on a FIFO basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Costs of inventories include the transfer from equity of any gains or losses on matured qualifying cash flow hedges of purchases of raw materials.

l) Financial assets and financial liabilities
Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

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

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

There are four categories of financial assets and financial liabilities. These are described as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss include derivative assets and derivative liabilities not designated as effective hedging instruments.

All gains or losses arising from changes in the fair value of financial assets or financial liabilities within this category are recognised in the income statement.

a. Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

These include derivatives embedded in host contracts. Such embedded derivatives need not be accounted for separately if the host contract is already fair valued; if it is not considered as a derivative if it is freestanding; or if it can be demonstrated that it is closely related to the host contract. There are certain currency exemptions which the group has applied to these rules which limit the need to account for certain potential embedded foreign exchange derivatives. These are: if a contract is denominated in the functional currency of either party; where that currency is commonly used in international trade of the good traded; or if it is commonly used for local transactions in an economic environment.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the income statement. (See note x for the group's accounting policy on hedge accounting.)

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are initially recognised at fair value including originating fees and transaction costs, and subsequently measured at amortised cost using the effective interest method less provision for impairment. Loans and receivables include trade receivables, amounts owed by associates, amounts owed by joint ventures – trade, accrued income and cash and cash equivalents.

a. Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. This provision is recognised in the income statement.

b. Cash and cash equivalents
In the consolidated balance sheet, cash and cash equivalents includes cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated cash flow statement, cash and cash equivalents also includes bank overdrafts which are shown within borrowings in current liabilities on the balance sheet.

1. Accounting policies continued

(iii) Available for sale investments
Available for sale investments are non-derivative financial assets that are either designated in this category or not classified as financial assets at fair value through profit or loss, or loans and receivables. Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognised at fair value plus transaction costs and are subsequently remeasured at fair value and tested for impairment. Gains and losses arising from changes in fair value including any related foreign exchange movements are recognised in other comprehensive income. On disposal or impairment of available for sale investments, any gains or losses in other comprehensive income are reclassified to the income statement.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

(iv) Financial liabilities held at amortised cost
Financial liabilities held at amortised cost include trade payables, accruals, amounts owed to associates, amounts owed to joint ventures – trade, other payables and borrowings.

a. Trade payables
Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be realised.

b. Borrowings
Borrowings are recognised initially at fair value, net of transaction costs, and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note x). Bank overdrafts are shown within borrowings in current liabilities and are included within cash and cash equivalents on the face of the cash flow statement as they form an integral part of the group's cash management.

m) Impairment
This policy covers all assets except inventories (see note k), financial assets (see note l), non-current assets classified as held for sale (see note n), and deferred tax assets (see note u).

Impairment reviews are performed by comparing the carrying value of the non-current asset with its recoverable amount, being the higher of the fair value less costs of disposal and value in use. The fair value less costs of disposal is considered to be the amount that could be obtained on disposal of the asset. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the cash generating unit (CGU) using a post-tax discount rate, as this closely approximates applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is reperformed on a pre-tax basis in order to determine the impairment loss to be recorded.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group estimates the recoverable amount of the CGU to which the asset belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

An impairment loss is held firstly against any specifically impaired assets. Where an impairment is recognised against a CGU, the impairment is first taken against goodwill balances and if there is a remaining loss it is set against the remaining intangible and tangible assets on a pro-rata basis.

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the income statement in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset is restricted to the amount that it would have been had the original impairment not occurred. Impairment losses in respect of goodwill are irreversible.

Goodwill is tested annually for impairment. Assets subject to amortisation or depreciation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

n) Non-current assets (or disposal groups) held for sale
Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs of disposal.

Such assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification.

o) Provisions
Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in the income statement within net finance costs.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Provisions are recognised for onerous contracts where the unavoidable cost exceeds the expected benefit.

p) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Investments in own shares (treasury and shares held by employee benefit trusts)
Shares held by employee share ownership plans, employee benefit trusts and in treasury are treated as a deduction from equity until the shares are cancelled, reissued or disposed.

Purchases of such shares are classified in the cash flow statement as a purchase of own shares for share trusts or purchase of own shares for treasury within net cash from financing activities.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and related tax effects, is included in equity attributable to the company's equity shareholders.

Notes to the consolidated financial statements continued

1. Accounting policies continued

r) Revenue recognition

(i) Sale of goods and services

Revenue represents the fair value of consideration received or receivable for goods and services provided to third parties and is recognised when the risks and rewards of ownership are substantially transferred.

The group presents revenue gross of excise duties because, unlike value added tax, excise is not directly related to the value of sales. It is not generally recognised as a separate item on invoices, increases in excise are not always directly passed on to customers, and the group cannot reclaim the excise where customers do not pay for product received. The group therefore considers excise as a cost to the group and reflects it as a production cost. Consequently, any excise that is recovered in the sale price is included in revenue.

Revenue excludes value added tax. It is stated net of price discounts, promotional discounts, settlement discounts and after an appropriate amount has been provided to cover the sales value of credit notes yet to be issued that relate to the current and prior periods.

The same recognition criteria also apply to the sale of by-products and waste (such as spent grain, malt dust and yeast) with the exception that these are included within other income.

(ii) Interest income

Interest income is recognised on an accruals basis using the effective interest method.

When a receivable is impaired, the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continuing to unwind the discount as interest income.

(iii) Royalty income

Royalty income is recognised on an accruals basis in accordance with the relevant agreements and is included in other income.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

s) Operating leases

Rentals paid and incentives received on operating leases are charged or credited to the income statement on a straight-line basis over the lease term.

t) Exceptional items

Where certain expense or income items recorded in a period are material by their size or incidence, the group reflects such items as exceptional items within a separate line on the income statement except for those exceptional items that relate to associates, joint ventures, net finance costs and tax. (Associates' and joint ventures' net finance costs and tax exceptional items are only referred to in the notes to the consolidated financial statements.)

Exceptional items are also summarised in the segmental analyses, excluding those that relate to net finance costs and tax.

The group presents alternative earnings per share calculations on a headline and adjusted basis. The adjusted earnings per share figure excludes the impact of amortisation of intangible assets (excluding computer software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Headline earnings per share is calculated in accordance with the South African Circular 2/2013 entitled 'Headline Earnings' which forms part of the listing requirements for the JSE Ltd (JSE).

u) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill (in the case of deferred tax liabilities) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary. Deferred income tax is also recognised in respect of the unremitted retained earnings of overseas associates and joint ventures as the group is not able to determine when such earnings will be remitted and when such additional tax such as withholding taxes might be payable.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

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

v) Dividend distributions

Dividend distributions to equity holders of the parent are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

w) Employee benefits

(i) Wages and salaries

Wages and salaries for current employees are recognised in the income statement as the employees' services are rendered.

(ii) Vacation and long-term service awards costs

The group recognises a liability and an expense for accrued vacation pay when such benefits are earned and not when these benefits are paid.

1. Accounting policies continued

The group also recognises a liability and an expense for long-term service awards where cash is paid to the employee at certain milestone dates in a career with the group. Such accruals are appropriately discounted to reflect the future payment dates at discount rates determined by reference to local high quality corporate bonds.

(iii) Profit-sharing and bonus plans
The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. At a mid-year point an accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year end.

(iv) Share-based compensation
The group operates a variety of equity-settled share-based compensation plans.

The equity-settled plans comprise share option and stock appreciation rights plans (with and without market performance conditions attached), performance share award plans (with market performance conditions attached) and awards related to the employee element of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. An expense is recognised to spread the fair value of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. In addition the group has granted an equity-settled share-based payment to retailers in relation to the retailer element of the BBBEE scheme. A one-off charge has been recognised based on the fair value at the grant date with a corresponding adjustment to equity. The charge will not be adjusted in the future.

The charges are based on the fair value of the awards as at the date of grant, as calculated by various binomial model calculations and Monte Carlo simulations.

The charges are not reversed if the options, rights and awards are not exercised because the market value of the shares is lower than the option price at the date of grant.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

For cash-settled plans a liability is recognised at fair value in the balance sheet over the vesting period with a corresponding charge to the income statement. The liability is remeasured at each reporting date, on an actuarial basis using the analytic method, to reflect the revised fair value and to adjust for changes in assumptions such as leavers. Changes in the fair value of the liability are recognised in the income statement. Actual settlement of the liability will be at its intrinsic value with the difference recognised in the income statement.

(v) Pension obligations
The group has both defined benefit and defined contribution plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

The contributions to defined contribution plans are recognised as an expense as the costs become payable. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(vi) Other post-employment obligations
Some group companies provide post-retirement healthcare benefits to qualifying employees. The expected costs of these benefits are assessed in accordance with the advice of qualified actuaries and contributions are made to the relevant funds over the expected service lives of the employees entitled to those funds. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(vii) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

x) Derivative financial instruments – hedge accounting
Financial assets and financial liabilities at fair value through profit or loss include all derivative financial instruments. The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange, commodity price and interest rate risks), comprise interest rate swaps, cross currency swaps, forward foreign exchange contracts, commodity contracts and other specific instruments as necessary under the approval of the board. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. The group also has derivatives embedded in other contracts, primarily cross border foreign currency supply contracts for raw materials.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document at inception the relationship between the hedged item and the hedging instrument as well as its risk management objectives and strategy for undertaking hedging transactions. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The group designates certain derivatives as: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions or commitments (cash flow hedge); or hedges of net investments in foreign operations (net investment hedge).

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the group's interest rate risk and foreign exchange risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the income statement in the period incurred.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain assets and liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

(iii) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations comprise either foreign currency borrowings or derivatives (typically forward exchange contracts and cross currency swaps) designated in a hedging relationship.

Gains or losses on hedging instruments that are regarded as highly effective are recognised in other comprehensive income. These largely offset foreign currency gains or losses arising on the translation of net investments that are recorded in equity, in the foreign currency translation reserve. The ineffective portion of gains or losses on hedging instruments is recognised immediately in the income statement. Amounts accumulated in equity are only reclassified to the income statement upon disposal of the net investment.

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are reclassified to the income statement. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, while providing effective economic hedges under the group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the income statement. The group does not hold or issue derivative financial instruments for speculative purposes.

y) Deposits by customers

Returnable containers in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for branded returnable containers are reflected in the balance sheet within current liabilities. Any estimated liability that may arise in respect of deposits for unbranded containers is shown in provisions.

z) Earnings per share

Basic earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in the group's employee benefit trusts and in treasury during the year.

Diluted earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders of the parent, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in the group's employee benefit trusts and in treasury during the year, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

2. Segmental analysis

Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group NPR and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focused geographically and, while not meeting the definition of reportable segments, the group reports separately as segments South Africa: Hotels and Gaming and Corporate as this provides useful additional information.

The segmental information presented below includes the reconciliation of GAAP measures presented on the face of the income statement to non-GAAP measures which are used by management to analyse the group's performance.

Income statement

	Group NPR 2014 US$m	EBITA 2014 US$m	Group NPR 2013 US$m	EBITA 2013[1] US$m
Latin America	**5,745**	**2,192**	5,802	2,112
Europe	**4,574**	**703**	4,300	784
North America	**4,665**	**797**	4,656	740
Africa	**3,424**	**939**	3,290	838
Asia Pacific	**3,944**	**845**	4,005	854
South Africa:	**4,367**	**1,138**	4,879	1,253
– Beverages	**3,997**	**1,015**	4,475	1,119
– Hotels and Gaming	**370**	**123**	404	134
Corporate	**–**	**(161)**	–	(202)
	26,719	**6,453**	26,932	6,379
Amortisation of intangible assets (excluding computer software) – group and share of associates' and joint ventures'		**(436)**		(483)
Exceptional items in operating profit – group and share of associates' and joint ventures'		**(202)**		(205)
Net finance costs – group and share of associates' and joint ventures' (excluding exceptional items)		**(741)**		(770)
Share of associates' and joint ventures' taxation		**(162)**		(164)
Share of associates' and joint ventures' non-controlling interests		**(89)**		(78)
Profit before taxation		**4,823**		4,679

[1] As restated (see note 28).

Group revenue and group NPR (including the group's share of associates and joint ventures)
With the exception of South Africa: Hotels and Gaming, all reportable segments derive their revenues from the sale of beverages. Revenues are derived from a large number of customers which are internationally dispersed, with no customers being individually material.

	Revenue 2014 US$m	Share of associates' and joint ventures' revenue 2014 US$m	Group revenue 2014 US$m	Excise duties and other similar taxes 2014 US$m	Share of associates' and joint ventures' excise duties and other similar taxes 2014 US$m	Group NPR 2014 US$m
Latin America	**7,812**	**–**	**7,812**	**(2,067)**	**–**	**5,745**
Europe	**4,319**	**1,726**	**6,045**	**(1,009)**	**(462)**	**4,574**
North America	**143**	**5,199**	**5,342**	**(4)**	**(673)**	**4,665**
Africa	**2,405**	**1,653**	**4,058**	**(437)**	**(197)**	**3,424**
Asia Pacific	**3,285**	**2,166**	**5,451**	**(1,235)**	**(272)**	**3,944**
South Africa:	**4,347**	**1,029**	**5,376**	**(855)**	**(154)**	**4,367**
– Beverages	**4,347**	**604**	**4,951**	**(855)**	**(99)**	**3,997**
– Hotels and Gaming	**–**	**425**	**425**	**–**	**(55)**	**370**
	22,311	**11,773**	**34,084**	**(5,607)**	**(1,758)**	**26,719**

	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m
Latin America	7,821	–	7,821	(2,019)	–	5,802
Europe	4,292	1,475	5,767	(995)	(472)	4,300
North America	141	5,214	5,355	(4)	(695)	4,656
Africa	2,267	1,586	3,853	(420)	(143)	3,290
Asia Pacific	3,797	1,888	5,685	(1,440)	(240)	4,005
South Africa:	4,895	1,111	6,006	(950)	(177)	4,879
– Beverages	4,895	645	5,540	(950)	(115)	4,475
– Hotels and Gaming	–	466	466	–	(62)	404
	23,213	11,274	34,487	(5,828)	(1,727)	26,932

Notes to the consolidated financial statements continued

2. Segmental analysis continued

Operating profit and EBITA (segment result)

The following table provides a reconciliation of operating profit to operating profit before exceptional items, and to EBITA. EBITA comprises operating profit before exceptional items, and amortisation of intangible assets (excluding computer software) and includes the group's share of associates' and joint ventures' operating profit on a similar basis.

	Operating profit 2014 US$m	Exceptional items 2014 US$m	Operating profit before exceptional items 2014 US$m	Share of associates' and joint ventures' operating profit before exceptional items 2014 US$m	Amortisation of intangible assets (excluding computer software) 2014 US$m	Share of associates' and joint ventures' amortisation of intangible assets (excluding computer software) 2014 US$m	EBITA 2014 US$m
Latin America	**2,116**	**(47)**	**2,069**	**–**	**123**	**–**	**2,192**
Europe	**565**	**11**	**576**	**79**	**20**	**28**	**703**
North America	**9**	**–**	**9**	**746**	**–**	**42**	**797**
Africa	**560**	**(25)**	**535**	**398**	**6**	**–**	**939**
Asia Pacific	**365**	**103**	**468**	**165**	**212**	**–**	**845**
South Africa:	**910**	**33**	**943**	**190**	**–**	**5**	**1,138**
– Beverages	**910**	**33**	**943**	**72**	**–**	**–**	**1,015**
– Hotels and Gaming	**–**	**–**	**–**	**118**	**–**	**5**	**123**
Corporate	**(283)**	**122**	**(161)**	**–**	**–**	**–**	**(161)**
	4,242	**197**	**4,439**	**1,578**	**361**	**75**	**6,453**

	2013[1] US$m	2013 US$m	2013[1] US$m	2013[1] US$m	2013 US$m	2013 US$m	2013[1] US$m
Latin America	1,920	63	1,983	–	129	–	2,112
Europe	588	64	652	76	21	35	784
North America	7	–	7	690	–	43	740
Africa	518	(79)	439	392	7	–	838
Asia Pacific	357	104	461	156	237	–	854
South Africa:	1,030	22	1,052	190	–	11	1,253
– Beverages	1,030	22	1,052	67	–	–	1,119
– Hotels and Gaming	–	–	–	123	–	11	134
Corporate	(228)	26	(202)	–	–	–	(202)
	4,192	200	4,392	1,504	394	89	6,379

[1] As restated (see note 28).

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

	2014 US$m	2013[1] US$m
Share of associates' and joint ventures' operating profit (before exceptional items)	**1,578**	1,504
Share of associates' and joint ventures' exceptional items in operating profit	**(5)**	(5)
Share of associates' and joint ventures' net finance costs	**(96)**	(44)
Share of associates' and joint ventures' taxation	**(162)**	(164)
Share of associates' and joint ventures' non-controlling interests	**(89)**	(78)
Share of post-tax results of associates and joint ventures	**1,226**	1,213

[1] As restated (see note 28).

2. Segmental analysis continued

EBITDA

EBITA is reconciled to EBITDA as follows.

	EBITA 2014 US$m	Depreciation 2014 US$m	Share of associates' and joint ventures' depreciation 2014 US$m	EBITDA 2014 US$m	EBITA 2013[1] US$m	Depreciation 2013 US$m	Share of associates' and joint ventures' depreciation 2013 US$m	EBITDA 2013[1] US$m
Latin America	**2,192**	**328**	**–**	**2,520**	2,112	337	–	2,449
Europe	**703**	**222**	**92**	**1,017**	784	205	70	1,059
North America	**797**	**–**	**131**	**928**	740	–	126	866
Africa	**939**	**116**	**107**	**1,162**	838	98	103	1,039
Asia Pacific	**845**	**72**	**132**	**1,049**	854	79	108	1,041
South Africa:	**1,138**	**151**	**32**	**1,321**	1,253	172	36	1,461
– Beverages	**1,015**	**151**	**8**	**1,174**	1,119	172	8	1,299
– Hotels and Gaming	**123**	**–**	**24**	**147**	134	–	28	162
Corporate	**(161)**	**31**	**–**	**(130)**	(202)	28	–	(174)
	6,453	**920**	**494**	**7,867**	6,379	919	443	7,741

[1] As restated (see note 28).

Adjusted EBITDA

Adjusted EBITDA comprised the following.

	2014 US$m	2013[1] US$m
Subsidiaries' EBITDA	**5,720**	5,705
– Operating profit before exceptional items	**4,439**	4,392
– Depreciation (including amortisation of computer software)	**920**	919
– Amortisation (excluding computer software)	**361**	394
Group's share of MillerCoors' EBITDA	**919**	859
– Operating profit before exceptional items	**746**	690
– Depreciation (including amortisation of computer software)	**131**	126
– Amortisation (excluding computer software)	**42**	43
Adjusted EBITDA	**6,639**	6,564

[1] As restated (see note 28).

Other segmental information

	Capital expenditure excluding investment activity[1] 2014 US$m	Investment activity[2] 2014 US$m	Total 2014 US$m	Capital expenditure excluding investment activity[1] 2013 US$m	Investment activity[2] 2013 US$m	Total 2013 US$m
Latin America	**413**	**(88)**	**325**	528	–	528
Europe	**252**	**–**	**252**	216	–	216
North America	**1**	**188**	**189**	–	272	272
Africa	**416**	**42**	**458**	391	29	420
Asia Pacific	**96**	**201**	**297**	88	(78)	10
South Africa: Beverages	**247**	**–**	**247**	228	–	228
Corporate	**60**	**1**	**61**	28	(5)	23
	1,485	**344**	**1,829**	1,479	218	1,697

[1] Capital expenditure includes additions of intangible assets (excluding goodwill) and property, plant and equipment.

[2] Investment activity includes acquisitions and disposals of businesses, net investments in associates and joint ventures, purchases of shares in non-controlling interests and purchases and disposals of available for sale investments.

Notes to the consolidated financial statements continued

2. Segmental analysis continued

Geographical information
The UK is the parent company's country of domicile. Those countries which account for more than 10% of the group's total revenue and/or non-current assets are considered individually material and are reported separately below.

Revenue

	2014 US$m	2013 US$m
UK	**394**	378
Australia	**2,680**	3,064
Colombia	**3,681**	3,742
South Africa	**4,347**	4,896
USA	**129**	129
Rest of world	**11,080**	11,004
	22,311	23,213

Non-current assets

	2014 US$m	2013 US$m
UK	**333**	388
Australia	**12,500**	14,351
Colombia	**7,781**	8,465
South Africa	**2,237**	2,368
USA	**5,839**	5,804
Rest of world	**18,933**	18,409
	47,623	49,785

Non-current assets by location exclude amounts relating to derivative financial instruments and deferred tax assets.

3. Net operating expenses

	2014 US$m	2013[1] US$m
Cost of inventories recognised as an expense	**4,711**	5,043
– Changes in inventories of finished goods and work in progress	**(15)**	93
– Raw materials and consumables used	**4,726**	4,950
Excise duties and other similar taxes	**5,607**	5,828
Employee costs (see note 6a)	**2,491**	2,704
Depreciation of property, plant and equipment	**854**	867
– Containers	**233**	226
– Other	**621**	641
Net profit on disposal of businesses	**(72)**	(79)
Loss/(gain) on dilution of investment in associates	**18**	(4)
(Profit)/loss on disposal of property, plant and equipment	**(17)**	13
Amortisation of intangible assets	**427**	450
– Intangible assets (excluding computer software)	**361**	394
– Computer software	**66**	56
Other expenses	**4,431**	4,561
– Selling, marketing and distribution costs	**2,468**	2,582
– Repairs and maintenance expenditure on property, plant and equipment	**324**	333
– Impairment of goodwill	**–**	11
– Impairment of intangible assets	**8**	–
– Impairment of property, plant and equipment	**52**	39
– Impairment of trade and other receivables	**30**	23
– Operating lease rentals – land and buildings	**81**	64
– Operating lease rentals – plant, vehicles and systems	**86**	95
– Research and development expenditure	**4**	4
– Other operating expenses	**1,378**	1,410
Total net operating expenses by nature	**18,450**	19,383
Other income	**(381)**	(362)
– Revenue received from royalties	**(51)**	(55)
– Dividends received from investments	**(1)**	(1)
– Other operating income	**(329)**	(306)
Net operating expenses	**18,069**	19,021

[1] As restated (see note 28).

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under IAS 39, were a loss of US$32 million (2013: US$14 million).

Notes to the consolidated financial statements continued

3. Net operating expenses continued

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

	2014 US$m	2013 US$m
Group auditors		
Fees payable to the company's auditor and its associates for the audit of parent company and consolidated financial statements	**3**	2
Fees payable to company's auditor and its associates for other audit services:		
The audit of the company's subsidiaries	**7**	9
Total audit fees payable to the company's auditor	**10**	11
Audit-related assurance services	**–**	1
Taxation compliance services	**1**	1
Taxation advisory services	**2**	1
Other non-audit services		
Services relating to information technology[1]	**–**	1
Other	**1**	1
Total fees payable to the company's auditor	**14**	16
Other audit firms		
Fees payable to other auditor firms for:		
The audit of the company's subsidiaries	**1**	1
Taxation advisory services	**6**	3
Internal audit services	**4**	1
Other non-audit services		
Services relating to information technology[1]	**2**	12
Other[1]	**35**	12
Total fees payable to other audit firms	**48**	29

[1] Consulting services principally relating to the capability programmes.

4. Exceptional items

	2014 US$m	2013 US$m
Exceptional items included in operating profit:		
Net profit on disposal of businesses	**72**	79
Capability programme costs	**(133)**	(141)
Integration and restructuring costs	**(103)**	(91)
Broad-Based Black Economic Empowerment scheme charges	**(33)**	(17)
Impairments	**–**	(30)
Net exceptional losses included within operating profit	**(197)**	(200)
Share of associates' and joint ventures' exceptional items:		
Capability programme costs	**(5)**	–
Impairments	**–**	(5)
Share of associates' and joint ventures' exceptional losses	**(5)**	(5)
Non-controlling interests' share of associates' and joint ventures' exceptional losses	**–**	2
Group's share of associates' and joint ventures' exceptional losses	**(5)**	(3)
Net taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items	**27**	20

4. Exceptional items continued

Exceptional items included in operating profit

Net profit on disposal of businesses

During 2014 a net profit of US$47 million, after associated costs, was realised on the disposal of the milk and juice business in Panama, Latin America and an additional profit of US$25 million (2013: US$79 million) was realised in Africa in relation to the disposal in 2012 of the group's Angolan operations in exchange for a 27.5% interest in BIH Angola, following the successful resolution of certain matters leading to the release of provisions.

Capability programme costs

The business capability programme streamlined finance, human resources and procurement activities through the deployment of global systems and introduced common sales, distribution and supply chain management systems. Costs of US$79 million were incurred in the year (2013: US$141 million). Costs of US$54 million (2013: US$nil) were incurred in the year in relation to the new cost saving and efficiency programme which will build upon and extend what has been delivered under the business capability programme.

Integration and restructuring costs

During 2014 US$103 million (2013: US$74 million) of integration and restructuring costs were incurred in Asia Pacific following the Foster's and Pacific Beverages acquisitions, including impairments relating to the closure of a brewery and the discontinuation of a brand.

In 2013 US$17 million of restructuring costs were incurred in South Africa: Beverages.

Broad-Based Black Economic Empowerment related charges

In 2014 US$13 million (2013: US$17 million) of charges have been incurred in relation to the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. This represents the final year of IFRS 2 share-based payment charges in respect of the employee element of the scheme. Additionally a US$20 million loss was incurred on the dilution of the group's investment in its associate, Distell Group Ltd, as a result of the exercise of share options issued as part of its BBBEE scheme.

Impairments

In 2013 a US$30 million impairment charge was incurred in respect of the Vietnam business in Asia Pacific. The impairment charge comprised US$11 million against goodwill and US$19 million against property, plant and equipment.

Share of associates' and joint ventures' exceptional items

Capability programme costs

During 2014 restructuring costs associated with the group's new cost saving programme were incurred in MillerCoors. The group's share amounted to US$5 million.

Impairments

In 2013 an impairment of a soft drinks plant in BIH Angola amounted to US$5 million. After taking account of non-controlling interests, the group's share was US$3 million.

Net taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items

Net taxation credits of US$27 million (2013: US$20 million) arose in relation to exceptional items during the year and include US$2 million (2013: US$nil) in relation to MillerCoors although the tax credit is recognised in Miller Brewing Company (see note 7).

5. Net finance costs

	2014 US$m	2013[1] US$m
a. Finance costs		
Interest payable on bank loans and overdrafts	**110**	183
Interest payable on derivatives	**222**	255
Interest payable on corporate bonds	**647**	677
Interest element of finance lease payments	**3**	1
Net fair value losses on financial instruments	**34**	–
Net exchange losses[2]	**–**	23
Other finance charges	**39**	47
Total finance costs	**1,055**	1,186
b. Finance income		
Interest receivable	**24**	39
Interest receivable on derivatives	**338**	355
Net fair value gains on financial instruments[3]	**–**	62
Net exchange gains	**36**	–
Other finance income	**12**	4
Total finance income	**410**	460
Net finance costs	**645**	726

[1] As restated (see note 28).

[2] In 2013: net gains of US$2 million were excluded from the determination of adjusted earnings per share.

[3] In 2013: net gains of US$10 million were excluded from the determination of adjusted earnings per share.

Adjusted net finance costs were US$645 million (2013: US$738 million, restated).

Refer to note 21 – Financial risk factors for interest rate risk information.

Notes to the consolidated financial statements continued

6. Employee and key management compensation costs

a. Employee costs

	2014 US$m	2013[1] US$m
Wages and salaries	**2,063**	2,163
Share-based payments	**154**	201
Social security costs	**160**	215
Pension costs	**117**	130
Post-retirement benefits other than pensions	**7**	11
	2,501	2,720

[1] As restated (see note 28).

Of the US$2,501 million employee costs shown above, US$10 million (2013: US$16 million) has been capitalised within intangible assets and property, plant and equipment.

b. Employee numbers

The average monthly number of employees is shown on a full-time equivalent basis, excluding employees of associated and joint venture undertakings and including executive directors.

	2014 Number	2013 Number
Latin America	**29,296**	29,882
Europe	**10,174**	10,489
North America	**97**	82
Africa	**13,236**	12,652
Asia Pacific	**5,113**	5,128
South Africa	**11,167**	11,438
Corporate	**864**	815
	69,947	70,486

c. Key management compensation

The directors of the group and members of the executive committee (excom) are defined as key management. At 31 March 2014 there were 25 (2013: 26) key management.

	2014 US$m	2013 US$m
Salaries and short-term employee benefits	**30**	34
Post-employment benefits	**2**	2
Share-based payments	**63**	61
	95	97

d. Directors

	2014 US$m	2013 US$m
Aggregate emoluments £6,287,359 (2013: £6,689,562)	**10**	11
Aggregate gains made on the exercise of share options or release of share awards[1]	**15**	12
Notional contributions to unfunded retirement benefits scheme £626,955 (2013: £767,000)	**1**	1
	26	24

[1] Excludes gains made on share options exercised and share awards released posthumously.

At 31 March 2014 one director (2013: two) had retirement benefits accruing under money purchase pension schemes. Company contributions to money purchase pension schemes during the year amounted to £50,000 (2013: £11,364).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 62 to 84.

7. Taxation

	2014 US$m	2013[1] US$m
Current taxation	**1,096**	1,118
– Charge for the year	**1,086**	1,131
– Adjustments in respect of prior years	**10**	(13)
Withholding taxes and other remittance taxes	**188**	170
Total current taxation	**1,284**	1,288
Deferred taxation	**(111)**	(96)
– Credit for the year	**(75)**	(37)
– Adjustments in respect of prior years	**(36)**	5
– Rate change	**–**	(64)
Taxation expense	**1,173**	1,192
Tax charge/(credit) relating to components of other comprehensive loss is as follows:		
Deferred tax charge/(credit) on net remeasurements of defined benefit plans	**13**	(19)
Deferred tax credit on financial instruments	**(1)**	(6)
	12	(25)
Total current tax	**1,284**	1,288
Total deferred tax	**(99)**	(121)
Total taxation	**1,185**	1,167
Effective tax rate (%)	**26.0**	27.0
UK taxation included in the above		
Current taxation	**–**	–
Withholding taxes and other remittance taxes	**102**	133
Total current taxation	**102**	133
Deferred taxation	**–**	24
UK taxation expense	**102**	157

[1] As restated (see note 28).

See the financial definitions section for the definition of the effective tax rate. The calculation is on a basis consistent with that used in prior years and is also consistent with other group operating metrics. Tax on amortisation of intangible assets (excluding computer software) was US$123 million (2013: US$135 million).

MillerCoors is not a taxable entity. The tax balances and obligations remain with Miller Brewing Company as a 100% subsidiary of the group. This subsidiary's tax charge includes tax (including deferred tax) on the group's share of the taxable profits of MillerCoors and includes tax in other comprehensive income on the group's share of MillerCoors' taxable items included within other comprehensive income.

Tax rate reconciliation

	2014 US$m	2013[1] US$m
Profit before taxation	**4,823**	4,679
Less: Share of post-tax results of associates and joint ventures	**(1,226)**	(1,213)
	3,597	3,466
Tax charge at standard UK rate of 23% (2013: 24%)	**827**	832
Exempt income	**(189)**	(242)
Other incentive allowances	**(28)**	(20)
Expenses not deductible for tax purposes	**24**	157
Deferred tax asset not recognised	**89**	51
Initial recognition of deferred taxation	**(87)**	(28)
Tax impact of MillerCoors joint venture	**178**	171
Withholding taxes and other remittance taxes	**188**	170
Other taxes	**26**	35
Adjustments in respect of foreign tax rates	**160**	124
Adjustments in respect of prior periods	**(26)**	(8)
Deferred taxation rate change	**–**	(64)
Deferred taxation on unremitted earnings	**11**	14
Total taxation expense	**1,173**	1,192

[1] As restated (see note 28).

Notes to the consolidated financial statements continued

8. Earnings per share

	2014 US cents	2013[1] US cents
Basic earnings per share	**211.8**	204.3
Diluted earnings per share	**209.1**	202.0
Headline earnings per share	**211.6**	203.0
Adjusted basic earnings per share	**242.0**	237.2
Adjusted diluted earnings per share	**239.0**	234.5

[1] As restated (see note 28).

The weighted average number of shares was:

	2014 Millions of shares	2013 Millions of shares
Ordinary shares	**1,671**	1,667
Treasury shares	**(67)**	(72)
EBT ordinary shares	**(7)**	(5)
Basic shares	**1,597**	1,590
Dilutive ordinary shares	**20**	19
Diluted shares	**1,617**	1,609

The calculation of diluted earnings per share excludes 6,044,130 (2013: 6,332,436) share options that were non-dilutive for the year because the exercise price of the option exceeded the fair value of the shares during the year and 19,755,628 (2013: 21,226,441) share awards that were non-dilutive for the year because the performance conditions attached to the share awards have not been met. These share incentives could potentially dilute earnings per share in the future.

Incentives involving 9,399,753 shares were granted, and 2,721,860 share incentives were exercised or released after 31 March 2014 and before the signing of these financial statements.

Adjusted and headline earnings
The group presents an adjusted earnings per share figure which excludes the impact of amortisation of intangible assets (excluding computer software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Adjusted earnings per share are based on adjusted earnings for each financial year and on the same number of weighted average shares in issue as the basic earnings per share calculation. Headline earnings per share has been calculated in accordance with the South African Circular 2/2013 entitled 'Headline Earnings' which forms part of the listing requirements for the JSE Ltd (JSE). The adjustments made to arrive at headline earnings and adjusted earnings are as follows.

	2014 US$m	2013[1] US$m
Profit for the year attributable to owners of the parent	**3,381**	3,250
Headline adjustments		
Impairment of goodwill	**–**	11
Impairment of intangible assets	**8**	–
Impairment of property, plant and equipment	**52**	39
Loss on disposal of property, plant and equipment	**–**	13
Net profit on disposal of businesses	**(72)**	(79)
Loss/(gain) on dilution of investments in associates	**20**	(4)
Tax effects of these items	**(11)**	(14)
Non-controlling interests' share of the above items	**1**	(3)
Share of associates' and joint ventures' headline adjustments, net of tax and non-controlling interests	**–**	15
Headline earnings	**3,379**	3,228
Capability programme costs	**133**	141
Broad-Based Black Economic Empowerment scheme charges	**13**	17
Integration and restructuring costs (excluding impairment)	**43**	71
Net gain on fair value movements on capital items[2]	**–**	(12)
Amortisation of intangible assets (excluding computer software)	**361**	394
Tax effects of the above items	**(133)**	(137)
Non-controlling interests' share of the above items	**(4)**	(8)
Share of associates' and joint ventures' other adjustments, net of tax and non-controlling interests	**73**	78
Adjusted earnings	**3,865**	3,772

[1] As restated (see note 28).

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

9. Dividends

	2014 US$m	2013 US$m
Equity		
2013 Final dividend paid: 77.0 US cents (2012: 69.5 US cents) per ordinary share	**1,236**	1,125
2014 Interim dividend paid: 25.0 US cents (2013: 24.0 US cents) per ordinary share	**404**	392
	1,640	1,517

In addition, the directors are proposing a final dividend of 80 US cents per share in respect of the financial year ended 31 March 2014, which will absorb an estimated US$1,280 million of shareholders' funds. If approved by shareholders, the dividend will be paid on 15 August 2014 to shareholders registered on the London and Johannesburg registers as at 8 August 2014. The total dividend per share for the year is 105 US cents (2013: 101 US cents).

Treasury shares do not attract dividends and the employee benefit trusts have both waived their right to receive dividends (further information can be found in note 26).

10. Goodwill

	US$m
Cost	
At 1 April 2012	20,496
Exchange adjustments	(301)
Acquisitions – through business combinations	3
Transfers to disposal group classified as held for sale	(13)
At 31 March 2013	20,185
Exchange adjustments	(1,349)
Acquisitions – through business combinations (provisional) (see note 29)	7
At 31 March 2014	**18,843**
Accumulated impairment	
At 1 April 2012	325
Exchange adjustments	(13)
Impairment	11
At 31 March 2013	323
Exchange adjustments	23
At 31 March 2014	**346**
Net book amount	
At 1 April 2012	20,171
At 31 March 2013	19,862
At 31 March 2014	**18,497**

2014
Provisional goodwill arose on the acquisition of the trade and assets of a wine and spirits business in Africa. The residual value of the net assets acquired has been recognised as goodwill of US$7 million in the financial statements. The fair value exercise in respect of this business combination has yet to be completed.

2013
Goodwill arose on the acquisition through business combination in the year of Darbrew Limited in Tanzania. The fair value exercise in respect of this business combination is now complete.

Notes to the consolidated financial statements continued

10. Goodwill continued

Goodwill is monitored principally on an individual country basis and the net book value is allocated by cash generating unit (CGU) as follows.

	2014 US$m	2013 US$m
CGUs:		
Latin America:		
– Central America	**795**	803
– Colombia	**4,392**	4,706
– Peru	**1,658**	1,796
– Other Latin America	**211**	224
Europe:		
– Czech Republic	**909**	901
– Netherlands	**106**	100
– Italy	**445**	414
– Poland	**1,258**	1,168
– Other Europe	**80**	75
North America	**256**	256
Africa	**247**	250
Asia Pacific:		
– Australia	**7,397**	8,319
– India	**291**	335
– Other Asia Pacific	**1**	1
South Africa	**451**	514
	18,497	19,862

Assumptions

The recoverable amount for a CGU is determined based on value in use calculations. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the CGU using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is reperformed on a pre-tax basis and the fair value less cost to sell calculated, in order to determine the impairment loss to be recorded. The key assumptions for the value in use calculations are as follows.

Expected volume compound annual growth rate (CAGR) – Cash flows are based on financial forecasts approved by management for each CGU covering five-year periods and are dependent on management's expected volume CAGRs which have been determined based on past experience and planned initiatives, and with reference to external sources in respect of macro-economic assumptions. Expected growth rates over the five-year forecast period are generally higher than the long-term average growth rates for the economies in which the CGUs operate as a steady state is not necessarily expected to be reached in this period.

Discount rate – The discount rate (weighted average cost of capital) is calculated using a methodology which reflects the returns from United States Treasury notes with a maturity of 20 years, an equity risk premium adjusted for specific industry and country risks, and inflation differentials. The group applies local post-tax discount rates to local post-tax cash flows.

Long-term growth rate – Cash flows after the first five-year period are extrapolated using a long-term growth rate, in order to calculate the terminal recoverable amount. The long-term growth rate is estimated using historical trends and expected future trends in inflation rates, based on external data.

The following table presents the key assumptions used in the value in use calculations in each of the group's operating segments and relate only to subsidiaries of the group.

	Expected volume CAGRs 2015–2019 %	Post-tax discount rates %	Long-term growth rates %
Latin America	1.8–4.0	7.6–14.0	2.0–5.8
Europe	1.1–4.3	6.8–10.5	2.0–2.5
North America	5.6	6.8	2.0
Africa	7.8–9.4	13.6–14.4	6.5–8.0
Asia Pacific	2.1–6.3	7.4–12.5	2.8–6.5
South Africa	3.2	11.2	5.0

The most material balance is in Australia. For the goodwill in Australia to be at risk of impairment, the following would need to occur: future compound net producer revenue growth to reduce to a level where EBITA growth over the short term is limited to the long-term growth rate of 2.8%; or long-term growth in nominal terms to fall below 1.8%; or the discount rate to rise to 8.2% or higher.

10. Goodwill continued

Impairment reviews results
As a result of the annual impairment reviews, no impairment losses have been recognised in the year.

In 2013 a US$30 million impairment loss was recognised in respect of SABMiller Vietnam Company Limited in Asia Pacific, which was principally due to a deterioration in trading conditions. The impairment loss was allocated to goodwill (US$11 million) and property, plant and equipment (US$19 million).

Sensitivities to assumptions
The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonably possible change in a single assumption will not cause an impairment loss in any of the group's CGUs.

11. Intangible assets

	Brands US$m	Computer software US$m	Other US$m	Total US$m
Cost				
At 1 April 2012	9,974	646	655	11,275
Exchange adjustments	(11)	(36)	2	(45)
Additions – separately acquired	–	149	–	149
Acquisitions – through business combinations	2	–	–	2
Transfers to disposal group classified as held for sale	(9)	–	–	(9)
Disposals	(4)	(7)	–	(11)
At 31 March 2013	9,952	752	657	11,361
Exchange adjustments	(789)	(14)	(65)	(868)
Additions – separately acquired	–	84	–	84
Acquisitions – through business combinations (see note 29)	22	–	–	22
Transfers	3	–	(3)	–
Disposals	–	(11)	(32)	(43)
At 31 March 2014	**9,188**	**811**	**557**	**10,556**
Accumulated amortisation and impairment				
At 1 April 2012	988	287	42	1,317
Exchange adjustments	(9)	(18)	(1)	(28)
Amortisation	335	56	59	450
Transfers to disposal group classified as held for sale	(7)	–	–	(7)
Disposals	–	(6)	–	(6)
At 31 March 2013	1,307	319	100	1,726
Exchange adjustments	(83)	(5)	(7)	(95)
Amortisation	312	66	49	427
Disposals	–	(10)	(32)	(42)
Impairment	8	–	–	8
At 31 March 2014	**1,544**	**370**	**110**	**2,024**
Net book amount				
At 1 April 2012	8,986	359	613	9,958
At 31 March 2013	8,645	433	557	9,635
At 31 March 2014	**7,644**	**441**	**447**	**8,532**

During 2014 impairment charges in respect of intangible assets totalling US$8 million (2013: US$nil) were recognised, all in Asia Pacific.

At 31 March significant individual brands included within the carrying value of intangible assets are as follows.

	2014 US$m	2013 US$m	Amortisation period remaining (years)
Brand carrying value			
Carlton (Australia)	**1,853**	2,139	**38**
Águila (Colombia)	**1,335**	1,478	**31**
Victoria Bitter (Australia)	**935**	1,080	**38**
Cristal (Peru)	**578**	646	**31**
Grolsch (Netherlands)	**439**	421	**34**

Notes to the consolidated financial statements continued

12. Property, plant and equipment

	Assets in course of construction US$m	Land and buildings US$m	Plant, vehicles and systems US$m	Returnable containers US$m	Total US$m
Cost					
At 1 April 2012	584	3,765	8,250	2,067	14,666
Exchange adjustments	(18)	(163)	(505)	(147)	(833)
Additions	720	25	324	296	1,365
Acquisitions – through business combinations	–	1	1	–	2
Breakages and shrinkage	–	–	–	(71)	(71)
Transfers	(733)	115	532	86	–
Transfers from other assets	–	–	3	–	3
Transfers to disposal group classified as held for sale	–	(2)	(10)	–	(12)
Disposals	(11)	(18)	(313)	(138)	(480)
At 31 March 2013	542	3,723	8,282	2,093	14,640
Exchange adjustments	(33)	(157)	(474)	(113)	(777)
Additions	716	23	346	364	1,449
Acquisitions – through business combinations (see note 29)	–	8	4	–	12
Breakages and shrinkage	–	–	–	(216)	(216)
Transfers	(618)	93	423	102	–
Transfers (to)/from other assets	–	–	(8)	1	(7)
Disposals	(1)	(25)	(179)	(180)	(385)
At 31 March 2014	**606**	**3,665**	**8,394**	**2,051**	**14,716**
Accumulated depreciation and impairment					
At 1 April 2012	–	672	3,776	1,056	5,504
Exchange adjustments	–	(43)	(273)	(82)	(398)
Provided during the year	–	78	563	226	867
Breakages and shrinkage	–	–	–	(24)	(24)
Impairment	–	4	35	–	39
Transfers to disposal group classified as held for sale	–	(1)	(6)	–	(7)
Disposals	–	(8)	(293)	(99)	(400)
At 31 March 2013	–	702	3,802	1,077	5,581
Exchange adjustments	–	(43)	(273)	(53)	(369)
Provided during the year	–	77	544	233	854
Breakages and shrinkage	–	–	–	(136)	(136)
Impairment	–	2	50	–	52
Transfers	–	1	(50)	49	–
Transfers to other assets	–	–	(1)	–	(1)
Disposals	–	(16)	(156)	(158)	(330)
At 31 March 2014	**–**	**723**	**3,916**	**1,012**	**5,651**
Net book amount					
At 1 April 2012	584	3,093	4,474	1,011	9,162
At 31 March 2013	542	3,021	4,480	1,016	9,059
At 31 March 2014	**606**	**2,942**	**4,478**	**1,039**	**9,065**

As a result of the annual impairment reviews, no impairment losses have been recognised in the year (2013: US$19 million) (see note 10).

Included in land and buildings is freehold land with a cost of US$695 million (2013: US$725 million) which is not depreciated.

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

	2014 US$m	2013 US$m
Net book amount	**61**	40

12. Property, plant and equipment continued

Included in the net book amounts above are the following amounts in respect of borrowing costs capitalised.

	2014 US$m	2013 US$m
At 1 April	**45**	53
Exchange adjustments	**(4)**	(4)
Amortised during the year	**(4)**	(4)
At 31 March	**37**	45

No borrowing costs were capitalised during the year (2013: none).

Borrowings are secured by various of the group's property, plant and equipment with an aggregate net book value of US$87 million (2013: US$21 million).

13. Investments in joint ventures

A list of the group's significant investments in joint ventures, including the name, country of incorporation and effective ownership interest is given in note 34 to the consolidated financial statements.

	US$m
At 1 April 2012	5,520
Investments in joint ventures	272
Share of results retained[1]	686
Share of other comprehensive loss[1]	(45)
Dividends received	(886)
At 31 March 2013	5,547
Investments in joint ventures	188
Share of results retained	737
Share of other comprehensive income	12
Dividends received	(903)
At 31 March 2014	**5,581**

[1] As restated (see note 28).

Summarised financial information for the group's interest in joint ventures is shown below.

	2014 US$m	2013[1] US$m
Revenue	**5,199**	5,214
Expenses	**(4,462)**	(4,528)
Profit after tax	**737**	686
Non-current assets	**5,634**	5,626
Current assets	**585**	593
Current liabilities	**(552)**	(521)
Non-current liabilities	**(763)**	(829)

[1] As restated (see note 28).

Notes to the consolidated financial statements continued

14. Investments in associates

A list of the group's significant investments in associates, including the name, country of incorporation and effective ownership interest is given in note 34 to the consolidated financial statements.

	US$m
At 1 April 2012	5,072
Exchange adjustments	(161)
Investments in associates	106
Disposal of investments in associates	(21)
Share of results retained	527
Share of gains recognised in other comprehensive loss	6
Dividends receivable	(113)
At 31 March 2013	5,416
Exchange adjustments	(264)
Investments in associates	231
Share of results retained	489
Share of gains recognised in other comprehensive income	133
Share of movements in other reserves	6
Dividends receivable	(224)
At 31 March 2014	**5,787**

2014
There have been no acquisitions or disposals of associates in the year. The increase in investments in associates primarily relates to increased investment in our Chinese associate to partly fund the Kingway acquisition.

2013
On 7 November 2012 Foster's sold its 49.9% interest in Foster's USA LLC to MillerCoors LLC at no gain or loss to the group. Foster's USA LLC is now wholly owned by MillerCoors LLC.

The analysis of associate undertakings between listed and unlisted investments is shown below.

	2014 US$m	2013 US$m
Listed	**2,306**	2,580
Unlisted	**3,481**	2,836
	5,787	5,416
As at 31 March the market value of listed investments included above is:		
– Anadolu Efes	**1,580**	2,318
– Distell Group Ltd	**716**	704
– Delta Corporation Ltd	**354**	351
– Tsogo Sun Holdings Ltd	**1,046**	1,166

Further details on the market value of listed investments in associates is given in note 21 to the consolidated financial statements.

Summarised financial information for associates for total assets, total liabilities, revenue and profit or loss on a 100% basis is shown below.

	2014 US$m	2013 US$m
Total assets	**30,192**	23,249
Total liabilities	**(12,043)**	(8,890)
Revenue	**21,524**	19,046
Net profit	**1,565**	2,155

Some of the group's investments in associated undertakings which operate in African countries are also subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

15. Inventories

	2014 US$m	2013 US$m
Raw materials and consumables	**669**	691
Work in progress	**121**	123
Finished goods and goods for resale	**378**	361
	1,168	1,175

The following amount of inventories are expected to be utilised after 12 months.

	2014 US$m	2013 US$m
Raw materials and consumables	**46**	48

There were no borrowings secured on the inventories of the group (2013: US$nil).

An impairment charge of US$25 million was recognised in respect of inventories during the year (2013: US$15 million).

16. Trade and other receivables

	2014 US$m	2013 US$m
Trade receivables	**1,504**	1,740
Less: provision for impairment	**(144)**	(140)
Trade receivables – net	**1,360**	1,600
Other receivables	**357**	392
Less: provision for impairment	**(12)**	(12)
Other receivables – net	**345**	380
Amounts owed by associates	**42**	68
Amounts owed by joint ventures – trade	**5**	5
Prepayments and accrued income	**208**	158
Total trade and other receivables	**1,960**	2,211
Analysed as:		
Current		
Trade receivables – net	**1,345**	1,584
Other receivables – net	**250**	274
Amounts owed by associates	**32**	59
Amounts owed by joint ventures – trade	**5**	5
Prepayments and accrued income	**189**	145
	1,821	2,067
Non-current		
Trade receivables – net	**15**	16
Other receivables – net	**95**	106
Amounts owed by associates	**10**	9
Prepayments and accrued income	**19**	13
	139	144

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

At 31 March 2014 trade and other receivables of US$450 million (2013: US$466 million) were past due but not impaired. These relate to customers in respect of whom there is no recent history of default. The ageing of these trade and other receivables is shown below.

		Past due				
	Fully performing US$m	Within 30 days US$m	30–60 days US$m	60–90 days US$m	90–180 days US$m	Over 180 days US$m
At 31 March 2014						
Trade receivables	1,022	149	54	23	31	57
Other receivables	231	52	11	6	16	26
Amounts owed by associates	17	4	6	–	–	15
Amounts owed by joint ventures – trade	5	–	–	–	–	–
At 31 March 2013						
Trade receivables	1,255	181	62	15	18	42
Other receivables	290	44	18	5	4	15
Amounts owed by associates	6	2	–	3	4	53
Amounts owed by joint ventures – trade	5	–	–	–	–	–

Notes to the consolidated financial statements continued

16. Trade and other receivables continued

The group holds collateral as security for past due trade receivables to the value of US$10 million (2013: US$17 million). Collateral held primarily includes bank guarantees and charges over assets.

At 31 March 2014 trade receivables of US$168 million (2013: US$167 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2014 was US$144 million (2013: US$140 million) and reflects trade receivables from customers which are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group holds collateral as security against specifically impaired trade receivables with a fair value of US$1 million (2013: US$1 million).

At 31 March 2014 other receivables of US$15 million (2013: US$16 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2014 was US$12 million (2013: US$12 million) and reflects loans to customers which are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group held collateral as security against specifically impaired other receivables at 31 March 2014 of US$nil (2013: US$1 million).

The carrying amounts of trade and other receivables are denominated in the following currencies.

	2014 US$m	2013 US$m
Australian dollar	**176**	260
British pound	**73**	81
Colombian peso	**135**	167
Czech koruna	**78**	91
Euro	**225**	246
Indian rupee	**141**	136
Polish zloty	**185**	211
SA rand	**295**	340
US dollar	**204**	238
Other currencies	**448**	441
	1,960	2,211

Movements on the provisions for impairment of trade receivables and other receivables are as follows.

	Trade receivables		Other receivables	
	2014 US$m	2013 US$m	2014 US$m	2013 US$m
At 1 April	**(140)**	(140)	**(12)**	(12)
Provision for receivables impairment	**(24)**	(23)	**(6)**	–
Receivables written off during the year as uncollectible	**18**	12	**5**	–
Disposals	**–**	4	**–**	–
Exchange adjustments	**2**	7	**1**	–
At 31 March	**(144)**	(140)	**(12)**	(12)

The creation of provisions for impaired receivables is included in net operating expenses in the income statement (see note 3).

17. Cash and cash equivalents

	2014 US$m	2013 US$m
Short-term deposits	**1,589**	1,684
Cash at bank and in hand	**492**	487
	2,081	2,171

Cash and short-term deposits of US$117 million (2013: US$146 million) are held in African countries (including South Africa) and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. As normal dividends are generally able to be paid, these restrictions are not expected to have a material impact on the group's ability to meet its ongoing obligations.

The group operates notional cash pools. The structures facilitate interest and balance compensation of cash and bank overdrafts. These notional pooling arrangements meet the set-off rules under IFRS and, as a result, the cash and overdraft balances have been reported net on the balance sheet. Refer to note 23 for further details of amounts offset in the balance sheet.

Effective 1 January 2012 the group combined the operational management of its Angolan businesses in Africa with the Angolan businesses of its associate, Castel. All of the Angolan businesses, in which the group retains an associate interest, are being managed from that date by Castel. As a result, a participation in a bank loan of US$100 million previously owed by an Angolan subsidiary of the group was no longer entitled to be offset within borrowings.

During the year ended 31 March 2013 Castel paid US$100 million to the group to cover the group's exposure in respect of the loan participation deposit. This resulted in a payable to associate being recorded in the consolidated balance sheet, as the loan participation deposit and the payable to associate are held with different counterparties and therefore were unable to be offset.

During the year ended 31 March 2014 there was a non-cash settlement of the loan participation deposit and the payable to associate.

18. Trade and other payables

	2014 US$m	2013 US$m
Trade payables	**1,333**	1,236
Accruals	**731**	873
Deferred income	**9**	9
Containers in the hands of customers	**453**	504
Amounts owed to associates	**39**	150
Amounts owed to joint ventures – trade	**16**	14
Deferred consideration for acquisitions	**9**	10
Excise duty payable	**358**	363
VAT and other taxes payable	**216**	239
Other payables	**708**	738
Total trade and other payables	**3,872**	4,136
Analysed as:		
Current		
Trade payables	**1,333**	1,236
Accruals	**731**	873
Deferred income	**6**	5
Containers in the hands of customers	**453**	504
Amounts owed to associates – trade	**39**	50
Amounts owed to joint ventures – trade	**16**	14
Deferred consideration for acquisitions	**5**	4
Excise duty payable	**358**	363
VAT and other taxes payable	**216**	239
Other payables	**690**	716
	3,847	4,004
Non-current		
Deferred income	**3**	4
Amounts owed to associates	**–**	100
Deferred consideration for acquisitions	**4**	6
Other payables	**18**	22
	25	132

Notes to the consolidated financial statements continued

19. Deferred taxation

The movement on the net deferred tax liability is shown below.

	2014 US$m	2013[1] US$m
At 1 April	**3,436**	3,602
Exchange adjustments	**(219)**	(45)
Acquisitions – through business combinations (see note 29)	**–**	1
Transfers to disposal group classified as held for sale	**–**	(1)
Rate change	**–**	(64)
Transfers from current tax	**13**	–
Credited to the income statement	**(111)**	(32)
Deferred tax on items (credited)/charged to other comprehensive loss:		
– Financial instruments	**(1)**	(6)
– Remeasurements of defined benefit plans	**13**	(19)
At 31 March	**3,131**	3,436

[1] As restated (see note 28).

The movements in deferred tax assets and liabilities (after offsetting of balances as permitted by IAS 12) during the year are shown below.

	Fixed asset allowances US$m	Pensions and post-retirement benefit provisions US$m	Intangibles US$m	Financial instruments US$m	Investment in MillerCoors joint venture US$m	Other timing differences US$m	Total US$m
Deferred tax liabilities							
At 1 April 2012	707	(14)	2,818	(46)	687	(433)	3,719
Exchange adjustments	(51)	–	2	–	–	2	(47)
Acquisitions – through business combinations	–	–	1	–	–	–	1
Rate change	(64)	–	–	–	–	–	(64)
Transfers from deferred tax assets	(11)	–	–	–	–	(14)	(25)
Transfers to disposal group classified as held for sale	–	–	(1)	–	–	–	(1)
Charged/(credited) to the income statement[1]	104	22	(125)	(2)	35	(85)	(51)
Deferred tax on items charged/(credited) to other comprehensive loss:							
– Financial instruments	–	–	–	1	(7)	–	(6)
– Remeasurements of defined benefit plans[1]	–	(6)	–	–	(13)	–	(19)
At 31 March 2013	685	2	2,695	(47)	702	(530)	3,507
Exchange adjustments	(41)	–	(231)	(1)	–	54	(219)
Transfers from current tax	–	–	–	–	–	16	16
Transfers (from)/to deferred tax assets	(4)	–	2	–	–	(1)	(3)
Charged/(credited) to the income statement	84	2	(86)	–	(62)	(5)	(67)
Deferred tax on items (credited)/charged to other comprehensive loss:							
– Financial instruments	–	–	–	–	(1)	–	(1)
– Remeasurements of defined benefit plans	–	8	–	–	5	–	13
At 31 March 2014	**724**	**12**	**2,380**	**(48)**	**644**	**(466)**	**3,246**

[1] As restated (see note 28).

	Fixed asset allowances US$m	Provisions and accruals US$m	Other timing differences US$m	Total US$m
Deferred tax assets				
At 1 April 2012	–	57	60	117
Exchange adjustments	–	(1)	(1)	(2)
Transfers (to)/from deferred tax liabilities	(11)	(20)	6	(25)
Charged to the income statement	(4)	(2)	(13)	(19)
At 31 March 2013	(15)	34	52	71
Exchange adjustments	1	(1)	–	–
Transfers from current tax	–	–	3	3
Transfers (to)/from deferred tax liabilities	(4)	2	(1)	(3)
Credited to the income statement	2	–	42	44
At 31 March 2014	**(16)**	**35**	**96**	**115**

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

19. Deferred taxation continued

The deferred tax asset arises because of timing differences in Europe, Africa, Asia Pacific, and Latin America. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

Deferred tax liabilities of US$3,174 million (2013: US$3,449 million) are expected to fall due after more than one year and deferred tax assets of US$112 million (2013: US$52 million) are expected to be recovered after more than one year.

	2014 US$m	2013 US$m
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**355**	345
Tax credits	**1,532**	1,318
Depreciation in excess of capital allowances	**19**	16
Share-based payments	**28**	29
Other deductible temporary differences	**120**	60
	2,054	1,768

Deferred tax assets in respect of tax losses are not recognised unless there is convincing evidence that there will be sufficient profits in future years to recover the assets. A significant part of the tax losses arise in the UK and the value has been calculated at the substantively enacted rate of 20%. The tax losses do not expire.

Deferred tax assets in respect of tax credits arising which are carried forward for offset against future profits are not recognised unless it is probable that future profits will arise. US$1,180 million (2013: US$968 million) of these tax credits expire within 10 years.

Deferred tax is recognised on the unremitted earnings of overseas subsidiaries where there is an intention to distribute those reserves. A deferred tax liability of US$14 million (2013: US$16 million) has been recognised in the year. A deferred tax liability of US$97 million (2013: US$80 million) has been recognised in respect of unremitted profits of associates where a dividend policy is not in place. Unremitted earnings of subsidiaries, associates and joint ventures operating in lower tax jurisdictions do not result in a deferred tax liability where the reporting entity is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Similarly no tax is provided where there are plans to remit overseas earnings of subsidiaries but it is not expected that such distributions will give rise to a tax liability.

As a result of UK legislation which largely exempts overseas dividends from tax, the temporary differences arising on unremitted profits are unlikely to lead to additional corporate taxes. However, remittance to the UK of those earnings may still result in a tax liability, principally as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate.

20. Borrowings

	2014 US$m	2013 US$m
Current		
Secured		
Overdrafts	**32**	9
Obligations under finance leases	**8**	8
Other secured loans	**2**	5
	42	22
Unsecured		
Overdrafts	**181**	203
Unsecured bonds	**3,402**	1,881
Other unsecured loans	**894**	363
	4,477	2,447
Total current borrowings	**4,519**	2,469

The fair value of current borrowings is US$4,636 million (2013: US$2,485 million).

Notes to the consolidated financial statements continued

20. Borrowings continued

	2014 US$m	2013 US$m
Non-current		
Secured		
Obligations under finance leases	**43**	27
Other secured loans	**2**	4
	45	31
Unsecured		
Unsecured bonds	**12,036**	14,451
Unsecured loans	**447**	1,597
	12,483	16,048
Total non-current borrowings	**12,528**	16,079
Total current and non-current borrowings	**17,047**	18,548
Analysed as:		
Overdrafts	**213**	212
Bank loans	**1,345**	1,969
Bonds	**15,438**	16,332
Obligations under finance leases	**51**	35
	17,047	18,548

Maturity of non-current financial liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 March was as follows.

	Bank loans US$m	Bonds US$m	Finance leases US$m	Net derivative financial assets[1] US$m	2014 Total US$m	Bank loans US$m	Bonds US$m	Finance leases US$m	Net derivative financial assets[1] US$m	2013 Total US$m
Amounts falling due:										
Between one and two years	**220**	**738**	**7**	**(123)**	**842**	792	3,381	7	(54)	4,126
Between two and three years	**107**	**3,268**	**8**	**(258)**	**3,125**	168	798	8	(61)	913
Between three and four years	**75**	**96**	**8**	**(1)**	**178**	638	3,316	3	(241)	3,716
Between four and five years	**45**	**1,871**	**4**	**(33)**	**1,887**	3	108	4	(6)	109
In five years or more	**2**	**6,063**	**16**	**(181)**	**5,900**	–	6,848	5	(322)	6,531
	449	**12,036**	**43**	**(596)**	**11,932**	1,601	14,451	27	(684)	15,395

[1] Net financing-related derivative financial instruments only (note 22). In 2013 as restated for the change in definition of net debt.

The fair value of non-current borrowings is US$13,231 million (2013: US$16,679 million). Further details on the fair value of borrowings is given in note 21 to the consolidated financial statements.

2014

On 13 August 2013 SABMiller Holdings Inc issued US$750 million, 2.2% Notes due August 2018 and US$350 million, Floating Rate Notes due August 2018, each guaranteed by SABMiller plc.

The US$750 million Notes and the US$350 million Notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption. The US$750 million Notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount.

2013

On 28 March 2013 SABSA Holdings Ltd issued ZAR1,000 million, 7.125% Notes due March 2018. The notes were issued under the ZAR6,000 million Domestic Medium Term Note Programme established on 13 December 2012 and guaranteed by SABMiller plc.

On 6 December 2012 SABMiller Holdings Inc issued €1,000 million, 1.875% Notes due January 2020. The notes were issued under the US$3,000 million Euro Medium Term Note Programme established on 12 October 2012 and guaranteed by SABMiller plc.

The ZAR1,000 million Notes and the €1,000 million Notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption. The €1,000 million Notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount.

20. Borrowings continued

Maturity of obligations under finance leases
Obligations under finance leases are as follows.

	2014 US$m	2013 US$m
The minimum lease payments under finance leases fall due as follows.		
Within one year	**11**	9
Between one and five years	**36**	24
In five years or more	**17**	10
	64	43
Future finance charges	**(13)**	(8)
Present value of finance lease liabilities	**51**	35

21. Financial risk factors

Financial risk management
Overview
In the normal course of business, the group is exposed to the following financial risks:

- market risk
- credit risk
- liquidity risk

This note explains the group's exposure to each of the above risks, aided by quantitative disclosures included throughout these consolidated financial statements, and it summarises the policies and processes that are in place to measure and manage the risks arising, including those related to the management of capital.

The directors are ultimately responsible for the establishment and oversight of the group's risk management framework. An essential part of this framework is the role undertaken by the audit committee of the board, supported by the internal audit function, and by the Chief Financial Officer, who in this regard is supported by the treasury committee and the group treasury function. Among other responsibilities, the audit committee reviews the internal control environment and risk management systems within the group and it reports its activities to the board. The board also receives a quarterly report on treasury activities, including confirmation of compliance with treasury risk management policies.

The group treasury function is responsible for the management of cash, borrowings and the financial risks arising in relation to interest rates, foreign exchange rates and the price risk of some commodities. The responsibility for the management of the remaining commodities exposures lies with the procurement functions within the group, including SABMiller Procurement GmbH (SABMiller Procurement), the group's centralised procurement function. Risk management of key brewing and packaging materials has now been substantially transferred to SABMiller Procurement. Some of the risk management strategies include the use of derivatives in order to manage the currency, interest rate and commodities exposures arising from the group's operations. It is the policy of the group that no trading in financial instruments be undertaken.

The group's treasury policies are established to identify and analyse the financial risks faced by the group, to set appropriate risk limits and controls and to monitor exposures and adherence to limits.

a. Market risk
(i) Foreign exchange risk
The group is subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures into the group's US dollar reporting currency. The group seeks to mitigate this exposure, where cost effective, by borrowing in the same currencies as the functional currencies of its main operating units or by achieving the same effect through the use of derivatives. An approximate nominal value equivalent to US$4,774 million (2013: US$5,039 million) of borrowings have been swapped into currencies that match the currency of the underlying operations of the group, including Australian dollar, Colombian peso, Czech koruna, Peruvian nuevo sol, Polish zloty and South African rand.

The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

The group is also exposed to transactional currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of group entities. These exposures are managed primarily by the group treasury function or in some cases locally by group entities which, subject to regulatory constraints or currency market limitations, hedge a proportion of their foreign currency exposure estimated to arise over a period of up to 18 months. Committed transactional exposures that are certain are hedged fully without limitation in time. The group principally uses forward exchange derivatives to hedge currency risk.

Notes to the consolidated financial statements continued

21. Financial risk factors continued

The tables below set out the group's currency exposures from financial assets and liabilities held by group companies in currencies other than their functional currencies and resulting in exchange movements in the income statement and balance sheet. The sensitivity analysis has been prepared on a basis consistent with 2013, based on reasonably possible changes in exchange rates, and assumes all other variables are held constant.

	Australian dollars US\$m	Euro US\$m	Latin American currencies US\$m	Other European currencies US\$m	SA rand US\$m	US dollars US\$m	Other US\$m	Total US\$m
Financial assets								
Trade and other receivables	**4**	**17**	**–**	**101**	**142**	**21**	**36**	**321**
Derivative financial instruments[1]	**333**	**1,313**	**–**	**1,146**	**285**	**1,245**	**8**	**4,330**
Cash and cash equivalents	**–**	**176**	**57**	**78**	**5**	**35**	**10**	**361**
Intra-group assets	**–**	**1,617**	**–**	**613**	**93**	**416**	**1**	**2,740**
	337	**3,123**	**57**	**1,938**	**525**	**1,717**	**55**	**7,752**
Financial liabilities								
Trade and other payables	**(1)**	**(154)**	**–**	**(256)**	**(45)**	**(210)**	**(21)**	**(687)**
Derivative financial instruments[1]	**(1,276)**	**(1,600)**	**(584)**	**(3,977)**	**(905)**	**(23)**	**(6)**	**(8,371)**
Borrowings	**–**	**(2,779)**	**(54)**	**–**	**–**	**(1,487)**	**–**	**(4,320)**
Intra-group liabilities	**(47)**	**(181)**	**(160)**	**(97)**	**(72)**	**(207)**	**(1)**	**(765)**
	(1,324)	**(4,714)**	**(798)**	**(4,330)**	**(1,022)**	**(1,927)**	**(28)**	**(14,143)**
At 31 March 2014	**(987)**	**(1,591)**	**(741)**	**(2,392)**	**(497)**	**(210)**	**27**	**(6,391)**
Potential impact on profit for the year – gain/(loss)								
20% increase in functional currency	**5**	**25**	**(9)**	**43**	**(19)**	**73**	**(5)**	**113**
20% decrease in functional currency	**(5)**	**(30)**	**11**	**(52)**	**23**	**(88)**	**5**	**(136)**
Potential impact on other comprehensive income – gain/(loss)								
20% increase in functional currency	**160**	**240**	**133**	**355**	**101**	**(38)**	**–**	**951**
20% decrease in functional currency	**(192)**	**(289)**	**(159)**	**(427)**	**(122)**	**46**	**–**	**(1,143)**

[1] These represent the notional amounts of derivative financial instruments.

	Australian dollars US\$m	Euro US\$m	Latin American currencies US\$m	Other European currencies US\$m	SA rand US\$m	US dollars US\$m	Other US\$m	Total US\$m
Financial assets								
Trade and other receivables	3	36	165	134	135	21	21	515
Derivative financial instruments[1]	–	1,034	–	352	61	2,023	–	3,470
Cash and cash equivalents	–	8	9	16	2	25	2	62
Intra-group assets	115	1,062	–	802	8	190	2	2,179
	118	2,140	174	1,304	206	2,259	25	6,226
Financial liabilities								
Trade and other payables	(19)	(143)	(215)	(415)	(47)	(260)	(5)	(1,104)
Derivative financial instruments[1]	(1,331)	(431)	(428)	(1,023)	(565)	(58)	–	(3,836)
Borrowings	(521)	(2,557)	(58)	(9)	–	(1,533)	(113)	(4,791)
Intra-group liabilities	(400)	(103)	–	(114)	(41)	(45)	(1)	(704)
	(2,271)	(3,234)	(701)	(1,561)	(653)	(1,896)	(119)	(10,435)
At 31 March 2013	(2,153)	(1,094)	(527)	(257)	(447)	363	(94)	(4,209)
Potential impact on profit for the year – gain/(loss)								
20% increase in functional currency	50	–	7	(70)	(9)	11	16	5
20% decrease in functional currency	(60)	–	(8)	84	11	(14)	(19)	(6)
Potential impact on other comprehensive income – gain/(loss)								
20% increase in functional currency	309	182	81	114	84	(72)	–	698
20% decrease in functional currency	(370)	(219)	(97)	(136)	(100)	86	–	(836)

[1] These represent the notional amounts of derivative financial instruments.

21. Financial risk factors continued

The group holds foreign currency cash flow hedges totalling US$1,559 million at 31 March 2014 (2013: US$1,228 million). The foreign exchange gains or losses on these contracts are recorded in the cash flow hedging reserve until the hedged transactions occur, at which time the respective gains and losses are transferred to inventory, property, plant and equipment, goodwill or to the income statement as appropriate.

The group holds net investment hedges totalling US$5,617 million at 31 March 2014 (2013: US$5,937 million). The foreign exchange gains or losses on these contracts are recorded in the net investment hedging reserve and partially offset the foreign currency translation risk on the group's foreign currency net assets.

(ii) Interest rate risk
As at 31 March 2014 42% (2013: 46%) of consolidated gross borrowings were in fixed rates taking into account interest rate swaps and forward rate agreements.

The group's policy is to borrow (directly or synthetically) in floating rates, reflecting the fact that floating rates are generally lower than fixed rates in the medium term. However, a minimum of 25% of consolidated net borrowings is required to be in fixed rates for a minimum duration of 12 months. The extent to which group borrowings may be in floating rates is further restricted by the impact a 1% increase in interest rates would have on finance costs. The policy excludes any inflation-linked debt, where there will be a natural hedge within business operations, and also excludes borrowings arising from acquisitions in the previous six months. Exposure to movements in interest rates in group borrowings is managed through interest rate derivatives.

The cash flow interest rate risk sensitivities on variable debt and interest rate swaps are shown in the table below. This analysis assumes all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2013, based on reasonably possible changes in interest rates.

	2014 US$m	2013[1] US$m
Net debt	**14,303**	15,600
Less: fixed rate debt[2]	**(11,824)**	(14,050)
Variable rate debt	**2,479**	1,550
Adjust for:		
Financial derivatives	**4,712**	5,515
Net variable rate debt exposure	**7,191**	7,065
+/- 100 bps change		
Potential impact on profit for the year	**72**	71
+/- 100 bps change		
Potential impact on other comprehensive income	**–**	8

1 As restated (see note 28).

2 Includes non-current fixed rate borrowings, accrued interest, fair value adjustments on borrowings designated as fair value hedges and the carrying value of financing-related derivative financial instruments. Current fixed rate borrowings are assumed to be exposed to interest rate risk owing to maturity in the following financial year.

Fair value sensitivity analysis for fixed income instruments
Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed rates of interest that are accounted for at amortised cost are not subject to interest rate risk as defined in IFRS 7.

The group holds derivative contracts with a nominal value of US$6,414 million as at 31 March 2014 (2013: US$6,704 million) which are designated as fair value hedges. In the case of these instruments and the underlying fixed rate bonds, changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements materially net off in the income statement in the same period.

Interest rate profiles of financial liabilities
The following table sets out the underlying borrowings (excluding net financing-related derivatives) exposed to either fixed interest rates or floating interest rates and revises this for the effect of interest rate and cross currency swaps.

	2014			2013		
	Total borrowings US$m	Effect of derivatives US$m	Total exposure US$m	Total borrowings US$m	Effect of derivatives US$m	Total exposure US$m
Fixed rate interest	**11,824**	**(4,712)**	**7,112**	14,050	(5,515)	8,535
Floating rate interest	**5,223**	**4,712**	**9,935**	4,498	5,515	10,013
Total interest-bearing borrowings	**17,047**	**–**	**17,047**	18,548	–	18,548

Notes to the consolidated financial statements continued

21. Financial risk factors continued

(iii) Price risk

Commodity price risk

The group is exposed to variability in the price of commodities used in the production or in the packaging of finished products, such as the price of malt, barley, sugar and aluminium. Commodity price risk is managed within minimum and maximum guard rails principally through multi-year fixed price contracts with suppliers and, where appropriate, derivative contracts. The group hedges a proportion of commodity supply and price risk for a period of up to five years.

At 31 March 2014 the notional value of commodity derivatives amounted to US$143 million (2013: US$89 million). No sensitivity analysis has been provided on these outstanding contracts as the impact is considered to be immaterial.

Equity securities price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the balance sheet as available for sale investments. No sensitivity analysis has been provided on these outstanding contracts as the impact is considered to be immaterial.

b. Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments

The group limits its exposure to financial institutions by setting credit limits on a sliding scale based on their credit ratings and generally dealing only with counterparties with a minimum credit rating of BBB- by Standard & Poor's and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, a maximum limit of US$5 million is applied, unless specific approval is obtained from either the Chief Financial Officer or the audit committee of the board. The utilisation of credit limits is regularly monitored. To reduce credit exposures, the group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the group has a large number of customers which are internationally dispersed. The type of customers range from wholesalers and distributors to smaller retailers. The group has implemented policies that require appropriate credit checks on potential customers before sales commence. Credit risk is managed by limiting the aggregate amount of exposure to any one counterparty.

The group considers its maximum credit risk to be US$4,480 million (2013: US$5,052 million) which is the total of the group's financial assets.

c. Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group finances its operations through cash generated by the business and a mixture of short-term and medium-term bank credit facilities, bank loans, corporate bonds and commercial paper with a range of maturity dates. In this way, the group ensures that it is not overly reliant on any particular liquidity source or that maturities of borrowings sourced in this way are not overly concentrated.

Subsidiaries have access to local bank credit facilities, but are principally funded by the group.

Liquidity risk faced by the group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised banking facilities and reserve borrowing capacity, as indicated by the level of undrawn facilities.

Undrawn borrowing facilities

The group had the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date.

	2014 US$m	2013 US$m
Amounts expiring:		
Within one year	**214**	281
Between one and two years	**41**	17
Between two and five years	**3,019**	554
In five years or more	**–**	2,500
	3,274	3,352

At 31 March 2014 the group had the following core lines of credit that were available for general corporate purposes.

SABMiller plc:
- US$2,500 million committed syndicated revolving credit facility, which was due to expire in April 2018.

SABMiller Holdings Inc:
- US$500 million revolving credit facility, which was due to expire in September 2016.

In May 2014 the group amended its existing US$2,500 million committed syndicated facility, shown as undrawn in the table above, extending the maturity to May 2019 and re-instating the option of two one-year extensions. The group also entered into a five-year US$1,000 million committed syndicated facility maturing May 2019, with the option of two one-year extensions. This facility replaced the existing US$500 million committed syndicated facility due to mature in September 2016, also shown as undrawn in the table above, which has been voluntarily cancelled.

21. Financial risk factors continued

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual settlement date. The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed for financial guarantee contracts represent the maximum possible cash outflows for guarantees provided in respect of associates' bank facilities, which would only be payable upon the occurrence of certain default events. Should such events occur, certain remedies are available that could mitigate the impact.

	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Over 5 years US$m
At 31 March 2014				
Borrowings	**(4,898)**	**(1,149)**	**(5,558)**	**(6,568)**
Net settled derivative financial instruments	**(28)**	**–**	**(14)**	**(29)**
Gross settled derivative financial instruments – inflows	**2,926**	**64**	**–**	**–**
Gross settled derivative financial instruments – outflows	**(2,990)**	**(69)**	**–**	**–**
Trade and other payables	**(3,265)**	**(23)**	**–**	**–**
Financial guarantee contracts	**(208)**	**–**	**–**	**–**
At 31 March 2013				
Borrowings	(3,466)	(4,468)	(5,881)	(9,407)
Net settled derivative financial instruments	(11)	(13)	(13)	–
Gross settled derivative financial instruments – inflows	1,338	43	–	–
Gross settled derivative financial instruments – outflows	(1,367)	(44)	–	–
Trade and other payables	(3,391)	(119)	–	–
Financial guarantee contracts	(234)	–	–	–

Capital management

The capital structure of the group consists of net debt (see note 27c) and shareholders' equity.

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Besides the minimum capitalisation rules that may apply to subsidiaries in different countries, the group's only externally imposed capital requirement relates to the group's core lines of credit which include a net debt to EBITDA financial covenant which was complied with throughout the year.

The group monitors its financial capacity and credit ratings by reference to a number of key financial ratios and cash flow metrics including net debt to adjusted EBITDA and interest cover. These provide a framework within which the group's capital base is managed including dividend policy.

If the group fails to meet the financial targets required by the ratings agencies, a credit rating downgrade could impact the average interest rate of borrowings and the future availability of credit to the group.

The group is currently rated Baa1/stable outlook by Moody's Investors Service and BBB+/positive outlook by Standard & Poor's Ratings Services.

Fair value estimation

The following tables present the group's financial assets and liabilities that are measured at fair value on a recurring basis, and the fair values of other assets and liabilities that are not measured at fair value, but where the fair value is required to be disclosed in the financial statements.

Recurring fair value measurements	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
At 31 March 2014				
Assets				
Derivative financial instruments	**–**	**769**	**–**	**769**
Available for sale investments	**–**	**10**	**12**	**22**
Total assets	**–**	**779**	**12**	**791**
Liabilities				
Derivative financial instruments	**–**	**(115)**	**–**	**(115)**
Total liabilities	**–**	**(115)**	**–**	**(115)**
At 31 March 2013				
Assets				
Derivative financial instruments	–	843	–	843
Available for sale investments	–	10	12	22
Total assets	–	853	12	865
Liabilities				
Derivative financial instruments	–	(86)	–	(86)
Total liabilities	–	(86)	–	(86)

Notes to the consolidated financial statements continued

21. Financial risk factors continued

Assets and liabilities for which fair values are disclosed	Carrying amount US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
At 31 March 2014					
Assets					
Investments in listed associates					
– Anadolu Efes	1,566	1,580	–	–	1,580
– Distell Group	224	716	–	–	716
– Delta Corporation	141	354	–	–	354
– Tsogo Sun Holdings	375	1,046	–	–	1,046
Total assets	2,306	3,696	–	–	3,696
Liabilities					
Borrowings	(17,047)	(15,344)	(2,456)	(67)	(17,867)
Total liabilities	(17,047)	(15,344)	(2,456)	(67)	(17,867)

There have been no transfers between levels during the year ended 31 March 2014 (2013: none).

The levels of the fair value hierarchy and its application to the group's assets and liabilities are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

The fair value of assets and liabilities traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives or infrequently traded listed investments) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair values of derivatives included in level 2 incorporate various inputs including the credit quality of counterparties, spot and forward foreign exchange rates and interest rate curves.

The fair values of borrowings included in level 2 are based on the net present value of the anticipated future cash flows associated with these instruments, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Valuation techniques for other level 2 instruments could include standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, quotes for similar instruments from financial counterparties or the use of comparable arm's length transactions, and discounted cash flows.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Specific valuation techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

Valuation process
The group's treasury function is responsible for performing fair value measurements for financial instruments. The fair value measurement calculations are subject to review procedures and are performed in accordance with policies defined by the treasury committee.

Other fair value measurements are performed by the group's finance department. Significant level 3 valuations are reviewed and approved by the finance, control and assurance committee in the relevant region on a by exception basis. Valuations falling into this category are usually immaterial.

22. Derivative financial instruments

Current derivative financial instruments

	2014 Notional value US$m	2014 Assets US$m	2014 Liabilities US$m	2013 Notional value US$m	2013 Assets US$m	2013 Liabilities US$m
Fair value hedges						
Interest rate swaps	**1,588**	**32**	**–**	–	–	–
Cash flow hedges						
Forward foreign currency contracts	**1,450**	**21**	**(8)**	1,228	1	(12)
Commodity contracts	**105**	**–**	**(12)**	55	–	(4)
Net investment hedges						
Forward foreign currency contracts	**2,396**	**27**	**(35)**	–	–	–
Cross currency swaps	**335**	**43**	**–**	–	–	–
Held for trading						
Embedded derivatives	**–**	**–**	**–**	1	1	–
Interest rate swaps	**96**	**–**	**(1)**	940	25	(4)
Forward foreign currency contracts	**1,985**	**14**	**(20)**	1,709	37	(14)
Cross currency swaps	**7**	**4**	**(2)**	203	47	–
	7,962	**141**	**(78)**	4,136	111	(34)

Financing-related current derivative financial instruments amount to a net asset of US$67 million (2013: US$93 million).

Non-current derivative financial instruments

	2014 Notional value US$m	2014 Assets US$m	2014 Liabilities US$m	2013 Notional value US$m	2013 Assets US$m	2013 Liabilities US$m
Fair value hedges						
Interest rate swaps	**3,826**	**217**	**(28)**	5,404	428	(13)
Cross currency swaps	**1,000**	**35**	**–**	1,300	78	–
Cash flow hedges						
Forward foreign currency contracts	**109**	**–**	**(1)**	–	–	–
Commodity contracts	**38**	**–**	**(4)**	34	–	(2)
Interest rate swaps	**–**	**–**	**–**	611	–	(10)
Cross currency swaps	**1,111**	**204**	**–**	1,250	59	–
Net investment hedges						
Forward foreign currency contracts	**18**	**–**	**(1)**	2,334	36	(16)
Cross currency swaps	**631**	**102**	**(2)**	999	81	–
Held for trading						
Interest rate swaps	**600**	**37**	**(1)**	300	–	(11)
Forward foreign currency contracts	**–**	**–**	**–**	116	5	–
Cross currency swaps	**246**	**33**	**–**	203	45	–
	7,579	**628**	**(37)**	12,551	732	(52)

Financing-related non-current derivative financial instruments amount to a net asset of US$596 million (2013: US$684 million, restated).

Derivatives designated as hedging instruments

(i) Fair value hedges

The group has entered into several interest rate swaps and cross currency interest rate swaps to pay floating and receive fixed interest which have been designated as fair value hedges to hedge exposure to changes in the fair value of its US dollar and euro fixed rate borrowings. Borrowings are designated as the hedged item as part of the fair value hedge. The borrowings and the interest rate swaps have the same critical terms.

As at 31 March 2014 the carrying value of the hedged borrowings was US$7,214 million (2013: US$7,202 million).

(ii) Cash flow hedges

The group has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exposures to expected net operating costs including future trade imports and exports.

The group has entered into commodity contracts designated as cash flow hedges to manage the future price of commodities. As at 31 March 2014 the notional amount of forward contracts for the purchase price of corn was US$20 million (2013: US$13 million), of aluminium was US$122 million (2013: US$75 million) and of sugar was US$1 million (2013: US$1 million).

The group has entered into cross currency swaps designated as cash flow hedges to manage foreign currency exposures on interest payments.

Notes to the consolidated financial statements continued

22. Derivative financial instruments continued

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact the income statement.

	Carrying amount US$m	Expected cash flows US$m	Less than 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Over 5 years US$m
At 31 March 2014						
Forward foreign currency contracts	**12**	**9**	**11**	**(2)**	**–**	**–**
Commodity contracts	**(16)**	**(20)**	**(13)**	**(6)**	**(1)**	**–**
Cross currency swaps	**204**	**118**	**(16)**	**98**	**34**	**2**
	200	**107**	**(18)**	**90**	**33**	**2**
At 31 March 2013						
Forward foreign currency contracts	(11)	(11)	(11)	–	–	–
Commodity contracts	(6)	(8)	(4)	(3)	(1)	–
Cross currency swaps	59	(66)	(20)	29	(19)	(56)
Interest rate swaps	(10)	(10)	(4)	(6)	–	–
	32	(95)	(39)	20	(20)	(56)

(iii) Hedges of net investments in foreign operations

The group has entered into several forward foreign currency contracts and cross currency swaps which it has designated as hedges of net investments in its foreign subsidiaries in South Africa, Australia, the Czech Republic, Poland, Colombia and Peru to hedge the group's exposure to foreign exchange risk on these investments.

Analysis of notional amounts on derivative financial instruments designated as net investment hedges is as follows. Notional amounts have been translated to US dollars at the closing rate at 31 March.

	2014 US$m	2013 US$m
Forward foreign currency contracts:		
Australian dollar	**695**	1,042
Colombian peso	**180**	243
Czech koruna	**336**	278
Peruvian nuevo sol	**403**	185
Polish zloty	**114**	187
South African rand	**686**	399
Cross currency swaps:		
Australian dollar	**258**	289
Czech koruna	**382**	379
Polish zloty	**193**	179
South African rand	**133**	152
	3,380	3,333

Held for trading derivative financial instruments

(i) Interest rate swaps

The group has entered into interest rate swaps to manage exposures to fluctuations in interest rates arising from the group's borrowings. The derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement.

(ii) Forward foreign currency contracts

The group has entered into forward foreign currency contracts to manage short-term foreign currency exposures to expected future trade imports and exports and to manage foreign currency exposures on intercompany loan balances. The derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement.

(iii) Cross currency swaps

The group has entered into cross currency swaps to manage foreign currency exposures on intercompany loan balances. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement.

22. Derivative financial instruments continued

Fair value (loss)/gain on financial instruments recognised in the income statement

	2014 US$m	2013 US$m
Derivative financial instruments:		
Interest rate swaps	**(9)**	8
Interest rate swaps designated as fair value hedges	**(43)**	(7)
Forward foreign currency contracts	**(3)**	17
Fair value loss on forward foreign currency contracts transferred from other comprehensive loss	**(2)**	(5)
Forward foreign currency contracts designated as fair value hedges	**–**	3
Cross currency swaps	**(27)**	19
Cross currency swaps designated as fair value hedges	**(1)**	–
Embedded derivatives	**1**	–
Other fair value gains	**15**	18
	(69)	53
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	**43**	7
Total fair value (loss)/gain on financial instruments recognised in the income statement	**(26)**	60

Fair value gains or losses on borrowings and derivative financial instruments held to hedge interest rate risk on borrowings were recognised as part of net finance costs. Fair value gains or losses on all other derivative financial instruments were recognised in operating profit.

23. Other financial instrument disclosures

Reconciliation of total financial instruments

The table below reconciles the group's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet.

	Fair value through income statement US$m	Loans and receivables US$m	Available for sale US$m	Financial liabilities held at amortised cost US$m	Not categorised as a financial instrument US$m	Total US$m	Non-current US$m	Current US$m
At 31 March 2014								
Assets								
Available for sale investments	**–**	**–**	**22**	**–**	**–**	**22**	**22**	**–**
Derivative financial instruments	**769**	**–**	**–**	**–**	**–**	**769**	**628**	**141**
Trade and other receivables	**–**	**1,608**	**–**	**–**	**352**	**1,960**	**139**	**1,821**
Cash and cash equivalents	**–**	**2,081**	**–**	**–**	**–**	**2,081**	**–**	**2,081**
Liabilities								
Derivative financial instruments	**(115)**	**–**	**–**	**–**	**–**	**(115)**	**(37)**	**(78)**
Borrowings	**–**	**–**	**–**	**(17,047)**	**–**	**(17,047)**	**(12,528)**	**(4,519)**
Trade and other payables	**–**	**–**	**–**	**(3,289)**	**(583)**	**(3,872)**	**(25)**	**(3,847)**
At 31 March 2013								
Assets								
Available for sale investments	–	–	22	–	–	22	22	–
Derivative financial instruments	843	–	–	–	–	843	732	111
Trade and other receivables	–	1,916	–	–	295	2,211	144	2,067
Loan participation deposit	–	100	–	–	–	100	100	–
Cash and cash equivalents	–	2,171	–	–	–	2,171	–	2,171
Liabilities								
Derivative financial instruments	(86)	–	–	–	–	(86)	(52)	(34)
Borrowings	–	–	–	(18,548)	–	(18,548)	(16,079)	(2,469)
Trade and other payables	–	–	–	(3,524)	(612)	(4,136)	(132)	(4,004)

Notes to the consolidated financial statements continued

23. Other financial instrument disclosures continued

Offsetting financial assets and financial liabilities

The following table provides details of financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements, or similar agreements.

	Gross amounts of financial assets US$m	Gross amounts of financial liabilities US$m	Net amounts recognised in the balance sheet US$m	Related amounts of financial instruments not set off in the balance sheet US$m	Net amount US$m
At 31 March 2014					
Assets					
Derivative financial instruments	**769**	**–**	**769**	**(106)**	**663**
Trade and other receivables	**1,640**	**(32)**	**1,608**	**–**	**1,608**
Cash and cash equivalents	**2,090**	**(9)**	**2,081**	**–**	**2,081**
Liabilities					
Borrowings	**41**	**(17,088)**	**(17,047)**	**–**	**(17,047)**
Derivative financial instruments	**–**	**(115)**	**(115)**	**106**	**(9)**
At 31 March 2013					
Assets					
Derivative financial instruments	843	–	843	(77)	766
Trade and other receivables	1,948	(32)	1,916	–	1,916
Cash and cash equivalents	2,324	(153)	2,171	–	2,171
Liabilities					
Borrowings	185	(18,733)	(18,548)	–	(18,548)
Derivative financial instruments	–	(86)	(86)	77	(9)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each party to the agreement will have the option to settle the amounts on a net basis in the event of default of the other party. A default event includes failure by a party to make a payment when due; failure by a party to perform any other obligation required by the agreement if such failure is not remedied within the periods defined in each contract; or bankruptcy.

The group holds other receivables and borrowings balances with the same financial counterparties. Where these arrangements meet the set-off rules under IFRS, the balances have been reported net on the balance sheet.

24. Provisions

	Demerged entities and litigation US$m	Post-retirement benefits US$m	Taxation-related US$m	Restructuring US$m	Payroll-related US$m	Onerous contracts US$m	Other US$m	Total US$m
At 1 April 2012	125	309	265	217	71	214	72	1,273
Exchange adjustments	(4)	(16)	(3)	(1)	(3)	1	(1)	(27)
Charged/(credited) to the income statement								
– Additional provision in year[1]	1	32	21	19	14	2	18	107
– Amounts reversed	–	–	(25)	(5)	–	–	(1)	(31)
Utilised in the year	(4)	(43)	(7)	(110)	(13)	(56)	(19)	(252)
Remeasurements of defined benefit plans recorded in other comprehensive loss[1]	–	19	–	–	–	–	–	19
Transfer from current tax liabilities	–	–	7	–	–	–	–	7
Transfer between categories	7	–	(10)	(6)	9	(1)	1	–
At 31 March 2013	125	301	248	114	78	160	70	1,096
Exchange adjustments	(5)	(20)	(8)	(10)	(6)	(17)	(2)	(68)
Charged/(credited) to the income statement								
– Additional provision in year	24	18	12	37	9	–	7	107
– Amounts reversed	(11)	–	(32)	(28)	–	(2)	(5)	(78)
Utilised in the year	(20)	(31)	(5)	(31)	(26)	(32)	(7)	(152)
Remeasurements of defined benefit plans recorded in other comprehensive loss	–	(22)	–	–	–	–	–	(22)
Transfer between categories	–	–	1	–	–	–	(1)	–
At 31 March 2014	**113**	**246**	**216**	**82**	**55**	**109**	**62**	**883**

	2014 US$m	2013 US$m
Analysed as:		
Current	**450**	558
Non-current	**433**	538
	883	1,096

[1] As restated (see note 28).

Demerged entities and litigation
During the year ended 31 March 1998 the group recognised a provision of US$73 million for the disposal of certain demerged entities in relation to equity injections which were not regarded as recoverable, as well as potential liabilities arising on warranties and the sale agreements. During the year ended 31 March 2014 US$1 million (2013: US$1 million) of this provision was utilised in regard to costs associated with SAB Ltd's previously disposed of remaining retail interests. The residual balance of US$7 million relates mainly to the disposal of OK Bazaars (1929) Ltd to Shoprite Holdings Ltd (Shoprite). As disclosed in previous annual reports, a number of claims were made by Shoprite in relation to the valuation of the net assets of OK Bazaars at the time of the sale and for alleged breaches by SAB Ltd of warranties contained in the sale agreements. These claims are being contested by SAB Ltd.

There are US$106 million (2013: US$115 million) of provisions in respect of outstanding litigation within various operations, based on management's expectation that the outcomes of these disputes are expected to be resolved within the forthcoming four years.

While a provision for claims has been recorded, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the directors at this time. The further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets' has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

Post-retirement benefits
The provision for post-retirement benefits represents the provision for medical benefits for retired employees and their dependants in South Africa, for post-retirement medical and life insurance benefits for eligible employees and their dependants primarily in Europe, medical and other benefits in Latin America, and pension provisions for employees primarily in Latin America, Europe and Asia Pacific. The principal assumptions on which these provisions are based are disclosed in note 31.

Taxation-related
The group has recognised various provisions in relation to taxation exposures it believes may arise. The provisions principally relate to non-corporate taxation and interest and penalties on corporate taxation in respect of a number of group companies. Any settlement in respect of these amounts will occur as and when the assessments are finalised with the respective tax authorities.

Restructuring
This includes the remaining provision for restructuring costs related to Europe which management expects to be utilised within two years, along with restructuring provisions primarily in Australia and Latin America which are expected to be utilised over the course of the next three years.

Notes to the consolidated financial statements continued

24. Provisions continued

Payroll-related
This principally relates to employee entitlement provisions of US$30 million (2013: US$37 million) in Asia Pacific and employee long service awards of US$16 million (2013: US$17 million) in South Africa. The prior year also included US$18 million of cash-settled share-based payment provisions within Corporate.

Onerous contracts
This includes provisions for unfavourable supply contracts for malt, glass, aluminium cans and concentrated fruit juice for non-alcoholic beverages, as well as provisions for surplus property leases in Australia which management expects to be utilised within six years.

Other provisions
Included within other provisions are environmental provisions and other provisions. These are primarily expected to be utilised within three years.

25. Share capital

	2014 US$m	2013 US$m
Group and company		
Called up, allotted and fully paid share capital		
1,672,647,930 ordinary shares of 10 US cents each (2013: 1,669,731,799)	**167**	167
50,000 deferred shares of £1.00 each (2013: 50,000)	**–**	–
	167	167

	Ordinary shares of 10 US cents each	Deferred shares of £1 each	Nominal value US$m
At 1 April 2012	1,664,323,483	50,000	166
Issue of shares – share incentive plans	5,408,316	–	1
At 31 March 2013	1,669,731,799	50,000	167
Issue of shares – share incentive plans	2,916,131	–	–
At 31 March 2014	**1,672,647,930**	**50,000**	**167**

Changes to authorised share capital
With effect from 1 October 2009 the company adopted new articles of association which removed any previous limit on the authorised share capital. Directors are still limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share plans.

Changes to issued share capital
During the year the company issued 2,916,131 (2013: 5,408,316) new ordinary shares of 10 US cents to satisfy the exercise of options granted under the various share incentive plans, for consideration of US$54 million (2013: US$102 million).

Rights and restrictions relating to share capital
Convertible participating shares
Convertible participating shares were originally issued to Altria as part of the Miller Brewing Company transaction in 2002 but were subsequently converted into ordinary shares. There are no convertible participating shares currently in issue. Altria is however entitled to require the company to convert its ordinary shares back into convertible participating shares so as to ensure that Altria's voting shareholding does not exceed 24.99% of the total voting shareholding.

If Altria's ordinary shares were converted into convertible participating shares, the convertible participating shares would rank pari passu with the ordinary shares of the company in relation to a distribution of the profits of the company and a return of capital. On a poll vote at general meetings of the company, Altria would be entitled to vote in respect of its convertible participating shares on the basis of one-tenth of a vote for every convertible participating share on all resolutions other than a resolution:

(i) proposed by any person other than Altria, to wind up the company;

(ii) proposed by any person other than Altria, to appoint an administrator or to approve any arrangement with the company's creditors;

(iii) proposed by the board, to sell all or substantially all of the undertaking of the company; or

(iv) proposed by any person other than Altria, to alter any of the class rights attaching to the convertible participating shares or to approve the creation of any new class of shares,

in which case Altria would be entitled on a poll to vote on the resolution on the basis of one vote for each convertible participating share.

Conversion into ordinary shares
If Altria's ordinary shares are converted into convertible participating shares, the provisions governing possible conversion back into ordinary shares would apply. These state that upon a transfer of convertible participating shares by Altria to any person other than to an affiliate of Altria, such convertible participating shares shall convert into ordinary shares. In addition, Altria is entitled to require the company to convert its convertible participating shares into ordinary shares in the event of a takeover offer for the company, or a third party acquiring more than a 24.99% voting shareholding, provided certain conditions are met.

25. Share capital continued

The company must use its best endeavours to procure that the ordinary shares arising on conversion of the convertible participating shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, admitted to listing and trading on the JSE Ltd, and admitted to listing and trading on any other stock exchange upon which the ordinary shares are from time to time listed and traded, but no admission to listing or trading need be sought for the convertible participating shares while they remain convertible participating shares.

Deferred shares

The deferred shares do not carry any voting rights and do not entitle their holders to receive any dividends or other distributions. In the event of a winding up deferred shareholders would receive no more than the nominal value. Deferred shares represent the only non-equity share capital of the group.

Share-based payments

The group operates various share incentive plans. The share incentives outstanding are summarised as follows.

Scheme	2014 Number	2013 Number
GBP share options	**16,035,174**	17,809,920
ZAR share options	**10,108,718**	12,939,245
GBP stock appreciation rights (SARs)	**5,170,646**	1,955,529
ZAR stock appreciation rights (SARs)	**1,178,200**	–
GBP performance share awards	**6,802,427**	7,505,723
GBP value share awards	**11,297,444**	11,721,564
Total share incentives outstanding[1]	**50,592,609**	51,931,981

[1] Total share incentives outstanding exclude shares relating to the BBBEE scheme.

Further details relating to all of the share incentive schemes can be found in the directors' remuneration report on pages 62 to 84.

The exercise prices of incentives outstanding at 31 March 2014 ranged from £0 to £33.30 and ZAR96.25 to ZAR527.49 (2013: £0 to £28.28 and ZAR53.30 to ZAR401.06). The movement in share awards outstanding is summarised in the following tables.

GBP share options

GBP share options include share options granted under the Executive Share Option Plan 2008, the Approved Executive Share Option Plan 2008, the Executive Share Option (No.2) Scheme, the Approved Executive Share Option Scheme and the International Employee Share Scheme. No further grants can be made under the now closed Executive Share Option (No.2) Scheme, the Approved Executive Share Option Scheme, or the International Employee Share Scheme, although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2012	16,622,334	15.91	–
Granted	4,637,730	24.01	5.85
Lapsed	(583,250)	20.28	–
Exercised	(2,866,894)	12.52	–
Outstanding at 31 March 2013	17,809,920	18.42	–
Granted	496,498	33.10	6.65
Lapsed	(308,467)	23.00	–
Exercised	(1,962,777)	13.76	–
Outstanding at 31 March 2014	**16,035,174**	**19.36**	**–**

ZAR share options

Share options designated in ZAR include share options granted under the South African Executive Share Option Plan 2008 and the Mirror Executive Share Purchase Scheme (South Africa). No further grants can be made under the Mirror Executive Share Purchase Scheme (South Africa), although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price ZAR	Weighted average fair value at grant date ZAR
Outstanding at 1 April 2012	13,024,503	200.73	–
Granted	2,912,565	381.88	134.46
Lapsed	(456,401)	263.02	–
Exercised	(2,541,422)	154.55	–
Outstanding at 31 March 2013	12,939,245	248.38	–
Granted	644,300	511.07	133.13
Lapsed	(615,083)	332.30	–
Exercised	(2,859,744)	186.52	–
Outstanding at 31 March 2014	**10,108,718**	**277.52**	**–**

Notes to the consolidated financial statements continued

25. Share capital continued

GBP SARs

GBP SARs include stock appreciation rights granted under the Stock Appreciation Rights Plan 2008 and the International Employee Stock Appreciation Rights Scheme. No further grants can be made under the now closed International Employee Stock Appreciation Rights Scheme, although outstanding grants may still be exercised until they reach their expiry date.

	Number of SARs	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2012	2,820,144	10.25	–
Granted	60,600	23.95	5.81
Lapsed	(9,600)	15.94	–
Exercised	(915,615)	8.66	–
Outstanding at 31 March 2013	1,955,529	11.39	–
Granted	3,807,632	33.29	6.67
Lapsed	(154,963)	27.69	–
Exercised	(437,552)	8.70	–
Outstanding at 31 March 2014	**5,170,646**	**27.25**	**–**

ZAR SARs

ZAR SARs include stock appreciation rights granted under the South African Stock Appreciation Rights Sub-Plan 2008.

	Number of SARs	Weighted average exercise price ZAR	Weighted average fair value at grant date ZAR
Outstanding at 31 March 2013	–	–	–
Granted	1,209,900	527.49	140.05
Lapsed	(31,700)	527.49	–
Outstanding at 31 March 2014	**1,178,200**	**527.49**	**–**

GBP performance share awards

GBP performance share awards include awards made under the Executive Share Award Plan 2008, the Performance Share Award Scheme and the International Performance Share Award Sub-Scheme. No further awards can be made under the Performance Share Award Scheme and the International Performance Share Award Sub-Scheme, although outstanding awards remain and will vest, subject to the achievement of their respective performance conditions on their vesting date.

	Number of awards	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2012	6,880,114	–	–
Granted	3,471,222	–	22.32
Lapsed	(254,284)	–	–
Released to participants	(2,591,329)	–	–
Outstanding at 31 March 2013	7,505,723	–	–
Granted	2,102,870	–	30.86
Lapsed	(483,188)	–	–
Released to participants	(2,322,978)	–	–
Outstanding at 31 March 2014	**6,802,427**	**–**	**–**

25. Share capital continued

GBP value share awards

The 3,606,720 (2013: 4,843,780) value share awards granted during the year ended 31 March 2014 represent the theoretical maximum number of awards that could possibly vest in the future, although in practice it is extremely unlikely that this number of awards would be released.

	Number of value shares (per £10 million of additional value)	Theoretical maximum shares at cap	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2012	2,130	6,877,784	–	–
Granted	1,270	4,843,780	–	7.02
Outstanding at 31 March 2013	3,400	11,721,564	–	–
Granted	680	3,606,720	–	11.84
Lapsed	(220)	(3,109,297)	–	–
Released to participants	(1,012)	(921,543)	–	–
Outstanding at 31 March 2014	**2,848**	**11,297,444**	**–**	**–**

Of the 921,543 shares released, 384,684 shares are deferred and remain subject to forfeiture and 344,516 shares were subsequently converted to nil-cost options and remained outstanding at 31 March 2014 for the benefit of Graham Mackay's estate.

GBP cash-settled awards

GBP share incentives included under the Associated Companies' Cash Award Plan 2011.

	Number of awards	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2012	335,940	–	–
Released to participants	(335,940)	–	–
Outstanding at 31 March 2013 and 31 March 2014	**–**	**–**	**–**

Outstanding share incentives

The following table summarises information about share incentives outstanding at 31 March.

Range of exercise prices	Number 2014	Weighted average remaining contractual life in years 2014	Number 2013	Weighted average remaining contractual life in years 2013
GBP share options				
£5 – £6	**–**	**–**	9,000	0.6
£6 – £7	**2,900**	**0.1**	356,310	1.1
£8 – £9	**407,721**	**1.1**	452,944	2.1
£9 – £10	**72,500**	**4.6**	78,275	5.6
£10 – £11	**734,900**	**2.5**	942,994	3.4
£11 – £12	**958,936**	**3.1**	1,117,686	4.1
£12 – £13	**2,857,346**	**4.8**	3,311,385	5.7
£17 – £18	**3,500**	**5.6**	17,200	6.6
£19 – £20	**2,472,347**	**6.2**	3,072,050	7.2
£20 – £21	**23,200**	**6.7**	46,950	7.7
£22 – £23	**3,647,746**	**7.2**	3,872,096	8.2
£23 – £24	**4,276,980**	**8.2**	4,443,930	9.2
£25 – £26	**13,400**	**7.9**	20,000	8.7
£28 – £29	**69,100**	**8.7**	69,100	9.7
£31 – £32	**3,804**	**9.7**	–	–
£33 – £34	**490,794**	**9.2**	–	–
	16,035,174	**6.3**	17,809,920	7.0

Notes to the consolidated financial statements continued

25. Share capital continued

Range of exercise prices	Number 2014	Weighted average remaining contractual life in years 2014	Number 2013	Weighted average remaining contractual life in years 2013
ZAR share options				
R50 – R60	–	–	7,500	0.1
R60 – R70	–	–	49,900	0.6
R70 – R80	–	–	40,500	1.1
R90 – R100	**196,300**	**0.9**	363,507	2.0
R120 – R130	**365,513**	**2.0**	527,300	2.9
R140 – R150	**617,800**	**4.3**	931,600	5.3
R150 – R160	**328,200**	**4.9**	426,100	6.0
R160 – R170	**235,650**	**3.1**	362,150	4.1
R180 – R190	**721,700**	**3.9**	1,041,100	4.9
R210 – R220	**979,300**	**5.8**	1,665,750	6.8
R220 – R230	**1,043,900**	**6.7**	1,985,700	7.7
R250 – R260	**485,000**	**7.2**	519,600	8.2
R290 – R300	**1,936,235**	**7.7**	2,155,793	8.7
R310 – R320	**583,700**	**8.2**	625,850	9.2
R400 – R410	**2,006,120**	**8.7**	2,236,895	9.7
R510 – R520	**609,300**	**9.2**	–	–
	10,108,718	**6.7**	12,939,245	7.2
GBP SARs				
£6 – £7	**12,334**	**0.1**	243,734	1.1
£8 – £9	**250,768**	**1.1**	299,010	2.1
£9 – £10	**2,275**	**4.6**	2,275	5.6
£10 – £11	**306,359**	**2.1**	384,784	3.1
£11 – £12	**426,451**	**3.1**	485,283	4.1
£12 – £13	**306,627**	**4.3**	355,943	5.3
£13 – £14	**8,700**	**3.6**	12,400	4.6
£19 – £20	**44,500**	**6.2**	49,900	7.2
£22 – £23	**61,600**	**7.2**	61,600	8.2
£23 – £24	**58,100**	**8.2**	60,600	8.2
£31 – £32	**31,496**	**9.7**	–	–
£33 – £34	**3,661,436**	**9.2**	–	–
	5,170,646	**7.5**	1,955,529	3.8
ZAR SARs				
R520 – R530	**1,178,200**	**9.7**	–	–
GBP performance share awards				
£0	**6,802,427**	**1.3**	7,505,723	1.5
GBP value share awards				
£0	**11,297,444**	**3.1**	11,721,564	2.6
Total share incentives outstanding	**50,592,609**	**5.2**	51,931,981	5.1

Exercisable share incentives

The following table summarises information about exercisable share incentives outstanding at 31 March.

	Number 2014	Weighted average exercise price 2014	Number 2013	Weighted average exercise price 2013
GBP share options	**7,860,114**	**14.90**	5,792,390	11.27
ZAR share options	**4,582,263**	**185.88**	4,915,057	164.84
GBP SARs	**1,369,214**	**11.39**	1,783,429	10.35

25. Share capital continued

Share incentives exercised or released

The weighted average market price of the group's shares at the date of exercise or release for share incentives exercised or released during the year were:

	Number 2014	Weighted average market price 2014	Number 2013	Weighted average market price 2013
Share incentives designated in GBP	**5,644,850**	**31.53**	6,709,778	26.81
Share incentives designated in ZAR	**2,859,744**	**512.29**	2,541,422	385.70
Total share incentives exercised or released during the year	**8,504,594**		9,251,200	

Broad-Based Black Economic Empowerment (BBBEE) scheme

On 9 June 2010 the initial allocation of participation rights was made in relation to the BBBEE scheme in South Africa. A total of 46.2 million new shares in The South African Breweries (Pty) Ltd (SAB), representing 8.45% of SAB's enlarged issued share capital, were issued. The shares in SAB will be exchanged at the end of the estimated 10-year scheme term for shares in SABMiller plc based on a repurchase formula linked, inter alia, to the operating performance of SAB. No performance conditions and exercise prices are attached to these shares, although the employee component has a four-year vesting period. The weighted average fair value of each SAB share at the grant date was ZAR40.

Weighted average fair value assumptions

The fair value of services received in return for share awards granted is measured by reference to the fair value of share awards granted. The estimate of the fair value of the services received is measured based on a binomial model approach except for the awards under Performance Share Award schemes, the Executive Share Award Plan 2008 (including value share awards) and the BBBEE scheme which have been valued using Monte Carlo simulations, and awards under the cash-settled scheme which have been valued based on an analytic approach.

The Monte Carlo simulation methodology is necessary for valuing share-based payments with TSR performance hurdles. This is achieved by projecting SABMiller plc's share price forwards, together with those of companies in the same comparator group, over the vesting period and/or life of the awards after considering their respective volatilities.

The following weighted average assumptions were used in these option pricing models during the year.

	2014	2013
Share price[1]		
– South African share option scheme (ZAR)	**512.06**	379.21
– All other schemes (£)	**33.09**	23.76
Exercise price[1]		
– South African share option scheme (ZAR)	**521.78**	381.88
– All other schemes (£)	**14.32**	8.71
Expected volatility (all schemes)[2] (%)	**25.3**	26.1
Dividend yield (all schemes) (%)	**2.3**	2.4
Annual forfeiture rate		
– South African share option scheme (%)	**5.0**	5.0
– All other schemes (%)	**3.0**	3.0
Risk-free interest rate		
– South African share option scheme (%)	**6.9**	7.3
– All other schemes (%)	**0.8**	1.0

[1] The calculation is based on the weighted fair value of issues made during the year.

[2] Expected volatility is calculated by assessing the historical share price data in the United Kingdom and South Africa from seven years prior to the grant date (2013: 10 years).

Notes to the consolidated financial statements continued

26. Retained earnings and other reserves

a. Retained earnings

	Treasury and EBT shares US$m	Retained earnings[1] US$m	Total US$m
At 1 April 2012	(661)	12,524	11,863
Profit for the year	–	3,250	3,250
Other comprehensive loss	–	(22)	(22)
Remeasurements of defined benefit plans taken to other comprehensive loss	–	(19)	(19)
Share of associates' and joint ventures' other comprehensive loss	–	(22)	(22)
Deferred tax credit on items taken to other comprehensive loss	–	19	19
Dividends paid	–	(1,517)	(1,517)
Payment for purchase of own shares for share trusts	(53)	–	(53)
Utilisation of EBT shares	71	(71)	–
Credit entry relating to share-based payments	–	189	189
At 31 March 2013	(643)	14,353	13,710
Profit for the year	–	3,381	3,381
Other comprehensive income	–	54	54
Remeasurements of defined benefit plans taken to other comprehensive income	–	22	22
Share of associates' and joint ventures' other comprehensive income	–	45	45
Deferred tax charge on items taken to other comprehensive income	–	(13)	(13)
Dividends paid	–	(1,640)	(1,640)
Utilisation of merger relief reserve	–	265	265
Buyout of non-controlling interests	–	(5)	(5)
Payment for purchase of own shares for share trusts	(79)	–	(79)
Utilisation of treasury and EBT shares	63	(42)	21
Credit entry relating to share-based payments	–	178	178
At 31 March 2014	**(659)**	**16,544**	**15,885**

[1] As restated (see note 28).

The group's retained earnings includes amounts of US$753 million (2013: US$734 million), the distribution of which is limited by statutory or other restrictions.

Treasury and EBT shares reserve

On 26 February 2009 77,368,338 SABMiller plc non-voting convertible shares were converted into ordinary shares and then acquired by the company to be held as treasury shares. While the purchase price for each share was £10.54, the whole amount of the consideration was paid between group companies. On 15 February 2010 5,300,000 of these treasury shares were transferred to the EBT for nil consideration. On 26 March 2013 an additional 4,600,000 treasury shares were transferred to the EBT at no gain or loss to the group. These shares will be used to satisfy awards outstanding under the various share incentive plans. During 2014 1,345,165 treasury shares were used to directly satisfy share awards. As at 31 March 2014 a total of 66,123,173 shares (2013: 67,468,338 shares) were held in treasury.

There are two employee benefit trusts currently in operation, being the SABMiller Employees' Benefit Trust (the EBT) and the SABMiller Associated Companies' Employees' Benefit Trust (the AC-EBT). The EBT holds shares in SABMiller plc for the purposes of the various share incentive plans, further details of which are disclosed in the directors' remuneration report. At 31 March 2014 the EBT held 6,833,632 shares (2013: 8,339,106 shares) which cost US$152 million (2013: US$126 million) and had a market value of US$341 million (2013: US$438 million). These shares have been treated as a deduction in arriving at shareholders' funds. The EBT used funds provided by SABMiller plc to purchase such of the shares as were purchased in the market. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

The AC-EBT may hold shares in SABMiller plc for the purposes of providing share incentives for employees of companies in which SABMiller has a significant economic and strategic interest but over which it does not have management control. At 31 March 2014 the AC-EBT held no shares (2013: none). The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

Shares currently held in each EBT rank pari passu with all other ordinary shares, but in both cases the trustees have elected to waive dividends and decline from voting shares, except in circumstances where they may be holding shares beneficially owned by a participant. There were no beneficially owned shares in either EBT as at 31 March 2014 (2013: nil).

26. Retained earnings and other reserves continued

b. Other reserves

The analysis of other reserves is as follows.

	Foreign currency translation reserve US$m	Cash flow hedging reserve US$m	Net investment hedging reserve US$m	Available for sale reserve US$m	Total US$m
At 1 April 2012	2,320	(4)	(341)	3	1,978
Currency translation differences	(696)	–	–	–	(696)
Net investment hedges	–	–	63	–	63
Cash flow hedges	–	(5)	–	–	(5)
Available for sale investments	–	–	–	(1)	(1)
Deferred tax on items taken to other comprehensive loss	–	6	–	–	6
Share of associates' and joint ventures' other comprehensive (loss)/income	–	(23)	–	6	(17)
At 31 March 2013	1,624	(26)	(278)	8	1,328
Currency translation differences	(2,267)	–	–	–	(2,267)
Net investment hedges	–	–	102	–	102
Cash flow hedges	–	34	–	–	34
Deferred tax on items taken to other comprehensive income	–	1	–	–	1
Share of associates' and joint ventures' other comprehensive income/(loss)	104	2	–	(6)	100
At 31 March 2014	**(539)**	**11**	**(176)**	**2**	**(702)**

Foreign currency translation reserve

The foreign currency translation reserve comprises all translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates.

27a. Reconciliation of profit for the year to net cash generated from operations

	2014 US$m	2013[1] US$m
Profit for the year	**3,650**	3,487
Taxation	**1,173**	1,192
Share of post-tax results of associates and joint ventures	**(1,226)**	(1,213)
Net finance costs	**645**	726
Operating profit	**4,242**	4,192
Depreciation:		
– Property, plant and equipment	**621**	641
– Containers	**233**	226
Container breakages, shrinkages and write-offs	**80**	38
Net profit on disposal of businesses	**(72)**	(79)
Loss/(gain) on dilution of investment in associate	**18**	(4)
(Profit)/loss on disposal of property, plant and equipment	**(17)**	13
Amortisation of intangible assets	**427**	450
Impairment of goodwill	**–**	11
Impairment of intangible assets	**8**	–
Impairment of property, plant and equipment	**52**	39
Impairment of working capital balances	**55**	31
Amortisation of advances to customers	**40**	45
Dividends received from other investments	**(1)**	(1)
Charge with respect to share options	**141**	184
Charge with respect to Broad-Based Black Economic Empowerment scheme	**13**	17
Other non-cash movements	**(163)**	(45)
Net cash generated from operations before working capital movements	**5,677**	5,758
Increase in inventories	**(73)**	(14)
Decrease/(increase) in trade and other receivables	**128**	(107)
Increase in trade and other payables	**113**	82
Decrease in provisions	**(89)**	(177)
Increase in post-retirement benefit provisions	**14**	12
Net cash generated from operations	**5,770**	5,554

[1] As restated (see note 28).

Notes to the consolidated financial statements continued

27b. Reconciliation of net cash generated from operating activities to free cash flow

	2014 US$m	2013 US$m
Net cash generated from operating activities	**3,431**	4,101
Purchase of property, plant and equipment	**(1,401)**	(1,335)
Proceeds from sale of property, plant and equipment	**70**	30
Purchase of intangible assets	**(84)**	(144)
Proceeds from sale of intangible assets	**–**	4
Investments in joint ventures	**(188)**	(272)
Investments in associates	**(199)**	(23)
Dividends received from joint ventures	**903**	886
Dividends received from associates	**224**	113
Dividends received from other investments	**1**	1
Dividends paid to non-controlling interests	**(194)**	(131)
Free cash flow	**2,563**	3,230

27c. Analysis of net debt

Cash and cash equivalents on the balance sheet are reconciled to cash and cash equivalents on the cash flow statement as follows.

	2014 US$m	2013 US$m
Cash and cash equivalents (balance sheet)	**2,081**	2,171
Overdrafts	**(213)**	(212)
Cash and cash equivalents (cash flow statement)	**1,868**	1,959

The group has amended its net debt definition to include derivative financial instruments designated as net investment hedges as these hedges are considered to be inextricably linked to the underlying borrowings because they are used to mitigate the foreign currency exchange risk arising from the group's foreign currency borrowings. The change in this definition has resulted in a reduction in net debt of US$101 million at 31 March 2013, and US$45 million at 1 April 2012.

Net debt is analysed as follows.

	Cash and cash equivalents (excluding overdrafts) US$m	Overdrafts US$m	Borrowings US$m	Derivative financial instruments US$m	Finance leases US$m	Gross debt US$m	Net debt US$m
At 1 April 2012[1]	745	(139)	(19,067)	665	(21)	(18,562)	(17,817)
Exchange adjustments	(83)	32	131	–	1	164	81
Cash flow	1,512	(105)	560	(5)	6	456	1,968
Disposals	(3)	–	–	–	–	–	(3)
Other movements	–	–	75	117	(21)	171	171
At 31 March 2013[1]	2,171	(212)	(18,301)	777	(35)	(17,771)	(15,600)
Exchange adjustments	(65)	4	26	(24)	3	9	(56)
Cash flow	(25)	(5)	1,244	(188)	9	1,060	1,035
Other movements	–	–	248	98	(28)	318	318
At 31 March 2014	**2,081**	**(213)**	**(16,783)**	**663**	**(51)**	**(16,384)**	**(14,303)**

[1] As restated for the change in definition of net debt.

27d. Major non-cash transactions

Major non-cash transactions included the following.

Additional profit realised in 2013 and 2014 on the disposal of the group's Angolan operations in Africa in 2012.

During 2014 Broad-Based Black Economic Empowerment (BBBEE) related charges in South Africa, including share-based payment charges in relation to the employee component of the BBEEE scheme, together with the loss on the dilution of the group's investment in its associate, Distell Group Ltd, as a result of the exercise of share options issued as part of its BBBEE scheme.

During 2014 impairment charges relating to the closure of the Warnervale brewery and impairment of the Bluetongue brand in Australia.

28. Restatements

The amendment to IAS 19, 'Employee benefits', was adopted retrospectively from 1 April 2013. The group has restated the consolidated financial statements accordingly. The quantitative impact of adopting this standard on the prior year consolidated financial statements is detailed in the table below. No material adjustments to the balance sheet at 31 March 2013 have been required as a result of the adoption of the amended standard.

As part of the regular review of accounting practices and policies, fair value gains and losses on financial instruments, and exchange gains and losses have now been presented on a net basis within net finance costs. Comparatives have been restated for consistency. The quantitative impact of this change in presentation is detailed in the table below.

	Year ended 31 March 2013 US$m	IAS 19 adjustments US$m	Finance costs reclassification US$m	Year ended 31 March 2013 as restated US$m
Consolidated income statement				
Operating profit	4,203	(11)	–	**4,192**
Net finance costs	(735)	9	–	**(726)**
Finance costs	(1,417)	9	222	**(1,186)**
Finance income	682	–	(222)	**460**
Share of post-tax results of associates and joint ventures	1,244	(31)	–	**1,213**
Profit before taxation	4,712	(33)	–	**4,679**
Taxation	(1,201)	9	–	**(1,192)**
Profit for the year	3,511	(24)	–	**3,487**
Consolidated statement of comprehensive income				
Profit for the year	3,511	(24)	–	**3,487**
Items that will not be reclassified subsequently to profit or loss				
Net remeasurements of defined benefit plans	(21)	2	–	**(19)**
Tax on items that will not be reclassified	28	(9)	–	**19**
Share of associates' and joint ventures' other comprehensive loss	(57)	31	–	**(26)**
Total items that will not be reclassified subsequently to profit or loss	(50)	24	–	**(26)**
Total items that may be subsequently reclassified to profit or loss	(650)	–		**(650)**
Other comprehensive loss for the year, net of tax	(700)	24	–	**(676)**
Total comprehensive income for the year	2,811	–	–	**2,811**

29. Acquisitions and disposals

In December 2013 the group acquired the trade and assets of a wine and spirits business in Africa for consideration of US$42 million, of which US$3 million is deferred. The business combination has been accounted for using the acquisition method. The residual value of the net assets acquired has been recognised as goodwill of US$7 million in the financial statements.

Non-controlling interests
The following non-controlling interests were acquired for cash consideration of US$5 million, generating additional equity of US$5 million.

Company	% acquired	Effective % holding after acquisition of non-controlling interest	Form of consideration	Country
SABMiller Brands Korea	24	75	Cash	South Korea

Disposals
In May 2013 a net profit of US$47 million, after associated costs, was realised on the disposal of the milk and juice business in Panama, in Latin America.

Notes to the consolidated financial statements continued

30. Commitments, contingencies and guarantees

a. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases at 31 March are as follows.

	2014 US$m	2013 US$m
Land and buildings		
Within one year	**67**	65
Later than one year and less than five years	**147**	152
After five years	**30**	33
	244	250
Plant, vehicles and systems		
Within one year	**58**	54
Later than one year and less than five years	**124**	129
After five years	**16**	91
	198	274

b. Other commitments

	2014 US$m	2013 US$m
Capital commitments not provided in the financial information		
Contracts placed for future expenditure for property, plant and equipment	**271**	239
Contracts placed for future expenditure for intangible assets	**16**	3
Share of capital commitments of joint ventures	**55**	48
Other commitments not provided in the financial information		
Contracts placed for future expenditure	**3,736**	2,632
Share of joint ventures' other commitments	**393**	379

Contracts placed for future expenditure in 2014 primarily relate to minimum purchase commitments for raw materials and packaging materials, which are principally due between 2014 and 2021. Additionally, in 2013 as part of the business capability programme the group had entered into contracts for the provision of IT, communications and consultancy services and in relation to which the group had commitments of US$120 million at 31 March 2013. Following the conclusion of the business capability programme, no material commitments were held relating to the programme at 31 March 2014.

The group's share of joint ventures' other commitments primarily relate to MillerCoors' various long-term non-cancellable advertising and promotion commitments.

c. Contingent liabilities and guarantees

	2014 US$m	2013 US$m
Guarantees to third parties[1]	**4**	2
Litigation[2]	**1**	15
Other contingent liabilities	**3**	2
	8	19

[1] **Guarantees to third parties**
These primarily relate to guarantees given by Grolsch and Nile Breweries Ltd to banks in relation to loans taken out by trade customers and suppliers respectively.

[2] **Litigation**
The group has a number of activities in a wide variety of geographic areas and is subject to certain legal claims incidental to its operations. In the opinion of the directors, after taking appropriate legal advice, these claims are not expected to have, either individually or in aggregate, a material adverse effect upon the group's financial position, except insofar as already provided in the consolidated financial statements. These include claims made by certain former employees in Ecuador arising out of events which took place before the group's investment in Ecuador in 2005, in respect of which, based on legal advice that they have no valid legal basis, the directors have determined that no provision is required and that they should continue to be contested.

Other

SABMiller and Altria entered into a tax matters agreement (the Agreement) on 30 May 2002 to regulate the conduct of tax matters between them with regard to the acquisition of Miller and to allocate responsibility for contingent tax costs. SABMiller has agreed to indemnify Altria against any taxes, losses, liabilities and costs that Altria incurs arising out of or in connection with a breach by SABMiller of any representation, agreement or covenant in the Agreement, subject to certain exceptions.

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

31. Pensions and post-retirement benefits

The group operates a number of pension schemes which have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The majority of the schemes are funded and the schemes' assets are held independently of the group's finances. The assets of the schemes do not include any of the group's own financial instruments, nor any property occupied by or other assets used by the group. Pension and post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. Generally, the projected unit method is applied to measure the defined benefit scheme liabilities.

The group also provides medical benefits, which are unfunded, for retired employees and their dependants in South Africa, the Netherlands and Latin America.

The total pension and post-retirement medical benefit costs recognised in the income statement are as follows.

	2014 US$m	2013[1] US$m
Defined contribution scheme costs	**106**	110
Defined benefit pension plan costs	**11**	20
Post-retirement medical and other benefit costs	**7**	11

[1] As restated (see note 28).

The amounts recognised in the balance sheet are determined as follows.

	2014 US$m	2013 US$m
Portion of defined benefit obligation that is partly or wholly funded	**(405)**	(379)
Fair value of plan assets	**479**	453
Surplus of funded plans	**74**	74
Impact of asset ceiling	**(78)**	(87)
Deficit of funded plans	**(4)**	(13)
Portion of defined benefit obligation that is unfunded	**(155)**	(193)
Medical and other post-retirement benefits	**(87)**	(95)
Provisions for defined benefit plans	**(246)**	(301)
Accruals for defined contribution plans	**(4)**	(7)

The group operates various defined contribution and defined benefit schemes. Details of the main defined benefit schemes are provided below.

Latin America pension plans

The group operates a number of pension plans throughout Latin America. Details of the major plan are provided below.

The Colombian Labour Code Pension Plan is an unfunded plan of the defined benefit type and covers all salaried and hourly employees in Colombia who are not covered by social security or who have at least 10 years of service prior to 1 January 1967. The plan is financed entirely through company reserves and there are no external assets. The most recent actuarial valuation of the Colombian Labour Code Pension Plan was carried out by independent professionally qualified actuaries at 28 February 2014 using the projected unit credit method. All salaried employees are now covered by social security or private pension fund provisions. The principal economic assumptions used in the preparation of the pension valuations are shown below and take into consideration changes in the Colombian economy.

Grolsch pension scheme

The Grolsch pension scheme, named Stichting Pensioenfonds van de Grolsche Bierbrouwerij, is a funded plan of the defined benefit type, based on average salary with assets held in separately administered funds. The latest valuation of the Grolsch pension scheme was carried out at 31 March 2014 by an independent actuary using the projected unit credit method.

Carlton & United Breweries pension scheme

The Carlton & United Breweries pension scheme, named AusBev Superannuation Fund, provides accumulation style and defined benefits to employees. The company funds the defined benefits, administration and insurance costs of the scheme as a benefit to employees who elect to be members of this scheme. The board of trustees is responsible for the governance of the scheme on behalf of the members. The latest actuarial valuation of the Carlton & United Breweries pension scheme was carried out at 30 June 2011 by an independent actuary using the projected unit credit method. The valuation update for the scheme was carried out at 31 March 2014 by an independent actuary. The defined benefits section is now closed to new members.

Notes to the consolidated financial statements continued

31. Pensions and post-retirement benefits continued

South Africa pension schemes

The group operates a number of pension schemes throughout South Africa. Details of the major schemes are provided below.

The ABI Pension Fund, Suncrush Pension Fund and Suncrush Retirement Fund are funded schemes of the defined benefit type based on average salary with assets held in separately administered funds. The governance of the schemes is the responsibility of the boards of trustees on behalf of the members, subject to the provisions of local legislation and the rules of each scheme.

The ABI Pension Fund no longer has any active or pensioner members. There are surplus assets remaining in the scheme that will be distributed to former members in due course.

The Suncrush Pension Fund has pensioners where the pension liabilities have been outsourced to an insurance provider. The trustees have made a provision in the fund rules for the active members such that benefits will be paid to members on exit for their benefits valued as at 1 July 2005. No further benefits are being accrued for active members.

The Suncrush Retirement Fund has no liabilities and is in the process of being closed down.

Risks

The most significant risks the group is exposed to through its defined benefit pension plans and post-employment medical plans are as follows.

Volatility of investment returns

Those schemes that hold assets are exposed to volatility in investment returns on those assets, which may be higher or lower than the assumed expected return on those assets. Asset mix is varied for each individual scheme to ensure investment volatility risk is appropriately managed.

Salary, pension and healthcare cost inflation risk

Scheme liabilities for the defined benefit pension and post-retirement medical plans are calculated based on assumed rates of salary, pension and/or healthcare cost inflation. Increases in these inflation rates will lead to higher liabilities.

Change in discount rate

A decrease in corporate bond yields will result in a decrease in the discount rate and therefore an increase in scheme liabilities. This will be partially offset by an increase in the value of plan assets where the scheme holds bonds.

Mortality rates

The majority of the group's obligations to provide benefits under both the defined benefit pension plans and medical and other post-retirement benefits are for the life of the member. Increases in life expectancy will result in increases in the scheme liabilities associated with the schemes. The group ensures mortality rate assumptions incorporated in the actuarial calculations of the present value of scheme liabilities are from reliable sources.

Principal actuarial assumptions at 31 March (expressed as weighted averages)

			Defined benefit pension plans			Medical and other post-retirement benefits	
			Latin America	Grolsch	Other	South Africa	Other
At 31 March 2014							
Discount rate (%)			**6.9**	**3.4**	**4.5**	**9.9**	**6.4**
Salary inflation (%)			**3.0**	**2.0**	**3.4**	**–**	**–**
Pension inflation (%)			**3.0**	**0.7**	**3.7**	**–**	**–**
Healthcare cost inflation (%)			**–**	**–**	**–**	**8.7**	**3.0**
Mortality rate assumptions							
– Retirement age:		Males	**55**	**65**	**62**	**63**	**58**
		Females	**51**	**65**	**60**	**63**	**54**
– Life expectations on retirement age:							
	Retiring today:	Males	**26**	**21**	**19**	**16**	**25**
		Females	**35**	**24**	**23**	**19**	**32**
	Retiring in 20 years:	Males	**26**	**23**	**19**	**17**	**25**
		Females	**35**	**25**	**23**	**20**	**32**
At 31 March 2013							
Discount rate (%)			5.0	3.8	4.6	8.8	4.9
Salary inflation (%)			2.5	2.0	3.9	–	–
Pension inflation (%)			2.5	0.7	3.2	–	–
Healthcare cost inflation (%)			–	–	–	7.5	2.3
Mortality rate assumptions							
– Retirement age:		Males	55	65	62	63	57
		Females	50	65	61	63	53
– Life expectations on retirement age:							
	Retiring today:	Males	27	21	22	16	25
		Females	36	24	23	20	32
	Retiring in 20 years:	Males	27	23	22	16	25
		Females	36	25	23	20	32

31. Pensions and post-retirement benefits continued

The movement in the defined benefit pension plan liabilities is as follows.

	Defined benefit pension plans									
	Latin America	Grolsch			Other			Total		
	Present value of scheme liabilities US$m	Present value of scheme liabilities US$m	Fair value of plan assets US$m	Total US$m	Present value of scheme liabilities US$m	Fair value of plan assets US$m	Total US$m	Present value of scheme liabilities US$m	Fair value of plan assets US$m	Total US$m
At 1 April 2012	(172)	(319)	352	33	(102)	84	(18)	(593)	436	(157)
Benefits paid	17	11	(11)	–	11	(8)	3	39	(19)	20
Contributions paid by plan participants	–	(3)	–	(3)	–	–	–	(3)	–	(3)
Employer contributions	–	–	17	17	–	2	2	–	19	19
Current service cost	(1)	(4)	–	(4)	(3)	–	(3)	(8)	–	(8)
Interest (costs)/income[1]	(12)	(14)	15	1	(5)	5	–	(31)	20	(11)
Remeasurements[1]:	(17)	19	18	37	(1)	–	(1)	1	18	19
– Return on plan assets, excluding amounts included in interest income	–	–	18	18	–	–	–	–	18	18
– Gain/(loss) from change in demographic assumptions	2	(4)	–	(4)	–	–	–	(2)	–	(2)
– (Loss)/gain from change in financial assumptions	(12)	16	–	16	–	–	–	4	–	4
– Experience (losses)/gains	(7)	7	–	7	(1)	–	(1)	(1)	–	(1)
Settlements and curtailments	–	–	–	–	3	(3)	–	3	(3)	–
Exchange adjustments	4	12	(14)	(2)	4	(4)	–	20	(18)	2
At 31 March 2013	(181)	(298)	377	79	(93)	76	(17)	(572)	453	(119)
Benefits paid	16	11	(11)	–	5	(5)	–	32	(16)	16
Contributions paid by plan participants	–	(3)	–	(3)	–	–	–	(3)	–	(3)
Employer contributions	–	–	10	10	–	3	3	–	13	13
Current service cost	(1)	(3)	–	(3)	(3)	–	(3)	(7)	–	(7)
Past service credit	–	6	–	6	–	–	–	6	–	6
Interest (costs)/income	(9)	(12)	14	2	(2)	3	1	(23)	17	(6)
Remeasurements:	23	(17)	(10)	(27)	5	2	7	11	(8)	3
– Return on plan assets, excluding amounts included in interest income	–	–	(10)	(10)	–	–	–	–	(10)	(10)
– Gain from change in demographic assumptions	8	–	–	–	–	–	–	8	–	8
– Gain/(loss) from change in financial assumptions	11	(20)	–	(20)	2	–	2	(7)	–	(7)
– Experience gains	4	3	–	3	3	2	5	10	2	12
Exchange adjustments	11	(22)	28	6	7	(8)	(1)	(4)	20	16
At 31 March 2014	**(141)**	**(338)**	**408**	**70**	**(81)**	**71**	**(10)**	**(560)**	**479**	**(81)**

[1] As restated (see note 28).

Notes to the consolidated financial statements continued

31. Pensions and post-retirement benefits continued

The fair value of assets in pension schemes are as follows.

	Defined benefit pension plans			
	Latin America US$m	Grolsch US$m	Other US$m	Total US$m
At 31 March 2014				
Equities – quoted	–	137	18	155
Bonds – quoted	–	251	22	273
Cash and cash equivalents	–	–	26	26
Property and other	–	20	5	25
Total fair value of assets	–	408	71	479
Present value of scheme liabilities	(141)	(338)	(81)	(560)
(Deficit)/surplus in the scheme	(141)	70	(10)	(81)
Unrecognised pension asset due to limit	–	(70)	(8)	(78)
Pension liability recognised	**(141)**	**–**	**(18)**	**(159)**
At 31 March 2013				
Equities – quoted	–	126	20	146
Bonds – quoted	–	235	21	256
Cash and cash equivalents	–	–	31	31
Property and other	–	16	4	20
Total fair value of assets	–	377	76	453
Present value of scheme liabilities	(181)	(298)	(93)	(572)
(Deficit)/surplus in the scheme	(181)	79	(17)	(119)
Unrecognised pension asset due to limit	–	(79)	(8)	(87)
Pension liability recognised	(181)	–	(25)	(206)

In respect of defined benefit pension plans in South Africa, which are included in 'Other', the pension asset recognised is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. Pension fund assets have been set equal to nil as the surplus apportionment exercise required in terms of the South African legislation has not yet been completed.

The pension asset recognised in respect of Grolsch is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The limit has been set equal to nil due to the terms of the pension agreement with the pension fund.

The movements in the asset ceiling are as follows.

	Defined benefit pension plans		
	Grolsch US$m	Other US$m	Total US$m
Asset ceiling at 1 April 2012	(33)	(7)	(40)
Interest costs	(1)	(1)	(2)
Change in the asset ceiling, excluding amounts included in interest costs	(46)	(1)	(47)
Exchange adjustments	1	1	2
Asset ceiling at 31 March 2013	(79)	(8)	(87)
Interest costs	(3)	(1)	(4)
Change in the asset ceiling, excluding amounts included in interest costs	18	(1)	17
Exchange adjustments	(6)	2	(4)
Asset ceiling at 31 March 2014	**(70)**	**(8)**	**(78)**

31. Pensions and post-retirement benefits continued

The movement in the post-employment medical benefit liabilities is as follows. The obligations are wholly unfunded.

	Medical and other post-retirement benefits		
	South Africa US$m	Other US$m	Total US$m
Present value of scheme liabilities at 1 April 2012	(66)	(46)	(112)
Benefits paid	–	5	5
Contributions paid by plan participants	2	–	2
Current service cost	(1)	(1)	(2)
Interest costs	(6)	(3)	(9)
Remeasurements:	14	(5)	9
– Gain from change in demographic assumptions	10	5	15
– Loss from change in financial assumptions	(2)	(3)	(5)
– Experience gains/(losses)	6	(7)	(1)
Exchange adjustments	10	2	12
Present value of scheme liabilities at 31 March 2013	(47)	(48)	(95)
Benefits paid	–	3	3
Contributions paid by plan participants	2	–	2
Current service cost	(1)	(1)	(2)
Interest costs	(4)	(1)	(5)
Remeasurements:	(3)	5	2
– Gain from change in demographic assumptions	–	2	2
– (Loss)/gain from change in financial assumptions	(1)	2	1
– Experience (losses)/gains	(2)	1	(1)
Exchange adjustments	7	1	8
Present value of scheme liabilities at 31 March 2014	**(46)**	**(41)**	**(87)**

The sensitivity of the pension plan and medical and other post-retirement benefit liabilities at 31 March 2014 to changes in the principal actuarial assumptions is as follows.

	Defined benefit pension plans			Medical and other post-retirement benefits	
	Change in assumption	Increase US$m	Decrease US$m	Increase US$m	Decrease US$m
Discount rate	1%	63	80	7	8
Salary growth rate	1%	8	7	–	–
Pension growth rate	1%	74	43	–	–
Life expectancy	1 year	9	9	2	2
Healthcare cost inflation	1%	–	–	9	8

The above sensitivity analyses assume a change in a single assumption while all other assumptions are held constant. When calculating the sensitivities, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, consistent with the method used to calculate the defined benefit obligation recognised in the balance sheet.

For funded defined benefit plans, the group is required to provide funding where the fair value of the assets of the scheme are not sufficient to meet the defined benefit obligations. The South Africa pension schemes no longer have any active members; therefore, funding will only be required in the event that the scheme becomes less than 100% funded. The remaining funded defined benefit plans are funded using recommendations provided by the scheme's actuaries.

Contributions expected to be paid into the group's major defined benefit schemes during the year ending 31 March 2015 are US$25 million.

The weighted average duration of the defined benefit obligation is 14 years.

Notes to the consolidated financial statements continued

32. Related party transactions

a. Parties with significant influence over the group: Altria Group, Inc (Altria) and the Santo Domingo Group (SDG)

Altria is considered to be a related party of the group by virtue of its 26.8% equity shareholding in SABMiller plc. There were no transactions with Altria during the year.

SDG is considered to be a related party of the group by virtue of its 14.0% equity shareholding in SABMiller plc. During the year Bavaria SA and its subsidiaries made donations of US$14 million (2013: US$nil) to the Fundación Mario Santo Domingo, pursuant to the contractual arrangements entered into at the time of the Bavaria transaction in 2005, under which it was agreed that the proceeds of the sale of surplus non-operating property assets owned by Bavaria SA and its subsidiaries would be donated to various charities, including the Fundación Mario Santo Domingo. At 31 March 2014 US$nil (2013: US$nil) was owing to the SDG.

b. Associates and joint ventures

Details relating to transactions with associates and joint ventures are analysed below.

	2014 US$m	2013 US$m
Purchases from associates[1]	**(168)**	(227)
Purchases from joint ventures[2]	**(93)**	(97)
Sales to associates[3]	**9**	46
Sales to joint ventures[4]	**23**	25
Dividends receivable from associates[5]	**224**	113
Dividends received from joint ventures[6]	**903**	886
Royalties received from associates[7]	**25**	27
Royalties received from joint ventures[8]	**2**	2
Management fees, guarantee fees and other recoveries received from associates[9]	**11**	17
Management fees paid to joint ventures[10]	**(2)**	(2)
Sale of associate to joint venture[11]	**–**	21

1 The group purchased canned Coca-Cola products for resale from Coca-Cola Canners of Southern Africa (Pty) Limited (Coca-Cola Canners); inventory from Distell Group Ltd (Distell) and Associated Fruit Processors (Pty) Ltd (AFP); and accommodation from Tsogo Sun Holdings Ltd (Tsogo Sun), all in South Africa.

2 The group purchased lager from MillerCoors LLC (MillerCoors).

3 The group made sales of lager to Tsogo Sun, Delta Corporation Ltd (Delta), Anadolu Efes Biracilik ve Malt Sanayii AS (Anadolu Efes) and Distell.

4 The group made sales to MillerCoors.

5 The group had dividends receivable from Société des Brasseries et Glacières Internationales SA, Brasseries Internationales Holding Ltd, and Marocaine d'Investissements et de Services SA (Castel) of US$97 million (2013: US$21 million), Coca-Cola Canners of US$5 million (2013: US$11 million), Distell of US$20 million (2013: US$21 million), Tsogo Sun of US$34 million (2013: US$33 million), Delta of US$17 million (2013: US$12 million), International Trade and Supply Limited of US$18 million (2013: US$14 million), Grolsch (UK) Ltd of US$1 million (2013: US$1 million), and Anadolu Efes of US$32 million (2013: US$nil).

6 The group received dividends from MillerCoors.

7 The group received royalties from Delta and Anadolu Efes.

8 The group received royalties from MillerCoors.

9 The group received management fees from Delta, guarantee fees from Delta and BIH Brasseries Internationales Holding (Angola) Ltd (BIH Angola), and other recoveries from AFP.

10 The group paid management fees to MillerCoors.

11 In 2013 the group sold its interest in Foster's USA LLC to MillerCoors for cash consideration.

At 31 March	2014 US$m	2013 US$m
Amounts owed by associates – trade[1]	**42**	68
Amounts owed by joint ventures[2]	**5**	5
Amounts owed to associates[3]	**(39)**	(150)
Amounts owed to joint ventures[4]	**(16)**	(14)

1 Amounts owed by AFP, Delta, Anadolu Efes and BIH Angola.

2 Amounts owed by MillerCoors.

3 Amounts owed to Coca-Cola Canners, Castel and Tsogo Sun. At 31 March 2013 this balance included US$100 million received in compensation for the loan participation deposit relating to the Angolan businesses managed by Castel.

4 Amounts owed to MillerCoors.

Guarantees provided in respect of associates' bank facilities are detailed in note 21.

c. Transactions with key management

The group has a related party relationship with the directors of the group and members of the excom as key management. At 31 March 2014 there were 25 (2013: 26) members of key management. Key management compensation is provided in note 6c.

33. Post balance sheet events

There are no material post balance sheet events.

34. Principal subsidiaries, associates and joint ventures

The principal subsidiary undertakings of the group as at 31 March were as follows.

Name	Country of incorporation	Principal activity	Effective interest 2014	Effective interest 2013
Corporate				
SABMiller Holdings Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Africa & Asia BV[1]	Netherlands	Holding company	**100%**	100%
SABMiller Holdings SA Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller International BV	Netherlands	Trademark owner	**100%**	100%
SABMiller SAF Limited	United Kingdom	Holding company/Financing	**100%**	100%
SABMiller Southern Investments Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Procurement GmbH	Switzerland	Procurement	**100%**	100%
SABSA Holdings Ltd	South Africa	Holding company	**100%**	100%
SABMiller America Holdings Ltd	United Kingdom	Holding company	**100%**	–
SABMiller Australia Holdings Ltd	United Kingdom	Holding company	**100%**	–
SABMiller SI Ltd	United Kingdom	Holding company	**100%**	–
Latin American operations				
Bavaria SA[2]	Colombia	Brewing/Soft drinks	**99%**	99%
Cervecería Argentina SA Isenbeck	Argentina	Brewing	**100%**	100%
Cervecería del Valle SA	Colombia	Brewing	**99%**	99%
Cervecería Hondureña, SA de CV	Honduras	Brewing/Soft drinks	**99%**	99%
Cervecería Nacional (CN) SA[2]	Ecuador	Brewing	**96%**	96%
Cervecería Nacional SA[2]	Panama	Brewing	**97%**	98%
Cervecería San Juan SA[2]	Peru	Brewing/Soft drinks	**92%**	92%
Cervecería Unión SA	Colombia	Brewing	**98%**	98%
Industrias La Constancia, SA de CV	El Salvador	Brewing/Soft drinks	**100%**	100%
Unión de Cervecerías Peruanas Backus y Johnston SAA[2]	Peru	Brewing	**94%**	94%
European operations				
SABMiller Europe BV[1]	Netherlands	Holding company	**100%**	100%
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Netherlands Cooperatieve WA	Netherlands	Holding company	**100%**	100%
Birra Peroni Srl	Italy	Brewing	**100%**	100%
Compañia Cervecera de Canarias SA	Spain	Brewing	**51%**	51%
Dreher Sörgyárak Zrt	Hungary	Brewing	**100%**	100%
Grolsche Bierbrouwerij Nederland BV	Netherlands	Brewing	**100%**	100%
Kompania Piwowarska SA	Poland	Brewing	**100%**	100%
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	**100%**	100%
Pivovary Topvar as	Slovakia	Brewing	**100%**	100%
Plzeňský Prazdroj as	Czech Republic	Brewing	**100%**	100%
Ursus Breweries SA	Romania	Brewing	**99%**	99%
North American operations				
SABMiller Holdings Inc	USA	Holding company/Financing	**100%**	100%
Miller Brewing Company	USA	Holding company	**100%**	100%
African operations				
SABMiller Africa BV	Netherlands	Holding company	**62%**	62%
SABMiller Botswana BV	Netherlands	Holding company	**62%**	62%
SABMiller (A&A) Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Investments Ltd	Mauritius	Holding company	**80%**	80%
SABMiller Investments II BV	Netherlands	Holding company	**80%**	80%
SABMiller Nigeria Holdings BV	Netherlands	Holding company	**50%**	50%
SABMiller Zimbabwe BV	Netherlands	Holding company	**62%**	62%
Accra Brewery Ltd	Ghana	Brewing	**60%**	60%
Ambo Mineral Water Share Company	Ethiopia	Soft drinks	**40%**	40%
Botswana Breweries (Pty) Ltd[3]	Botswana	Sorghum brewing	**–**	31%
Cervejas de Moçambique SA[2]	Mozambique	Brewing	**49%**	49%
Chibuku Products Ltd	Malawi	Sorghum brewing	**31%**	31%
Crown Beverages Ltd	Kenya	Soft drinks	**80%**	80%
Heinrich's Syndicate Ltd	Zambia	Soft drinks	**62%**	62%
Intafact Beverages Ltd	Nigeria	Brewing	**38%**	38%
International Breweries plc[2]	Nigeria	Brewing	**36%**	36%
Kgalagadi Breweries (Pty) Ltd[3]	Botswana	Brewing/Soft drinks	**31%**	31%

Notes to the consolidated financial statements continued

34. Principal subsidiaries, associates and joint ventures continued

Name	Country of incorporation	Principal activity	Effective interest 2014	Effective interest 2013
African operations continued				
Maluti Mountain Brewery (Pty) Ltd	Lesotho	Brewing/Soft drinks	**24%**	24%
MUBEX	Mauritius	Procurement	**100%**	100%
National Breweries plc[2]	Zambia	Sorghum brewing	**43%**	43%
Nile Breweries Ltd	Uganda	Brewing	**62%**	62%
Pabod Breweries Ltd	Nigeria	Brewing	**41%**	38%
Rwenzori Bottling Company Ltd	Uganda	Soft drinks	**80%**	80%
Southern Sudan Beverages Ltd	South Sudan	Brewing	**80%**	80%
Swaziland Beverages Ltd	Swaziland	Brewing	**37%**	37%
Tanzania Breweries Ltd[2]	Tanzania	Brewing	**36%**	36%
Voltic (GH) Ltd	Ghana	Soft drinks	**80%**	80%
Voltic Nigeria Ltd	Nigeria	Soft drinks	**50%**	50%
Zambian Breweries plc[2]	Zambia	Brewing/Soft drinks	**54%**	54%
Asia Pacific operations				
SABMiller Asia BV	Netherlands	Holding company	**100%**	100%
SABMiller Asia Ltd	Hong Kong	Holding company	**100%**	100%
SABMiller (A&A 2) Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller Beverage Investments Pty Ltd	Australia	Holding company	**100%**	100%
SKOL Beer Manufacturing Company Ltd	India	Holding company	**100%**	100%
Foster's Group Pty Ltd	Australia	Holding company	**100%**	100%
Cascade Brewery Company Pty Ltd	Australia	Brewing	**100%**	100%
CUB Pty Ltd	Australia	Brewing	**100%**	100%
FBG Treasury (Aust.) Pty Ltd	Australia	Financing	**100%**	100%
Pacific Beverages Pty Ltd	Australia	Brewing	**100%**	100%
Queensland Breweries Pty Ltd	Australia	Brewing	**100%**	100%
SABMiller Breweries Private Ltd	India	Brewing	**100%**	100%
SABMiller Vietnam Company Ltd	Vietnam	Brewing	**100%**	100%
SABMiller India Ltd	India	Brewing	**99%**	99%
South African operations				
The South African Breweries (Pty) Ltd	South Africa	Brewing/Soft drinks/Holding company	**100%**	100%
The South African Breweries Hop Farms (Pty) Ltd	South Africa	Hop farming	**100%**	100%
The South African Breweries Maltings (Pty) Ltd	South Africa	Maltsters	**100%**	100%
Appletiser South Africa (Pty) Ltd	South Africa	Fruit juices	**100%**	100%

1 Operates and resident for tax purposes in the United Kingdom.

2 Listed in country of incorporation.

3 In April 2013 Botswana Breweries (Pty) Ltd merged into Kgalagadi Breweries (Pty) Ltd.

The group comprises a large number of companies. The list above includes those subsidiary undertakings which most significantly affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. With the exception of those noted above, the principal country in which each of the above subsidiary undertakings operates is the same as the country in which each is incorporated.

Where the group's nominal interest in the equity share capital of an undertaking is less than 50%, the basis on which the undertaking is a subsidiary undertaking of the group is as follows.

African operations
The group's effective interest in the majority of its African operations was diluted as a result of the disposal of a 38% interest in SABMiller Africa BV and SABMiller Botswana BV on 1 April 2001, in exchange for a 20% interest in the Castel group's African beverage interests. The operations continue to be consolidated due to the group's majority shareholdings, and ability to control the operations.

Botswana Breweries (Pty) Ltd (BBL) and Kgalagadi Breweries (Pty) Ltd (KBL)
SABMiller Botswana held a 40% interest in each of Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd with the remaining 60% interest in each held by Sechaba Brewery Holdings Ltd. SABMiller Botswana's shares entitle the holder to twice the voting rights of those shares held by Sechaba Brewery Holdings Ltd. SABMiller Africa BV's 10.1% indirect interest is held via a 16.8% interest in Sechaba Brewery Holdings Ltd. In April 2013 BBL and KBL merged into a single entity, with KBL the surviving legal entity. The shareholding interests in KBL remain unchanged.

Maluti Mountain Brewery (Pty) Ltd (Maluti)
SABMiller Africa BV holds a 39% interest in Maluti with the remaining interest held by a government authority, the Lesotho National Development Corporation (51%), the Privatisation Unit (5.25%), and the Lesotho Unit Trust (4.75%). Maluti is treated as a subsidiary undertaking based on the group's ability to control its operations through its board representation. The day to day business operations are managed in accordance with a management agreement with a group company.

34. Principal subsidiaries, associates and joint ventures continued

Associates and joint ventures

The principal associates and joint ventures of the group as at 31 March are as set out below. Where the group's interest in an associate or a joint venture is held by a subsidiary undertaking which is not wholly owned by the group, the subsidiary undertaking is indicated in a note below.

Name	Country of incorporation	Nature of relationship	Principal activity	Effective interest 2014	Effective interest 2013
European operations					
Anadolu Efes Biracilik ve Malt Sanayii AŞ[1,2]	Turkey	Associate	Brewing/Soft drinks	**24%**	24%
Grolsch (UK) Ltd	United Kingdom	Associate	Brewing	**50%**	50%
International Trade and Supply Ltd[2]	British Virgin Islands	Associate	Sales and distribution	**40%**	40%
North American operations					
MillerCoors LLC[2,3]	USA	Joint venture	Brewing	**58%**	58%
African operations					
BIH Brasseries Internationales Holding Ltd[2]	Gibraltar	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Société des Brasseries et Glacières Internationales SA[2]	France	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Algerienne de Bavaroise Spa[2,4]	Algeria	Associate	Brewing	**40%**	40%
BIH Brasseries Internationales Holding (Angola) Ltd[2]	Gibraltar	Associate	Brewing/Soft drinks	**27%**	27%
Marocaine d'Investissements et de Services SA[1,5]	Morocco	Associate	Brewing	**40%**	40%
Skikda Bottling Company SARL[2,4]	Algeria	Associate	Soft drinks	**40%**	40%
Société de Boissons de l'Ouest Algerien SARL[2,4]	Algeria	Associate	Soft drinks	**40%**	40%
Société des Nouvelles Brasseries[2,4]	Algeria	Associate	Brewing	**40%**	40%
Delta Corporation Ltd[1,6]	Zimbabwe	Associate	Brewing/Soft drinks	**25%**	25%
Asia Pacific operations					
China Resources Snow Breweries Ltd[2]	British Virgin Islands	Associate	Holding company for brewing subsidiaries located in China	**49%**	49%
South African operations					
Coca-Cola Canners of Southern Africa (Pty) Ltd[2]	South Africa	Associate	Canning of beverages	**32%**	32%
Distell Group Ltd[1,7]	South Africa	Associate	Wines and spirits	**27%**	29%
Hotels and Gaming					
Tsogo Sun Holdings Ltd[1]	South Africa	Associate	Holding company for Hotels and Gaming operations	**40%**	40%

1 Listed in country of incorporation.

2 These entities report their financial results for each 12-month period ending 31 December.

3 SABMiller shares joint control of MillerCoors with Molson Coors Brewing Company under a shareholders' agreement. Voting interests are shared equally between SABMiller and Molson Coors, and each of SABMiller and Molson Coors has equal board representation. Under the agreement SABMiller has a 58% economic interest in MillerCoors and Molson Coors has a 42% economic interest.

4 Effective 18 March 2004, SABMiller acquired 25% of the Castel group's holding in these entities. Together with its 20% interest in the Castel group's African beverage interests, this gives SABMiller participation on a 40:60 basis with the Castel group.

5 SABMiller acquired a 25% direct interest in this holding company on 18 March 2004 which has controlling interests in three breweries, a malting plant and a wet depot in Morocco. This 25% interest, together with its 20% interest in the Castel group's African beverage interests, gives SABMiller an effective participation of 40% and the other 60% is held by the Castel group's Africa beverage interests.

6 Interests in this company are held by SABMiller Africa BV which is held 62% by SABMiller Holdings Ltd.

7 This entity reports its financial results for each 12-month period ending 30 June.

The principal country in which each of the above associated undertakings operates is the same as the country in which each is incorporated, except that the principal subsidiaries of Société des Brasseries et Glacières Internationales SA, BIH Brasseries Internationales Holding Ltd (Castel) and BIH Brasseries Internationales Holding (Angola) Ltd are in Africa, China Resources Snow Breweries Ltd's principal subsidiaries are in the People's Republic of China, and International Trade and Supply Ltd operates in the United Arab Emirates.

Balance sheet of SABMiller plc

at 31 March

	Notes	2014 US$m	2013 US$m
Fixed assets			
Tangible fixed assets	2	**158**	126
Investments in subsidiary undertakings	3	**14,102**	13,840
Derivative financial instruments	9	**301**	445
		14,561	14,411
Current assets			
Debtors: amounts falling due after more than one year	4	**5,412**	1,954
Debtors: amounts falling due within one year	5	**2,293**	4,566
Derivative financial instruments	9	**52**	75
Cash at bank and in hand	6	**1,532**	1,647
		9,289	8,242
Creditors: amounts falling due within one year	7	**(2,091)**	(2,325)
Net current assets		**7,198**	5,917
Total assets less current liabilities		**21,759**	20,328
Creditors: amounts falling due after more than one year	8	**(2,387)**	(3,998)
Net assets		**19,372**	16,330
Capital and reserves			
Share capital		**167**	167
Share premium		**6,648**	6,581
Merger relief reserve		**4,321**	4,586
Other reserves		**(1,164)**	(1,190)
Profit and loss account		**9,400**	6,186
Total shareholders' funds	10	**19,372**	16,330

The financial statements on pages 162 to 171 were approved by the board of directors on 2 June 2014 and were signed on its behalf by:

Alan Clark
Chief Executive

Jamie Wilson
Chief Financial Officer

Advantage has been taken of the provisions of Section 408(3) of the Companies Act 2006 which permit the omission of a separate profit and loss account for SABMiller plc. The profit for the parent company for the year was US$827 million (2013: US$1,710 million).

The consolidated financial statements of the group include a consolidated cash flow statement, which includes the cash flows of the company. The company has therefore taken advantage of the exemption granted by FRS 1 (Revised 1996) not to present a cash flow statement.

Notes to the company financial statements

1. Accounting policies

a) Basis of preparation
SABMiller plc (the company) is a public limited company incorporated in Great Britain and registered in England and Wales. The company financial statements have been prepared in accordance with the Companies Act 2006 and with accounting standards applicable in the United Kingdom (UK GAAP).

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

b) Foreign currencies
The financial statements are presented in US dollars which is the company's functional and presentational currency.

The South African rand (ZAR) and British pound (GBP) exchange rates to the US dollar used in preparing the company financial statements were as follows.

	Weighted average rate		Closing rate	
	ZAR	GBP	ZAR	GBP
Year ended 31 March 2014	10.13	0.63	10.53	0.60
Year ended 31 March 2013	8.51	0.63	9.24	0.66

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or at the related forward contractual rate with the resultant translation differences being included in operating profit, other than those arising on financial liabilities which are recorded within net finance costs.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. All other non-monetary items denominated in a foreign currency are translated at the rate of exchange ruling at the balance sheet date.

c) Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost net of accumulated depreciation and impairment losses. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

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

Office equipment and software	2–30 years
Leasehold land and buildings	Shorter of the lease term or 50 years

The company regularly reviews its depreciation rates to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book value of the asset.

d) Investments in subsidiary undertakings
These comprise investments in shares and loans that the directors intend to hold on a continuing basis in the company's business. The investments are stated at cost, together with subsequent capital contributions, less provisions for impairment.

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

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the profit and loss account in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset will only be up to the amount that it would have been had the original impairment not occurred.

For the purpose of conducting impairment reviews, income generating units are considered to be groups of assets and liabilities that generate income, and are largely independent of other income streams. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

f) Financial assets and financial liabilities
Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the company assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired. If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset. Interest costs are charged to the profit and loss account in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net interest payable over the life of the instrument.

Notes to the company financial statements continued

1. Accounting policies continued

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are included in debtors in the balance sheet.

(ii) Cash at bank and in hand
Cash at bank and in hand includes cash in hand, bank deposits repayable on demand, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within creditors – amounts falling due within one year.

(iii) Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and fixed assets and creditors on the face of the balance sheet, depending on when they are expected to mature. For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the profit and loss account. See note k for the company's accounting policy on hedge accounting.

(iv) Trade creditors
Trade creditors are initially recognised at fair value and subsequently measured at amortised cost.

Trade creditors are classified as creditors falling due within one year unless the company has an unconditional right to defer settlement for at least 12 months from the balance sheet date.

(v) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs, and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note k).

(vi) Financial guarantees
FRS 26, 'Financial instruments – measurement', requires that issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, are to be initially recognised at their fair value and subsequently measured at the higher of the amount initially recognised less cumulative amortisation recognised and the amount determined in accordance with FRS 12, 'Provisions, contingent liabilities and contingent assets'.

Financial guarantee contracts are defined in FRS 26 as contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are amortised over the life of the guarantee, or accelerated if the third party obligation is settled early. The amortisation is taken to the profit and loss account.

g) Revenue recognition

(i) Interest income
Interest income is recognised on an accruals basis using the effective interest method.

(ii) Dividend income
Dividend income is recognised when the right to receive payment is established.

h) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

i) Dividend distributions
In accordance with FRS 21, 'Events after the balance sheet date', dividend distributions to equity holders are recognised as a liability in the financial statements of the company in the period in which the dividends are approved by the company's shareholders. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

j) Share-based compensation
The company operates several equity-settled share-based compensation schemes. These include share option and stock appreciation rights plans (with and without market performance conditions attached), performance share award plans (with market performance conditions attached) and awards related to the employee element of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. In addition the company has granted an equity-settled share-based payment to retailers in relation to the retailer component of the BBBEE scheme.

In accordance with FRS 20, 'Share-based payments', an expense is recognised to spread the fair value at date of grant of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the fair value of the award at the date of grant, as calculated by binomial model calculations and Monte Carlo simulations.

The charge is not reversed if the options or rights have not been exercised because the market value of the shares is lower than the option price at the date of grant. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised, unless the options are satisfied by the transfer of treasury or the Employees' Benefit Trust (EBT) shares.

1. Accounting policies continued

The issue by the company to employees of its subsidiaries of a grant over the company's shares represents additional capital contributions by the company to its subsidiaries, except to the extent the company is reimbursed. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued allocated over the underlying grant's vesting period.

The company has an employee benefit trust, the SABMiller Associated Companies' Employees' Benefit Trust (AC-EBT). The AC-EBT may hold shares in SABMiller plc for the purposes of providing share incentives for employees of companies in which SABMiller has a significant economic and strategic interest but over which it does not have management control. These share options are accounted for as cash-settled share-based payments in accordance with FRS 20.

For the cash-settled plan a liability is recognised at fair value in the balance sheet over the vesting period with a corresponding charge to the profit and loss account. The liability is remeasured at each reporting date, on an actuarial basis using the analytic method, to reflect the revised fair value and to adjust for the changes in assumptions such as leavers. Changes in fair value of the liability are recognised in the profit and loss account. Actual settlement of the liability will be at its intrinsic value with the difference recognised in the profit and loss account.

Shares held by employee benefit trusts and in treasury are treated as a deduction from equity until the shares are utilised.

k) Hedge accounting

The derivative instruments used by the company, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps, cross currency swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the company in line with the company's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the company is required to document the relationship between the hedged item and the hedging instrument. The company is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The company designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of highly probable forecast transactions or commitments (cash flow hedge).

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are recycled to the profit and loss account. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, while providing effective economic hedges under the company's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the profit and loss account. The company does not hold or issue derivative financial instruments for speculative purposes.

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the company's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the profit and loss account in the period incurred. Gains or losses on fair value hedges that are regarded as highly effective are recorded in the profit and loss account together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain assets and liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised as a separate component of equity. The ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

Details of the group's financial risk management objectives and policies are provided in note 21 to the consolidated financial statements of the group.

l) Operating leases

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

m) Pension obligations

The company operates a defined contribution scheme. Contributions to this scheme are charged to the profit and loss account as incurred.

Notes to the company financial statements continued

2. Tangible fixed assets

	Assets in course of construction US$m	Short leasehold land and buildings US$m	Office equipment and software US$m	Total US$m
Cost				
At 1 April 2013	56	36	140	232
Additions	30	1	28	59
Disposals	–	–	(1)	(1)
Transfers	(48)	–	48	–
At 31 March 2014	**38**	**37**	**215**	**290**
Accumulated depreciation				
At 1 April 2013	–	18	88	106
Disposals	–	–	(1)	(1)
Charge for the year	–	4	23	27
At 31 March 2014	**–**	**22**	**110**	**132**
Net book amount				
At 1 April 2013	56	18	52	126
At 31 March 2014	**38**	**15**	**105**	**158**

3. Investment in subsidiary undertakings

	US$m
Cost	
At 1 April 2013	13,980
Additions	1,964
Capital contribution relating to share-based payments	48
Disposals	(1,750)
At 31 March 2014	**14,242**
Accumulated impairment	
At 1 April 2013 and at 31 March 2014	**140**
Net book value	
At 1 April 2013	13,840
At 31 March 2014	**14,102**

During the year, the company made an equity investment in SABMiller Australia Beverage Holdings LLP for a purchase consideration of US$1,750 million and subsequently sold it to another group undertaking at book value.

During the year, the company increased its investment in SABMiller Holdings Ltd by US$196 million.

During the year, the company increased its investment in SABMiller Holdings Europe Ltd by US$8 million.

During the year, the company subscribed for 100 ordinary shares of US$1 each in SABMiller Global Business Services Ltd and subsequently sold them at net book value to SABMiller Holdings Ltd.

During the year, the company acquired the remaining interest in Racetrack Colombia Finance SAS from other group undertakings at net book value of US$428.

During the year, the company increased its investment in SABMiller Africa & Asia BV by US$10 million.

During the year, SAB Finance (Cayman Islands) Ltd was liquidated and the investment of US$1,000 was written off.

3. Investment in subsidiary undertakings continued

The investment in subsidiary undertakings is shown as follows (all interests are 100% direct investments unless stated otherwise).

Name	Country of incorporation	Principal activity	2014 US$m	2013 US$m
SABMiller Holdings Ltd	United Kingdom	Holding company	**10,633**	10,437
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	**39**	39
SAB Finance (Cayman Islands) Ltd	Cayman Islands	Finance company	**–**	–
Safari Ltd	Jersey	Finance company	**–**	–
SABMiller Management BV	Netherlands	Group management services	**–**	–
SABMiller Africa & Asia BV	Netherlands	Holding company	**288**	278
Appletiser International BV	Netherlands	Holding company	**–**	–
SABMiller (Safari)	United Kingdom	Finance company	**506**	506
Pilsner Urquell International BV	Netherlands	Holding company	**–**	–
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	**2,106**	2,098
Racetrack Colombia Finance SAS	Colombia	Finance company	**–**	–
SABMiller Horizon Ltd	United Kingdom	Agent company	**–**	–
SABSA Holdings Ltd[1]	South Africa	Holding company	**5**	5
SABMiller Capital UK Ltd	United Kingdom	Holding company	**–**	–
SABMiller Asia Capital LLP[2]	United Kingdom	Finance company	**–**	–
			13,577	13,363
Capital contribution relating to share-based payments			**525**	477
			14,102	13,840

[1] SABMiller plc contributed ZAR36 million towards the cost of guarantee fee to SABSA Holdings Ltd, a fellow group undertaking. It has no direct interest in the share capital of that company.

[2] 1% direct interest and 100% effective interest.

4. Debtors: amounts falling due after more than one year

	2014 US$m	2013 US$m
Loans owed by subsidiary undertakings	**5,405**	1,743
Amounts owed by subsidiary undertakings	**–**	109
Loan participation deposit (see note 13)	**–**	100
Financial guarantee asset	**1**	2
Prepayments	**6**	–
	5,412	1,954

The loans owed by subsidiary undertakings are both fixed and floating. The floating rate is one month LIBOR plus 180 bps and the loan is repayable in 2017. The fixed rate is 327 bps and the loan is repayable in 2021.

5. Debtors: amounts falling due within one year

	2014 US$m	2013 US$m
Amounts owed by subsidiary undertakings	**2,171**	4,499
Other debtors	**33**	32
Corporation tax	**55**	–
Financial guarantee asset	**2**	3
Loan participation deposit	**32**	32
	2,293	4,566

Interest on amounts owed by subsidiary undertakings is at either fixed interest rates or floating rates of one or six month LIBOR ranging from zero to plus 268 bps depending on the location of the subsidiary undertaking. Amounts are repayable on demand.

6. Cash at bank and in hand

	2014 US$m	2013 US$m
Short-term deposits	**1,532**	1,647

The company has short-term deposits in US dollars. The effective interest rates were 0.17% (2013: 0.15%).

Notes to the company financial statements continued

7. Creditors: amounts falling due within one year

	2014 US$m	2013 US$m
Trade and other creditors	**39**	27
Amounts owed to subsidiary undertakings	**406**	425
Taxation and social security	**42**	76
Derivative financial instruments (see note 9)	**11**	7
Accruals and deferred income	**84**	84
Dividends payable to shareholders	**1**	1
Unsecured bonds	**1,452**	1,648
Financial guarantee	**56**	57
	2,091	2,325

Interest on amounts payable to subsidiary undertakings is at either fixed rates or floating rates of one or six month LIBOR minus 13 bps to plus 175 bps. All amounts owed are unsecured and repayable on demand.

8. Creditors: amounts falling due after more than one year

	2014 US$m	2013 US$m
Unsecured bonds	**2,089**	3,545
Amounts owed to associated undertakings (see note 13)	**–**	100
Derivative financial instruments (see note 9)	**1**	25
Other creditors	**10**	6
Deferred income	**6**	6
Financial guarantee	**281**	316
	2,387	3,998

The maturity of creditors falling due after more than one year is as follows.

	2014 US$m	2013 US$m
Between one and two years	**67**	234
Between two and five years	**1,790**	2,364
After five years	**530**	1,400
	2,387	3,998

The amount due after five years consists of a bond and a financial guarantee. The bond matures in 2033 with a fixed interest rate of 6.625% (2013: the bonds mature in 2033 and 2018 with fixed interest rates of 6.625% and 6.5% respectively). The financial guarantee matures in 2042 and will be amortised from 2019 to 2042 (2013: the guarantee fee liability matures in 2042 and will be amortised from 2018 to 2042).

9. Derivative financial instruments

	Notional amounts 2014 US$m	Assets 2014 US$m	Liabilities 2014 US$m	Notional amounts 2013 US$m	Assets 2013 US$m	Liabilities 2013 US$m
Current derivative financial instruments						
Forward foreign currency contracts	**1,023**	**9**	**(11)**	8	2	–
Forward foreign currency contracts as cash flow hedges	**388**	**15**	**–**	280	–	–
Interest rate swaps designated as fair value hedges	**838**	**21**	**–**	850	26	(7)
Cross currency swaps	**121**	**7**	**–**	203	47	–
	2,370	**52**	**(11)**	1,341	75	(7)
Non-current derivative financial instruments						
Forward foreign currency contracts	**18**	**–**	**–**	1,886	34	(15)
Forward foreign currency contracts as cash flow hedges	**32**	**–**	**–**	44	–	–
Interest rate swaps	**600**	**50**	**(1)**	–	–	–
Interest rate swaps designated as fair value hedges	**800**	**138**	**–**	2,191	304	(10)
Cross currency swaps	**352**	**113**	**–**	476	107	–
	1,802	**301**	**(1)**	4,597	445	(25)

9. Derivative financial instruments continued

Derivatives designated as hedging instruments

(i) Cash flow hedges

The company has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exchange exposures to future creditor payments.

(ii) Fair value hedges

The company has entered into interest rate swaps to pay floating and receive fixed interest which have been designated as fair value hedges to manage changes in the fair value of its fixed rate borrowings. The borrowings and interest rate swaps have the same critical terms.

As at 31 March 2014 the carrying value of the hedged borrowings was US$2,313 million (2013: US$3,272 million).

Held for trading derivative financial instruments

(i) Forward foreign currency contracts

The company has entered into several forward foreign currency contracts to manage the group's exposure to foreign exchange risk on the investments in subsidiaries in South Africa, the Czech Republic and Poland.

(ii) Cross currency swaps

The company has entered into several cross currency swaps to manage the group's exposure to foreign exchange risk relating to subsidiaries in South Africa, Australia, Poland and the Netherlands.

(iii) Interest rate swaps

The company holds a number of interest rate swaps to receive floating rates and pay fixed rates, held as an economic offset to a number of interest rate swaps that receive fixed rates and pay floating rates that were previously held in a fair value hedge relationship.

Fair values of financial assets and financial liabilities

	Book value 2014 US$m	Fair value 2014 US$m	Book value 2013 US$m	Fair value 2013 US$m
Current borrowings	1,452	1,486	1,648	1,659
Non-current borrowings	2,089	2,172	3,545	3,675

Current borrowings in the table above exclude amounts owed to subsidiary undertakings.

Derivatives, cash and cash equivalents, short-term deposits, loan participation deposit, guarantees, debtors and creditors (excluding borrowings) are not included in the table above because their book values are an approximation of their fair values. The fair value of the company's fixed rate loans are based on quoted market prices at the balance sheet date as these financial instruments are traded in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and these prices represent actual and regularly occurring transactions on an arm's length basis. The book values of floating rate borrowings approximate to their fair value.

Fair value gain/(loss) on financial instruments recognised in the profit and loss account

	2014 US$m	2013 US$m
Derivative financial instruments:		
Forward foreign currency contracts	115	35
Interest rate swaps	(9)	–
Interest rate swaps designated as fair value hedges	(104)	(51)
Cross currency swaps	–	48
Guarantee fees	61	62
	63	94
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	99	42
Total fair value gain on financial instruments recognised in the profit and loss account	162	136

Notes to the company financial statements continued

9. Derivative financial instruments continued

Other financial liabilities
Other financial liabilities include guarantee fee liabilities as disclosed in notes 7 and 8.

The company has guaranteed the bank overdrafts and drawn components of bank loans of a number of subsidiaries. Under the terms of the financial guarantee contracts, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

Terms and notional values of the liabilities guaranteed were as follows.

	2014 US$m	2013 US$m
Year of maturity		
2014	–	581
2015	1,164	1,060
2016	155	684
2017	2,222	2,054
2018	149	–
2019	1,100	–
2020	1,367	1,282
2022	2,500	2,500
2042	1,500	1,500
	10,157	9,661

10. Reconciliation of movements in shareholders' funds

	Share capital US$m	Share premium US$m	Merger relief reserve US$m	Hedging reserve US$m	EBT US$m	Treasury shares US$m	Profit and loss account US$m	Total US$m
At 1 April 2013	167	6,581	4,586	(6)	(157)	(1,027)	6,186	16,330
Issue of share capital	–	67	–	–	–	–	–	67
Profit for the year	–	–	–	–	–	–	827	827
Dividend in specie – unrealised profit	–	–	–	–	–	–	3,645	3,645
Dividends paid	–	–	–	–	–	–	(1,630)	(1,630)
Cash flow hedges – fair value gains	–	–	–	18	–	–	–	18
Purchases of EBT shares	–	–	–	–	(79)	–	–	(79)
Utilisation of EBT shares	–	–	–	–	68	–	(68)	–
Utilisation of treasury shares	–	–	–	–	–	19	–	19
Utilisation of merger relief reserve	–	–	(265)	–	–	–	265	–
Credit entry relating to share-based payments	–	–	–	–	–	–	127	127
Capital contribution relating to share-based payments	–	–	–	–	–	–	48	48
At 31 March 2014	**167**	**6,648**	**4,321**	**12**	**(168)**	**(1,008)**	**9,400**	**19,372**

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under FRS 26, were losses of US$82 million (2013: gains of US$1 million).

Merger relief reserve
At 1 April 2013 the merger relief reserve comprised US$3,395 million in respect of the excess of value attributed to the shares issued as consideration for Miller Brewing Company over the nominal value of those shares and US$1,191 million relating to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of non-controlling interests in the group's Polish business. In the year ended 31 March 2014 the group transferred US$265 million of the reserve relating to the Polish business to retained earnings upon realisation of qualifying consideration.

Further information relating to the share capital, share premium, the treasury shares and the EBT reserve of the company is detailed in notes 25 and 26 to the consolidated financial statements of the group. Details of share incentive schemes are provided in note 25 to the consolidated financial statements of the group. Details of dividends paid and proposed for the year are provided in note 9 to the consolidated financial statements of the group.

11. Profit and loss information

Information relating to directors' remuneration is included in the directors' remuneration report on pages 62 to 84.

The fee charged for statutory audit was US$0.1 million (2013: US$0.1 million).

Operating leases
Operating lease charges recognised in the profit and loss during the year were as follows.

	2014 US$m	2013 US$m
Plant and machinery	**4**	4
Other	**7**	8

12. Other information

a. Deferred tax assets have not been recognised in respect of the following.

	2014 US$m	2013 US$m
Tax losses	**60**	92
Depreciation in excess of capital allowances	**3**	12
Accruals and provisions	**1**	1
Share-based payments	**28**	30
	92	135

b. Contingent liabilities and guarantees

	2014 US$m	2013 US$m
Capital expenditure contracted but not provided	**–**	2

The company has guaranteed borrowings in respect of certain subsidiary undertakings. Guarantee fees received from 100% owned subsidiaries were US$59 million (2013: US$63 million).

Guarantees to third parties provided in respect of bank facilities were US$144 million (2013: US$174 million). Note 13 details guarantee fees paid to related parties.

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as follows.

	2014 US$m	2013 US$m
Land and buildings		
Between two and five years	**4**	1
After five years	**2**	5
Other		
Within one year	**–**	1
Between two and five years	**1**	–

13. Related party transactions

Transactions with undertakings which are not wholly owned
The company has taken advantage of the exemption provided under FRS 8 not to disclose transactions with subsidiaries which are wholly owned. During the year the company had transactions with undertakings in which it does not hold a 100% interest as follows.

	2014 US$m	2013 US$m
Guarantee fee income from subsidiary undertakings	**2**	1
Loan participation deposit compensation from associated undertakings[1]	**–**	100
Income from recharges to subsidiary undertakings[2]	**2**	119
Guarantee fees paid to subsidiary undertakings	**(1)**	(1)

At 31 March	2014 US$m	2013 US$m
Amounts owed by subsidiary undertakings	**18**	23
Amounts owed to subsidiary undertakings	**(6)**	(12)
Amounts owed to associated undertakings[1]	**–**	(100)

[1] Amounts owed to associated undertakings in 2013 related to compensation received from Castel in recognition of the loan participation deposit advanced to the Angolan businesses by SABMiller plc. During the year ended 31 March 2014 there was a non-cash settlement of the loan participation deposit and the payable to associate. The Angolan businesses are managed by Castel.

[2] The company received income from recharges related to business capability programme costs in 2013. No further income was received in relation to this programme in 2014.

Five-year financial review

for the years ended 31 March

	2014 US$m	2013[1] US$m	2012 US$m	2011 US$m	2010 US$m
Income statements					
Group NPR	**26,719**	26,932	24,949	n/a	n/a
Group revenue	**34,084**	34,487	31,388	28,311	26,350
Revenue	**22,311**	23,213	21,760	19,408	18,020
Operating profit	**4,242**	4,192	5,013	3,127	2,619
Net finance costs	**(645)**	(726)	(562)	(525)	(563)
Share of post-tax results of associates and joint ventures	**1,226**	1,213	1,152	1,024	873
Taxation	**(1,173)**	(1,192)	(1,126)	(1,069)	(848)
Non-controlling interests	**(269)**	(237)	(256)	(149)	(171)
Profit for the year attributable to owners of the parent	**3,381**	3,250	4,221	2,408	1,910
Adjusted earnings	**3,865**	3,772	3,400	3,018	2,509
Adjusted EBITDA	**6,639**	6,564	n/a	n/a	n/a
Balance sheets					
Non-current assets	**48,366**	50,588	50,998	34,870	33,604
Current assets	**5,385**	5,683	4,851	4,178	3,895
Assets of disposal group classified as held for sale	**–**	23	79	66	–
Total assets	**53,751**	56,294	55,928	39,114	37,499
Derivative financial instruments	**(115)**	(86)	(109)	(135)	(321)
Borrowings	**(17,047)**	(18,548)	(19,226)	(8,460)	(9,414)
Other liabilities and provisions	**(9,107)**	(10,199)	(10,554)	(7,694)	(7,171)
Liabilities of disposal group classified as held for sale	**–**	(1)	(7)	(66)	–
Total liabilities	**(26,269)**	(28,834)	(29,896)	(16,355)	(16,906)
Net assets	**27,482**	27,460	26,032	22,759	20,593
Total shareholders' equity	**26,319**	26,372	25,073	22,008	19,910
Non-controlling interests in equity	**1,163**	1,088	959	751	683
Total equity	**27,482**	27,460	26,032	22,759	20,593
Cash flow statements					
Net cash generated from operations before working capital movements	**5,677**	5,758	4,979	4,502	3,974
Net working capital movements	**93**	(204)	258	66	563
Net cash generated from operations	**5,770**	5,554	5,237	4,568	4,537
Net interest paid	**(743)**	(770)	(407)	(640)	(640)
Tax paid	**(1,596)**	(683)	(893)	(885)	(620)
Net cash inflow from operating activities	**3,431**	4,101	3,937	3,043	3,277
Net capital expenditure and other investments	**(1,416)**	(1,440)	(1,522)	(1,245)	(1,483)
Net investments in subsidiaries, joint ventures and associates	**(338)**	(223)	(11,095)	(183)	(504)
Dividends received from joint ventures, associates and other investments	**1,128**	1,000	1,017	911	815
Net cash inflow before financing and dividends	**2,805**	3,438	(7,663)	2,526	2,105
Net cash outflow from financing	**(1,195)**	(517)	8,819	(1,214)	(804)
Dividends paid to shareholders of the parent	**(1,640)**	(1,517)	(1,324)	(1,113)	(924)
Effect of exchange rates	**(61)**	(51)	(39)	25	90
(Decrease)/increase in cash and cash equivalents	**(91)**	1,353	(207)	224	467
Per share information (US cents per share)					
Basic earnings per share	**211.8**	204.3	266.6	152.8	122.6
Diluted earnings per share	**209.1**	202.0	263.8	151.8	122.1
Adjusted basic earnings per share	**242.0**	237.2	214.8	191.5	161.1
Total number of shares in issue (millions)	**1,672.6**	1,669.7	1,664.3	1,659.0	1,654.7
Other operating and financial statistics					
Return on equity (%)[2]	**14.7**	14.3	13.6	13.7	12.6
EBITA margin (as a percentage of group NPR)	**24.2**	23.7	n/a	n/a	n/a
EBITA margin (as a percentage of group revenue)	**n/a**	n/a	17.9	17.8	16.6
Adjusted EBITDA margin (as a percentage of NPR)	**31.3**	30.0	n/a	n/a	n/a
Net debt: adjusted EBITDA	**2.2**	2.4	n/a	n/a	n/a
Interest cover (times)	**10.3**	8.9	n/a	n/a	n/a
Free cash flow (US$m)	**2,563**	3,230	3,048	2,488	2,028
Gearing ratio (%)	**52.0**	56.8	68.4	31.2	40.8
Average monthly number of employees	**69,947**	70,486	71,144	69,212	70,131

1 Restated for the adjustments made on adoption of IAS 19 (revised), and for changes in the definitions of net debt, EBITDA and adjusted EBITDA.
2 This is calculated by expressing adjusted earnings as a percentage of total shareholders' equity.

	2014 US$m	2013[1] US$m	2012 US$m	2011 US$m	2010 US$m
Group NPR					
Segmental analysis					
Latin America	**5,745**	5,802	5,315	n/a	n/a
Europe	**4,574**	4,300	4,235	n/a	n/a
North America	**4,665**	4,656	4,544	n/a	n/a
Africa	**3,424**	3,290	3,087	n/a	n/a
Asia Pacific	**3,944**	4,005	2,600	n/a	n/a
South Africa:					
– Beverages	**3,997**	4,475	4,747	n/a	n/a
– Hotels and Gaming	**370**	404	421	n/a	n/a
	26,719	26,932	24,949	n/a	n/a
Group revenue					
Segmental analysis					
Latin America	**7,812**	7,821	7,158	6,335	5,905
Europe	**6,045**	5,767	5,482	5,394	5,577
North America	**5,342**	5,355	5,250	5,223	5,228
Africa	**4,058**	3,853	3,686	3,254	2,716
Asia Pacific	**5,451**	5,685	3,510	2,026	1,741
South Africa:					
– Beverages	**4,951**	5,540	5,815	5,598	4,777
– Hotels and Gaming	**425**	466	487	481	406
	34,084	34,487	31,388	28,311	26,350
Operating profit (excluding share of associates and joint ventures)					
Segmental analysis					
Latin America	**2,069**	1,983	1,736	1,497	1,270
Europe	**576**	652	804	857	840
North America	**9**	7	–	16	12
Africa	**535**	439	422	365	316
Asia Pacific	**468**	461	124	(22)	(34)
South Africa: Beverages	**943**	1,052	1,091	997	826
Corporate	**(161)**	(202)	(190)	(147)	(139)
Operating profit – before exceptional items	**4,439**	4,392	3,987	3,563	3,091
Exceptional credit/(charge)					
Latin America	**47**	(63)	(119)	(106)	(156)
Europe	**(11)**	(64)	1,135	(261)	(202)
North America	**–**	–	–	–	–
Africa	**25**	79	162	(4)	(3)
Asia Pacific	**(103)**	(104)	(70)	–	–
South Africa: Beverages	**(33)**	(22)	(41)	(188)	(53)
Corporate	**(122)**	(26)	(41)	123	(58)
	(197)	(200)	1,026	(436)	(472)
Operating profit – after exceptional items	**4,242**	4,192	5,013	3,127	2,619
EBITA					
Segmental analysis					
Latin America	**2,192**	2,112	1,865	1,620	1,386
Europe	**703**	784	836	887	872
North America	**797**	740	756	741	619
Africa	**939**	838	743	647	565
Asia Pacific	**845**	854	321	92	71
South Africa:					
– Beverages	**1,015**	1,119	1,168	1,067	885
– Hotels and Gaming	**123**	134	135	137	122
Corporate	**(161)**	(202)	(190)	(147)	(139)
	6,453	6,379	5,634	5,044	4,381

[1] Restated for the adjustments made on adoption of IAS 19 (revised).

Definitions

Financial definitions

Adjusted earnings
Adjusted earnings are calculated by adjusting headline earnings (as defined below) for the amortisation of intangible assets (excluding computer software), exceptional integration and restructuring costs, the fair value movements in relation to capital items for which hedge accounting cannot be applied and other items which have been treated as exceptional but not included above or as headline earnings adjustments together with the group's share of associates' and joint ventures' adjustments for similar items. The tax and non-controlling interests in respect of these items are also adjusted.

Adjusted EBITDA
This comprises operating profit before exceptional items, depreciation and amortisation, and includes the group's share of MillerCoors' operating profit on a similar basis.

Adjusted net finance costs
This comprises net finance costs excluding fair value movements in relation to capital items for which hedge accounting cannot be applied and any exceptional finance charges or income.

Adjusted profit before tax
This comprises EBITA less adjusted net finance costs and less the group's share of associates' and joint ventures' net finance costs on a similar basis.

Constant currency
Constant currency results have been determined by translating the local currency denominated results for the year ended 31 March at the exchange rates for the prior year.

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

EBITA margin (%)
This is calculated by expressing EBITA as a percentage of group net producer revenue.

EBITDA
This comprises EBITA (as defined above) plus depreciation and amortisation of computer software, including the group's share of associates' and joint ventures' depreciation and amortisation of computer software.

EBITDA margin (%)
This is calculated by expressing EBITDA as a percentage of group net producer revenue.

Effective tax rate (%)
The effective tax rate is calculated by expressing tax before tax on exceptional items and on amortisation of intangible assets (excluding computer software), including the group's share of associates' and joint ventures' tax on a similar basis, as a percentage of adjusted profit before tax.

Free cash flow
This comprises net cash generated from operating activities less cash paid for the purchase of property, plant and equipment and intangible assets, net investments in existing associates and joint ventures (in both cases only where there is no change in the group's effective ownership percentage) and dividends paid to non-controlling interests plus cash received from the sale of property, plant and equipment and intangible assets and dividends received.

Group revenue
This comprises revenue together with the group's share of revenue from associates and joint ventures.

Group net producer revenue (NPR)
This comprises group revenue less excise duties and other similar taxes, together with the group's share of excise duties and other similar taxes from associates and joint ventures.

Headline earnings
Headline earnings are calculated by adjusting profit for the financial period attributable to owners of the parent for items in accordance with the South African Circular 2/2013 entitled 'Headline Earnings'. Such items include impairments of non-current assets and profits or losses on disposals of non-current assets and their related tax and non-controlling interests. This also includes the group's share of associates' and joint ventures' adjustments on a similar basis.

Interest cover
This is the ratio of adjusted EBITDA to adjusted net finance costs.

Net debt
This comprises gross debt (including borrowings, financing derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts).

Organic information
Organic results and volumes exclude the first 12 months' results and volumes relating to acquisitions and the last 12 months' results and volumes relating to disposals.

Total Shareholder Return (TSR)
TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends.

Sales volumes
In the determination and disclosure of sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries and its equity accounted percentage of all associates' and joint ventures' volumes. Contract brewing volumes are excluded from volumes although revenue from contract brewing is included within group revenue. Volumes exclude intra-group sales volumes. This measure of volumes is used for lager volumes, soft drinks volumes, other alcoholic beverage volumes and beverage volumes and is used in the segmental analyses as it more closely aligns with the consolidated group net producer revenue and EBITA disclosures.

KPI definitions – how we measure

Total Shareholder Return (TSR) in excess of the median of peer group over five-year periods (2012: three-year periods)
TSR performance is measured by taking the percentage growth in our TSR over the five-year period (2012: three-year period) to the date aligned with the related measurement date of performance share awards for the excom, and deducting the percentage growth in the TSR of the median of our peer group over the same period.

Growth in adjusted earnings per share (EPS)
Growth in adjusted EPS is measured by comparing the adjusted EPS for the current year with that of the prior year. Adjusted EPS is measured using adjusted earnings divided by the basic number of shares in issue. Adjusted earnings are measured using the definition above.

Free cash flow
Free cash flow is measured using the definition above.

Proportion of our total lager volume from markets in which we have no. 1 or no. 2 national market share positions
Lager volumes generated in markets where we have a number one or number two national beer market share position divided by total lager volumes. Lager volumes are measured as defined above.

Proportion of group EBITA from developing economies
EBITA generated in developing economies divided by group EBITA before corporate costs. EBITA is defined on page 174. Developing economies are as defined by the International Monetary Fund (IMF).

Organic growth in lager volumes
Organic growth in lager volumes is measured by comparing lager volumes in the year with those in the prior year excluding the effects of acquisitions and disposals (organic information is defined on page 174). Lager volumes are measured as defined on page 174.

Group net producer revenue growth (organic, constant currency)
Growth in group net producer revenue compared with the prior year is measured on a constant currency basis (as defined on page 174) and excluding the effects of acquisitions and disposals (organic information is defined on page 174). Group net producer revenue is defined on page 174.

Net producer revenue growth in premium brands (constant currency)
Growth in subsidiary net producer revenue from sales of premium brands compared with the prior year is measured on a constant currency basis (as defined on page 174). Premium brands are those in the premium segment as defined below.

EBITA growth (organic, constant currency)
EBITA growth compared with the prior year is measured on a constant currency basis (as defined on page 174) and excluding the effects of acquisitions and disposals (organic information is defined on page 174). EBITA is defined on page 174.

EBITA margin progression
EBITA margin progression is measured by comparing the EBITA margin in the year with that in the prior year. EBITA margin is defined on page 174.

Hectolitres of water used at our breweries per hl of lager produced
Total water used at our breweries divided by the volume of lager produced. All consolidated subsidiaries are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Fossil fuel emissions from energy used at our breweries per hl of lager produced
Fossil fuel emissions are measured by the total amount of carbon dioxide equivalent (CO_2e) in kilograms released to the atmosphere by our brewery operations divided by the volume of lager produced. The total amount of CO_2e is the sum of direct emissions produced by the combustion of fuel (e.g. coal, oil, gas) and indirect emissions from the use of electricity and steam. Emissions are calculated using the internationally recognised WRI/WBCSD Greenhouse Gas Protocol. All consolidated businesses are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Accumulated financial benefits from our business capability programme
Incremental cash flows generated as a result of the adoption of new processes and systems including incremental revenues, reduced cost of goods sold and overheads, reduced investment in working capital and lower cost of capital investments.

KPI explanation of changes

To align with the revised metrics adopted during the year, in our KPI definitions we have replaced revenue with net producer revenue, group revenue with group NPR and used group NPR, rather than group revenue, as the denominator in the calculation of EBITA margin. As a result of these changes we do not have full three-year history for certain of the revised KPIs as the definitional changes were only applied from 2012 and not in earlier years.

Non-financial definitions

Corporate Governance Code
The UK Corporate Governance Code, as adopted by the Financial Reporting Council.

Direct economic value generated
Revenue plus interest and dividend receipts, royalty income and proceeds of sales of assets (in accordance with guidance by the Global Reporting Initiative GRI EC1).

Economy segment
Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which fall below an index of 90 form the economy segment. Normally, all brands in this segment will be local brands.

International brewers index
The index of international brewers charts the share price progression of the company's closest peers in the global brewing industry – Anheuser-Busch InBev, Carlsberg, Heineken and Molson Coors, relative to 1 April 2010. The index is weighted relative to the market capitalisation of the brewers as at 1 April 2010.

Mainstream segment
Taking the leading brand in the most popular pack type as the standard (=100), the mainstream segment is formed of brands with a weighted average market price which fall into the 90-109 band. Mainstream brands tend to be local.

PET
PET is short for polyethylene terephthalate, a form of plastic which is used for bottling alcoholic and non-alcoholic drinks.

Premium segment (worthmore segment in the USA)
Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which have an index of 110+ form the premium segment. The premium segment comprises local, regional and global brands.

STRATE
STRATE stands for Share Transactions Totally Electronic, an unlisted company owned by JSE Limited and Central Securities Depository Participants (CSDP), which exists to allow share transactions in South Africa to be settled electronically.

Ordinary shareholding analyses

Listed below are analyses of holdings extracted from the register of ordinary shareholders at year end:

	Number of shareholders	Percentage of share capital
Portfolio size		
1–1,000	53,599	0.83
1,001–10,000	8,591	1.53
10,001–100,000	2,374	5.43
100,001–1,000,000	1,235	23.72
1,000,001 and over	323	68.49
	66,122	100.00
Category		
Banks	6	0.09
Individuals, nominees and trusts	64,094	8.04
Insurance companies	162	4.52
Investment companies	23	0.68
Medical aid schemes	31	0.14
Mutual funds	806	22.01
Other corporate entities	23	42.25
Pension funds	818	14.82
Other	159	7.45
	66,122	100.00

Shareholders' diary

Financial reporting calendar and annual general meeting

Interim management statement and annual general meeting	July 2014
Announcement of interim results, for the half year to September	November 2014
Interim management statement	January 2015
Preliminary announcement of annual results	May 2015
Annual report published	June 2015

Dividends	Declared	Paid
Ordinary:		
Interim	November	December
Final	May	August

Unsolicited investment advice – warning to shareholders

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. A 2006 survey by the Financial Services Authority, now the Financial Conduct Authority (FCA), reported that the average amount lost by investors was around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice:

- make sure you get the correct name of the person and organisation.
- check that they are properly authorised by the FCA before getting involved. You can check at **http://www.fca.org.uk/firms/system-reporting/register/search**
- the FCA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FCA so that this list can be kept up to date and any other appropriate action can be considered.
- report the matter to the FCA either by calling 0800 111 6768 or by completing an online form at: **http://www.fca.org.uk/consumers/scams/investment-scams.** If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.

South African shareholders may report such approaches to the Financial Services Board (FSB) on:

Toll free: 0800 110443 or 0800 202087

Email: info@fsb.co.za

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