SABMiller plc

Annual Report 2016

since 1895 120 YEARS PROUD BREWING HERITAGE

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 helps build 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. We have more than 200 local beers, from which we have carefully selected and nurtured a range of special regional and global brands.

Read about our proud heritage overleaf…

Performance highlights

Group net producer revenue[1]

-8%

2016: US$24,149m
2015: US$26,288m

+5%[2]

Revenue[3]

-10%

2016: US$19,833m
2015: US$22,130m

+7%[2]

EBITA[4]

-9%

2016: US$5,810m
2015: US$6,367m

+8%[2]

EBITA margin progression

-10 basis points

2016: 24.1%
2015: 24.2%

+60 basis points[2]

Beverage volumes

+2%

2016: 331m hectolitres
2015: 324m hectolitres

Profit before tax

-16%

2016: US$4,074m
2015: US$4,830m

Adjusted EPS[5]

-6%

2016: 224.1 US cents
2015: 239.1 US cents

Dividends per share[6]

+8%

2016: 122.0 US cents
2015: 113.0 US cents

Water usage (beer)[7]

-3%

2016: 3.2 hl/hl
2015: 3.3 hl/hl

Net debt[8]

-8%

2016: US$9,638m
2015: US$10,465m

Free cash flow[9]

-8%

2016: US$2,969m
2015: US$3,233m

Total shareholder return[10] Five-year

115%

Peer median: 102%

1 Group net producer revenue (NPR) is defined on page 192 and includes the group's attributable share of associates' and joint ventures' net producer revenue of US$9,254 million (2015: US$9,754 million), but excludes excise duties and other similar taxes.

2 Growth on an organic, constant currency basis.

3 Revenue excludes the group's attributable share of associates' and joint ventures' revenue but includes excise duties and similar taxes.

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

5 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.

6 The 2016 final dividend is subject to shareholder approval at the annual general meeting.

7 Water usage is defined on page 193.

8 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.

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

10 Total shareholder return (TSR) is shown as the percentage growth in our TSR over the five years to 31 March 2016.

Our story

Brewing and selling beer is where we began in 1895, and beer accounts for the majority of our business today.

1895
The South African Breweries (SAB) is founded, with its head office in the Castle Brewery. Two years later, SAB becomes the first industrial company to list on the Johannesburg Stock Exchange. Little could Charles Glass have known that his Castle Lager would still be South Africa's most famous beer 120 years after its launch.

1978
SAB publishes a code of non-discriminatory employment – a first in South Africa.

1979
SAB expands into fruit juices, taking a 49% interest in Appletiser from its Italian founder. Coca-Cola sold control of Appletiser to SAB in 1982.

1994
- SAB enters Tanzania followed by Angola, Mozambique and Zambia.
- SAB negotiates joint control with China Resources of the second largest brewer in mainland China – the home today of the world's largest beer brand, Snow.

1990s
SABMiller embarks on rapid international expansion

1955
SAB acquires its two competitors, Ohlsson's and Chandlers Union Breweries and streamlines production and distribution within the sector. From this position of strength, SAB was set to enter decades of uninterrupted growth.

1977
SAB opens its first Coca-Cola bottling operation in South Africa.

1993
SAB acquires the Dreher Brewery in Hungary, signalling the beginning of a game-changing decade of mergers and acquisitions.

1995
- Nelson Mandela opens SAB's Centenary Centre in the cultural precinct of Johannesburg.
- SAB acquires a majority stake in Poland's Lech brewery and acquires the Tyskie brewery the following year.

Read more about our history at **www.sabmiller.com/about-us/history**

The most local of the global brewers
Our business began life 120 years ago in the Johannesburg gold rush when Charles Glass founded the Castle Brewery. Today, we are a global community of beer and beverage experts, producing some of the world's most recognised global and local beers. At SABMiller we have a proud beer heritage. We're the original brewmasters; making beers people love by truly understanding local tastes. Our brewing magic turns simple natural ingredients into beers that are part of national identity and culture. That is why we believe the value in beer is local, and why we have built SABMiller as the most local of global brewers.

Visionary leadership

In the early 1990s we set out to become a truly international beverage company, building on a century of brewing expertise.

Our foray into international brewing was bold, in that it focused on the rapidly developing economies of central Europe, China and Africa. Where others saw risk, we saw opportunity. And our long experience in South Africa had given us considerable experience in running multicultural operations in developing markets. Our 1993 acquisition of the Dreher brewery in Hungary signalled the start of a journey to become the world's second biggest brewing company.

1999

- First day of trading of SAB shares on the London Stock Exchange: 1 March 1999. List price: 428p Closing price: 447p. Market capitalisation based on list price: £3,261m.
- SAB acquires controlling interest in Plzeňský Prazdroj in the Czech Republic, owner of leading brands Pilsner Urquell, Gambrinus, Kozel and Radegast.

2002

SAB makes its first significant entry into a developed market with the Miller Brewing Company transaction, and changed its name to SABMiller.

2003

SABMiller makes its first significant investment in western Europe, acquiring a majority interest in Italian brewer Birra Peroni.

2007-8

- 2007 – SABMiller acquires Koninklijke Grolsch NV in the Netherlands.
- 2008 – SABMiller combines Miller Brewing with the US business of Molson Coors, to create the MillerCoors joint venture.

2001

- SAB becomes the first international brewer to enter Central America when it acquires the Honduran brewer Cervecería Hondureña and Industrias La Constancia in El Salvador.
- A pan-African association with the Castel group offers the opportunity to invest in promising new African markets and benefit from economies of scale.

2005

SABMiller's next step is to move into Latin America through the acquisition of Colombia's Bavaria SA, the second largest brewer in the region with leading positions in Colombia, Peru, Ecuador and Panama.

2009

SABMiller launches a broad-based black economic empowerment transaction in South Africa, involving an equity issue of 8.45% of The South African Breweries (Pty) Limited.

Today

We have 70,000 employees working in more than 80 countries. We produce over 200 beers, and every minute of every day, more than 140,000 bottles of SABMiller beer are sold. We also have a growing soft drinks business as one of the world's largest bottlers of Coca-Cola drinks.

2011

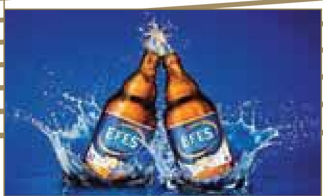
SABMiller acquires the Foster's Group, the leading brewing group in Australia, strengthening its position in the Asia Pacific region.

2014

The Coca-Cola Company, SABMiller plc, and Gutsche Family Investments agree to create Coca-Cola Beverages Africa, the largest Coca-Cola bottler in Africa, accounting for approximately 40% of all Coca-Cola beverage volumes in Africa.

2012

SABMiller and Anadolu Efes form a strategic alliance covering Turkey, Russia, the CIS, Central Asia and the Middle East.



2015

- SABMiller acquires the London-based Meantime Brewing Company, a pioneer in British modern craft beer.
- The board of SABMiller reaches agreement on the terms of a recommended offer for the company by Anheuser-Busch InBev SA/NV (AB InBev).

Contents

Further information

This report covers the financial year ended 31 March 2016. It is also available on our website as a downloadable PDF **www.sabmiller.com/annualreport2016**

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 the referenced report

The strategic report and directors' report have been approved for and on behalf of the board of SABMiller plc on 10 June 2016.

Alan Clark
Chief Executive

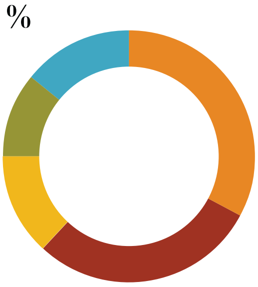
Business overview

SABMiller by numbers

US$5,810m
Group EBITA (2015: US$6,367m).

69% The proportion of EBITA from developing markets.

EBITA by region[1]
%



Latin America US$1,959m	33%
Africa US$1,708m	29%
Asia Pacific US$753m	13%
Europe US$636m	11%
North America US$865m	14%

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

94%
The proportion of our total lager volume from markets in which we have no 1. or no. 2 national market share positions.

#1 #2

+1%
Group lager volume.
249m hl

Our five shared imperatives are aligned with **12 of the 17 UN Sustainable Development Goals.**

prosper

6%
Soft drinks volume growth.

70,000
SABMiller has 70,000 employees and is in more than 80 countries.

Subsidiary NPR growth.
8%[2]

Our global brands are Peroni Nastro Azzurro, Miller Genuine Draft, Miller Lite, Pilsner Urquell, and Grolsch.

+12%
NPR premium brands growth[3].

+13%
NPR global brands growth[4].

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

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
- MillerCoors is the second largest brewer in the USA, with 27% of the beer market.
- Our wholly-owned Miller Brewing International business is based in Milwaukee, USA and exports and sells our brands to Canada, Brazil and Mexico and throughout the Americas.

Read more on page 34

1 Before Corporate costs.
2 On an organic, constant currency basis.
3 Subsidiaries only, excluding home markets, on a constant currency basis.
4 Subsidiaries only, excluding home markets.

Europe

Where we operate

Regional office:

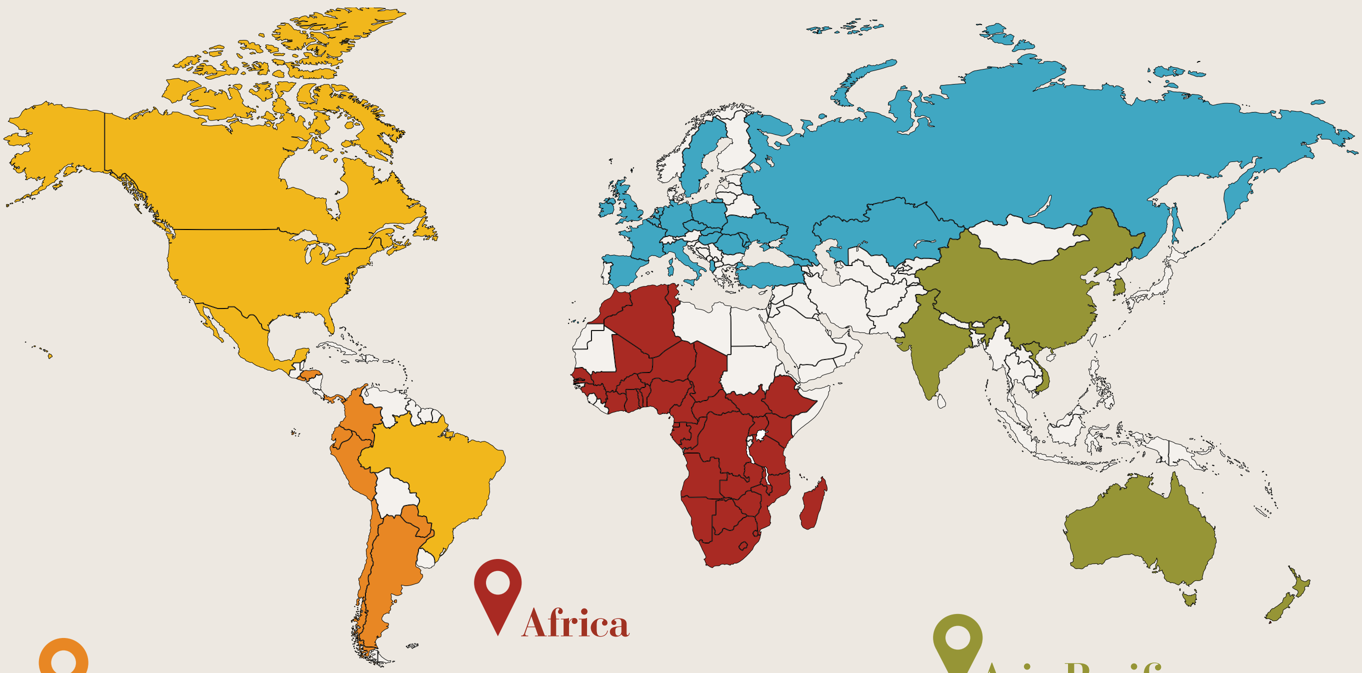
Zug, Switzerland

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

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 and export operations.
- We export significant volumes to a further six European markets, of which the largest are Germany and France.

Read more on page 30



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 have a brewery in Argentina, and we export to Chile and Paraguay.
- We produce soft drinks across the region including Coca-Cola products in El Salvador and Honduras.

Read more on page 18

Africa

Where we operate

Regional office:

Johannesburg, South Africa

Our primary brewing and beverage operations in Africa cover 17 countries including Botswana, Mozambique, Nigeria, South Africa, Tanzania, Uganda, and Zambia. A further 21 countries 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 produce Coca-Cola products in 23 of our African markets (with Castel in 15 of these markets and through our associated undertaking in Zimbabwe).

Read more on page 22

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 partnership of more than 20 years with China Resources Beer (Holdings) Co Ltd, is the largest brewer in China.
- Carlton & United Breweries (CUB) is the second largest Australian brewer.
- We are the second largest brewer in India.
- We have a brewery in Vietnam, and we export to numerous markets including South Korea.

Read more on page 26

Chairman's statement

"The AB InBev offer values the company at US$106 billion, representing a total return to shareholders of about 1,500% since listing in London in 1999. This is a tremendous achievement."

Total dividend payment

122 US cents

(2015: 113 US cents)

Dear shareholder

The recommended offer from AB InBev has naturally made this a momentous year for your company. The proposed transaction has inevitably been a distraction for the senior leadership team and potentially for the entire organisation, which is why it gives me so much pleasure to report on another year of strong underlying business performance.

Notwithstanding the impact of the transaction and a volatile economic environment, we achieved beverage volume growth of 2% and group net producer revenue (NPR) and EBITA growth, on an organic, constant currency basis, of 5% and 8%, respectively. EBITA margin, as a percentage of group NPR, on the same basis, expanded by 60 basis points, enabled by both top line performance and by our cost reduction and productivity improvements. These results are driven by our strategy to expand the beer category and strengthen our brand portfolios through our affordability and premiumisation initiatives, supported by innovation. They tell us that we have the right strategy and that it works.

The continued depreciation of key operating currencies against the US dollar had an adverse impact on our reported results. Reported group NPR, EBITA and adjusted EPS declined by 8%, 9% and 6%, respectively. Despite these adverse currency movements, we delivered free cash flow of US$2,969 million, which has enabled continued investment in our growth markets in Africa and Latin America. The strength of the group's performance amply justifies the board's decision to recommend a final dividend of 93.75 US cents per share, bringing the total dividend for the year to 122 US cents, an increase of 9 US cents over the prior year.

On 11 November 2015, AB InBev announced a recommended cash offer, with a partial unlisted share and cash alternative, for your company. The most important task for the board in the year was our consideration of this offer. The board's initial rejection of terms that it considered did not adequately value SABMiller resulted ultimately in significantly improved offer terms, after six increases, before agreement was reached between

> ***"The agreed cash offer represents a significant premium and cash return for our shareholders, securing early delivery of the company's long-term value potential."***

SABMiller and AB InBev. Under the agreement, AB InBev has agreed to use its best efforts to secure the regulatory clearances and authorisations necessary to satisfy the pre-conditions and regulatory conditions to the transaction, with a break fee of US$3 billion being payable if these clearances are not achieved. The agreed cash offer represents a significant premium and cash return for our shareholders, securing early delivery of the company's long-term value potential.

At the time of writing, the transaction is going through the regulatory processes and good progress is being made. However, until AB InBev's offer is made to and approved by shareholders, and the transaction completes, the board remains focused on the need for our business to continue to perform strongly and for our strategic objectives to be executed as an independent business. We have therefore continued to uphold rigorous standards, and in the corporate governance report on pages 54 to 69, there is a detailed description of the directors' approach to corporate governance, our application of the UK Corporate Governance Code, and our views on the role and effectiveness of the board.

In the months before becoming Chairman, I was delighted to have the opportunity to introduce myself to most of our major shareholders and to listen to their comments and concerns. These meetings provided invaluable background when, later in the year, I had to discuss with them the offer from AB InBev. Our conversations were open and constructive, and I am grateful to our shareholders for their continued support.

SABMiller is an extraordinary success story. From its origins in Johannesburg in 1895, the group has grown to be a highly admired, high-performing global beer and beverage business. SABMiller has created significant value for shareholders since listing on the London Stock Exchange in 1999 with a market capitalisation of US$5 billion. The group expanded through organic growth and a series of highly successful acquisitions and joint ventures on five continents. Today our unmatched footprint in fast-growing developing markets is underpinned by our portfolio of iconic national and global brands. The AB InBev offer values the company at US$106 billion, representing a total return to shareholders of about 1,500% since listing in London in 1999, or a compound return of around 17.4% per year. This is a tremendous achievement and a great tribute to the vision of our leaders and the commitment of our people around the world.

However, these impressive statistics tell only part of the story. SABMiller has always aimed to play a positive role in the communities where it operates, right across the world. Our global sustainable development ambition is called *Prosper*, and this sums up our philosophy that when communities prosper, our business prospers. *Prosper* includes commitments in five areas that promote: accelerating growth throughout our value chain; responsible and moderate alcohol consumption; secure water supplies; reducing waste and carbon emissions; and supporting farming. All of our *Prosper* initiatives are designed to protect our business and improve livelihoods, to support long-term sustainable growth, and therefore to create value for shareholders. It has been a privilege over the past year to see for myself how deeply management and employees believe in SABMiller's stated purpose: to bring refreshment and sociability, improve livelihoods and help build local communities.

I am honoured to acknowledge the role played by successive boards over the years for their stewardship of the company and for their consistent support and encouragement of management. I am also most grateful to my fellow board members for their support, commitment, skill and wisdom over the last year, especially as we navigated the AB InBev offer. There were a number of changes in the board this year: we welcomed our new CFO, Domenic De Lorenzo, as well as two new non-executive directors, Javier Ferrán and Dave Beran. Dave succeeded Howard Willard as an Altria nominee to the board. Our sincere thanks to John Manser, John Manzoni and Howard Willard for their invaluable contributions since joining the board in 2001, 2004 and 2009, respectively.

The board's sincere thanks and congratulations are due to our Chief Executive Alan Clark and the members of the executive committee, and indeed to our 70,000 people around the world, for their tremendous achievements over the last year. They have continued to execute our group strategy, maintaining the energy and momentum in our business, while dealing with the considerable distraction of the AB InBev offer. The performance of our business is a testament to their unwavering focus on delivering for consumers and shareholders.

Jan du Plessis
Chairman
10 June 2016

Chief Executive's review

"Our strong underlying performance reflects our focus on driving superior growth by strengthening our core brands, expanding the beer category to reach more consumers on more occasions, and emphasising premiumisation."

Business performance

We achieved strong underlying performance for the year. We grew EBITA across all regions and our group EBITA margin improved through the year, on an underlying basis. This performance reflects our focus on driving superior growth by strengthening our core brands, expanding the beer category to reach more consumers on more occasions, and placing an emphasis on premiumisation in all regions. As noted through the year, the strengthening of the US dollar against our operating currencies had a material negative impact on reported results.

Our affordability and premiumisation initiatives have allowed us to capture growth in developing markets and capitalise on key trends in developed markets. Our subsidiaries achieved organic volume growth of 5% and NPR growth of 8% on an organic, constant currency basis, with a particularly good performance in a number of key markets. This was offset by a more muted performance in our associates and joint ventures held back by headwinds in their major markets and continued weak industry trends in the USA, such that group NPR grew by 5% on the same basis. Premium lager brands' NPR grew by 12%[1] and global lager brands' NPR grew by 13%[1], both on a constant currency basis, with growth across all regions. Our underlying growth accelerated in the year, driven by improving momentum in Latin America, continued strong and well-balanced momentum in Africa, and improvements in Australia and Europe in the second half. On a reported basis, group NPR and EBITA declined by 8% and 9%, respectively, reflecting the depreciation of our key operating currencies against the US dollar.

[1] On a subsidiary basis, excluding home markets for global brands.

Our vision

To be the most admired beverage company in the world.

Our purpose

We bring refreshment and sociability, improve livelihoods, and help build communities.

Our values

- People are our enduring advantage.
- Accountability is clear and personal.
- We work and win in teams across the business.
- We are customer- and consumer-focused.
- We do our best for local communities.
- Our reputation is indivisible.

By creating a more integrated global business we have been able to cut costs and free up in-market resources to achieve our strategic objectives. We continue to focus on improving our in-country performance in a cost efficient manner, supported by our global cost and efficiency programme which is ahead of schedule and delivered cumulative net annualised savings of US$547 million by the year end. The programme is on track to achieve our 2020 target of US$1,050 million. These initiatives mitigated adverse transactional currency headwinds. Exceptional charges of US$721 million before tax, principally relating to the impairment of our investments in Angola and South Sudan, together with costs associated with the AB InBev transaction, resulted in a 16% decline in profit before tax.

We are expanding our exposure to growing markets and building the optimum portfolio of lager, soft drinks and other alcoholic beverages to capture growth. Soft drinks volumes grew by 6%. On 10 May 2016, the South African Competition Tribunal approved, with agreed conditions, the formation of Africa's largest soft drinks beverage operation, Coca-Cola Beverages Africa (CCBA) in which we will have majority ownership. We expect the transaction to complete in early July 2016.

Supporting small enterprises, supporting growth

Small businesses play a critical role across our value chain and are the lifeblood of local economies and communities. In Africa, as part of our Go Farming strategy, we assist farmers by using local crops to produce our affordable beers. In Uganda, Eagle Lager – a beer brewed from locally-sourced sorghum – supports more than 20,000 smallholders. It has inspired similar initiatives throughout Africa. Across the world, we help retailers develop the skills to grow their businesses, sell beer responsibly, access finance, and lead improvements in their communities. Our 4e programme in Latin America pioneered this approach and to date has supported over 20,000 small-scale shopkeepers.

Read more online **www.sabmiller.com/prosper**

Well-positioned for superior topline growth

SABMiller's business is beer and soft drinks, giving us the benefit of operating in the two largest profit pools in global packaged beverages.

We are further advantaged by the geographical spread that we have built over many years. This is biased towards developing markets, which offer higher long-term growth opportunities in both volume sales and margin expansion. Our developing markets exposure is complemented by our scale in well-established, highly profitable, and cash-generative businesses in developed markets, principally in the USA (through our joint venture with Molson Coors), Australia, and Europe.

As developing markets grow and disposable incomes rise, per capita beer and soft drinks consumption typically increase in parallel. Keys to tapping into this growing demand are availability and affordability. We offer a range of beers appropriate to each developing market, starting with affordable and mainstream lagers and introducing more local premium and international premium beers as GDP rises.

Developed markets have higher profits per hl but mainstream beer sales have been in gradual decline for a number of years. Competition from wine and spirits has intensified at the same time as increasing consumer focus on health and wellbeing has led to overall declines in alcohol consumption. More recently, the beer category has been undergoing a renaissance as the popularity of craft beers and easy-drinking lagers has boomed, but this has intensified competition with mainstream lager.

In these changing market dynamics, SABMiller has adopted a strategy to expand the beer category, which at its heart aims to make beer more appealing to more consumers on more occasions.

> *It is a huge credit to all of our people that they have not allowed the uncertainty and prospective changes to distract them from delivering a very strong performance, with momentum increasing in the second half."*

Powering successful innovation

Innovation is central to our strategy of making beer more appealing to more consumers on more occasions. To deliver bigger, better innovations that can succeed in more markets, we have integrated our innovation expertise into three regional centres. These locations bring together multidisciplinary teams, with expertise ranging from marketing and brewing to packaging and procurement. Located in Bogota, Johannesburg and Woking, the three facilities serve, respectively, our markets in Latin America, Africa and Europe. Two of the year's most successful launches, Aguila Cero in Colombia and Castle Milk Stout Chocolate Infused in South Africa, involved people from these teams.

Some of the key elements in this strategy include innovation that is scalable and repeatable across multiple markets, from new beer styles, including craft, to flavoured malt beverages to low or zero-alcohol beers; expanding the range of occasions on which people will choose to drink beer rather than other alcohol, such as with meals; and tackling an age-old challenge of making beer that is more appealing to women.

Recommended offer by AB InBev

Since the announcement of the AB InBev offer, we have taken a number of steps to ensure that we continue to focus on strong performance, recognising our duty to deliver sustainable value into the future.

We have continued to manage our business based on our strategic priorities and budgets, although some longer-term projects have been deferred or adjusted. Our values, leadership behaviours, culture, processes, and routines have remained the foundation for how we work and manage our business.

Throughout the period, we have continued to reinforce our focus and priority on consumers and customers, and to delight them with our level of service and quality brands of their choice. An extremely important priority has been to maintain employee engagement during the many months between announcement of the transaction and completion, and to ensure that our employees are as well-placed as possible for their future careers.

It is a huge credit to all of our people that they have not allowed the uncertainty and prospective changes to distract them from delivering a very strong performance, with momentum increasing in the second half. This is testament to the strength and depth of talent across our workforce, and their resilience and dedication.

Prosper: our strategy for sustainable growth

We have a proud beer heritage that began over 120 years ago in South Africa. Since then, our brewmasters around the world have made beers people love by understanding local tastes. We also aim to play a positive role in the communities where we operate. This means supporting jobs and stimulating growth, promoting responsible alcohol consumption, and being good stewards of water and other natural resources. When communities prosper, our business prospers too.

This year saw two ground-breaking global agreements, which will shape the development agenda for years to come: the United Nations launched 17 Sustainable Development Goals (SDGs), and world leaders committed to tackle climate change at COP21 in Paris.

Expectations of business are high, and we welcome the challenge for companies to step up and collaborate in addressing global challenges. Many of the SDGs align with our existing sustainable development strategy, *Prosper*, and present opportunities to strengthen our business as well as to contribute to society. Putting *Prosper* at the heart of our business enables us to drive growth and commercial results, while making a sustainable and measurable difference to the communities and ecosystems in which we operate. More information is available on pages 48 to 51, as well as in our 2016 Sustainable Development Report.

Our people

Everyone should be able to return home from work safely. We continue striving to reduce or eliminate risks of harm to our employees, contractors, and all others affected by our business. Our global health and safety programme, Safety Around Beverages, sets out the minimum standards to which all businesses should adhere. In addition, our road safety campaigns across Africa and Latin America are making a difference, and we are committed to continuing to build on this effort. Health and safety remains a priority. More information is available on pages 52 and 53.

Since the boards of SABMiller and AB InBev reached agreement in principle on the key terms of a recommended offer, looking after our people has been a priority. To retain key people for business continuity, our focus has been on ensuring our people are best-placed for their future careers; and keeping employee motivation and business performance up during a prolonged period of uncertainty.

There were several executive moves during the year. Domenic De Lorenzo was appointed Chief Financial Officer and joined the board in July 2015, following his appointment as Acting CFO in February 2015.

We announced in April that Tony van Kralingen intended to retire at the end of 2015, and that subsequently his role as Director of Integrated Supply and Human Resources would be split into two new positions on SABMiller's executive committee, namely Group Director, Human Resources and Group Director, Integrated Supply.

Johann Nel rejoined SABMiller as Group Director, Human Resources in September 2015 and Philip Hodges was appointed Group Director, Integrated Supply. He was due to join in December 2015, but in the light of the AB InBev offer, we agreed with Philip that there was no point in his taking up his new position. With this development, Tony van Kralingen agreed to postpone his retirement, and is continuing to act as Group Director, Integrated Supply.

Tom Long retired as CEO of MillerCoors on 30 June 2015. He led MillerCoors as CEO since 2011, having been president and chief commercial officer since the launch of the MillerCoors joint venture in 2008, and CEO of Miller Brewing Company before that.

In September, we and our joint venture partner, Molson Coors, announced that Gavin Hattersley had been appointed CEO of MillerCoors, following his tenure as interim CEO since July.

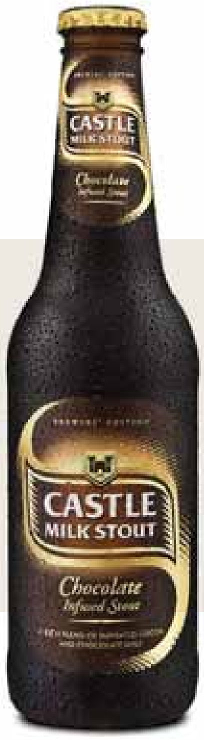
I would like to thank all of my executive team for driving our strong performance this year and their enormous efforts in keeping the business focused despite the potential distraction from the AB InBev transaction.

Managing water and climate change risk

Water scarcity is our most significant climate change-related challenge, with certain SABMiller breweries already facing significant risk. We have completed water risk assessments for nearly all our breweries and established plans to tackle the main issues, often with partners. We are on track to meet our target of using 3.0 hectolitres (hl) of water for 1 hl of beer by 2020, having used an average of 3.2 hl/hl during the year. We have reduced carbon emissions from on-site energy use by 36% in absolute terms between 2008 and 2016 and are on course to meet our 50% carbon efficiency target by 2020. Within our cost saving programmes, we saved US$116[1] million in the year from water and energy initiatives, compared with 2010.

[1] Reflects cost savings on an annual basis, based on savings actions initiated in 2010, and calculated using 2016 volumes, exchange rates and energy prices.

Read more online **www.sabmiller.com/prosper**



Taking on spirits at their own game

When Castle Milk Stout was challenged in South Africa by the rise in popularity for spirits we evolved the brand to make it more attractive to spirits drinkers. Castle Milk Stout's dark colour, complex taste and traditional image were off-putting for some people, but loved by devotees. So we transformed Castle Milk Stout's pricing and packaging in South Africa from mainstream to premium, imitated spirit brands by communicating the product's uniqueness, and introduced a chocolate variant, Castle Milk Stout Chocolate Infused. This year volumes for Castle Milk Stout in South Africa, including the chocolate variant, were up by 14%.

Fresh tank beer rejuvenates classic brands

Our oldest, most revered brands are enjoying a fresh lease of life thanks to our tank concept. During the year, Club Colombia became our latest brand to be available on-premise from a gleaming 500 litre copper tank. The Colombian beer's tank debut means that consumers now have the opportunity to try nine of our premium brands as tank beer across 16 countries, including unpasteurised Pilsner Urquell in the UK and Castle Lager in South Africa. The great taste and novelty of fresh tank beer, which is delivered direct from the brewery in branded trucks, is proving extremely popular with consumers.

(Clockwise from top left)
Carlton Draught, Castle 1895 Draught, Club Colombia and Pilsner Urquell

Addressing risks

We place great emphasis on identifying, monitoring, and mitigating risks to our business and we have a well-developed risk management process which includes detailed mitigating action plans. In the year, the risk management process was refined and further enhanced to ensure alignment with Financial Reporting Council (FRC) revisions to the UK Corporate Governance Code.

The principal risks and uncertainties which the group faces have been updated and broadened to reflect the changed situation as a result of the AB InBev offer and are set out on pages 16 and 17. Two new transaction-related risks have been added: first, failure to comply with anti-trust legislation and the necessary information security protocols in place during the offer period, and, secondly, the impact on stakeholders if the transaction does not complete.

As a result of the most recent review completed by the board, three of the previous year's principal risks (relating to industry consolidation, delivering business transformation, and the acquisition of CUB) are no longer considered as being principal risks of the group or are not currently relevant.

Management has defined robust mitigation actions and monitoring mechanisms supported by assurance processes for all principal risks. There has been good progress in respect of mitigation actions during the year.

Outlook

We expect to deliver good underlying performance in the year ahead. Our cost and efficiency programme is on track to reach targeted annualised savings of US$1,050 million per annum by the financial year ending 31 March 2020. We anticipate that we will continue to face foreign exchange volatility and the results of certain of our key operations will be impacted by currency depreciation against the US dollar.

Conclusion

As this may be SABMiller's final annual report, it is worth reflecting on what we have achieved. We grew from small beginnings, brewing quality cold beer for thirsty miners in the dusty streets of 19th century Johannesburg. More than 120 years later, generations of incredibly talented people have built a highly-admired, high-performing, global beer and beverage business.

We have always nurtured the art of brewing, which has given us a stable of locally-loved and internationally-famous beers. What has also made us special is our deep understanding of navigating different local markets, catering for local tastes and helping to build the communities around us.

Listing on the London Stock Exchange in 1999 was the launch pad for our global ambitions, leading to the creation of the number two global brewer and a FTSE-10 company. Upon listing, the value of the business was £3.3 billion. The £44 per share proposed by AB InBev values us at almost £70 billion. This is an outstanding result by any measure.

The SABMiller story is a simply amazing achievement, and everyone who has been a part of it should feel immensely proud of the value they have helped to create. I am sure the next chapter will bring new opportunities for exceptional success.

Alan Clark
Chief Executive
10 June 2016

Key strategic priorities

Drive superior topline growth through strengthening our brand portfolios and expanding the beer category

- Strengthen our local and global brand portfolios to capture superior profitable growth.
- Accelerate premium mix and the growth of our premium brands.
- Develop and expand the category to capture new consumers, new occasions and grow category share of value.
- Prioritise and focus investment and resources on revenue growth in key markets and segments.

Build a globally integrated organisation to optimise resource, win in market and reduce costs

- Systematically build a high performance talent pool.
- Up-weight and right-size out of market structures to ensure optimum service delivery at an affordable cost.
- Develop a commercial operating model that will facilitate winning in and across markets.
- Reduce costs to drive growth and returns.

Actively shape our global mix to drive a superior growth profile

- Focus resources on highest growth opportunities.
- Deliver superior performance in soft drinks operations.
- Build material positions in new categories in attractive markets.
- Mergers and acquisitions to access new growth in attractive markets.

Our business model is built on our passion for beer

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

Understanding consumer tastes and applying local insights

Sharing our consumers' passion for local beer, more than 200 of our brands are mostly sold locally in their country or region of origin. We have a selected number of regional and global brands, which complement our local portfolios.

Refreshing our success: innovation and selling across the price spectrum

We enhance our enduring brands with innovation across a vibrant spectrum of beer styles to reflect demographic, cultural and societal shifts and evolving consumer tastes.

We reinvigorate national icon brands to keep our strength in core lager and are developing products for more occasions and consumer types.

Our brands range from entry-level beers, including sorghum and cassava beers such as Eagle and Impala to international super premium beers such as Peroni Nastro Azzurro.

Creating sustainable value chains

We create sustainable value chains that contribute to local economic and social development.

Sourcing

Working closely with suppliers, including large-scale and smallholder farmers who grow quality crops, and sourcing locally where we can.

Brewing

Producing beers that taste great demands a mix of traditional craftsmanship, modern science and fresh, natural ingredients.

Bottling and distribution

Delivering quality, fresh beers and soft drinks for our consumers to enjoy while minimising waste and promoting returnable bottles and recycling.

Using global skills and scale to drive local performance

Our local markets focus on commercial activity, producing, marketing and selling the right beers and beverages for their area.

We support our country operations with broader, shared service operations. These help us to achieve economies and efficiencies of scale and drive duplicative costs out of local businesses.

We also share best practice and success across our markets in innovation, marketing, technical standards and training.

Investing in talent for competitive advantage

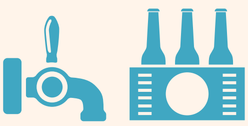
We are proud to attract and retain the best talent, and invest in individuals' skills and careers.

The global mobility of our leaders is one of our major strengths, by moving around, they take insights into new markets.

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

Working with associates and joint ventures

We generate a significant amount of group NPR from interests in associates and joint ventures and in Africa we have significant minorities in our subsidiaries. These have facilitated our global expansion and are valuable where local knowledge is an important asset.



Retail

Partnering with small and large retailers in the on- and off-trade segment to bring refreshment and sociability to our consumers.

Consumers

Listening and responding to changing consumer needs, using local insight and broadening our appeal across new segments and occasions.

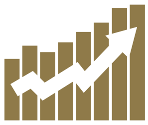
Partnering for shared prosperity

prosper

By supporting the small businesses across our value chains – and in local communities – to prosper, our business will prosper too.

By joining forces with others who share our goals, we can co-ordinate action and unlock innovation for job creation, responsible alcohol consumption, watershed protection, lower carbon emissions and more productive use of land.

We tailor our approach in response to challenges, widening and deepening partnerships as our understanding develops and our initiatives grow.



Delivering value for our stakeholders:

- sustainable superior returns for shareholders;
- refreshment and sociability for consumers;
- jobs and career development for employees;
- incomes and livelihoods for suppliers and retailers;
- growth for national economies; and
- support for communities.

Market overview

Beer accounts for almost one-third of global retail sales value in packaged beverages, with attractive industry margins. The global soft drinks market is slightly larger than that for beer, accounting for approximately 40% of global retail sales value in packaged beverages.

The global beer market is relatively consolidated, with the top four largest brewers (AB InBev, SABMiller, Heineken, and Carlsberg) accounting for around 50% of global volumes and will consolidate further on completion of the AB InBev transaction. SABMiller is the number two globally, which gives us the opportunity to leverage our scale, global brands and skills to improve in-market performance. Given the importance of local brands and scale, the strength of local market positions is also important to sustainable long-term performance in beer, and 94% of our beer volumes come from markets where we are the number one or two brewer. The nature of competition and competitive intensity varies by market, but we typically compete not only against the major global brewers, but also with small and large local brewers and other alcohol producers.

The global beer market has been growing at 2% to 3% over the past 10 years. However, there is a clear difference in growth, category dynamics and characteristics between developing and developed markets and, accordingly, in the growth opportunities they present.

Developing markets

Developing markets offer significant underlying demand-led growth, with growth in beer consumption driven by:

- affordability, with per capita consumption increasing sharply as consumer disposable income levels grow;
- beer being an aspirational and higher quality beverage compared with other competing alcoholic beverages in these markets, which are typically local spirits or informal/illicit alcohol; and
- demographics and drinking occasions being skewed towards core beer consumers, with mainstream lager critical to growth.

Ensuring the affordability, availability and quality of core mainstream lager is critical to growth in these markets. However, while the beer category is heavily focused on mainstream lager, the rise in disposable incomes provides opportunities for premiumisation through local and international brands.

Compared with our global competitors, a greater proportion of our total profit and volumes comes from developing markets. This has helped support our superior rates of organic topline growth.

Developed markets

In contrast with developing markets, volume and consumption growth in more developed markets have typically been flat or have declined over the past decade. This reflects both a general decline in alcohol consumption and a fall in beer's share of total alcohol.

There are many reasons for this shift and the increasing fragmentation of consumer choice, including changes in the nature of drinking occasions and in the demographics of alcohol consumers. These changes include the growth of mixed gender drinking occasions and ageing populations.

These dynamics are challenging, but they also represent future growth opportunities for the beer category. For example, increased consumer demand for variety and new experiences has driven the higher growth of different beer styles outside of core lager, notably in the US craft beer segment but also across other developed markets.

Delivering topline growth in these markets is dependent on successful premiumisation to drive revenue per hectolitre growth and on appealing to more consumers on more occasions, by:

- improving core mainstream lager offers to better meet the needs of a wider range of consumers;
- innovating to evolve portfolios towards more attractive growth segments; and
- regaining share from other beverages.

Soft drinks

Sparkling, or carbonated soft drinks (CSDs), make up approximately 40% of total soft drinks global retail sales value. Global soft drinks volumes have been growing at around 4% per year over the past 10 years, with the category demonstrating similar consumption characteristics and growth dynamics to beer, with rapid growth and increasing levels of per capita consumption as markets develop.

Soft drinks also show a similar overall category development dynamic to beer. In developing markets, CSDs and bottled water are the dominant sub-categories, but fragmentation of the category occurs as markets develop, with still drinks, juices, and premium bottled water becoming much more evident. As with beer, scale and leadership in a market is critical to long-term sustainable success.

Key performance indicators

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

Measuring our progress

What we measure	Why we measure	How we have performed			Associated strategic priorities
Financial goal		**2016**	2015	2014	
Total shareholder return in excess of the median of our peer group over five-year periods	To monitor the value created for our shareholders over the longer term relative to alternative investments in the drinks industry, in line with our business performance goal	**13 % pts**	36 % pts	98 % pts	
Growth in adjusted earnings per share	To determine the improvement in earnings per share for our shareholders at reported exchange rates	**-6%**	-1%	2%	
Growth in adjusted earnings per share (constant currency)	To determine the improvement in earnings per share for our shareholders at constant exchange rates	**12%**	5%	9%	
Free cash flow	To track cash generated to pay down debt, return to our shareholders and invest in acquisitions	**US$2,969m**	US$3,233m	US$2,563m	
Commercial and strategic goals		**2016**	2015	2014	
The proportion of our total lager volume from markets in which we have no. 1 or no. 2 national market share positions	To gain an overall picture of the relative strength of our market positions	**94%**	94%	95%	
The proportion of group EBITA from developing economies	To assess the balance of our earnings exposure between regions of the world economy with highest growth potential and more developed regions	**69%**	72%	72%	
Organic growth in total beverage volumes	To track the underlying growth of our business	**2%**	1%	2%	
Group net producer revenue growth (organic, constant currency)	To assess the underlying rate of growth in net sales value of our brand portfolios	**5%**	5%	3%	
Net producer revenue growth in premium brands (constant currency)	To monitor progress in building our portfolio of global and local premium brands	**12%**	8%	3%	
EBITA growth (organic, constant currency)	To track our underlying operational profit growth	**8%**	6%	7%	
EBITA margin progression (organic, constant currency)	To monitor the rate of growth in our underlying operational profitability	**60 bps**	30 bps	90 bps	
Hectolitres of water used at our breweries per hl of lager produced	To gauge our progress in reducing the amount of water used in our breweries	**3.2 hl/hl**	3.3 hl/hl	3.5 hl/hl	
Fossil fuel emissions from energy use at our breweries per hl of lager produced	To assess progress towards reducing fossil fuel emissions at our breweries	**8.9 $kgCO_2e/hl$**	9.4 $kgCO_2e/hl$	10.3 $kgCO_2e/hl$	
Cumulative financial benefits from our cost and efficiency programme	To track the cost and efficiency savings from the programme to leverage our skills and scale	**US$547m pa**	US$221m pa	n/a[1]	

[1] Not applicable.

Further detail is contained within the finance review and the sustainable development review. Remuneration is linked to our KPIs as detailed in the directors' remuneration report on pages 74 to 92. Detailed definitions are on pages 192 and 193.

Key to strategic priorities

- Drive superior topline growth through strengthening our brand portfolios and expanding the beer category
- Actively shape our global mix to drive a superior growth profile
- Build a globally integrated organisation to optimise resource, win in market and reduce costs

Principal risks

Focused on managing our risks

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

The group's risk management process is described in the corporate governance section while financial risks are discussed in the finance review on page 47 and in note 21 to the consolidated financial statements.

Principal risk	Context	Specific risks we face	Possible impact
Management capability	We believe that our people are our enduring advantage and it is essential that we develop and maintain global management capability. Our people are a source of competitive advantage and will continue to be in the new enlarged organisation or in a standalone business if the AB InBev transaction does not complete.	– Failing to identify, develop and retain an appropriate pipeline of talented managers for the present and future needs of the group. – Potential disruption to management and staff arising from uncertainty during the AB InBev offer period and exacerbated by the complexity of potential disposals to facilitate regulatory approvals.	– Failure to deliver the group's strategic and financial ambitions. – Lower long-term profitable growth – Loss of competitive advantage.
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. This risk has broadened as compared with the previous year due to possible increased regulatory scrutiny arising from the AB InBev offer.	– 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.
Consistent sustainable revenue growth	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. Potential actions of our competitors and stakeholders during the offer period could impact the competitive environment and our commercial performance.	– 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.	– Topline growth progression does not meet internal and external expectations. – Market positions come under more pressure and market opportunities are missed, leading to lower profitability.
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. There is a heightened risk of information loss, cyber security attacks and deliberate, harmful acts as a result of possible disruption and business distraction during the AB InBev offer period.	– Disruption of information technology 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.
Confidentiality and anti-trust compliance	The business's support for the AB InBev offer and the post-transaction convergence planning process through to change of control requires clear and consistent compliance with anti-trust legislation and information security protocols with respect to provision of information to AB InBev and other parties.	– Failure to comply with anti-trust legislation and information security protocols results in negative reputational impact, commercial implications, and significant financial penalties.	– Loss of competitive advantage and reputational damage. – Adverse effect on profitability, cash flows or financial position.
Transaction fails to complete	The AB InBev offer is subject to multiple approvals from regulatory bodies and shareholders.	– Transaction failure impacts the organisation resulting in loss of momentum and short and medium-term disruption to business performance. – Unsettled management and staff. – Transaction failure poses threat to relationships with external stakeholders including shareholders, customers, suppliers, and joint venture and associate partners.	– Loss of value. – Loss of short-term competitive advantage. – Failure to deliver the group's short and medium-term strategic and financial ambitions.

Key

Associated strategic priorities

Drive superior topline growth.

Build a globally integrated organisation to optimise resources, win in market and reduce costs.

Actively shape our global mix to drive a superior growth profile.

Comparison to previous year

+ New risk due to the AB InBev offer

↔ Risk broadened due to the AB InBev offer

Mitigation	Associated strategic priorities	Comparison to previous year
– 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. – Continuous employee engagement and communication to promote retention of key talent and use of incentive programmes that support motivation and retention. – Aligned goal setting focused on current priorities.		↔
– 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. – Investment to enhance the positive economic and social impact of our businesses in local communities and working in partnership with local governments and local and global NGOs. – Driving our *Prosper* shared imperatives to make a sustainable and measurable difference to the communities and ecosystems in which we operate.		↔
– Pursuing 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. – Ongoing evaluation of our brand portfolios in every market to ensure that they target current and future opportunities for profitable growth. – Building our brand equities through innovation and compelling marketing programmes; 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. – Active management of key relationships in local markets to minimise any potential disruption arising during the AB InBev offer period.		↔
– Continued development 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 accelerate detection of, and deal with, IT security incidents.		↔
– Group-wide communications and protocols developed and disseminated throughout the organisation. – Engagement of external anti-trust counsel engaged at global and local levels to ensure SABMiller's interests are protected. – Use of 'clean teams' and associated protocols to manage necessary information sharing as part of the regulatory, disposals and convergence planning processes.		+
– Engagement with AB InBev to support timely transaction completion including support for disposal processes and convergence planning assistance. – US$3 billion break fee in place should the AB InBev offer fail to complete. – Strong continued focus on delivery of strategy and financial performance, cost control and budget discipline in place across the organisation. – Management response plans in place should the AB InBev offer fail to complete.		+

LATIN AMERICA

Where we operate

Lager volumes
46.6m hl
+6%

Soft drinks volumes
20.6m hl
+4%

Group NPR
US$5,211m
+8%[1]

+7%[1]
EBITA
US$1,959m

20,000
retailers supported

Since its launch, our 4e Path to Progress programme has provided more than 20,000 small retailers across Latin America with training to improve their businesses and livelihoods.

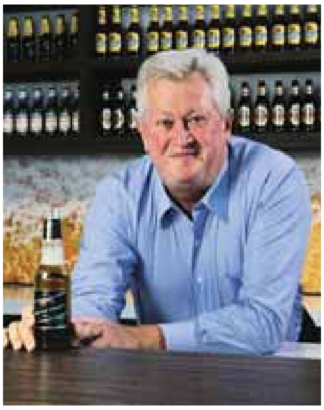
Drive superior topline growth through our brands:

NPR growth was supported by premium lager volume growth of 7% across the region;

Above mainstream brands Aguila Light and the alcohol-free Aguila Cero delivered double digit growth in Colombia; and

Our affordability strategy in Honduras and El Salvador drove strong volume and NPR growth in both countries.

[1] Constant currency basis.



Karl Lippert
President,
SABMiller Latin America

> "Lager volume growth of 6% was underpinned by our affordability strategy together with the successful targeting of new consumption occasions with innovations and effective marketing."

Latin America reported NPR growth of 8% on a constant currency basis (down 10% on a reported basis), with beverage volume growth of 5%. Lager volume growth of 6% was underpinned by our affordability strategy together with the successful targeting of new consumption occasions with innovations and effective marketing. Our NPR growth was further supported by momentum in our above mainstream and premium brands, with premium lager segment volume growth of 7%, together with lager pricing and soft drinks volume growth of 4%. EBITA growth of 7% on a constant currency basis (down 12% on a reported basis) was driven by the topline performance while EBITA margin declined by 20 bps on a constant currency basis as cost productivity and improved efficiencies in manufacturing and distribution only partly compensated for the currency pressure on imported raw materials. The reported EBITA margin decline of 100 bps reflected the depreciation of our operating currencies against the US dollar, which disproportionately impacted our key Colombian operation.

In **Colombia**, group NPR grew by 11% on a constant currency basis, with beverage volume growth of 8%. Lager volume growth of 11% reflected our bulk pack affordability strategy and the success of our enhanced sales service model. Our lager volume growth, which was further supported by shifts in consumer spending away from durable goods, and favourable weather, lifted our volume share of the alcohol market

Financial summary	Reported 2015	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2016**	Organic, constant currency growth %	Reported growth %
Group NPR (US$m)	5,768	–	(1,020)	463	**5,211**	8	(10)
EBITA (US$m)	2,224	–	(431)	166	**1,959**	7	(12)
EBITA margin (%)	38.6				**37.6**		
Sales volumes (hl 000)							
Lager	44,156	–		2,471	**46,627**	6	6
Soft drinks	19,865	–		747	**20,612**	4	4
Total beverages	64,021	–		3,218	**67,239**	5	5

Over 100 years old and still going strong

Our century-old beer Aguila is one of Latin America's top 10 brands, across all sectors, and a national icon in its native Colombia. During the year we continued to build on Aguila's rich heritage: Aguila Cero gained more than 90% of the non-alcoholic beer category in Colombia within one year of launch; Aguila Light, which we introduced in 2002, remained the fastest growing national beer brand in the country, and the original Aguila made a significant growth rate recovery by strengthening its ties with football. Overall, in the year the Aguila brand franchise achieved double digit growth in volume.

by 220 bps. NPR growth was boosted by selective price increases, trading up by consumers and our continued focus on revenue management. Our above mainstream brands Aguila Light and the alcohol-free Aguila Cero delivered double digit growth, with robust growth from our mainstream brands. Premium brands performed well, particularly the Club Colombia brand family which achieved double digit volume growth and exceeded one million hectolitres for the year. Volumes of our non-alcoholic malt beverage brand, Pony Malta, declined 13% following an unfounded social media rumour. Raw material costs came under pressure due to the adverse impact of the exchange rate on our imported commodities as well as higher prices for local raw materials. These impacts were partially mitigated by the December price increases and fixed cost productivity.

In **Peru**, group NPR growth of 7% on a constant currency basis reflected beverage volume growth of 4% with lager volumes up 2%. NPR was further enhanced by selective price increases and positive brand mix reflecting the continued trade up by our consumers from Cristal to our above mainstream brand Pilsen Callao. Our local premium brand Cusqueña saw a return to growth through increased distribution and rate of sale, and the success of its brand variants. The expansion of our direct sales and distribution model helped to offset the impact of heavy rains that affected parts of the country. Our volume share of the alcohol market continued to grow, up 180 bps, as we expanded the category with gains captured mostly from informal alcohol. Soft drinks volumes grew by double digits driven by our water brand San Mateo and sparkling soft drink Guarana. Financial results also benefited from manufacturing and distribution efficiencies.

In **Ecuador,** group NPR grew by 1% with beverage volumes down 2% as a result of weaker economic conditions, increased enforcement of trading restrictions and the effect of heavy rains on both consumption patterns and distribution. Group NPR growth was aided by selective price increases together with positive brand and pack mix, as consumers continued to trade up from Pilsener to the more profitable Pilsener Light packs. Our volume share of the alcohol market, down 270 bps, was driven by the consumer shift to our lower alcohol content beers, but we outperformed the beer category with volume share growth of 70 bps. Higher duties on imported materials were mitigated by further cost productivity which enhanced our margin.

In **Panama**, group NPR declined by 12% owing to a rise in beer excise duties in April, a strike in July and intensified competition, which particularly impacted our premium segment. Lager volumes decreased by 16% with a decline across all segments, which resulted in a 330 bps[1] decline in our volume share of the alcohol market. However our innovations targeted at the growing light segment yielded encouraging growth. Soft drinks volumes were down 3% in a highly competitive market. Cost discipline only partially offset the impact of the softer topline performance.

[1] On an adjusted like for like basis.

Delivering affordable brands

Our affordability strategy has helped deliver impressive returns in Latin America. When we entered the region in 2005, beer consumption was limited by its high cost, relative to wages, and due to it generally being available in just one pack size. Our innovative response, which has included introducing varied pack sizes and flexible pricing, led to a 40% increase in the year in regional volumes of our affordable offerings. In Colombia, for example, we successfully offered 750ml bottles and 473ml cans; in El Salvador our Tabernitas outlet development programme further increased sales of our 750ml products, and in Honduras a price reduction on bulk packs helped achieve significant increases in volume.

Delivering on our sales strategy

A transformation of our Latin American sales operation is yielding increased efficiency, cost savings and stronger customer relationships. The establishment of a network of customer interaction centres (CICs) serving Colombia, El Salvador and Ecuador has been central to the change. The CICs provide centralised telesales, customer service and collections and are a linchpin between the field sales force and the rest of the business. They have enabled the transition of our sales approach from one reliant on third party distributors, wholesalers and manual ordering, to a sophisticated, digitally-enabled direct service model with automated ordering.

In **Honduras**, group NPR grew by 12% on a constant currency basis and beverage volumes increased by 11%. Strong lager volume growth of 21%, with a 600 bps[1] gain in our volume share of the alcohol market, was underpinned by the execution of our affordability strategy, which reinvigorated the category, and by unusually hot weather. Soft drinks volume growth of 9% also benefited from the good weather.

El Salvador delivered group NPR growth of 8% and beverage volume growth of 6%. Lager volume growth of 9% was driven by the expansion of our direct sales and distribution model and supported a 110 bps increase in our volume share of the alcohol market. Growth in our mainstream brands, Pilsener and Golden Light, reflected the consumer adoption of the bulk packs, and our local premium brand Suprema saw double digit growth, which enhanced our brand mix. Soft drinks volumes grew by 5%, with particularly strong growth in still drinks.

[1] On an adjusted like for like basis.

prosper

Having completed water risk assessments at all our Latin American breweries, we now understand the main risks, and how they link to local watersheds. As part of our response, we are working with The Nature Conservancy in Peru, Colombia and Ecuador to build AquaFunds, which source funding from water users to conserve ecosystems that regulate water supplies for all.

Read more at **www.sabmiller.com/nowaternobeer**

Road traffic accidents are the cause of a significant proportion of fatalities involving SABMiller employees. Our Vía Responsable campaign in Panama introduced a holistic approach to road safety, dealing with topics such as texting while driving, speeding and drink driving. Between 2010 and 2014 there has been a 15% reduction in traffic accidents with injuries. The programme is now being replicated across Latin America as Por un Buen Camino (On the Right Track).

Read more at **www.sabmiller.com/roadsafety**

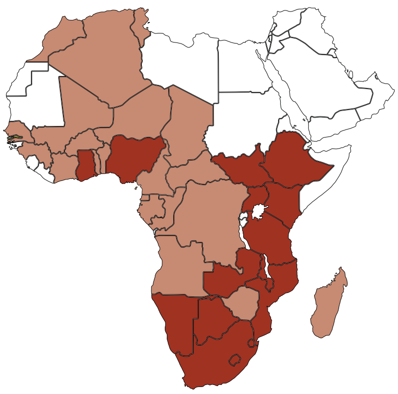
Read more about regional and country sustainability priorities and performance at **www.sabmiller.com/sam**

Supporting small-scale retailers

Since its launch three years ago, our 4e Path to Progress programme in Latin America has provided over 20,000 small retailers – "tenderos" – with business and leadership training, in partnership with the Inter-American Development Bank (IADB) and FUNDES. Participating tenderos have reported a 13% average sales growth in the year post training. During the year we broadened the programme to include access to micro-finance and technology.

AFRICA

Where we operate



- Significant business with production operations
- Associates

3.5hl
water/hl beer

This year our breweries in Africa improved their water efficiency by 6%, using on average 3.5hl of water to produce 1hl of beer.

Lager volumes
50.8m hl
+5%

Soft drinks volumes
37.8m hl
+8%

Group NPR
US$6,781m
+11%[1]

+11%[1]
EBITA
US$1,708m

Drive superior topline growth through our brands:

In the affordable category, Impala, our cassava-based beer, and Eagle were the main drivers of growth;

Castle Lite continued to grow strongly, which helped to drive premium segment growth of 11% for our subsidiaries; and

Our innovation pipeline delivered double digit growth for our premium flavoured beer Flying Fish, along with the successful pan-African launch of our premium, single malt beer Carling Blue Label.

[1] Organic, constant currency basis.

Mark Bowman
Managing Director,
SABMiller Africa

> "Our regional performance reflected our focus on cost management, premiumisation and the introduction of more affordable pack sizes."

In **Africa**, group NPR grew by 11% on an organic, constant currency basis (down 9% on a reported basis), reflecting beverage volume growth of 6% supported by our affordability strategy, selective price increases and continued premiumisation in South Africa. On an organic, constant currency basis, our subsidiaries achieved volume and NPR growth of 8% and 12%, respectively, with increased topline momentum in the year, notwithstanding increased currency and economic volatility in the second half. Our associate, Castel, delivered more modest growth, predominantly due to very challenging macro-economic conditions in its key market of Angola.

The Castle Lite brand continued to grow strongly, which helped to drive premium segment growth of 11% for our subsidiaries in the region and increased premium mix. Our strategy of price moderation assisted the growth in the mainstream segment while in the affordable category, Impala, our cassava-based beer, and Eagle were the main drivers of growth. Our innovation pipeline delivered double digit growth for our premium flavoured beer Flying Fish, along with the successful pan-African launch in the second half of the year of our premium, single malt beer Carling Blue Label. Soft drinks volumes increased by 8%, against a strong comparative. Traditional beer volumes returned to growth in the second half which resulted in growth of 1% for the full year. Chibuku Super grew by double digits driving its share of our traditional beer volumes to 27%.

Financial summary	Reported 2015	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2016**	Organic, constant currency growth %	Reported growth %
Group NPR (including share of associates) (US$m)	7,462	43	(1,519)	795	**6,781**	11	(9)
EBITA[1] (US$m)	1,907	8	(423)	216	**1,708**	11	(10)
EBITA margin (%)	25.6				**25.2**		
Sales volumes (hl 000)							
Lager	48,413	41		2,349	**50,803**	5	5
Soft drinks	34,901	1		2,884	**37,786**	8	8
Other alcoholic beverages	7,618	(2)		158	**7,774**	2	2
Total beverages	90,932	40		5,391	**96,363**	6	6

1 In 2016 before a net exceptional charge of US$422 million, being impairments and related charges of US$508 million arising from Angola and South Sudan, net of the group's US$86 million share of a gain recognised as a result of Castel's operations in Tunisia being reclassified from an associate to a subsidiary following the acquisition of additional shares (2015: net exceptional credit of US$45 million, being additional profit on disposal of a business in 2012).

The right ingredients for affordable success

Our strategy of creating affordable beers in Africa by using local crops has allowed us to grow the beer category. It has also supported thousands of subsistence farmers, increased government excise revenues and helped towards reducing the consumption of harmful illicit alcohol.

In Uganda, our Eagle Extra lager uses locally-grown sorghum rather than imported malted barley. The brand is a major part of the country's affordable segment and grew volumes by 15% during the year. In Mozambique, our cassava-based lager Impala has enjoyed great success since its initial launch in 2011. During the year, its volumes increased by 60%.

EBITA grew by 11% on an organic, constant currency basis (down 10% on a reported basis), with EBITA margin expansion of 10 bps constrained by the performance of our associates. The depreciation of key currencies against the US dollar created significant pressure on raw material input costs which was only partially offset by efficiencies achieved in manufacturing and distribution. Our regional performance reflected our focus on cost management, premiumisation and the introduction of more affordable pack sizes. On a reported basis, EBITA margin declined by 40 bps primarily due to the depreciation of the South African rand, Tanzanian shilling and euro against the US dollar (the euro being Castel's functional currency).

In **South Africa**, group NPR grew by 10% on an organic, constant currency basis, supported by selective pricing and premiumisation against a tough economic backdrop in which consumers' disposable income continued to be under pressure. Beverage volumes increased by 6% and lager volumes grew by 2%, with share gains across the beer and total alcohol markets. This was driven by our premium brand volume growth of 13%, led by Castle Lite and Castle Milk Stout. Volumes of our mainstream lager brands declined by 1% driven by Hansa Pilsener, partially offset by the growth of Castle Lager. In the flavoured beer segment there were strong performances from Redd's and Brutal Fruit. Soft drinks volume growth of 10% in an increasingly promotion-driven trading environment was supported by robust growth of 17% in the second half, which benefited from hot weather over the peak trading period. Our focus on manufacturing and distribution efficiencies, together with fixed cost productivity in the SAB beer business, partially offset the impact of adverse currency on raw materials and resulted in double digit EBITA growth on an organic, constant currency basis.

In **Tanzania**, group NPR grew 5% on a constant currency basis with beverage volume growth of 7%. Lager volumes grew by 7% with strong growth in the affordable segment led by Eagle, as well as the expansion into draught and smaller pack sizes of Balimi. Other alcoholic beverages grew by 3%, spurred by the growth of Chibuku Super, partially offset by a subdued performance from wines and spirits. Profitability was adversely impacted by the growth of the affordable segment and traditional beer, the decline in wines and spirits, transactional foreign exchange pressure on raw materials, and increased employee costs.

In **Mozambique**, a 20% increase in group NPR on a constant currency basis reflected beverage volume growth of 12%, together with positive pack and category mix. Lager volume growth of 15% was led by the Impala brand, together with strong growth of our mainstream brand 2M, primarily in the can format. Other alcoholic beverages declined by 29% due to competition from informal wines and spirits. EBITA growth on an organic, constant currency basis was driven by the topline performance, while margins declined driven by the adverse transactional foreign exchange impact on the cost base.

In **Zambia**, group NPR grew by 23% on a constant currency basis with beverage volume growth of 10% driven by lager volumes up 30%, against a soft comparative. Lager volume growth benefited from price reductions at the beginning of the financial year in anticipation of the excise duty decrease which became effective in January 2016, together with the strong performance of Castle Lite in the premium segment and Eagle in the affordable segment. Following pricing taken earlier in the year, soft drinks volumes returned to growth in the second half to end the year with volume growth of 1%. Traditional beer volumes grew by 5% driven by double digit growth in Chibuku Super.

Group NPR in **Nigeria** grew by 31% on a constant currency basis with volume growth of 27%. Continued strong growth in our mainstream lager brands, Hero and Trophy, was underpinned by our expanded distribution footprint, supported by increased capacity and enhanced market execution. Our non-alcoholic malt beverage category also remained strong with double digit volume growth driven by Beta Malt. On an organic,

Bringing Africans together

Castle Lager has been bringing Africans together for over 120 years, since the days of gold prospecting in Johannesburg. Today Castle Lager is brewed in nine African countries and exported to many more. This cross-continental success reflects our strategy of establishing consistent regional brands across Africa. This has led us to align the brand's recipe, packaging and brand foundation, to launch a powerful African marketing campaign, 'It all comes together with a Castle', and to sponsor the COSAFA Castle Football Cup in southern Africa for the coming five years. During the year, Castle Lager achieved a 9% increase in volumes in South Africa, and 8% growth on the rest of the continent.

From zero to Hero

The swift ascent of Hero in Nigeria has delivered one of our most successful launches ever. Since it was introduced in south-east Nigeria in 2012, the lower mainstream brand has outstripped competitor brands to become the regional market leader by volume. This success reflected our identification of Hero's characteristics – of tenacity, strength and courage – with those of the majority Igbo people. In 2015 we took Hero nationwide, with a brand promise of inspiring and recognising the hero in every Nigerian. It has already become one of the leading national brands in Nigeria.

constant currency basis, EBITA growth and robust EBITA margin expansion were driven by the strong topline performance, supported by marketing and fixed cost productivity.

In **Botswana**, group NPR grew by 5% on a constant currency basis supported by moderate pricing and favourable category mix. Beverage volumes were in line with the prior year as volume growth in lager and soft drinks of 11% and 6%, respectively, was offset by a 16% decline in traditional beer volumes due to the impact of water shortages on production.

Group NPR in **Ghana** grew by 48% on a constant currency basis, as moderate pricing drove volume growth of 24%, and the growth of non-alcoholic malt beverage volumes, as opposed to water, led to an improved soft drinks segment mix. Non-alcoholic malt beverages delivered robust growth as the capacity increase in the prior year led to improved availability.

In **Uganda**, group NPR grew by 20% on a constant currency basis, owing to volume growth of 14%, supported by pricing. Lager volume growth of 12% was driven by the Eagle brand family in the affordable segment.

The continuing turmoil in **South Sudan** and the acute shortage of access to foreign exchange in the country has significantly impacted our performance in the second half of the year. As a result, we have closed the brewery and are now operating as an import business.

Our associate, **Castel**, delivered group NPR growth of 6%. Beverage volumes were down 1%, constrained by weak economic fundamentals in Angola where the local currency has devalued substantially and there is limited access to foreign currency. Beverage volumes in Angola were down 19%, driven by the 18% decline in lager volumes, and contributed to a double digit decline in EBITA. Castel has undertaken an impairment review in Angola and has scaled back activity significantly. The resultant impairment of our investment in BIH (Angola), together with our share of Castel's impairment of its operations in Angola, has been treated as exceptional. Excluding Angola, Castel's volumes were up mid single digits driven by double digit growth in the Republic of Congo, Madagascar, and Burkina Faso. During the year, Castel increased its interest in its Tunisian operation, gaining control of the business and resulting in a reclassification of the operation from an associate to a subsidiary. We have treated our share of the gain recognised on the change of control as exceptional.

prosper

Accelerating growth and social development is one of our top priorities in Africa. Through our Go Farming strategy, we are working with smallholder farmers to source affordable crops that can be used for brewing. This year we also rolled out a retailer programme and to date have trained over 9,000 small shopkeepers and bar owners across 13 African countries in business management and responsible retailing.

Read more about how we are supporting retailers in Africa at **www.sabmiller.com/africaretailersupport**

We aim to create a healthy and positive work environment. Our African Wellness Development Programme focuses on health issues such as HIV/Aids and malaria. We train employees to educate their peers by promoting prevention, testing and treatment and reducing stigma. We provided free voluntary counselling and testing for 56% of employees in the last year in countries where HIV/Aids has a high prevalence (defined as greater than 5% of the population).

Read more about regional and country sustainability priorities and performance at **www.sabmiller.com/sam**

Tackling water scarcity

Across Africa, water scarcity limits growth and opportunities for millions of people. A number of our breweries also face material water supply challenges, ranging from availability to quality. Almost all of our breweries have now assessed their value at risk, determined the specific nature of water risks, and developed action plans to address them, often through partnerships. In South Africa, for example, drought is placing even greater pressure on scarce water resources. We play a leading role in the Strategic Water Partners Network (SWPN), through which government and the private sector are working together to address pressing water challenges.

Read more about how we are partnering to tackle water risk on page 50.

ASIA PACIFIC

Where we operate

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

Lager volumes

70.3m hl

-1%

Group NPR

US$3,650m

+3%[1]

+13%[1]
EBITA
US$753m

Increased productivity for
18,000
farmers

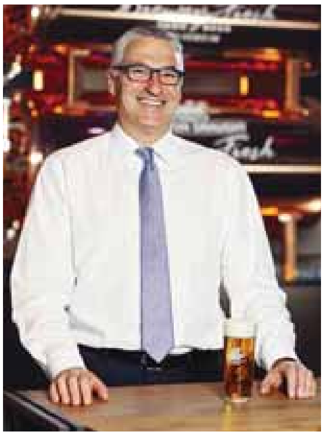
In India, we have worked with more than 18,000 farmers beyond our value chain to reduce water use and increase productivity.

Drive superior topline growth through our brands:

Australia: Premium lager volume growth of 16% was led by Great Northern, together with the sustained double digit growth of Peroni and Yak brand families; and

China: Snow Brave the World continued to grow by double digits and now represents over 20% of CR Snow's total volume, and over 27% of NPR.

[1] Constant currency basis.



Ari Mervis
Managing Director,
SABMiller Asia Pacific

"The beverage volume decline of 1% was offset by group NPR per hl growth of 4% reflecting a combination of price increases supported by positive mix."

In **Asia Pacific**, group NPR grew by 3% on a constant currency basis (down 6% on a reported basis). The beverage volume decline of 1% was offset by group NPR per hl growth of 4% reflecting a combination of price increases supported by positive mix.

EBITA grew by 13% on a constant currency basis (down 2% on a reported basis). EBITA margin expanded by 200 bps on a constant currency basis, reflecting topline growth and continued cost optimisation across the region. On a reported basis, the EBITA margin expansion was reduced to 70 bps owing to the relative weighting of the Australian operation to the regional results and reflecting the depreciation of the Australian dollar against the US dollar during the year.

In **Australia**, group NPR growth of 4% on a constant currency basis was driven by NPR per hl growth of 3% with price increases complemented by premiumisation as a result of the shift into premium and contemporary brands. Volumes were marginally up on the prior year, with improved momentum in the second half, up 3%. This performance was underpinned by improved customer relationships, excellent execution as well as product innovation. As a result, we outperformed our key competitors in a market where the rate of decline has been more muted.

Financial summary	Reported 2015	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2016**	Organic, constant currency growth %	Reported growth %
Group NPR (including share of associates) (US$m)	3,867	–	(328)	111	**3,650**	3	(6)
EBITA[1] (US$m)	768	–	(116)	101	**753**	13	(2)
EBITA margin (%)	19.9				**20.6**		
Sales volumes (hl 000)							
Lager	71,181	–		(926)	**70,255**	(1)	(1)
Other alcoholic beverages	93	–		(5)	**88**	(6)	(6)
Total beverages	71,274	–		(931)	**70,343**	(1)	(1)

[1] In 2016 before net exceptional credits of US$29 million being integration and restructuring credits (2015: net exceptional charges of US$452 million being US$139 million of integration and restructuring costs and impairments of US$313 million).

Building the world's biggest beer

Just over two decades ago, Snow was a small local brand in northern China; today it is the world's biggest selling beer. In building CR Snow, our partnership of 22 years with China Resources Beer (Holdings) Co Ltd, the joint venture followed a clear, long-term strategy. It initially focused on creating regional strongholds, acquiring brewers and brands in high growth areas. It then moved to establishing Snow as a national mainstream brand, becoming number one by sales volume in China in 2005 and globally in 2008. On then turning its ambitions to premium sales, its extremely successful Snow premium variants such as Snow Golden Draft and Snow Brave The World have delivered strong growth and now account for 23% of Snow's total volumes.

During the year we focused on rebalancing the portfolio, leveraging the consumer switch from classic to contemporary and premium segments. Premium lager segment volume growth of 16% was led by strong momentum in Great Northern in our contemporary portfolio, together with the sustained double digit growth of the Peroni and Yak brand families. The successful relaunch of our premium brand Pure Blonde in June 2015 supported our expansion of the category. Our classic mainstream brands Victoria Bitter and Carlton Draught continued to decline, in line with segment trends, although this was partially mitigated by the strong performance of Carlton Dry.

EBITA growth and EBITA margin expansion, on a constant currency basis, reflected the topline performance coupled with our continued cost control discipline. The focus on cost optimisation throughout the year included improving production and logistic efficiencies as well as the streamlining of back office processes.

In **China**, on a constant currency and underlying, like-for-like basis[1] compared with the prior year, group NPR grew by 4% and group NPR per hl grew by 6%, which reflected the continued roll out of one-way packaging and the continuing focus on premiumisation. Growth in group NPR and group NPR per hl was 1% and 3%, respectively, on a constant currency basis. Volumes were down 2% primarily due to tough industry and macroeconomic headwinds, in a market that declined by mid single digits for the second consecutive year.

In the full year, we recognised our share of a nine month reclassification undertaken by our associate, CR Snow, of certain discounts from selling expenses to group NPR in its results for the 12 months ended 31 December 2015, without a prior period adjustment. The reclassification was within the income statement and had no impact on profits.

[1] Excluding the reclassification undertaken by our associate referred to above.

Australia embraces the Great Northern taste

Our Australian brand Great Northern has built on its outstanding regional performance with a successful national launch. Great Northern became the fourth biggest lager in Queensland within five years of its 2010 state debut, taking significant share from the market leader. We have successfully identified Great Northern with an authentic outdoor lifestyle that is 'off the map, off road and off shore'. Having developed the brand's strong regional base and identity, in February 2015 we started the national rollout of Great Northern Super Crisp, a lower alcohol variant. This year volumes of the Great Northern brand grew by 121%.

CR Snow maintained national leadership as a result of being well represented in the growth segments of the on-premise channel, with good penetration of night outlets in targeted cities through a full portfolio of premium brands, particularly Snow Brave the World and Snow Draft. CR Snow also grew strongly in the off-premise channel with notable growth in cans. Snow Brave the World, which was launched in 2008, continued to grow by double digits and now represents over 20% of CR Snow's total volume, and over 27% of NPR. EBITA growth and margin expansion were achieved through focused management of sales costs together with reduced overheads in the face of the industry downturn.

In **India**, group NPR grew by 7% on a constant currency basis driven by group NPR per hl growth of 6% due to price increases across several states along with strong growth in the premium segment. Commercial initiatives, including the repositioning of core mainstream brands and Foster's, supported volume growth of 1%. Profitability improved with growth in the topline supported by tight cost control and improved efficiencies.

Lazy Yak wakes up the market

We have gained a larger slice of Australia's expanding craft beer segment with the successful launch of Lazy Yak, an easy drinking variant of our primary Australian craft brand, Fat Yak. The July 2015 introduction of Lazy Yak reflects our strategy to drive innovation within Australia's craft beer segment. In its first six months, Lazy Yak exceeded all expectations to become our most successful craft launch in Australia. Its gains did not affect the performance of Fat Yak, which continued to grow throughout the year in both the on- and off-premise channels, with volumes up 21%.

prosper

In India, more than 90% of our sales are in returnable glass bottles. We previously used industry-standard bottles that were shared with other brewers and returned through a highly informal system. We have now introduced patented bottles that we have the sole right to use. These are designed to use fewer, lighter materials and to last longer, so have enabled us to increase re-use rates by 10%, reduce carbon emissions, and create new incomes for bottle collectors, many of whom are women. At the same time, this has helped to save costs and promote our brands.

Millions of consumers enjoy our beers, but a minority drink irresponsibly, posing risks to themselves and others. In Australia, we support DrinkWise, which aims to encourage a healthy and safe drinking culture. In the year its ground-breaking How to Drink Properly campaign, aimed at 18 to 24 year-olds, reached more than seven million people.

Find out more at **www.howtodrinkproperly.com**

Read more about regional and country sustainability priorities and performance at **www.sabmiller.com/sam**

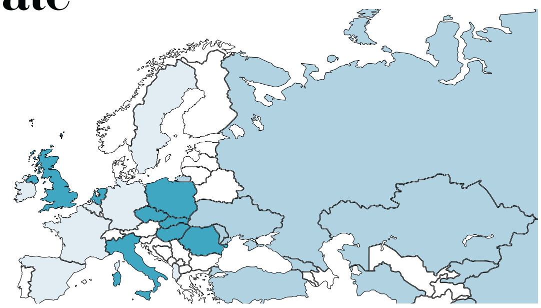
Reducing water risk

Managing water scarcity is a key priority across the region, particularly in India where demand exceeds supply and quality is declining. The root of the problem is in agricultural water use, so, with partners, we have worked with more than 18,000 farmers beyond our value chain to reduce water use while increasing productivity and income. We aim to demonstrate best farming and water management practices that can be replicated and scaled by others, including government, to make a meaningful impact on India's water scarcity challenge.

Read more about how we are tackling water risk in India at **www.sabmiller.com/indiawater**

EUROPE

Where we operate



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

Soft drinks volume

15.8m hl

+2%

Lager volumes

43.1m hl

-1%

Group NPR

US$3,832m

+2%[1]

+5%[1]
EBITA
US$636m

11
non-alcoholic beer brands

Many of our markets in Europe now produce non-alcoholic beers to offer consumers an alternative to alcoholic beer for different occasions.

0%
abv

Drive superior topline growth through our brands:

Subsidiary NPR and volumes both grew by 1% on an organic, constant currency basis; and

Continued focus on expanding the beer category, with innovations in brand variants driving growth in Birell, our non-alcoholic lager in the Czech Republic.

[1] Organic, constant currency basis.

Sue Clark
Managing Director,
SABMiller Europe

> "Following a challenging first half reflecting significant competitor activity in Poland, subsidiary topline momentum improved during the year with NPR and volume up 6% in the second half, with volume growth across all of our operations."

In **Europe**, group NPR grew by 2% on an organic, constant currency basis (down by 13% on a reported basis). On both a reported and an organic basis, beverage volumes were in line with the prior year with a 1% decline in lager volumes offset by growth of 2% in soft drinks volumes.

Subsidiary NPR and volumes were both up by 1% on an organic, constant currency basis. Following a challenging first half reflecting significant competitor activity in Poland, subsidiary topline momentum improved during the year with NPR and volume up 6% in the second half, with volume growth across all of our operations.

At a regional level, the improved volume performance of our subsidiaries was held back by the relatively weaker performance in our associate, Anadolu Efes.

Reported EBITA declined by 9%, with EBITA margin up 70 bps. On a constant currency basis, EBITA was up by 5% and EBITA margin increased by 60 bps. Our subsidiaries increased EBITA by 6% on an organic, constant currency basis, with the topline performance supported by cost reductions and efficiencies. Associates' EBITA was down by 3% on an organic, constant currency basis driven by Anadolu Efes.

Financial summary	Reported 2015	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2016**	Organic, constant currency growth %	Reported growth %
Group NPR (including share of associates) (US$m)	4,398	17	(656)	73	**3,832**	2	(13)
EBITA[1] (US$m)	700	4	(105)	37	**636**	5	(9)
EBITA margin (%)	15.9				**16.6**		
Sales volumes (hl 000)							
Lager	43,595	78		(526)	**43,147**	(1)	(1)
Soft drinks	15,493	–		283	**15,776**	2	2
Total beverages	59,088	78		(243)	**58,923**	–	–

[1] In 2015 before an exceptional charge of US$63million being the group's share of Anadolu Efes' impairment charge relating to its beer businesses in Russia and Ukraine.

Keepers of the craft

We have strengthened Pilsner Urquell's premium brand positioning by underpinning its proud heritage with innovation. As demand for craft beer grows, we have reinforced the 173-year-old brand's status as the original and authentic pilsner, brewed by Czech brew masters in the time-honoured way with the same recipe and quality ingredients. We have also enhanced the way in which we ship and serve the brand to ensure its unique taste is preserved. Fresh, unpasteurised Pilsner Urquell is now available in over 300 on-premise 'Tankovnas', with three-quarters in the Czech Republic and the rest across eight other European markets.

From the village to the world

We have transformed Kozel from a small domestic brand to a major international player. When we bought the Kozel brewery in 1999, volumes were low and the brand had no export market or presence in the on-premise channel. We carefully positioned Kozel as the epitome of village values and traditional craftsmanship, offering great taste at a fair price. We then developed a quality on-premise experience, built strong digital consumer engagement, launched premium variant Kozel 11 in the Czech Republic, and successfully built Kozel Dark internationally. Kozel is now sold in more than 40 countries and – by volume – is the best-selling Czech lager outside its home market, and the largest mainstream brand in the Czech Republic.

In the **Czech Republic** and **Slovakia**, group NPR grew by 3% on a constant currency basis with beverage volumes up by 1%. The business grew through a continued focus on sales execution and supported by favourable weather throughout the year. Growth in Pilsner Urquell offset the decline of our mainstream brand Gambrinus 10. We continued to focus on expanding the beer category, with innovations in brand variants driving growth in Birell, our non-alcoholic lager which penetrates soft drinks occasions. In the Czech Republic, our volume share of the beer market increased by 10 bps. In Slovakia, we lost 120 bps of share on the same basis.

In **Poland**, group NPR declined by 9% on a constant currency basis. The beverage volume decline of 5% reflected significant competitor activity in the first half of the year. Initiatives launched in the second quarter to restore our competitive position, particularly that of our lower mainstream brand Zubr, and a strengthened sales model, supported lager volume growth of 6% in the second half of the year. Our volume share of the beer market declined by 150 bps, although we achieved sequential improvements in market share during the second half. EBITA and EBITA margin decreased significantly on a constant currency basis, driven by the decline in the topline which was only partially mitigated by overhead cost reductions and the optimisation of our distribution network.

In the **United Kingdom**, group NPR grew by 5% on an organic, constant currency basis. Beverage volumes were up by 3% on an organic basis with favourable brand mix resulting from the continued growth of Peroni Nastro Azzurro which offset the planned volume decline in both Miller Genuine Draft and the Polish brand portfolio. In June, we acquired the modern craft brewer Meantime Brewing Company Ltd which delivered double digit volume growth.

In **Italy**, group NPR was up by 7% on a constant currency basis with lager volume growth of 5%, driven by the Peroni and Nastro Azzurro brands, and supported by good weather relative to the prior year. Group NPR per hl expansion benefited from price increases in both the off- and on-premise channels in what remains a relatively low inflationary environment, coupled with focused management of discounts.

In **Romania**, group NPR grew by 10% on a constant currency basis driven by lager volume growth of 7%, which outperformed the beer market. We achieved growth across all price segments as a result of our enhanced revenue management capabilities and supported by an exceptionally hot summer and good weather in the second half of the year. Volume growth was boosted by growth in our economy brand Ciucas, due to increased promotional activity and the success of a new convenience pack size driving favourable pack mix.

Delivering style *and* substance

In the UK, we are making Peroni Nastro Azzurro even more desirable by inspiring consumers to embrace Italian style. We focus on delivering sustainable long-term growth by building the premium positioning of the brand, which remains a genuine import from Italy, with the highest quality ingredients, craftsmanship and superior taste. By evolving Peroni Nastro Azzurro in an innovative way we continue to perform ahead of the UK beer market, adding value to the category and our customers. We work with established and rising Italian creative talents through The House of Peroni platform to create compelling content which brings customers and consumers closer to the brand.

In the **Netherlands**, group NPR increased by 3% on a constant currency basis with lager volume growth of 5%. Our performance reflected improved execution in the off-premise channel and was further boosted by the success of Grolsch brand innovations and extensions.

In **Hungary**, group NPR increased by 11% on a constant currency basis with lager volume growth of 6% and selective pricing on premium and economy brands.

Our associate, Anadolu Efes, continued to be affected by economic and political instability in its key lager markets. Total beverage volumes decreased by 3%, with the volume decline in lager partly offset by growth in soft drinks volumes. The lager volume weakness was mainly driven by continuing challenges in Ukraine, Russia, and Turkey. Group NPR per hl improved as a result of price increases and favourable mix. EBITA was down by 9% owing to currency headwinds driving up raw material input costs and despite a continuous focus on cost optimisation and improved efficiencies.

prosper

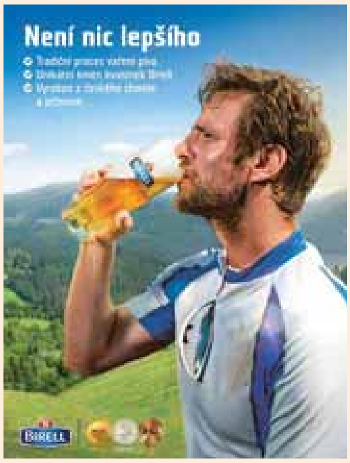
In Europe we continue to focus on improving efficiency in our breweries and value chains. Our regional water and energy reduction taskforce, which shares best practice and mentors efficiency champions, played a key role in making Europe our first region to achieve an average water efficiency of 3.0 hl of water per 1 hl of beer.

Read more at **www.sabmiller.com/nowaternobeer**

By engaging with consumers on shared concerns we strive to deliver societal benefits while driving topline growth. In Italy, where unemployment reached 44% among 18-24 year olds in 2015, Nastro Azzurro's Ti Porta Lontano (Takes You Further) programme helps connect young entrepreneurs with mentors, creating a network of peers and business people to share knowledge and advice.

Read more about how we are engaging with consumers on sustainability on page 50.

Read more about regional and country sustainability priorities and performance at **www.sabmiller.com/sam**



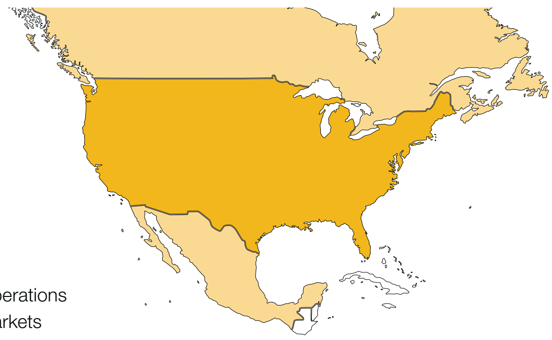
Growing the non-alcoholic beer alternative

Many of our European markets now produce non-alcoholic beer to offer consumers an alternative to alcoholic beer for different occasions. In the Czech Republic, our Birell brand has defined the category, and sales have more than quadrupled between 2001 and 2015. The brewing process is identical to that for lager, but with a yeast which does not produce alcohol, which means that the taste appeals to beer lovers. Birell has twice been judged the best non-alcoholic beer in the Czech Beer Awards. We have extended the Birell range with real fruit juice mixes, further broadening the brand's appeal.

Read more about Birell at **www.sabmiller.com/birell**

NORTH AMERICA

Where we operate



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

Lager volumes

38.0m hl

-1%

Group NPR

US$4,675m

0%

+1%
EBITA
US$865m

Zero landfill

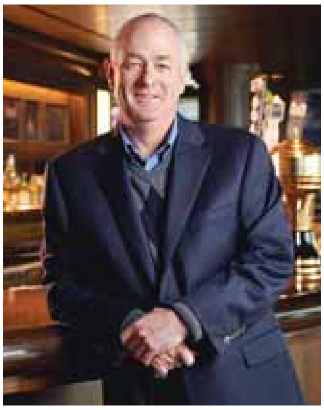
This year, MillerCoors achieved landfill-free operations at all major breweries. Since 2009, MillerCoors has reduced its waste across the organisation by 89%.

Drive superior topline growth through our brands:

Miller Lite growth momentum improved in the second half reflecting the continuing emphasis on the brand's authenticity and originality;

In the above premium segment, the Redd's brand family grew volumes by high single digits for the year; and

Both the Blue Moon brand family and the Leinenkugel's portfolio grew volumes by low single digits for the year.



Gavin Hattersley
Chief Executive Officer,
MillerCoors

> “EBITA growth and EBITA margin expansion of 80 bps in MillerCoors was offset by increased marketing and fixed cost investment to support the expansion of our international operations in Brazil and Canada.”

The North America segment includes our 58% share of MillerCoors and 100% of Miller Brewing International and our North American holding companies. On a reported basis, total North America EBITA was up by 1% and EBITA margin increased 20 bps. EBITA growth and EBITA margin expansion of 80 bps in MillerCoors was offset by increased marketing and fixed cost investment to support the expansion of our international operations in Brazil and Canada, following changes to our route to market in both countries.

MillerCoors

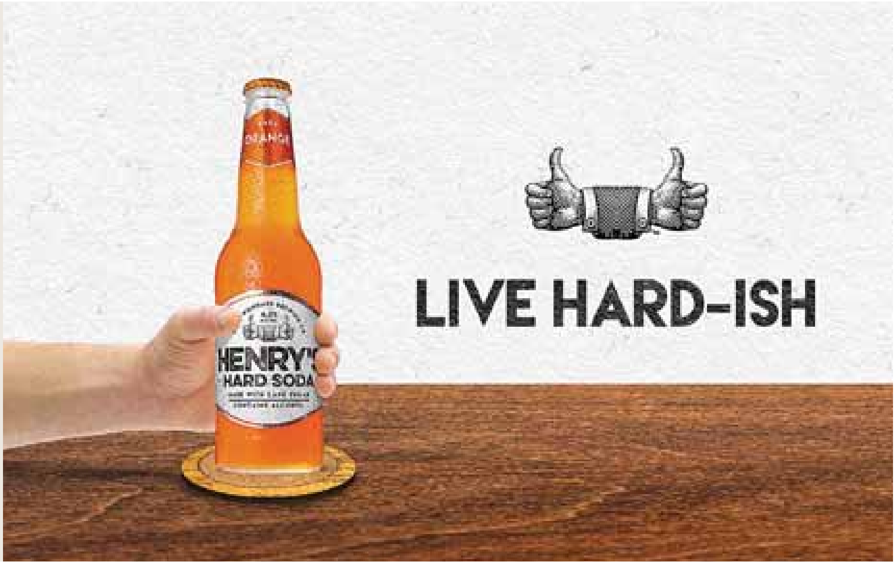
MillerCoors' group NPR declined by 1% on an organic basis as growth in group NPR per hl of 1%, driven by net pricing and supported by favourable sales mix, was offset by lower volumes, with domestic sales to wholesalers (STWs) down by 2%. Domestic sales to retailers (STRs) were also down by 2%. EBITA increased by 3% on an organic basis as improved group NPR per hl and lower input costs more than offset higher marketing investment and cost inflation.

Financial summary	Reported 2015	Net acquisitions and disposals	Currency translation	Organic growth	**Reported 2016**	Organic, constant currency growth %	Reported growth %
Group NPR (including share of joint ventures) (US$m)	4,682	1	(1)	(7)	**4,675**	–	–
EBITA[1] (US$m)	858	–	1	6	**865**	1	1
EBITA margin (%)	18.3				**18.5**		
Sales volumes (hl 000)							
Lager – excluding contract brewing	38,508	6		(554)	**37,960**	(1)	(1)
Soft drinks	40	–		(1)	**39**	(3)	(3)
Total beverages	38,548	6		(555)	**37,999**	(1)	(1)
MillerCoors' volumes							
Lager – excluding contract brewing	37,154	6		(781)	**36,379**	(2)	(2)
Sales to retailers (STRs)	36,967	n/a		n/a	**36,217**	n/a	(2)

[1] In 2016 before exceptional charges of US$68 million, being the group's share of MillerCoors' restructuring costs.

Putting the fizz into FMBs

The impressive national launch of Henry's Hard Sodas has re-inforced MillerCoors' lead in the fastest growing segment in the US beer market – flavoured malt beverages (FMBs). At the year-end, just three months after their introduction, Henry's Hard Sodas' two launch flavours, Hard Ginger Ale and Hard Orange Soda, already represented more than 7% of the FMB market in the USA. Steel Reserve Alloy Series, the successful economy FMB brand, grew volume sales by 60% during the year. Redd's also continued to grow strongly, led by Redd's Green Apple and the higher alcohol Redd's Wicked range.



Leinenkugel's shandies continue to sparkle

Nine out of 10 US shandy-style beers sold are from MillerCoors' Leinenkugel's brand. 'Leinie' shandies continued to perform strongly in the USA in the year, with volumes growing by 16%. The advance was led by the brand's seasonal Summer Shandy, which was the summer's fastest-selling national craft brand. New Leinenkugel variants also had a significant impact, particularly the autumn launch Harvest Patch Shandy which was the year's second-fastest selling seasonal craft brand in the USA. Grapefruit Shandy, which was the previous year's most successful craft launch, continued to sell so well it will now be available all year round.

Premium light STRs declined by low single digits, although MillerCoors has gained share of the segment for the last four consecutive quarters. Miller Lite growth momentum improved in the second half, to end the full year in line with the prior year. This performance reflected the continuing emphasis on the brand's authenticity and originality, further evidenced through the success of the limited edition release of the Steinie bottle. Coors Light declined by low single digits for the year, with improved performance in the fourth quarter supported by a new marketing campaign.

STRs in the above premium segment were only marginally up, as the successful launch of Henry's Hard Soda in the fourth quarter largely offset the double digit decline of Miller Fortune, which has been deprioritised. The Redd's brand family increased by high single digits although volumes declined by low single digits in the fourth quarter as the brand family is now cycling strong comparatives. Both the Blue Moon brand family and the Leinenkugel's portfolio were up low single digits for the year.

The below premium portfolio declined by mid single digits with both Keystone Light and Milwaukee's Best down high single digits and Miller High Life down by mid single digits. This was partially offset by Steel Reserve which grew by low single digits owing to the continuing success of the Alloy Series, the brand's line of flavoured malt beverages.

The lower cost of commodities and production process efficiencies resulted in a low single digit decrease in input costs per hl. The business invested in additional marketing activities, particularly media, to support the growth of key brands and the launch of Henry's Hard Soda.

In September 2015, MillerCoors announced plans to close the brewery in Eden, North Carolina with an effective closure date of September 2016. Restructuring costs, including accelerated depreciation and severance costs, will continue to be recognised as exceptional.

The authentic Miller Lite

Miller Lite stays true to itself – just like those who drink it. This message of authenticity is core to the 40-year-old brand's new US advertising campaign, which centres on a 'bodega' or corner shop and its distinctive Miller Lite customers. Authenticity was also central to MillerCoors' successful turnaround of the brand, the original US light beer, after seven years of declining sales. MillerCoors introduced a new Miller Lite visual identity inspired by its original packaging, put product quality at the core of communication, and made each consumer touchpoint, from packaging to sponsored concerts, a means of engagement.

prosper

MillerCoors defines sustainability as making a positive and meaningful impact on the social, environmental, and economic issues that affect its business, employees and other stakeholders. MillerCoors has a 2020 goal to encourage 20 million consumers to make a pledge against drink driving, and is actively encouraging people to take a safe ride home. This includes a national partnership with the taxi app Uber, which has provided almost 23,000 rides to purchasers of MillerCoors' beers.

Read more at **www.greatbeergreatresponsibility.com**

MillerCoors celebrates the diversity of its workforce and remains dedicated to fostering a diverse and inclusive workplace. One of MillerCoors' 2020 goals is for women to comprise 35% of management. In 2015, 99% of MillerCoors' leadership completed unconscious bias training, a bespoke programme developed and provided by the MillerCoors University – the educational arm of the company.

Read more about regional and country sustainability priorities and performance at **www.sabmiller.com/sam**

Reducing waste

In the year MillerCoors achieved landfill-free operations at all major breweries. Since 2009 MillerCoors has reduced its waste across the organisation by 89%, equal to keeping more than 4,000 tonnes of waste out of local landfills.

During the year MillerCoors also launched the largest solar array installed at any US brewery. This generates enough energy to brew approximately 600,000 hl of beer annually.

Finance review

"We achieved adjusted EPS growth in the year of 12% on a constant currency basis, as a result of increased group NPR, efficiency savings and lower finance costs. However, after reflecting the adverse translational impact of foreign exchange rate movements, reported adjusted EPS declined by 6%."

Domenic De Lorenzo
Chief Financial Officer

"Net debt of US$9,638 million, a decrease of US$827 million from the prior year; gearing down 300 bps to 40.0% and net debt to adjusted EBITDA ratio in line with the prior year at 1.6x."

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 8% to US$24,149 million but increased by 5% on an organic, constant currency basis; revenue down 10% to US$19,833 million
- Total volumes of 331 million hl grew by 2%, with subsidiaries volumes up 5%
- EBITA of US$5,810 million, a decrease of 9% on the prior year, up 8% on an organic, constant currency basis
- EBITA margin contracted marginally (down 10 bps) on the prior year, up 60 bps on an organic, constant currency basis
- Exceptional charges amounted to US$721 million, principally relating to the impairment of our investments in Angola and South Sudan, together with costs associated with the AB InBev transaction.
- Adjusted profit before tax of US$5,295 million, a decrease of 6%; profit before tax of US$4,074 million, down 16% on the prior year due to the adverse currency translational effect and higher exceptional charges
- Adjusted EPS of 224.1 US cents, a 6% decrease; adjusted EPS in constant currency grew by 12%; basic EPS of 167.8 US cents, down 18%
- Total dividend for the year of 122 US cents per share, up 8%
- Free cash flow of US$2,969 million was US$264 million lower than the prior year, mainly due to currency translation
- Net debt of US$9,638 million, a decrease of US$827 million from the prior year; gearing down 300 bps to 40.0% and net debt to adjusted EBITDA ratio in line with the prior year at 1.6x

The group's financial goal is to deliver a higher return to our shareholders than our peer group, with an aspiration to be in the top quartile. We measure our performance against this goal by assessing total shareholder return (TSR), through growth in adjusted EPS, on both reported and constant currency bases, and free cash flow.

In the five years to 31 March 2016 we achieved a TSR of 115%, compared with the median of the comparator group of 102%, as measured in accordance with the terms of our value share awards. The differential between the two of 13 percentage points is our TSR key performance indicator as shown on page 15.

We disclose certain results on an organic, constant currency basis to exclude the effects on our results of changes in exchange rates on the translation of results into US dollars and of acquisitions net of disposals. We consider that using this basis provides a better relative measure of the underlying operating performance and trends, and allows for greater comparability between operations, particularly in times of significant volatility in foreign currency exchange rates as experienced in the year.

We achieved adjusted EPS growth in the year of 12% on a constant currency basis, as a result of increased group NPR, efficiency savings and lower finance costs. However, after reflecting the adverse translational impact of foreign exchange rate movements, reported adjusted EPS declined by 6%. Adjusted EPS on a constant currency basis and excluding the prior year net earnings impact of the disposal of our investment in Tsogo Sun Holdings Ltd (Tsogo Sun) was also up 12% on the prior year. Free cash flow at US$2,969 million was robust but was US$264 million lower than the prior year, mainly as a result of the adverse currency translation impact.

Accounting policies

The principal accounting policies used by the group are shown as note 1 to the consolidated financial statements. The accounting policies followed are the same as those used in the prior year except for the new IFRS interpretations and amendments adopted by the group since 1 April 2015, which have had no material impact on the consolidated results of operations or financial position of the group, as detailed in 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. We have reconsidered the judgements and estimates applied, in particular the determination of exceptional items and share-based compensation, where we have not assumed the completion of the AB InBev transaction. We have included an additional area of judgement with regard to share-based compensation, particularly in relation to judgements made about the extent and timing of the vesting of awards. These areas of judgement are aligned with those considered by the audit committee and which are reported within the audit committee report on pages 70 to 73.

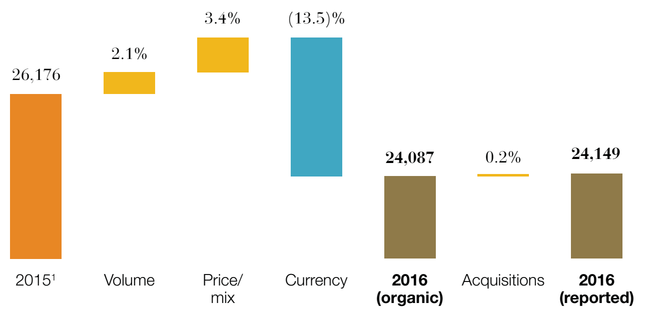
Key performance indicators (KPIs)

We use a range of KPIs to monitor progress against our strategy and our financial goal, as noted on page 15. 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 192 and 193, 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$24,149 million (including our share of associates' and joint ventures' NPR of US$9,254 million), a decrease of 8%, as a result of the adverse impact of foreign currency movements. However, on an organic, constant currency basis, group NPR increased by 5% driven by the performance of our subsidiaries with NPR growth of 8%, particularly in our developing market operations in Latin America and Africa, with a more muted performance in our associates and joint ventures. Group NPR on an organic, constant currency basis grew in all regions except for North America, which was marginally down.

Group net producer revenue US$m
Components of performance



[1] Adjusted for disposals.

As shown in the chart above, volume growth contributed a 2% improvement on the prior year group NPR. Price/mix gains added a further 3% improvement with all divisions delivering gains, through a combination of favourable brand mix, selective price increases and improved price realisation. However, currency movements during the year reduced reported group NPR by 13%, as a result of the weakening of all our key currencies against the US dollar. The impact of acquisitions was negligible on the prior year base as adjusted for disposals, which principally related to the disposal of our investment in Tsogo Sun.

Group revenue, which includes excise and our share of our associates' and joint ventures' revenue on the same basis, declined broadly in line with group NPR (down 9%), while statutory revenue, which relates only to the revenue of our subsidiaries, decreased by 10%, with the declines driven by the adverse currency translation effect. Both increased on an organic, constant currency basis.

Group NPR per hl decreased by 10% on a reported basis and increased by 3% on an organic, constant currency basis, with the primary reason for the difference being the impact of the depreciation of our key currencies. On an organic, constant currency basis all divisions recorded group NPR per hl growth as a result of favourable brand mix, selective price increases and improved price realisation.

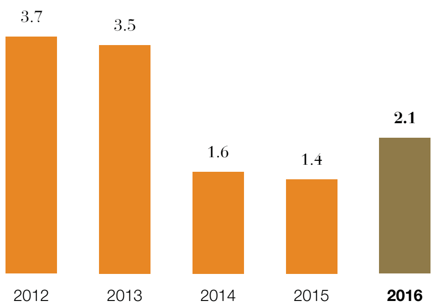
Volumes

Good volume performance was delivered particularly from our developing market operations in Latin America and Africa, with growth of 5% and 6% respectively on both reported and organic bases. Volumes in Asia Pacific and North America were down 1% as a result of tough industry and macro-economic headwinds in China and the USA, while in Europe volumes were in line with the prior year. Total volumes grew by 2% compared with the prior year on both organic and reported bases. Lager volumes increased by 1% and soft drinks volumes grew by 6% compared with the prior year, with similar rates of growth on both organic and reported bases. On a subsidiaries only basis, excluding our share of our associates' and joint ventures' volumes, total volumes grew by 5%. Total volumes in our associates and joint ventures decreased by 2% with Anadolu Efes, Castel and MillerCoors experiencing volume declines.

	2016 hl m	2015 hl m	Reported % change	Organic % change
Total volumes	**331**	324	2	2
Lager volumes	**249**	246	1	1
Soft drinks volumes	**74**	70	6	6
Subsidiaries' volumes	**197**	188	5	5
Associates' and joint ventures' volumes	**134**	136	(2)	(2)

The following chart shows organic growth in total beverage volumes for each of the last five years.

Total beverages: organic volume growth %



Input costs

Costs of goods sold (including our share of MillerCoors' costs of goods sold) increased by approximately 2% on a constant currency per hl basis. Raw material input costs increased by 1%. This reflected the impact of transactional foreign exchange from the depreciation of local currencies in Africa and Latin America, higher prices for adjuncts and sugar, as well as adverse mix effects. These were partially offset by benefits from our global procurement organisation through commercial negotiations, alternative sourcing, and cross-functional initiatives from our cost and efficiency programme, including projects such as container light weighting and expanding the use of recycled PET. Distribution costs remained below prior year levels due to lower crude oil prices and further cost and efficiency benefits from optimisation initiatives across our distribution network.

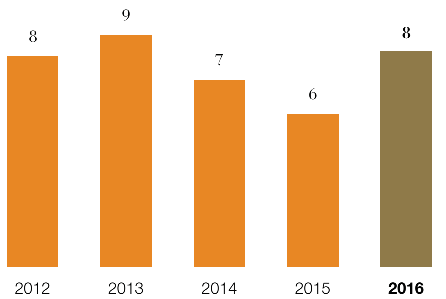
We expect raw material input costs to increase by mid single digits on a constant currency per hl basis in the forthcoming financial year. This will be driven principally by increased commodity costs, as well as inflation-driven increases in packaging materials and adverse foreign exchange impacts on imported goods. These will be moderated by our forward cover positions and continuing efficiency benefits from value engineering initiatives and contract negotiations.

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.

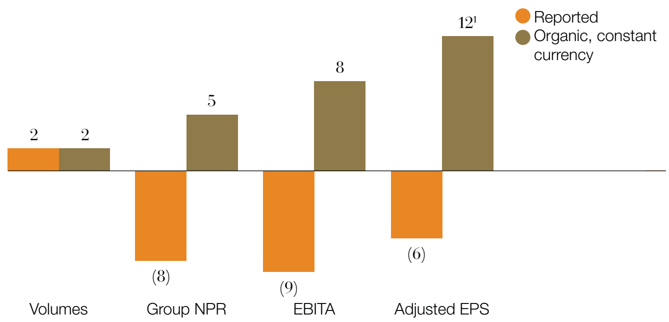
We achieved EBITA growth of 8% on an organic, constant currency basis, with all divisions delivering growth. Reported EBITA (including the impact of acquisitions and disposals) declined by 9% compared with the prior year, to US$5,810 million. The depreciation against the US dollar of the key currencies in which we operate, and to a much lesser extent the disposal of our Tsogo Sun investment in the prior year, 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



The table below demonstrates our improving leverage through the income statement, with 2% volume growth, leading to 12% constant currency growth in adjusted EPS, through 5% growth in group NPR and EBITA growth of 8%, both on an organic, constant currency basis.

Change compared with the prior year %

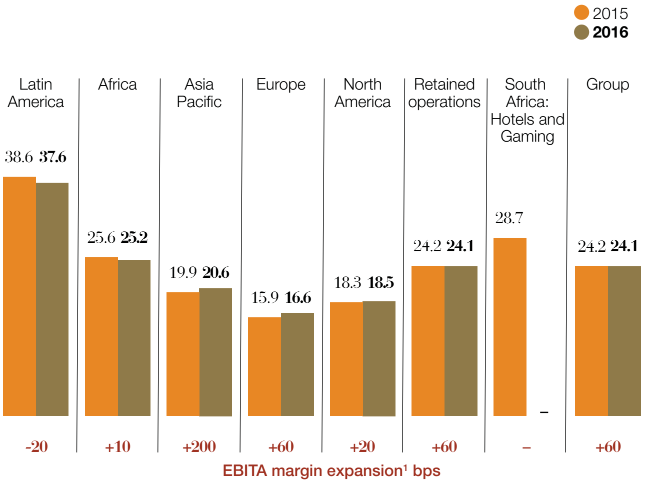


[1] On a constant currency basis.

EBITA margin

EBITA margin at 24.1% was marginally down on the prior year. The chart below shows EBITA margin by division, with Asia Pacific, Europe and North America making particular progress with growth of 70, 70 and 20 bps respectively. However, the margins in Latin America and Africa declined by 100 and 40 bps respectively as the margins in these divisions were particularly impacted by the depreciation of our key currencies against the US dollar.

Reported EBITA margin performance %



[1] Organic, constant currency basis.

On an organic, constant currency basis, EBITA margin improved by 60 bps, with improvements in all divisions except Latin America, which was down 20 bps compared with the prior year, as cost productivity and improved efficiencies in manufacturing and distribution only partly compensated for the currency pressure on imported raw materials. All divisions delivered organic, constant currency margin progression in excess of that on a reported basis, except for Europe, which was as a result of the Meantime acquisition.

EBITDA

EBITDA, which comprises EBITA plus depreciation and amortisation of computer software, including our share of associates' and joint ventures' depreciation and amortisation of computer software, amounted to US$7,097 million for the year, a 9% decrease on the prior year due to currency translation effects. Associates and joint ventures contributed 28% of our EBITDA.

Exceptional items

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

Net exceptional charges of US$721 million before tax were reported during the year (2015: US$153 million) including US$556 million (2015: US$75 million) within operating costs, US$64 million (2015: US$15 million) within finance costs and US$101 million (2015: US$63 million) related to our share of associates' and joint ventures' exceptional charges. The net exceptional charges included:

- US$572 million of charges including impairments and related charges in Angola and South Sudan in Africa. These costs, including US$64 million within finance costs relating to foreign exchange losses and loan guarantees, all result from the decisions to scale back operations in both countries following the significant devaluations of the local currencies in Angola and South Sudan against the US dollar in the year and the lack of availability of hard currency;
- US$160 million of costs associated with the AB InBev transaction, including staff-related retention arrangements and advisers' fees;
- US$36 million of charges related to the cost and efficiency programme;
- US$29 million of credits related to integration and restructuring in Australia;
- US$68 million share of MillerCoors' restructuring costs relating to the Eden brewery closure; and
- US$86 million share of the gain on the reclassification of Castel's Tunisian operations from associate to subsidiary following the acquisition by Castel of additional shares.

Finance costs

Net finance costs were US$506 million, a 21% decrease on the prior year's US$637 million primarily as a result of the reduction in net debt at the end of the prior financial year and during the year, partially offset by foreign exchange losses. Net finance costs in the year included net exceptional costs of US$64 million in Angola and South Sudan which have been excluded from adjusted finance costs and adjusted EPS. Adjusted net finance costs are reconciled to net finance costs in the table below. They were 29% lower than the prior year. Interest cover, on an adjusted basis, increased to 13.8 times from 10.7 times in the prior year.

	2016 US$m	2015 US$m
Net finance costs	**506**	637
Net exceptional finance costs	**(64)**	(15)
Adjusted finance costs	**442**	622

We expect finance costs in the 2017 financial year to be broadly similar to those in 2016.

Tax

The effective rate of tax for the year (before amortisation of intangible assets other than computer software, and exceptional items) was 26.3%, a marginal increase on the prior year.

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 and anticipated changes in the global tax environment.

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

	2016 US$m	2015 US$m
Taxation expense	**1,152**	1,273
Tax on amortisation	**96**	117
Tax on exceptional items	**28**	(83)
Share of associates' and joint ventures' taxation	**114**	157
Adjusted tax expense	**1,390**	1,464
Profit before tax	**4,074**	4,830
Exceptional items (excluding finance costs exceptional items)	**657**	138
Exceptional finance costs	**64**	15
Amortisation	**350**	423
Share of associates' and joint ventures' tax and non-controlling interests	**150**	236
Adjusted profit before tax	**5,295**	5,642
Effective tax rate	**26.3%**	26.0%

The reported corporate tax expense for the year was US$1,152 million, a decrease of 10% compared with US$1,273 million in the prior year, primarily as a result of the depreciation of our key operating currencies against the US dollar.

Corporate income taxes paid can differ from 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 decreased to US$1,315 million from US$1,439 million in the prior year. The decrease was largely as a result of the depreciation of our key operating currencies against the US dollar.

We are publishing an updated version of Our Approach to Tax report for 2016 which provides details of how we manage our taxes. This reflects our commitment to ensuring our reporting reflects best practice and regulatory developments.

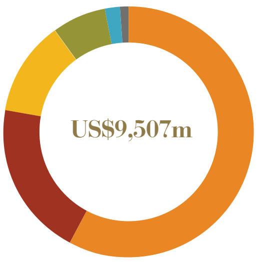
Read more about how we manage our taxes in Our Approach to Tax report

Tax revenues play a key role in funding local public services and supporting vibrant communities in which we operate. We pay a significant amount of tax and in many countries we are one of the largest contributors to government income. Through our business activities, our tax contributions across the world help the development of the many economies in which we operate.

In all our tax affairs, we continue 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.

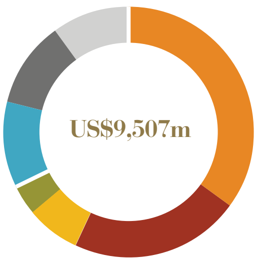
Total taxes borne and collected by the group, including excise and indirect taxes, and including those related to our MillerCoors joint venture in the USA, amounted to US$9,507 million (2015: US$10,639 million) in the year, with the reduction due to the effects of currency translation. The composition and divisional analysis respectively are shown in the following charts.

Tax borne and collected by category



Excise	58%
Other indirect taxes	20%
Taxes on profits	12%
Employment taxes	7%
Tax withheld at source	2%
Taxes on property	1%

Tax borne and collected by region



Developing economies (US$6,536m)	
Latin America	35%
Africa	22%
Europe	7%
Asia Pacific	4%
Developed economies (US$2,971m)	
Asia Pacific	11%
Europe	11%
North America	10%

Profit and earnings

Adjusted profit before tax declined by 6% compared with the prior year to US$5,295 million, primarily as a result of the adverse impact of currency depreciation more than offsetting higher volumes and improved group NPR, cost efficiencies and lower finance costs. On a statutory basis, profit before tax of US$4,074 million was 16% lower than the prior year for the reasons given above together with an increase in net exceptional charges. The table below reconciles EBITA to adjusted profit before tax and to the statutory profit before tax.

	2016 US$m	2015 US$m	% change
EBITA	**5,810**	6,367	(9)
Adjusted finance costs	**(442)**	(622)	29
Share of associates' and joint ventures' finance costs	**(73)**	(103)	29
Adjusted profit before tax	**5,295**	5,642	(6)
Exceptional items	**(657)**	(138)	(377)
Exceptional finance costs	**(64)**	(15)	(326)
Amortisation	**(350)**	(423)	17
Share of associates' and joint ventures' tax and non-controlling interests	**(150)**	(236)	36
Profit before tax	**4,074**	4,830	(16)

Adjusted earnings decreased by 6% to US$3,604 million. With the weighted average number of basic shares in issue for the year of 1,608 million, up slightly from the prior year's 1,604 million, adjusted EPS declined in our reporting currency of US dollars but increased in British pounds and in South African rand as a result of the depreciation of the currencies, as demonstrated in the table below.

	2016	2015	% change
US cents	**224.1**	239.1	(6)
UK pence	**148.2**	147.4	1
South African cents	**3,088.8**	2,649.7	17

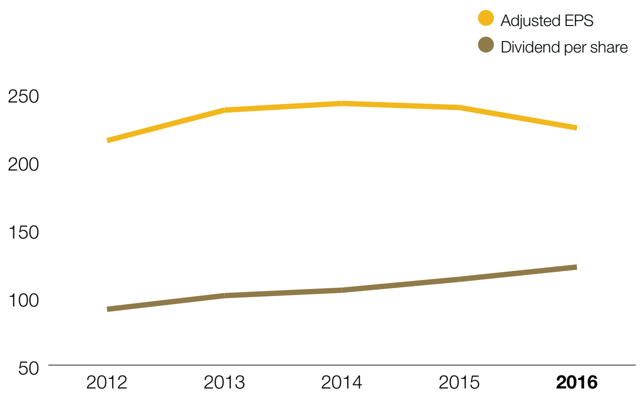
On a constant currency basis, adjusted EPS improved by 12% compared with the prior year, and by the same percentage excluding the prior year net earnings impact of Tsogo Sun.

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 18% down on the prior year primarily as a result of the adverse impact of the depreciation of our key currencies against the dollar on the translation of our results, together with higher exceptional charges.

Dividends

The board has proposed a final dividend of 93.75 US cents to make a total of 122 US cents per share for the year – an increase of 8% over the prior year. This represents dividend cover of 1.8 times based on adjusted earnings per share (2015: 2.1 times). The full year and the final dividend are permitted dividends within the terms of SABMiller and AB InBev's joint Rule 2.7 announcement on 11 November 2015. 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 June 2015 we acquired 100% of Meantime Brewing Co Ltd, a UK modern craft brewer, as part of our strategy to drive superior topline growth and to shape our global mix to drive a superior growth profile.

As noted in the Chief Executive's review, the transaction with The Coca-Cola Company and Coca-Cola Sabco to form Coca-Cola Beverages Africa, which we announced in November 2014, received approval, with agreed conditions, from the South Africa Competition Tribunal on 10 May 2016. We expect the transaction to complete in early July.

Our associate Castel increased its interests in its Tunisian operations such that it obtained control of these operations. The accounting for the transaction led to a non-cash gain, of which our share amounted to US$86 million and which we have treated as an exceptional item.

Adjusted EBITDA

We 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 cash generation. Adjusted EBITDA of US$6,114 million was 8% lower than the prior year, primarily due to the adverse currency translational impact. Adjusted EBITDA margin, including our share of MillerCoors' net producer revenue, contracted by 20 bps in the year to 31.5%.

	2016 US$m	2015 US$m
Subsidiaries' EBITDA (see note 2)	**5,105**	5,690
Group's share of MillerCoors' EBITDA (see note 2)	**1,009**	987
Adjusted EBITDA	**6,114**	6,677
Net producer revenue (NPR)	**14,895**	16,534
Group's share of MillerCoors' NPR	**4,504**	4,543
	19,399	21,077
Adjusted EBITDA margin	**31.5%**	31.7%

Cash flow and investment highlights

Net cash generated from operations before working capital movements of US$5,055 million was 11% lower than the prior year, primarily as a result of the depreciation of our key operating currencies against the US dollar. This excludes cash contributions from joint ventures but includes the effects of cash flows from exceptional items, other than proceeds from the disposal of businesses and associates.

Cash flow from working capital was an inflow of US$61 million, principally as a result of the revisions to supplier payment terms, partly offset by an increase in receivables and inventories owing to growth of the business. Cash generated from operations decreased by 12% compared with the prior year, to US$5,116 million.

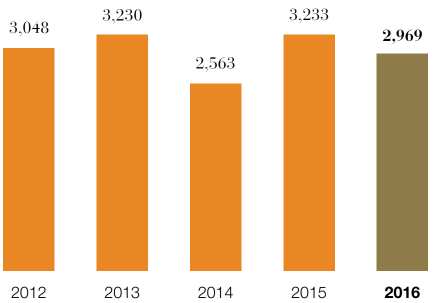
Tax paid in the year was down to US$1,315 million from US$1,439 million in the prior year. As described in the tax section, the decrease arose mainly as a result of the translational impact of the depreciation of our key currencies against the US dollar.

Net interest paid decreased compared with the prior year to US$386 million from US$651 million reflecting the reduction in gross debt at the end of the prior financial year and during the year, together with the early redemption payment in the prior year.

Capital expenditure on property, plant and equipment for the year was US$1,210 million (2015: US$1,394 million), and US$1,313 million (2015: US$1,572 million) including the purchase of intangible assets, with the amount spent impacted by the translational impact of currency depreciation against the US dollar. We have continued to invest in brewing capacity and capability, principally in Africa and Latin America, together with spend on the development of digital capability, networks and communications. Capital expenditure in the next financial year is expected to be similar to prior years.

Free cash flow was US$2,969 million, a decrease of US$264 million, reflecting the translational impact of the depreciation of our key currencies against the US dollar in the year. Free cash flow over the last five years is shown in the chart below.

Free cash flow
US$m



Cost and efficiency programme

Our cost and efficiency programme, originally launched in May 2014, continues to drive additional operational efficiencies to those delivered in the normal course of business, with the original target having been replaced during the year with a new target announced on 9 October 2015. The announcement is repeated on the following page.

Savings arising from this programme in the year amounted to US$326 million and cumulatively amount to US$547 million per annum, and have exceeded the original target two years ahead of schedule. Efficiencies and cost savings achieved in the year were delivered through our end to end, integrated supply chain, in manufacturing, distribution and procurement, the reach of the latter covered 86% of spend under management for the year.

When the programme was originally announced in May 2014, upfront restructuring costs of US$350 million were expected. US$36 million of restructuring costs have been incurred in the year bringing the cumulative costs to date to US$164 million. The announcement in October 2015 of the revised target included an additional US$26 million of incremental non-recurring costs.

Announcement regarding increase in target savings from the cost and efficiency programme – 9 October 2015.

“SABMiller announces that it has increased its target annual run rate cost savings from its cost and efficiency programme, announced in May 2014, from US$500 million by 31 March 2018 to at least US$1,050 million by 31 March 2020.

“The cost and efficiency programme, which covers SABMiller’s integrated supply chain comprising procurement, manufacturing and distribution, delivered US$221 million of annualised savings in its first year to 31 March 2015, and is expected to deliver in excess of US$430 million of annualised savings in its second year to 31 March 2016. The original target issued in 2014 was US$500 million annualised savings by 2018.

“The increase in annual run rate cost savings announced today, of at least US$550 million, will further build on the initial success of the 2014 programme and bring the aggregate annual run rate cost savings for this programme to at least US$1,050 million by 2020. This is across a total addressable cost base of approximately US$10 billion.

“The additional savings will come from SABMiller’s integrated supply chain, with approximately 70% of the additional savings announced today coming from procurement and 30% from manufacturing and distribution. The savings will mainly be realised by:

– increasing the spend centrally managed by SABMiller’s specialist procurement team to at least 90%, from 46% in the year ended 31 March 2014 and 69% for the year ended 31 March 2015;
– completing the roll out of procurement operating models to increase efficiency through greater transparency, cost management, compliance and delivery of savings; and
– driving further efficiencies in manufacturing and distribution based on best in class benchmarks and standardised processes.

“SABMiller expects to incur incremental non-recurring costs of US$26 million in total by 2020 and no dis-benefits are expected to arise from the programme.

“Bases of belief and sources of information from the 9 October 2015 announcement:

“The cost and efficiency programme announced and launched in 2014 delivered cost savings of US$221 million by 31 March 2015 as disclosed in SABMiller’s Annual Report and Accounts by reference to a total addressable cost base for the year ended 31 March 2014 of approximately US$10 billion.

“Total addressable cost base refers to all third party spend and labour force and infrastructure costs in manufacturing and distribution. The labour force costs in manufacturing include the group’s share of relevant MillerCoors costs. The total addressable cost base excludes capital expenditure and depreciation.

“The incremental cost savings estimates shown above are based on savings compared to the group’s cost base for the year to 31 March 2015 which was not materially different from that for the year to 31 March 2014.

“The estimated cost savings have been prepared based on internal information on costs by function, type and country and detailed analysis of the future operating model. The delivery of historical cost reduction programmes has also been taken into account in preparing these estimates. The estimates have been prepared by functional and country teams, including senior executives in the organisation. These programmes have been developed over the past 6-12 months and have included input from external consultants. In circumstances where data has been limited for commercial or other reasons, estimates and assumptions have been developed to support the analysis.

“In arriving at the Quantified Financial Benefits Statement, the directors of SABMiller have assumed that:

– there will be no change in the ownership or control of SABMiller;
– there will be no material change to macroeconomic, political or legal conditions in the markets or regions in which the SABMiller group operates which will materially impact on the implementation of or costs to achieve the proposed cost savings; and
– there will be no material change in exchange rates or commodity prices.”

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$43,589 million from the prior year's US$44,911 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 to US$14,268 million, a reduction of US$478 million compared with the prior year balance, mainly as a result of the impact of foreign exchange rate changes on goodwill denominated in currencies other than the US dollar, partly offset by the goodwill arising on the acquisition of Meantime.

Intangible assets decreased to US$6,526 million, a reduction of US$352 million compared with the prior year balance, primarily reflecting foreign exchange movements and amortisation, partially offset by additions mainly related to the Meantime brand and to the development of digital capability, networks and communications.

Gross debt at 31 March 2016 decreased to US$11,068 million from US$11,430 million at 31 March 2015 primarily as a result of the repayment of outstanding commercial paper. 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. Net debt (comprising gross debt net of cash and cash equivalents) decreased to US$9,638 million from US$10,465 million at 31 March 2015, reflecting positive free cash flow during the year. As at 31 March 2016, we held cash and cash equivalent investments of US$1,430 million (2015: US$965 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 40.0% from 43.0% at 31 March 2015.

Total equity decreased from US$24,355 million at 31 March 2015 to US$24,088 million at 31 March 2016. The decrease primarily reflected adverse currency movements on the translation of local currency net assets and dividend payments, partly offset by profit for the year and share-based payment credits.

Financial structure and liquidity

Our strong financial structure gives us adequate resources to facilitate our 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 at 31 March 2016.

	2016 US$m	2015 US$m
Overdrafts	**(159)**	(215)
Borrowings	**(11,520)**	(12,276)
Derivatives	**672**	1,114
Finance leases	**(61)**	(53)
Gross debt	**(11,068)**	(11,430)
Cash and cash equivalents	**1,430**	965
Net debt	**(9,638)**	(10,465)
Maturity of gross debt:		
Within one year	**(2,801)**	(1,608)
Between one to two years	**(254)**	(2,169)
Between two and five years	**(3,504)**	(3,121)
Over five years	**(4,509)**	(4,532)

The average maturity of the gross committed debt portfolio is 7.0 years (2015: 7.3 years).

On 15 June 2015 we repaid from existing resources our US$700 million 5.125% Notes due 2015.

On 7 August 2015 FBG Treasury (Aust) Pty Ltd issued AUD700 million 3.75% Notes due August 2020. The notes were issued under the AUD3,000 million Guaranteed Medium Term Note Programme, established on 21 July 2015 and guaranteed by SABMiller plc. The proceeds from the bond were used to fund the repayment of borrowings and for general corporate purposes.

Our committed undrawn borrowing facilities decreased marginally from US$3,644 million at 31 March 2015 to US$3,613 million at 31 March 2016. We have sufficient headroom to service our operating activities and capital investment. Maturing debt in the next 24 months includes US$300 million bonds due in June 2016, US$2,000 million bonds due January 2017, ZAR1,000 million bonds due March 2018 and a number of local bank facilities. As at 31 March 2016 committed headroom including committed undrawn borrowing facilities and cash and cash equivalents was sufficient to cover all maturing facilities over the next 24 months. We have continued to be able to access sufficient and significant funding from a number of sources and expect to renew maturing facilities as necessary.

Subsequent to the financial year end, the maturity dates of US$2,412 million of the US$2,500 million committed syndicated facility and US$971 million of the SABMiller Holdings Inc US$1,000 million committed syndicated facility were extended to May 2021. The remaining portion of the two facilities continues with a maturity date of May 2020.

Our credit rating from Moody's Investors Service was lifted from Baa1 with a positive outlook to A3 with a stable outlook in June 2015. In October 2015, the rating was placed on review with direction uncertain by Moody's Investors Service following the joint announcement that AB InBev and SABMiller had reached an agreement in principle on AB InBev's intention to make an offer to acquire SABMiller. In June 2016 this was changed to a review for downgrade, following Moody's downgrade of AB InBev in May 2016, removing the potential for our rating to be upgraded. Our credit rating from S&P Global Ratings remains at A- with a stable outlook.

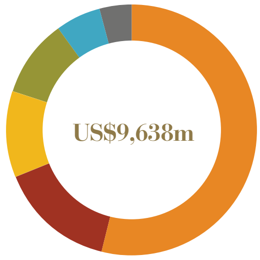
Currency, interest rate, commodity and credit risk management

We manage the risks from foreign exchange, interest rates, commodities and credit risk within a framework of policies approved by the board and reviewed regularly. Exposures are managed within target hedge levels and reported regularly to the treasury and audit committees. Further details of the current 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 at 31 March 2016 (after taking account of derivatives) is illustrated below.

Net debt profile



US dollar	54%
Other	15%
Australian dollar	11%
Euro	10%
South African rand	6%
Colombian peso	4%

Interest rate risk

The weighted average interest rate for the total gross debt portfolio at 31 March 2016 decreased to 3.2% (2015: 3.5%) primarily reflecting the repayment of some high interest rate debt during the year as well as declines in interest rates in a number of key currencies.

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. Our policy does not allow trading in financial instruments.

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. The weighted average rates, used to translate the income statement and cash flow statement, of all of the major currencies in which we operate depreciated against the US dollar over the year. Whereas the closing rates for certain of the major currencies in which we operate, including the Czech koruna, the Polish zloty, the euro and the Australian dollar, appreciated against the US dollar and the closing rates of the other major currencies in which we operate depreciated against the US dollar.

Domenic De Lorenzo
Chief Financial Officer
10 June 2016

Sustainable development

Our sustainable development strategy, *Prosper*, is embedded in our business strategy and will enable us to secure growth that benefits us and local communities.

Long-term commercial success demands that we play a positive role in the communities where we operate. This means supporting jobs and stimulating growth, promoting responsible alcohol consumption, and stewarding water and other natural resources. When our business prospers, communities prosper. When communities prosper, so does our business.

Through our five shared imperatives outlined below, we aim to tackle the issues that are most material for our business at a local and global level. The imperatives give us global focus and alignment, while allowing local markets to respond to local needs. They are 'shared' because we can only tackle joint risks in partnership with those who also face them. By working together with local communities, suppliers, governments, consumers and beyond, we can create value for all.

The year saw two ground-breaking global agreements that will shape the development agenda for years to come: the United Nations launched 17 Sustainable Development Goals (SDGs), and world leaders committed to tackle climate change at COP21 in Paris. Through *Prosper*, we can make a meaningful contribution to these goals.

A thriving world

Businesses create jobs, develop markets, and stimulate economic growth. Yet too many people – especially women – are excluded from the positive impact of economic growth. The SDGs seek to tackle poverty, but also broaden the concept of development to encompass the provision of decent work, enterprise development, women's empowerment, and reduced inequality.

One of the most powerful contributions we make to these goals is through direct and indirect employment, and through the value we generate in our operations, our value chain, and local economies. In the year we generated US$21,640 million of economic value through our business activities, most of which was distributed to employees, shareholders, governments, and local communities.

Small- and medium-sized enterprises (SMEs) account for nearly 70% of global employment[1]. The SDGs also emphasise the critical role that these small businesses play in creating jobs and economic growth, especially in areas of high unemployment, poverty, and poor social mobility.

SABMiller buys from or sells directly to approximately 1.5 million small businesses worldwide. Our business relies on the ability of suppliers, farmers, distributors, and retailers to survive, grow, and prosper with us. That is why we have committed to support over 500,000 of these small businesses to enhance their growth and livelihoods. So far, we have reached over 175,000.

[1] International Trade Centre 2015.

Our shared imperatives

Through *Prosper* and its five shared imperatives we aim to tackle the issues that are most material for our business at a local and international level.

	A thriving world	A sociable world
		
Shared opportunity	We want a thriving world where incomes and quality of life are growing	We want a sociable world where our beers are developed, marketed, sold and consumed responsibly
Shared imperative	*We will accelerate growth and social development through our value chains*	*We will endeavour to make beer the natural choice for the moderate and responsible drinker*
Our headline 2020 target is to	**Directly support more than half a million small enterprises to enhance their business growth and family livelihoods**	**Aim to reach all of our beer consumers with effective communication campaigns, and partnerships to encourage moderate and responsible beer consumption**

175,000+
small businesses supported to date across our value chain.

A fair approach to taxation

Our fourth Our Approach to Tax report is published alongside this Annual Report, and shares information on our tax payments and principles. The total taxes borne and collected this year by the SABMiller group, including our share of taxes paid by our US joint venture amounted to US$9,507 million (2015: US$10,639 million). These include excise, corporate, and transactional taxes, and taxes borne by employees. Of this total, 68% was paid in developing countries. The corporate tax charge for the year was US$1,152 million (2015: US$1,273 million), and our effective tax rate was 26.3% (2015: 26.0%). We support moves towards greater tax transparency and are actively working to share more information with key stakeholders.

Read more on page 42

A sociable world

Harmful drinking is an issue of significant concern – to governments, society, and SABMiller. It is an issue that we are committed to helping tackle. We support the aim of the World Health Organization (WHO) to reduce harmful alcohol consumption by 10% by 2025. This is also an area of focus for the Sustainable Development Goals (SDGs). We recognise too that consumer preferences and values have been shifting to a greater focus on health. Beer brings people together, adding to the enjoyment of life, but we must work proactively to meet all of these expectations.

We are committed to addressing harmful drinking through a mix of commercial and programmatic interventions, coupled with targeted regulatory interventions that we will support or seek out as effective ways to address particular types of irresponsible and harmful drinking.

Our publicly available, comprehensive policies help our employees and partners to meet our demanding standards for producing and marketing our products to encourage responsible consumption.

Read more about our alcohol responsibility policies at **www.sabmiller.com/alcohol-policy**

Our Policy on Commercial Communication (POCC) governs how and where we market our brands. The POCC states that we will not direct our marketing – including on social media – to people under the legal drinking age, or feature paid models below the age of 25 in any commercial communication. The policy also incorporates the Beer, Wine and Spirits Producers' Commitments – a set of 10 commitments adopted by 12 global alcohol companies to promote responsible practices.

All our operating companies, with very limited exceptions in our smallest businesses, have a sales and marketing compliance committee (SMCC), which is mandated to ensure that any proposed marketing materials comply with the POCC, and with local laws and national self-regulatory requirements. The SMCC has the power to reject, or demand changes to, any material that fails to comply. As at 31 March 2016, the SMCCs of almost three quarters of our businesses involved non-industry participation, including independent chairs or independent audits of their work. As at 31 March 2016, 70% of employees worldwide had received alcohol responsibility training within the past three years.

The root causes of harmful drinking are complex and vary widely between countries and cultures. More than 160 tailored local programmes for reducing harmful alcohol use bring to life our principles and comprehensive policies. We believe in a multi-stakeholder approach, and in almost every case we collaborate with local partners, including governments, non-governmental organisations, civil society groups and public bodies such as the police. We believe that by working in partnership with other organisations

A resilient world

We want a resilient world where our business, local communities and ecosystems share uninterrupted access to safe, clean water

We will secure shared water resources for our business and local communities

Secure the water supplies we share with local communities through partnerships to tackle shared water risks

A clean world

We want a clean world where nothing goes to waste and emissions are dramatically lower

We will create value through reducing waste and carbon emissions

Reduce the carbon footprint per hectolitre across our value chain by 25%[1], including by 50% within our breweries, by 25% across our packaging and by 25% across our refrigeration carbon footprint

[1] Against a 2010 base.

A productive world

We want a productive world where land is used responsibly, food supply is secure, biodiversity is protected and brewing crops can be accessed at reasonable prices

We will support responsible, sustainable use of land for brewing crops

Ensure the sourcing of our crops measurably improves both food security and resource productivity

***Prosper* and the UN Sustainable Development Goals (SDGs)**

SABMiller is committed to rising to the challenge of the SDGs, and helping to make them a reality. Each of our shared imperatives are already aligned to a number of SDGs.

Visit our website for more detailed information on how we will play our part at **www.sabmiller.com/prosper-and-the-sdgs**

Prosper through our brands

We believe that by engaging with consumers on shared concerns, our brands can help to deliver societal benefits while driving topline growth. *Prosper* includes a target to build sustainable development messages into the activations of three brands in each market by 2020.

Across SABMiller, 44 brands have now adopted sustainable development activities. This includes Cusqueña in Peru, which is supporting the livelihoods of local weavers. As part of the support programme, 50 Cusqueñan weavers crafted a world first – a giant hand-woven woollen billboard using more than one million individual threads.

In Europe, where unemployment among target consumers is a growing problem, Excelent (Czech Republic and Slovakia), Kornuit (Netherlands) and Nastro Azzurro (Italy) are each supporting young entrepreneurs to achieve their dreams.

Read more at **www.sabmiller.com/prosperandbrands**

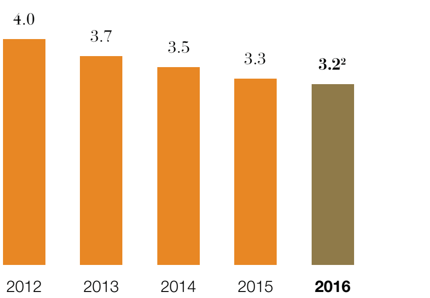
our approach and programmes are more robust and credible, and more likely to achieve change.

To find out more about SABMiller's alcohol responsibility programmes around the world visit **www.sabmiller.com/responsibilityprogrammes**

A resilient world

Water scarcity already affects more than 40% of the global population[1]. This is a serious issue that has major implications for a global brewer: put simply, no water, no beer. At the same time, water scarcity is holding back economic and social development for hundreds of millions of people around the world. Tackling this successfully will release untapped prosperity for everyone – from the smallest farmers to global manufacturing businesses and entire national economies.

Water to lager ratio hl water/hl lager



This year, we achieved a water efficiency ratio of 3.2 hl/hl[2] (2015: 3.3 hl/hl) and we are on track to meet our target of 3.0 hl/hl by 2020. At 25 of our breweries, average water efficiency is already below 3.0 hl/hl. In absolute terms, we used 597[2] million hl of water to produce our lager (2015: 592 million hl).

3.2hl[2]
water to produce 1 hl lager, on track to meet our target of 3.0 hl/hl by 2020.

While water scarcity is a risk to our business operations, it can also have severe human and economic consequences for local communities. Nearly all of our breweries have now evaluated their exposure to water risk using our bespoke water risk assessment process. Each brewery has identified and prioritised risks and developed action plans in consultation with local stakeholders. Our focus is now on implementing these action plans – with the aim of effectively mitigating the risks water scarcity poses both to our sites and to local communities.

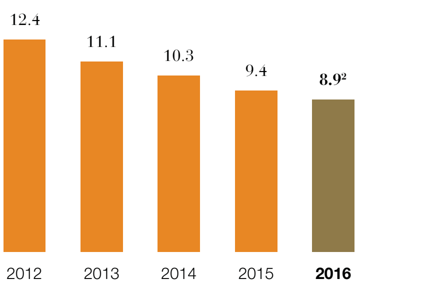
Tackling water scarcity and quality issues requires collaboration between governments, affected communities, businesses, and other stakeholders. This year we formalised a new global alliance with our longstanding partner, World Wide Fund for Nature (WWF) to support key priorities.

A clean world

Climate change has far-reaching consequences for our business and the communities where we operate, from water scarcity and energy constraints, to reduced food security and health risks. The Paris climate talks in December 2015 marked a turning point, as world leaders agreed the first truly global commitment to act on climate change.

We are on track to halve our on-site greenhouse gas emissions per hectolitre of lager between 2008 and 2020. In the year ended 31 March 2016 fossil fuel emissions per hl of lager produced fell by 5.4%, with total CO_2e emissions of 1.7 million tonnes (2015: 1.7 million tonnes), of which 0.8 million tonnes were generated from our direct use of fuels such as natural gas, coal and oil (scope one) and 0.9 million tonnes were generated indirectly from the production of electricity and steam we purchase (scope two). Energy savings have contributed the vast majority of on-site emissions reductions.

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



However, reducing emissions from our operations is just the first step. We have a target to reduce our total carbon footprint per hectolitre by 25% by 2020, from 2010 levels, including a 25% reduction in both packaging and refrigeration.

Returnable bottles and kegs are much more carbon- and resource-efficient throughout their lifecycle than cans, PET bottles or non-returnable glass bottles. 51% of our beer was sold in returnable bottles and kegs (2015: 53%). We also work with suppliers to reduce the weight and environmental impact of all packaging in the relevant market.

SABMiller has a target to purchase 100% HFC-free fridges by 2020, and we are working hard to make this economically and practically feasible for retailers. This year, 20% of the fridges we purchased were HFC-free. Through introducing more energy-efficient fridges, we estimate an average annual saving of US$106 per trade fridge for the retailer.

Around 97% of spent grain from our breweries is reused typically by farmers for animal feed or for renewable energy, creating value as well as preventing waste from being diverted to landfill. During the year our breweries reused or recycled 89% of brewery waste (2015: 90%).

SABMiller is an 'A list' performer in the CDP's Carbon Performance Leaders Index. Read our CDP reports at **www.cdp.net**

A productive world

Around 1.3 billion people work in agriculture, producing most of the world's food but just 3% of global GDP[3]. Agriculture also uses one-third of the world's land and accounts for 70% of all fresh water withdrawals.[1] As demand for food grows, there is a pressing need to produce more with less, to reduce crop losses, and to improve agricultural livelihoods.

Quality malting barley is a key ingredient of beer. SABMiller has identified priorities in each of our barley sourcing regions, and is working with farmers and, where relevant, malt suppliers to ensure malting barley is economically attractive to farmers, climate resilient and resource efficient. Buying locally-grown barley can reduce costs, create jobs and increase incomes. However, it is not suitable for all climates, making imports necessary in some markets.

Incorporating local crops like cassava, maize, rice, and sorghum into our beers supports local farmers and helps us produce more affordable beer. Our Africa Go Farming strategy is doing just that. In multiple markets we are working to source the most appropriate crop in the local context to be used for brewing (read more on page 7).

We have a target to source 100% of our sugarcane from sustainable sources by 2020. During the year, 15.3%[2] of our global sugar supply from sugarcane came from sustainable sources (2015: 5.1%). This represents all sugar sourced from our Azunosa sugar mill in Honduras, which became Bonsucro-certified in 2014. Based on significant progress made towards sustainable sugarcane with suppliers in Latin America, South Africa and Australia representing an additional 59% of our supply, we are confident that we are on track to meet our 2020 target.

15.3%[2]
of sugar sourced from sugarcane meeting sustainable standards.

Embedding *Prosper* across our business

To ensure that *Prosper* delivers its full potential as a route to unlocking value for the business and benefits for society, we have focused during the year on further integrating *Prosper* into the way we drive business performance. All parts of our business, from Australia to Zambia, and from procurement to sales, have a role to play in delivering *Prosper* as an integrated part of their strategy and day-to-day activity.

As part of our business planning process, in the year, each region and global function completed a *Prosper* progress review, to assess the fit of *Prosper* with core elements of strategy, and to identify key challenges in delivering our *Prosper* targets. Insights from this process have been used to identify areas requiring additional focus and resource.

Our *Prosper* performance is measured through our bespoke management system, the Sustainability Assessment Matrix (SAM) and is overseen by the group corporate accountability and risk assurance committee (CARAC), a committee of the SABMiller plc board. The CARAC is chaired by Dambisa Moyo, a non-executive director of SABMiller plc (see pages 54 and 55 for a full list of members). Each region also has its own CARAC, chaired by the regional managing director, which meets twice a year to review local *Prosper* performance and discuss emerging issues.

The Mackay Awards

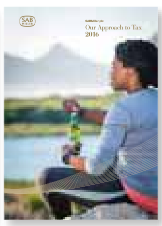
Last year we launched The Mackay Awards to recognise and reward the initiatives by SABMiller teams around the world that best contribute to delivering our shared imperatives and 2020 targets. This year a *Prosper Pitch* category was introduced for employees to submit new ideas that would help deliver the ambitions behind *Prosper*. The winning entry will receive seed funding and senior management support to put the idea into action.

Transparency and ethics

Our Code of Business Conduct and Ethics provides the overarching basis under which our employees and officers are required to uphold high standards of ethical conduct. We have a long-standing commitment to transparency, honesty, integrity and fairness, and to a zero tolerance approach to bribery, as we strongly believe this is a fundamentally important tenet of doing business.

Our projects during this year have included a review of our global procurement procedures to enhance, clarify and streamline our expectations of suppliers, including a review of our due diligence approach and Code of Conduct for Suppliers. We believe we should actively drive social, economic and environmental improvements in our supply chain, ultimately helping to improve livelihoods and build communities, and our Supplier Code of Conduct details how we expect SABMiller Procurement suppliers to act to ensure that our high anti-corruption standards are continually achieved.

Read more at **www.sabmiller.com/anti-corruption**



Further reports
Find out more about our sustainable development performance in our Sustainable Development Report 2016 and our tax payments and principles in Our Approach to Tax report.

[1] United Nations, 2016.

[2] Information for the year ended 31 March 2016 has been subject to limited assurance by PricewaterhouseCoopers LLP. For further details of the assurance provided see the independent assurance report on pages 36 and 37 of the Sustainable Development Report 2016.

[3] International Labor Organization, 2016 and World Bank, 2014.

Valuing and supporting our people

Our success is driven by the thousands of people that we employ, and the millions in our value chains. Supporting people is at the heart of our business, of *Prosper* and of all five shared imperatives.

Improving health and safety
We strive to reduce or eliminate risks of harm to our employees, contractors, and all others affected by our business. Our global health and safety programme, Safety Around Beverages, sets minimum standards for all businesses. Our group-wide health and safety governance system has standardised reporting across the group, and enables us to target improvements and share best practice.

It is therefore with the deepest regret that we report that 27 employees and contractors lost their lives at work this year (2015: 29). Eight of these fatalities resulted from accidents during on-site maintenance or repairs, 10 from road traffic accidents, and nine were the result of robberies or assaults on employees during sales or trade visits. Our businesses investigated each case and, where applicable, put in place measures to reduce the likelihood of these incidents recurring.

During the year we recorded 8,357 days lost through injury (2015: 13,028) and 142 major injuries (2015: 490). Road traffic accidents accounted for a significant proportion of fatalities, and road safety remains a top priority worldwide.

Our South African business has launched a new campaign, called ACT10N, to reinforce the 10 global safety standards in the Safety Around Beverages programme in simple and engaging ways. The campaign emphasises personal responsibility, while making line managers accountable for giving their teams the knowledge and skills needed to behave safely. Powerful docu-drama films and other communications are capturing employees' attention and making sure that the safety message resonates.

Promoting wellbeing
We aim to create a healthy and positive work environment for all our employees, acknowledging the benefits this provides in terms of productivity. In Africa, our Wellness Development Programme focuses on HIV/Aids, malaria, sexually transmitted infections, hepatitis B and C, and tuberculosis. Our focus is to train employees to educate their peers at work, at home and in their wider communities, by promoting prevention, testing and treatment of these diseases. In countries

Supporting employees through change

Since the boards of SABMiller and AB InBev reached agreement in principle on the key terms of a recommended offer, looking after our people has been a priority. We have created a People Plan to keep all employees informed about the proposed transaction, and how they might be affected. The plan is designed to treat and remunerate our people fairly, keep hold of our best talent, and support our teams through the potential changes. It also aims to ensure that our business keeps delivering results while making a smooth transition to a new company where our people can continue to develop their careers.

We have kept our people informed through town-hall meetings, functional meetings, individual meetings with managers, and regular communications. Employees have had their say through focus groups and surveys conducted worldwide. Most of those participating have said that, despite the potential changes, they feel empowered to make decisions, understand their goals, feel positive about their line managers, and are learning useful skills for their careers.

Leadership skills become more critical than ever during periods of change. To support leaders during the period, we developed a toolkit to provide further support and resources that address some of the most common leadership challenges during transition. This includes a combination of quick, easy to access resources such as top tips, along with short articles and videos to help leaders with leading their teams in a period of uncertainty.

where HIV/Aids has a high prevalence[1], we provided free voluntary counselling and testing for 56% of employees in the last year.

Valuing diversity and equality

Women's empowerment and gender diversity are central themes of the UN Sustainable Development Goals (SDGs) and a business imperative. Women are a vital source of talent in an increasingly competitive employment market, play a central role in our value chain, and represent a huge potential market.

In an industry still seen as male dominated, we are determined to improve gender diversity, particularly among our leadership. Women represent 20.4% of our global workforce[2] (2015: 20.6%) and 29.8%[3] of executives and managers[4] (2015: 29.6%)[5]. Our ten-strong executive committee includes one woman. 20% of SABMiller's plc board is female – below the FTSE 100 average of 25.9%[6], although women hold three of our seven independent non-executive director posts (43%).

29.8%[3]
Female managers and executives

We have clear policies and processes for recruiting and treating people fairly and on merit, regardless of age, gender, sexual orientation, religion, disability, or ethnic origin. However, we know we can do more to attract female employees. In Africa, we launched Plus One – an initiative that aims to increase the percentage of females across our African businesses at the management and executive level. In Australia, we established a local Diversity Forum in the year, which is chaired by the regional managing director. The forum is examining ways to ensure the business attracts, retains, and develops high-performing women.

We continue to support South Africa's Broad-Based Black Economic Empowerment (BBBEE) initiatives for growing the economy by including and empowering previously disadvantaged citizens. 81% of The South African Breweries (Pty) Ltd (SAB) workforce is from previously disadvantaged groups and 63% of its employees are black. SAB achieved 78.54 (2015: 79.24) in the last annual BBBEE verification, making it a level 5 contributor under the new BBBEE code of good practice.

Recognising performance

Our performance management system provides a framework for employees to set themselves stretching individual goals and ensures that we recognise and reward strong performance. These goals are linked to business objectives. Bonus payments and salary increases are linked to performance against these goals, and calculated against a combination of individual achievement and overall company performance.

Respecting human rights

SABMiller is committed to respecting internationally recognised human rights as set out in the International Bill of Human Rights. We are a signatory of the UN Global Compact. We have developed an approach which helps our local businesses to identify and mitigate human rights risks within their operations and value chains, in line with the UN Guiding Principles on Business and Human Rights. During the year, we updated our human rights policy to clarify our position on areas such as land rights and grievance mechanisms. We held workshops in London, Bangalore, Johannesburg, and Miami to review this and work out how best to address human rights risks in different local contexts.

We respect the right to union representation and 44.1% of employees are union members or covered by collective bargaining agreements (2015: 42.8%).

Modern slavery

Modern slavery includes slavery, servitude, forced labour, and human trafficking. Modern slavery can be difficult to identify in supply chains due to a shared interest in hiding it among organisations exploiting workers, and also among workers who fear losing their jobs or even deportation. While modern slavery is a global problem, there is a greater risk that it may be present in the agriculture and manufacturing sectors. Our Human Rights Policy and Supplier Code of Conduct prohibit all forms of modern slavery. We take a risk-based approach to seek to understand and address the risk of modern slavery, through robust due diligence and engagement with suppliers and other key local stakeholders.

Read SABMiller's UK Modern Slavery Act statement at **www.sabmiller.com/modernslaveryact**

Promoting human rights in our supply chain

Tackling human rights risks in our supply chain requires transparency about the situation and collaboration to address any issues. This has been a focus for SABMiller Procurement since it was established in 2010. We welcome the focus the UK's Modern Slavery Act puts on this area of human rights.

To understand the risks in our supply chain we have implemented a supplier accreditation programme including on-site audits of high-risk suppliers. We understand that audits have their limitations, but believe that by helping suppliers to address gaps in their risk management processes, and by accelerating our support for *Prosper*, we can reduce the risk of human rights violations, including modern slavery, in our supply chains. Our ambition is for 80% of our spend to be with accredited suppliers by 2020.

In Africa, we are working closely with Partner Africa, a leading social enterprise and pioneer in ethical and socially responsible business practices, to help suppliers in the region to meet our global standards.

[1] Defined as greater than 5% of the population.

[2] 13,896 women and 54,321 men as at 31 March 2016.

[3] Information for the year ended 31 March 2016 has been subject to limited assurance by PricewaterhouseCoopers LLP. For further details of the assurance provided see the independent assurance report on pages 36 and 37 of the Sustainable Development Report 2016.

[4] 2,855 women and 6,715 men as at 31 March 2016.

[5] As at 31 March 2016, 64 women and 360 men were directors of subsidiary companies included within the consolidated financial statements.

[6] Professional Boards Forum, BoardWatch, 2016.

Board of directors

1. Jan du Plessis – Chairman
Appointed to the board: 1 September 2014
Skills and experience: Jan has an excellent record as a chairman of major international groups with developing market footprints and a wealth of experience of international consumer businesses.
Current appointments: He is chairman of Rio Tinto plc and Rio Tinto Limited.
Previous appointments: In his earlier career he was Group Finance Director of Compagnie Financière Richemont, the Swiss luxury goods group. He has also served as a non-executive director and subsequently chairman of British American Tobacco plc, as a non-executive director and chairman of the audit committee of Lloyds Banking Group plc and as a non-executive director and senior independent director of Marks and Spencer Group plc.
Member of: Corporate accountability and risk assurance committee (CARAC)
Nomination committee (Chairman)

2. Alan Clark – Chief Executive
Appointed to the board: 26 July 2012
Skills and experience: Alan has an extensive knowledge of the global beverage industry, having held a number of management roles with the group, both in beer and soft drinks. He became Managing Director, SABMiller Europe, in 2003 and was appointed as an executive director and Chief Operating Officer of SABMiller plc in 2012, before becoming Chief Executive in April 2013.
Current appointments: He does not have any external appointments.
Member of: Corporate accountability and risk assurance committee (CARAC)
Executive committee (excom)

3. Domenic De Lorenzo – Chief Financial Officer
Appointed to the board: 23 July 2015
Skills and experience: A chartered accountant, Domenic has held a number of senior positions in the group, including that of Director, Corporate Finance and Development for Europe and the Americas, Director of the global corporate finance and development team, Director, Group Strategy & Corporate Development. He has an in-depth understanding of the group and of the global brewing industry and has led many of the group's major M&A transactions.
Current appointments: He does not have any external appointments.
Previous appointments: Prior to his appointment as Chief Financial Officer, he held the position of Acting Chief Financial Officer, and prior to that, he led the group's corporate finance and development and strategy team.
Member of: Executive committee (excom)

4. Guy Elliott – Deputy Chairman and Senior Independent Director
Appointed to the board: 1 July 2013
Skills and experience: Guy has extensive experience of operating in both developed and developing markets, having previously held a variety of finance, marketing, strategy and general management positions throughout his career.
Current appointments: He is a non-executive director of Royal Dutch Shell plc. He is a member of the UK Takeover Panel and chairman of the Panel's Code Committee.
Previous appointments: He was previously Chief Financial Officer of Rio Tinto plc and Rio Tinto Limited and also a non-executive director of Cadbury plc, serving as chairman of its audit committee and as Senior Independent Director.
Member of: Audit committee
Remuneration committee
Nomination committee

5. Mark Armour – Non-executive director
Appointed to the board: 1 May 2010
Skills and experience: Mark brings strategic and financial expertise to the board and has significant experience of managing an international group.
Current appointments: He is a non-executive director of Tesco plc, and a director of the Financial Reporting Council, the UK's independent regulator responsible for promoting high quality corporate governance.
Previous appointments: He was previously Chief Financial Officer of Reed Elsevier (now RELX). Prior to joining Reed Elsevier in 1995 he was a partner of Price Waterhouse in London.
Member of: Audit committee (Chairman)
Remuneration committee

6. Dave Beran – Non-executive director
Appointed to the board: 23 July 2015
Skills and experience: Dave has considerable global business experience and an extensive knowledge of the fast moving consumer goods industry.
Current appointments: He is a nominee of Altria. He serves on the board of trustees for the Richmond Ballet.
Previous appointments: He was, until his retirement in March 2015, the President and Chief Operating Officer of Altria and was responsible for overseeing Philip Morris USA, U.S. Smokeless Tobacco Company, John Middleton, Nu Mark, Altria Group Distribution Company and Ste. Michelle Wine Estates. He joined the Altria family of companies in 1976. His previous positions at the company include Vice Chairman for Altria Group; Executive Vice President and Chief Financial Officer for Altria; Executive Vice President and Chief Financial Officer for Philip Morris USA; and Executive Vice President of Finance, Planning & Information for Philip Morris USA.

7. Geoffrey Bible – Non-executive director
Appointed to the board: 1 August 2002
Skills and experience: Geoff has held senior roles in a number of multinational companies and has a wealth of experience of global consumer products businesses.
Current appointments: He is a nominee of Altria and was appointed to the board following completion of the Miller Brewing Company transaction. He is also a member of the advisory board of Metalmark Capital LLC.
Previous appointments: He is the former chairman and CEO of the Philip Morris group of companies, the former chairman of Altria and Kraft Foods Inc. and a past non-executive director of News Corporation Ltd, the New York Stock Exchange and BSkyB plc.
Member of: Corporate accountability and risk assurance committee (CARAC)
Nomination committee

8. Dinyar Devitre – Non-executive director
Appointed to the board: 16 May 2007
Skills and experience: Dinny brings both financial expertise and strategic counsel to the group. He has extensive experience of managing global fast-moving consumer goods corporations.
Current appointments: A nominee of Altria, he is a member of the board of Altria, a special adviser at General Atlantic LLC, and a director and chairman of the audit and risk committee of Markit Group Ltd. He is also the Executive Chairman of Pratham USA, serves as a trustee of the Brooklyn Academy of Music and is a trustee emeritus of the Asia Society.
Previous appointments: His career with the Altria group of companies spans a 36 year period in which he served in a variety of senior positions. Before his retirement in 2008, he served as the Senior Vice President and Chief Financial Officer of Altria. He was also a director and chairman of the Corporate Governance and Public Policy Committee at Western Union Company.
Member of: Audit committee

9. Javier Ferrán – Non-executive director
Appointed to the board: 23 July 2015
Javier will be stepping down from the board at the conclusion of the 2016 annual general meeting.
Skills and experience: Javier has in-depth knowledge of consumer brands on an international basis and of international financing. He brings extensive experience

of the global alcohol beverage industry and experience of operating in both mature and emerging markets.

Current appointments: He is a non-executive director of Associated British Foods plc, and a member of its nomination and remuneration committees. He is a partner in Lion Capital LLP, a consumer focused private equity firm, where he is a member of its investment committee. He is also a director of Coca-Cola European Partners.

Previous appointments: He completed a 20 year career with the Bacardi Group in 2004, serving in a variety of key executive positions, including President and Chief Executive Officer. After leaving Bacardi he was appointed director and subsequently vice chairman of William Grant & Sons, a position he held until April 2014.

Member of: Remuneration committee

10. Lesley Knox – Non-executive director

Appointed to the board: 19 May 2011

Skills and experience: Lesley brings a wealth of strategic and financial experience across a range of businesses and is an experienced remuneration committee chairman. She qualified as a solicitor in the UK and as an attorney in the USA.

Current appointments: She is a non-executive director of Centrica plc where she chairs the remuneration committee, a non-executive director of Legal & General Group Plc and Thomas Cook Group 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.

Previous appointments: She was previously with British Linen Bank, becoming governor in 1999 and was subsequently a founder director of British Linen Advisers. She was chairman of Alliance Trust plc, senior non-executive director of Hays Plc and spent 15 years with Kleinwort Benson, first in corporate finance and then as chief executive of the institutional asset management business.

Member of: Audit committee

Remuneration committee (Chairman)

Nomination committee

11. Trevor Manuel – Non-executive director

Appointed to the board: 1 March 2015

Skills and experience: Trevor is a former minister in the South African Government. He brings a wealth of experience in advising multilateral organisations on emerging market development and sustainability.

Current appointments: He is Deputy Chairman of Rothschild South Africa, serves on the International Advisory Board of the Rothschild Group and is a director of Swiss Re AG and Old Mutual plc.

Previous appointments: He was a minister in the South African Government for more than 20 years, 13 of which he served as Finance Minister. During his ministerial career he assumed a number of ex officio positions at international bodies, including the United Nations Commission for Trade and Development (UNCTAD), the World Bank, the International Monetary Fund, the G20, the African Development Bank and the Southern African Development Community.

Member of: Corporate accountability and risk assurance committee (CARAC)

12. Dambisa Moyo – Non-executive director

Appointed to the board: 1 June 2009

Skills and experience: Dambisa is a global economist and commentator on the macro-economy and global affairs. She has wide-ranging expertise in economic and business trends on the African continent, with a particular focus on socially responsible business.

Current appointments: She is a non-executive director of Barclays PLC, Barrick Gold Corporation and Seagate Technology plc.

Previous appointments: She was an economist at Goldman Sachs, where she worked for nearly a decade, and was a consultant to the World Bank in Washington, D.C.

Member of: Corporate accountability and risk assurance committee (CARAC) (Chairman)

13. Carlos Pérez Dávila – Non-executive director

Appointed to the board: 9 November 2005

Skills and experience: Carlos has extensive experience of the global beverage industry and of operating in the Latin America region.

Current appointments: He is a nominee of the Santo Domingo Group and was appointed to the board following completion of the Bavaria transaction. He is 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.

Previous appointments: He began his career in investment banking at Goldman, Sachs & Company, subsequently working for SG Warburg & Co., where he served as the Director of Overseas Advisory Division and Violy, Byorum & Partners, where he was Senior Managing Director.

14. Alejandro Santo Domingo Dávila – Non-executive director

Appointed to the board: 9 November 2005

Skills and experience: Alejandro has a deep knowledge of the global beverage industry and of the Latin America region.

Current appointments: He is a nominee of the Santo Domingo Group, appointed to the board following completion of the Bavaria transaction. He is 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.

Previous appointments: He was employed at Violy, Byorum & Partners, Investment Bankers where he was focused on mergers and acquisitions in telecommunications, media and consumer goods.

Member of: Nomination committee

15. Helen Weir – Non-executive director

Appointed to the board: 19 May 2011

Skills and experience: Helen has extensive financial and retail expertise, with senior management experience in a number of UK and international companies.

Current appointments: She is the Chief Finance Officer of Marks and Spencer Group plc, a trustee of Marie Curie and an independent non-executive director of the Rugby Football Union, the national body for rugby in England.

Previous appointments: She was Group Finance Director of the John Lewis Partnership and has previously held a number of senior positions at the Lloyds Banking Group and Kingfisher plc. She is also a former member of the Accounting Standards Board. She spent her early career at Unilever and McKinsey & Co.

Member of: Audit committee

Corporate accountability and risk assurance committee (CARAC)

Nomination committee

16. Stephen Shapiro – Group Company Secretary and Deputy General Counsel

Appointed as Group Company Secretary: 1 November 2014

Stephen joined SABMiller in 2002 and was appointed Group Company Secretary in November 2014. He is also Deputy General Counsel, with responsibility for managing the internal commercial legal function, managing material legal risk, and developing group policy in key areas. He is a member of the Council of the International Chamber of Commerce UK.

Executive committee

The executive committee (excom) is appointed by the Chief Executive after consultation with the board. 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 management 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. Mark Bowman – Managing Director, SABMiller Africa

Appointed to the executive committee:
1 October 2007

Mark 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. Following the consolidation of SABMiller's South Africa beverage business and Africa division into one region for management purposes, he became Managing Director of the enlarged SABMiller Africa region on 1 July 2014.

He joined The South African Breweries Limited (SAB Ltd) in 1993 and has held various senior positions in the group including Managing Director of Kompania Piwowarska S.A., Managing Director of ABI (the soft drinks division of SAB Ltd) and Chairman of Appletiser.

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

2. Alan Clark – Chief Executive

Appointed to the executive committee:
1 October 2000

Alan's biography can be found on page 54.

3. Sue Clark – Managing Director, SABMiller Europe

Appointed to the executive committee:
10 February 2003

Sue was appointed Managing Director, SABMiller Europe in June 2012. She joined SABMiller in 2003 as Corporate Affairs Director. Before this, she held a number of senior roles in UK companies, including that of Director of Corporate Affairs for Railtrack Group and Scottish Power plc.

She is an independent non-executive director of Britvic plc.

4. John Davidson – General Counsel and Corporate Affairs Director, SABMiller plc

Appointed to the executive committee:
1 August 2006

John joined the group as General Counsel and Group Company Secretary in 2006. In November 2014 he assumed responsibility for regulatory affairs, communications and sustainable development, and is now General Counsel and Corporate Affairs Director. Before joining SABMiller, he spent his entire legal career at Lovells, a leading international law firm, where he was a partner from 1991, specialising in international corporate finance, cross border mergers and acquisitions, and corporate governance advisory work. He was the Chairman of the GC100 group (the association of general counsel and company secretaries of companies in the FTSE 100) for 2010 and 2011.

5. Domenic De Lorenzo – Chief Financial Officer, SABMiller plc

Appointed to the executive committee:
1 July 2011

Domenic's biography can be found on page 54.

6. Nick Fell – Marketing Director, SABMiller plc

Appointed to the executive committee:
1 August 2006

Nick 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 – Group Director: Integrated Supply, SABMiller plc

Appointed to the executive committee:
1 February 2003

Tony was appointed Director: Integrated Supply & 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 that of Chairman and Chief Executive Officer, Plzeňský Prazdroj a.s. and, most recently, Chairman and Managing Director: SAB Ltd. He relinquished responsibility for human resources in September 2015 and remains accountable for group procurement, technical, planning and distribution and R&D.

8. Karl Lippert – President, SABMiller Latin America

Appointed to the executive committee:
1 January 2011

Karl 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 that of President of Bavaria S.A. and Managing Director of Kompania Piwowarska S.A.

9. Ari Mervis – Managing Director, SABMiller Asia Pacific and Chief Executive Officer, Carlton & United Breweries

Appointed to the executive committee:
1 October 2007

Ari was appointed Managing Director, Asia Pacific and Chief Executive Officer of Carlton & United Breweries in 2011. He joined ABI, the soft drinks division of SAB Ltd, in 1989 and has held various senior positions in sales, marketing, finance and general management. He has held the position of Managing Director, SABMiller Asia, Managing Director of Appletiser and Managing Director of SABMiller operations in Russia and Australia. He is a director of the Melbourne Business School, and Chairman of China Resources Snow Breweries.

10. Johann Nel – Group Human Resources Director, SABMiller plc

Appointed to the executive committee:
14 September 2015

Johann was appointed Group Human Resources Director, SABMiller plc in September 2015. He originally joined SAB Ltd in 1997 as Human Resources Director and was Group Human Resources Director for SABMiller plc and a member of the executive committee from 2002 until his retirement from the group in 2008. After retiring from SABMiller in 2008, Johann continued consulting and lecturing in the areas of human resources, change management, global strategy and leadership in collaboration with a wide variety of organisations and academic institutions.

Corporate governance

Jan du Plessis
Chairman

> *The most important task for the board in the year was our consideration and recommendation of the takeover offer from AB InBev. Nevertheless, the board remains focused on the need for our business to continue to perform strongly and to pursue its strategic objectives until the transaction is completed. Until that time, the board's duties in relation to governance and leadership are unaffected."*

Dear Shareholder

This report describes how our board applies the UK Corporate Governance Code (the Code) and its general approach to corporate governance. The role of the board is to oversee the governance of the company, and to ensure that the principles on matters such as leadership, board effectiveness, financial accountability and risk management are rigorously applied.

The most important task for the board in the year was our consideration and recommendation of the takeover offer from AB InBev. The board's initial rejection of terms that it considered did not adequately value SABMiller resulted ultimately in significantly improved offer terms, and an agreement between SABMiller and AB InBev pursuant to which AB InBev has agreed to use its best efforts to secure the regulatory clearances and authorisations necessary to satisfy the pre-conditions and regulatory conditions to the transaction, with a break fee of US$3 billion payable if these clearances are not achieved. Both parties have agreed to certain undertakings to cooperate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to those regulatory clearances and authorisations.

Nevertheless, the board remains focused on the need for our business to continue to perform strongly and to pursue its strategic objectives until the transaction is completed. Until that time, the board's duties in relation to governance and leadership are unaffected.

In the year the board, with the help of the audit committee, reviewed the risk management activities of the group to ensure that they were aligned with the revised Code, which requires that directors confirm that they have made a robust assessment of the principal risks facing the company and monitor the company's risk management systems and controls. The company has a thorough biannual risk assessment process and actively monitors the effectiveness of the risk mitigations and controls. Our audit committee has overseen the risk management processes implemented by management and the board has conducted a robust assessment of the principal risks facing the group.

Our effectiveness review has confirmed that the board and its committees are operating effectively and fulfilling their respective mandates, and that board members are performing satisfactorily. I am also pleased to confirm that notwithstanding the distraction of the AB InBev offer, good progress has been made in addressing each of the focus areas identified in the prior year's effectiveness review.

In July 2015 the board took the important step of appointing a new CFO. Following a selection process involving internal and external candidates, we were pleased to appoint Domenic De Lorenzo as a director and as our Chief Financial Officer following the conclusion of the 2015 annual general meeting. We also welcomed Dave Beran to the board, who was nominated by Altria to replace Howard Willard. The renewal of the board continued, with the appointment of Javier Ferrán as a non-executive director at our last annual general meeting. We are pleased to offer our congratulations to Javier on his appointment as non-executive director and chairman-designate of Diageo, though since Diageo is a competitor he will step down from our board at our upcoming annual general meeting, before taking up this appointment. We wish him well.

Jan du Plessis
Chairman
10 June 2016

Leadership

Board of directors

We currently have 15 directors: our Chairman (Jan du Plessis); seven independent non-executive directors; five non-executive directors whom we do not consider to be independent; and two executive directors (Alan Clark, the Chief Executive and Domenic De Lorenzo, the Chief Financial Officer). The independent non-executive directors include Guy Elliott, who is our Deputy Chairman and Senior Independent Director. Short biographies of each of the directors are on pages 54 and 55.

Our governance framework

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 our two largest shareholders, Altria Group, Inc. (Altria) and BevCo Ltd (a holding company of the Santo Domingo Group). Both agreements 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 (including the chairman) are to be non-executive directors nominated by the board. Our agreement with BevCo allows it 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 Geoff Bible and Alejandro 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 Geoff Bible) but BevCo has not. Altria has also exercised its right to nominate one director (Dinyar Devitre) for appointment to the audit committee.

Board of directors

Chairman
Responsible for leadership of the board and presiding over its meetings

Chief Executive
Responsible for the day to day management of the business in accordance with the strategy approved by the board

Chief Financial Officer
Responsible for managing all aspects of the finance function, providing strategic input to the board and executive committee, and supporting the Chief Executive in the delivery of the group's strategy

Seven independent non-executive directors

Five other non-executive directors
Nominated by our two major shareholders

Board Committees

Remuneration committee

Members: Four independent non-executive directors

Role: Determines the reward strategy for the executive directors and senior management, to align their interests with those of the shareholders

Audit committee

Members: Four independent non-executive directors and one non-executive director nominated by Altria

Role: Monitors the integrity of the group's financial statements and the effectiveness of the external and internal auditors

Nomination committee

Members: The Chairman and five non-executive directors, three independent and one each nominated by Altria and BevCo

Role: Ensures the board and senior management team have the appropriate skills, knowledge and experience to operate effectively, and to develop and deliver the group's strategy

Corporate accountability and risk assurance committee

Members: The Chairman, Chief Executive and four non-executive directors

Role: Assists the board in the discharge of its responsibilities in relation to corporate accountability, including sustainable development, corporate social responsibility and corporate social investment.

Disclosure committee

Members: The Chairman, Deputy Chairman, Chief Executive, Chief Financial Officer, one other non-executive director, and the General Counsel, or the Group Company Secretary

Role: Assists the board in ensuring compliance with the Disclosure and Transparency Rules and the Listing Rules

Management committee

Executive committee

Members: Chief Executive, Chief Financial Officer, four regional managing directors and four directors of key group functions

Role: Assists the Chief Executive with the development and implementation of the group's strategy, the management of the business and the discharge of responsibilities delegated by the board

Our application of the UK Corporate Governance Code

The board applied all of the main principles and provisions of the Code throughout the year ended 31 March 2016, except in the following respects:

i. Our audit committee did not consist solely of independent directors. Under our relationship agreement with Altria, as approved by the shareholders in 2002 and 2005, Altria has the right to nominate a director to the audit committee, and has nominated Dinyar Devitre, who 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. Dinyar Devitre is a former Chief Financial Officer of Altria and the board considers that his experience and background in financial matters and his independence from management mean that the effectiveness of our audit committee in discharging its functions is considerably enhanced and not compromised by his membership.

ii. The Code recommends that the performance evaluation of the boards of FTSE 350 companies should be externally facilitated at least every three years. In our 2015 annual report, we communicated that an externally facilitated performance evaluation would be undertaken early in the tenure of our new Chairman, Jan du Plessis. In light of the expected transaction timetable for the takeover offer by AB InBev, the board considered that it would have limited time to benefit from the findings of an externally facilitated effectiveness evaluation during its tenure. In addition, an extensive external evaluation would have absorbed time and significant resources at precisely the time that the board needed to focus its attention on the demands of the takeover offer. After careful consideration, the board took the decision not to conduct an external effectiveness evaluation in the year under review, and instead to conduct such an evaluation internally. If for any reason the takeover offer does not proceed to completion, the board intends then to undertake an externally facilitated effectiveness evaluation. A report on the assessment of the effectiveness of the board and its committees led by our Deputy Chairman Guy Elliott is set out on page 66 of this report.

iii. Under the Code, the company is required to put its external audit contract out to tender at least every 10 years. The company has not tendered its external audit contract within the last 10 years. In the ordinary course, we would have conducted an audit tender during the 2016 calendar year as communicated in our 2015 annual report. In light of the exceptional circumstances of the takeover offer by AB InBev, the audit committee decided to defer the audit tender. The audit committee noted that an audit tender during the offer period would be inappropriate. If for any reason the takeover offer were not to proceed to completion, the audit committee intends then to conduct a tender process.

iv. The Code recommends that a majority of members of the nomination committee should be independent non-executive directors. Following his appointment as Chairman of the company in July, Jan du Plessis, a member of the nomination committee and an independent non-executive director on his appointment to the board on 1 September 2014, was required to be disregarded in the determination of whether the majority of members of the committee were independent. Between 23 July 2015 and 24 September 2015 the nomination committee comprised Jan du Plessis, two non-executives directors considered to be independent and two non-executives not considered to be independent, and was therefore not compliant (although the committee did not meet during this period). On 24 September 2015 Lesley Knox, an independent non-executive director, was appointed to the committee, at which point the committee met the membership recommendations of the Code.

v. One director, Mark Armour, was unable to attend the 2015 annual general meeting as he was attending a family funeral.

Board meetings and attendance

Board and committee meetings are held in an atmosphere of direct, robust and constructive challenge and debate among board and committee members. During the year we held seven regularly scheduled board meetings, as well as five specially convened meetings held on short notice to consider AB InBev's proposals which led to the announcement on 11 November of the recommendation of AB InBev's offer for SABMiller. 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 when directors could not attend a board or committee meeting, any comments which they had on the matters to be considered were given in advance to the chairman of the meeting, to the General Counsel, or to the Group Company Secretary.

Directors' attendance (1 April 2015 to 31 March 2016)

		Board		Audit		Remuneration		CARAC		
	Independent	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended AGM
P J Manser	N/A	3	3					1	1	Y
J P Du Plessis	N/A	12	12					1	1	Y
A J Clark	N/A	12	12					2	2	Y
D De Lorenzo	N/A	10	10							N/A
M H Armour	Yes	11	12	4	4	4	4			N
D R Beran	No	10	10							Y
G C Bible	No	11	12					2	2	Y
D S Devitre	No	10	12	4	4					Y
G R Elliott	Yes	12	12	4	4	4	4			Y
J F Ferrán	Yes	10	10			3	3			Y
L M S Knox	Yes	12	12	4	4	4	4			Y
T A Manuel	Yes	11	12					1	1	Y
J A Manzoni	Yes	2	3			1	1	1	1	Y
D F Moyo	Yes	11	12					2	2	Y
C A Pérez Dávila	No	11	12							Y
A Santo Domingo Dávila	No	12	12							Y
H A Weir	Yes	12	12	4	4			2	2	Y
H A Willard	No	3	3							Y

- The nomination committee did not meet during the year under review.
- Mark Armour was unable to attend the July 2015 annual general meeting and associated board meeting as he was attending a family funeral.
- Geoff Bible, Dinyar Devitre, John Manzoni and Carlos Pérez were unable to attend the board meeting in June, which was called at short notice to consider a possible transaction.
- Trevor Manuel and Dambisa Moyo were each unable to attend one board meeting in October, which was called at short notice to consider the AB InBev transaction.
- Dinny Devitre was unable to attend the board meeting in January due to a pre-existing business commitment.
- Domenic De Lorenzo was appointed as a director after the conclusion of the annual general meeting.

The work of the board

The board brings leadership to the group and sets strategic objectives, 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 determined by the board. The board monitors achievement against objectives and compliance with policies 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, the Chief Financial Officer, the General Counsel and Corporate Affairs Director, and from the Group Company Secretary on legal, regulatory and corporate governance matters. Other members of our executive committee make regular presentations to the board, enabling directors to explore and interrogate specific issues and developments in greater detail. In the ordinary course, the board also schedules visits to our regions, normally holding two meetings a year outside the UK, allowing directors the opportunity to meet in-country management. The demands of the AB InBev takeover offer were such that it was necessary to defer executive committee member presentations and that it was not feasible or appropriate to undertake scheduled regional visits to Europe and Africa in September and January, respectively. At the end of each board meeting, the non-executive directors meet without management present.

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; significant changes to the group's management and control structure; material investments or disposals; risk management strategy; sustainability and environmental policies; and treasury policies.

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 our website. All committee chairmen report orally on the proceedings of their committees at the next meeting of the board, and the minutes of all board committee meetings are circulated to all board members.

The membership and work of these committees are described on the following pages. From time to time other ad hoc committees may be constituted for specific projects or tasks.

Conflicts of interest

Our directors are required to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or 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.

We are confident that our procedures concerning actual and potential conflicts of interest continue to operate effectively.

From press speculation to a recommended offer

The work of the SABMiller board

Following press speculation, on 16 September 2015 SABMiller announced that it had been informed by AB InBev that it intended to make a proposal to acquire SABMiller. At that time no proposal had been received and the board of SABMiller had no further details about the terms of any such proposal.

Under the UK Takeover Code that announcement triggered a 28 day 'put up or shut up' (PUSU) deadline for AB InBev to announce a firm intention to make an offer for SABMiller or to announce that it would not be making an offer, and started an intense period of work for the SABMiller board.

As a result of the approach and the PUSU deadline, the board rescheduled planned strategy meetings and a market visit in order to focus on the possible transaction. The PUSU deadline was extended three times prior to the announcement of a recommended acquisition on 11 November 2015. During the eight week period from the first announcement on 16 September and 11 November:

- the board received detailed briefings on Takeover Code issues and directors' responsibilities;
- five board meetings were held, with near 100% attendance at meetings by directors;
- the scheduled SABMiller trading update in October was brought forward by 10 days;
- new efficiency and cost savings targets were announced and reported on;
- the board received and debated rigorous and detailed presentations on the stand-alone value and prospects of SABMiller;
- a large number of board, shareholder, analyst, management and adviser calls and briefings were held; and
- the recommended offer was negotiated with AB InBev and approved by the board, after AB InBev raised its initial cash offer of £38 per share six times to the final offer of £44 per share. The agreed terms which were recommended by the board included an undertaking by AB InBev to use its best efforts to secure regulatory clearances, and a break fee of US$3 billion payable to the company in certain circumstances.

Throughout the period the board was advised by the General Counsel and by the Group Company Secretary, and by experienced external investment banking and legal advisers.

Roles and responsibilities

Roles of the Chairman, Chief Executive, Deputy Chairman and Senior Independent Director
The Chairman and Chief Executive have separate roles and the division of responsibilities between them is set out in a written statement of responsibilities approved by the board.

The Senior Independent Director serves as an additional contact point for shareholders. He 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 Guy 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. The board is kept informed of the views of shareholders through regular updates from the Chairman, the Deputy Chairman, the Chief Executive, the Chief Financial Officer, the General Counsel and Corporate Affairs Director, and the Group 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.

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

The Group Company Secretary
The Group Company Secretary acts as secretary to the board and its committees and attended all meetings during the year under review. The current Group Company Secretary, Stephen Shapiro, was appointed in November 2014, having served as Deputy Company Secretary from 2002. He is also Deputy General Counsel.

The board's committees and the executive committee
The board currently operates five committees. The composition of each of the audit and disclosure committees is set out below, as is that of the executive committee. The composition and work of the nomination, remuneration and corporate accountability and risk assurance committees are described on pages 64 and 65, and the work of the audit committee is fully described on pages 70 to 73.

The audit committee
During the year under review the audit committee was chaired by Mark Armour, who first joined the committee on 1 May 2010 and has been its chairman since 6 June 2013.

Dinyar Devitre, Guy Elliott, Lesley Knox and Helen Weir also served on the committee throughout the year. Dinyar Devitre has been a member of the committee since 16 May 2007, Guy Elliott since 25 July 2013 and Lesley Knox and Helen Weir since 19 May 2011. The board is satisfied that Mark Armour, Dinyar Devitre, Guy Elliott, Lesley Knox and Helen Weir all have recent and relevant financial experience.

Biographical information concerning Mark Armour and the other members of the committee is set out on pages 54 and 55.

Further details of the work and responsibilities of the audit committee are included in the audit committee report on pages 70 to 73.

The disclosure committee
The disclosure committee consists of the Chairman, the Deputy Chairman, the Chief Executive, the Chief Financial Officer, any one other non-executive director, the General Counsel or the Group Company Secretary. The function of the disclosure committee is to meet as and when required to assist the board in ensuring compliance with the company's obligations under the UK's Disclosure and Transparency Rules and the Listing Rules, as guided by the General Counsel and by the Group Company Secretary. It also aims to ensure that the channels of communication between executive committee members, the disclosure committee, the Group Company Secretary's office and the investor relations team are clear, and can enable any decision regarding potential inside information to be escalated rapidly to the disclosure committee, key advisers and the board.

The executive committee (excom)
The board delegates responsibility for proposing and implementing the group's strategy and for managing the group to the Chief Executive, Alan Clark, who is supported by excom, which he chairs. Excom members are appointed by Alan Clark, after consultation with the board. The other members of excom are the Chief Financial Officer, regional managing directors and directors of key group functions (legal and corporate affairs, marketing, integrated supply, 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, it executes the strategy and budget approved by the board and, through the Chief Executive and the Chief Financial Officer, reports on these matters to the board.

The 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 reviews the risk management processes put in place by excom and the board reviews the group's significant risks, following excom's review of those risks.

Nomination committee report

Jan du Plessis
Chairman of the nomination committee

For the first part of the year, the nomination committee was chaired by John Manser until he retired as chairman and as a member of the nomination committee on 23 July 2015, and Jan du Plessis was appointed as chairman of the committee. Jan du Plessis, Geoff Bible, Guy Elliott, Alejandro Santo Domingo and Helen Weir served as members throughout the year. John Manzoni served on the committee until his retirement from the board on 23 July 2015. Lesley Knox was appointed to the committee on 24 September 2015. 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. In doing so it considers diversity in terms of age, experience, gender and balance of skills on the board. Currently three out of seven of the company's independent non-executive directors are women, and the board comprises members from diverse backgrounds and nationalities.

The nomination and appointment of Trevor Manuel, and the nomination of Javier Ferrán for appointment at the annual general meeting in July 2015, were concluded in the last quarter of the prior year and were overseen by the nomination committee. These two appointments concluded a sustained period of progressive renewal, with longer-standing directors standing down and new directors being appointed. The longest-serving independent director immediately following the annual general meeting in July 2015 had six years' service.

The board and the nomination committee are satisfied that the board is well balanced and that the nomination committee has effectively discharged its mandate in this regard.

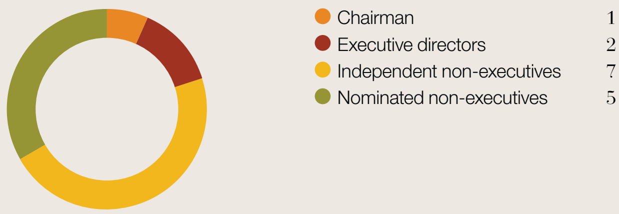
The process of selecting a new chief financial officer, resulting in the appointment of Domenic De Lorenzo, was managed directly by the board.

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, executive directors, and senior management are also kept under close review.

Where non-executive vacancies arise, the committee may use external consultants to identify suitable candidates for the board to consider. A rigorous selection process, led by search consultants JCA Associates under the guidance of the nomination committee, led to the appointment of Javier Ferrán, and an internal and external search, also assisted by JCA Associates, resulted in the appointment of Domenic De Lorenzo as Chief Financial Officer. JCA Associates has no other connection with the company.

Tenure of the board as at 31 March 2016

Balance of the board as at 31 March 2016



The remuneration committee

Lesley Knox
Chairman of the remuneration committee

During the year, the remuneration committee consisted entirely of independent directors: Lesley Knox (chairman), Mark Armour, Guy Elliott and Javier Ferrán (replacing John Manzoni, who retired from the board in July 2015). The committee is responsible for the assessment and approval of 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 executive directors and executive committee members.

The remuneration committee has implemented a 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 executive and company goals are aligned, share incentives are considered critical elements of executive incentive pay. During the year, the committee was advised by Kepler Associates, which since June 2015 has been part of the Mercer group, which also consults to the group on pensions matters. Kepler Associates has no other connection with the company, as consultants. Details of the company's remuneration policy and the work of the remuneration committee during the year, are in the directors' remuneration report on pages 74 to 92.

The corporate accountability and risk assurance committee (CARAC)

Dambisa Moyo
Chairman of CARAC

Dambisa Moyo chaired the committee throughout the year. Geoff Bible, Alan Clark and Helen Weir served as members for the entire period. John Manser and John Manzoni retired from the committee on 23 July 2015, and Jan du Plessis and Trevor Manuel joined the committee on 24 September 2015.

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

The CARAC met twice in the year, in May 2015 and again in March 2016 (this meeting had been scheduled for November 2015, but had to be postponed due to the AB InBev transaction).

Effectiveness

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

Independence
The board considers seven directors – Mark Armour, Guy Elliott, Javier Ferrán, Lesley Knox, Trevor Manuel, Dambisa Moyo and Helen 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: Geoff Bible, Dinyar Devitre and Dave Beran, as they are nominees of Altria, the company's largest shareholder; and Alejandro Santo Domingo and Carlos Pérez, as they are nominees of Bevco, the company's second largest shareholder.

Under the Code, a chairman is not considered to be an independent director but is required to be independent upon appointment. Jan du Plessis was appointed as an independent non-executive director in September 2014 before he became Chairman in July 2015.

Board, committee and director performance evaluation
Performance evaluations are carried out each year and are reported in the subsequent annual report. The board had previously intended to conduct an externally facilitated performance evaluation early in the tenure of our new Chairman, Jan du Plessis. However, as reported above, an extensive evaluation process would have absorbed significant board time and resources precisely when the board and management needed to focus all of their time and resources on the AB InBev takeover offer, and the takeover offer would have meant that the board would have had limited time to benefit from the findings of an external evaluation. We have therefore conducted an internal assessment of the board and its committees, led by our Deputy Chairman Guy Elliott, and report more fully on this evaluation below. If for any reason the takeover offer does not proceed to completion, the board intends then to conduct an externally facilitated evaluation.

Effectiveness assessments were conducted in respect of the board and the audit and remuneration committees, and the CARAC, and the performance of the Chairman, individual directors and the Group Company Secretary was also evaluated. For the board and relevant committees, questionnaires were prepared by the Group Company Secretary, and were considered by the respective board and committee members. The views of the members of the respective bodies were canvassed in full and frank discussion. The Chairman and Deputy Chairman considered and reviewed the performance of individual directors and of the Group Company Secretary, while the board, led by the Deputy Chairman (the Chairman having recused himself), reviewed the performance of the Chairman. The effectiveness assessments concluded that the board and its committees were operating effectively, and that the performance of the Chairman, individual directors and the Group Company Secretary was in each case satisfactory.

The most important task of the board in the year under review was its consideration of the AB InBev offer. The Chairman's leadership of the board throughout the negotiation of the offer, in particular, was considered by the board (in his absence) to have been exemplary.

Notwithstanding the intense focus required on the offer from AB InBev, good progress was made in addressing each of the areas identified in the prior year review that could benefit from particular focus. Board agendas were further refined to facilitate focus on these matters, the incoming Chief Financial Officer introduced enhanced reporting on financial, operational and brand performance and the CARAC has enhanced its systematic oversight of the group's strategic focus on key licence to trade risks faced by the company.

Information and training
Our Group Company Secretary is responsible for advising the board, through the Chairman, on matters of corporate governance. The board and its committees are provided with full and timely information, including detailed financial information, to enable directors to discharge their responsibilities, and for the committees to undertake their duties. All directors have access to the advice of the Group Company Secretary. Independent professional advice is also available to directors in appropriate circumstances, at the company's expense. During the year ended 31 March 2016 none of the directors sought independent external advice through the company.

When directors join the board, tailored induction programmes are arranged which involve industry specific training and include visits to the group's businesses and, as appropriate, meetings with senior management. New directors are also briefed on their duties to the company and their obligations as directors of a listed company, on risk management activities at head office and on relevant company policies and governance related matters. The planned induction of new directors Javier Ferrán, Dave Beran, and Domenic De Lorenzo was tailored appropriately to take account of the AB InBev offer.

The company is committed to the continuing development of directors to help them build on their expertise and develop an ever deeper understanding of the business, and of 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. Regular updates on relevant legal, regulatory, corporate governance and technical developments are presented to committee members at each meeting and, as appropriate, to the full board. The Chairman considers the training and development needs of the board and discusses these with the respective directors as necessary.

Outside appointments
Non-executive directors, including the Chairman, may serve on other boards provided that they continue to demonstrate the requisite commitment to discharge their duties effectively to SABMiller. The nomination committee keeps under review the extent of directors' other interests to ensure that their external commitments do not compromise the effectiveness of the board and do not give rise to conflicts of interest. The board is satisfied that the Chairman and all of the non-executive directors commit sufficient time to their duties as directors of the company. The Chairman and the non-executive directors standing for 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 to widen their experience and knowledge. Accordingly, subject to the agreement of the board, executive directors and executive committee members are permitted to accept external non-executive board appointments and to retain any fees from those appointments.

During the year under review none of the executive directors held any such appointment. Sue Clark, an executive committee member, was appointed on 29 February 2016 as a non-executive director of Britvic plc, a company listed on the London Stock Exchange. Of the other executive committee members, Mark Bowman is a non-executive director of Tiger Brands Limited, a company listed on the Johannesburg Stock Exchange, and Ari Mervis is a director of the Melbourne Business School.

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 that 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 may be asked to stand for re-election but only if the board remains satisfied both with their performance and that nine years' continuous service has not compromised their continuing independence.

Accountability

Risk and the board of directors

The directors are ultimately responsible for corporate reporting, risk management and internal control and for reviewing effectiveness. There is a regular schedule for the board to consider and carry out a robust assessment of the group's principal risks including those which would threaten its business model, future performance, solvency or liquidity and to review how these risks are being managed together with the mitigating actions. The principal risks and uncertainties facing the group are set out on pages 16 and 17. These are regularly reviewed by the board, and the principal risks facing the group have been robustly assessed by the board.

The risk management system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. 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 and up to the approval of the annual report and accounts.

The Financial Reporting Council updated the provisions of the Code on risk management and internal control in 2014. The revised Code, and new guidance under it apply to SABMiller in respect of the year under review and the group's risk management systems has been reviewed to ensure compliance with the revised Code and guidance. The group's systems of risk management comply with the revised Code and guidance.

Audit committee

A description of the composition of the audit committee during the year is included in the section dealing with the board and its committees. Information on the responsibilities and work of the audit committee is set out in the audit committee report on pages 70 to 73 and includes its role in overseeing the risk management process implemented by management and advising the board in this regard.

Executive committee

Excom has specific responsibility for implementing the group's system of risk management and views the careful and appropriate management of risk as a key management role. Excom reviews our significant risks and subsequently reports to the board on material changes and the associated mitigating actions. Reviews of the effectiveness of the risk management system, and of the group's principal risks, were carried out by excom in October and December 2015 and in March 2016 and the summary outputs were reported to the audit committee and board respectively.

Enterprise-wide risk management

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.

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

- group statements on strategic priorities, ethics, purpose 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 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 regular 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.

Key reports include those that identify, assess and monitor strategic, financial, reputational and operational risks in each country, division, group function 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, and 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 67;
- written policies and procedures within our businesses;
- clearly defined lines of accountability and delegations of authority;
- management of operating risk by using appropriate infrastructure (including regional hubs and specialist group functions), controls, systems and codified ways of working (including standard project methodology) and codified people management routines throughout the business;
- 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 the requirements of Section 404 of the US Sarbanes-Oxley Act through the identification and testing of key financial controls under our Internal Financial Control (IFC) programme. This is a voluntary initiative, which strengthens internal control systems and processes within the group;
- risk management policies and procedures including segregation of duties, transaction authorisation, monitoring, financial and managerial review and comprehensive reporting and analysis against approved standards and budgets;
- a treasury operating framework and group treasury team, accountable for all treasury activities, 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;
- 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 systems of internal control and their effectiveness is obtained through:

- an established, regular routine of management reviews and performance reviews by the Chief Executive and excom, with half-yearly reporting to the board;
- reviews and testing of key financial controls;
- internal audit reviews including programme assurance for large change projects;
- 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 and group function finance, control and assurance committees consider the results of these reviews within each region and group function twice a year, together with feedback 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; and
- in relation to our associated undertakings and joint ventures, these matters are reviewed at the level of the associates' or joint ventures' boards or equivalent governing committees.

At the half year and at the year end the members of regional and country business executive committees, each of our functional directors (legal and corporate affairs; marketing; integrated supply; and human resources), each of the direct reports to the Chief Financial Officer (finance and control; internal audit; corporate finance and strategy; tax; treasury; and investor relations), and the head of our procurement and global business services units (including information technology) are required to submit to the Group Company Secretary on behalf of the board formal letters of representation on compliance with internal controls and key policies, including the group's Code of Business Conduct and Ethics and Anti-Bribery Policy. These bi-annual letters also require the notification of continuing or potential significant financial, regulatory, environmental or other exposures.

These letters form the subject of reports to the audit committee, and cover all subsidiary companies, as well as MillerCoors LLC. Certain of our executive directors and executive committee members sit on the boards of MillerCoors LLC and of relevant holding companies within major associates 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.

Taking account of the information on principal risks and uncertainties provided on pages 16 and 17, and the ongoing work of the audit committee in monitoring the risk management and internal control systems on behalf of the board for whom the committee provides regular updates as noted on page 67, the board:

- is satisfied that it has carried out a robust assessment of the principal risks facing the company including those which would threaten its business model, future performance, solvency and liquidity; and
- has reviewed the effectiveness of the risk management and internal control systems including all material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified in the context of the group as a whole.

In the review of the effectiveness of the risk management and internal control systems the board also took into account:

- the bi-annual review of significant risks, including of key mitigating actions;
- regular business reviews completed through the year;
- matters arising from its oversight of tax and treasury matters;
- its review and assessment of the activities of internal audit and the update of items arising from the previous external assessment of its effectiveness;
- the outcome of the regional finance and control assurance meetings and the IFC programme;
- the outcome of the bi-annual letters of representation process; and
- the observations of the external auditors.

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.

Internal audit reviews, all of which are risk-based and include provision of assurance over financial, operational, IT and transformation programme activities, 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 audit committee and 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 all internal audit reports, should it wish to review 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.

An annual process gathers feedback against specific performance criteria from a broad range of executive management at the group, regional and country levels and from certain board members. This process, supplemented by results from the function's own quality assurance reviews, provides a basis for the annual review of the effectiveness of the global internal audit function (coordinated by the Group Company Secretary) and results in a report 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, most recently in 2014, by an independent external consultant in accordance with the guidelines of the Institute of Internal Auditors. The audit committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the group.

The internal audit function is 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

The group whistleblowing arrangements provide global coverage for employees and others wishing to raise concerns freely, in local languages. All our employees have the opportunity to make confidential disclosures about suspected impropriety or wrongdoing. No action or retaliation is permitted against any employee making a good faith report about an actual or suspected violation of SABMiller policy. Country or regional ethics committees, the Group Company Secretary, or the General Counsel and Corporate Affairs Director, in consultation with the Chief Internal Auditor if appropriate, decide on the method and level of investigation. The audit committee reviews the group's whistleblowing arrangements each year to assess whether they remain effective, 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.

Relations with shareholders

All shareholders were encouraged to attend our annual general meeting held in July 2015, which provided the opportunity to ask questions of the board and chairmen of all 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 they cannot all attend a meeting in the UK, a film and a full transcript of meeting proceedings were published on the company's website. Similar arrangements are planned for the 2016 annual general meeting.

We maintain a dedicated investor relations function which reports to the Chief Financial Officer. 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 regulation, 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 development and socially responsible investment matters is primarily led by the General Counsel and Corporate Affairs Director and by the Director of Sustainable Development, who have focused on meetings with interested investors and stakeholders.

During June 2015, our 20 largest shareholders (in addition to those represented on the board), and a number of other shareholders within our 50 largest shareholders who had expressed a wish to engage with the Chairman-elect, were invited to meet the Chairman-elect and Group Company Secretary to discuss any governance or other issues which they wished to raise, and the invitations were taken up by many of them. These meetings were intended to provide our major shareholders with the opportunity to meet and get to know our incoming Chairman, and vice versa, and to discuss matters relating to the group.

Following the announcement of AB InBev's intention to make an offer for SABMiller, we engaged with a large number of our major shareholders to ascertain their perspectives on an offer and the proposed terms, including the price and structure of the offer.

Lastly, institutional and shareholder comments on the annual report are conveyed by the Group Company Secretary to the full board.

Stephen Shapiro
Group Company Secretary
For and on behalf of the board of SABMiller plc
10 June 2016

Audit committee report

Mark Armour
Chairman of the audit committee

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

This report sets out how it has discharged its responsibilities during the year and, in relation to the financial statements, the significant issues it considered and how these were addressed. The board is required to ensure that the annual report is fair, balanced and understandable, and the audit committee assists the board by considering this. Following recent revisions to the UK Corporate Governance Code, the board has included in the annual report a statement on the group's longer-term viability, and the committee has supported the board by considering assumptions and sensitivities in relation to it.

The work of the committee is far-ranging. Without attempting to summarise it here, I would draw attention to the following:

In considering the integrity of financial reporting, we considered three particularly significant areas of judgement in detail: the carrying value of goodwill and investments in associates, provisioning for uncertain tax positions, and items excluded from adjusted earnings. In addition to the regular financial reporting of the company, we focused on other financial information issued in relation to the recommended offer for the company.

In risk management and internal controls, we noted the additional emphasis on these matters in the recently revised UK Corporate Governance Code and put additional focus on the processes that support the board's assessment of risk, the mitigating controls, and the effectiveness of their operation. We also focused among other matters on IT network and data security, anti-bribery and corruption policies and compliance, fraud, whistleblowing arrangements, and the cost and efficiency programme, and we reviewed the group's tax policies.

In relation to the external audit, the committee has agreed with our external auditors to continue the tenure of the lead audit partner for the current financial year ending 31 March 2017, which is one year beyond the normal five year rotation period, in view of the recommended offer for the company, the significant deal-related activity and additional workloads and pressures on management. This continuity, the committee believes, will best serve audit quality and reduce risk. Also in view of the recommended offer, the committee will not now hold the audit tender that was planned for later this year for appointment for the financial year commencing 1 April 2017.

Responsibilities

The committee's main role and responsibilities 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 reporting, and the effectiveness of the internal audit function and whistleblowing arrangements; and
– the scope, resources, performance and effectiveness of the external auditors, including monitoring their independence and objectivity.

At the request of the board, the committee considers whether the annual report is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the group's position and performance, business model and strategy. The committee has also supported the board by considering assumptions and sensitivities in relation to the board's statement in the annual report on the group's longer-term viability.

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.

Committee members, their relevant financial experience and the attendance record are set out in the corporate governance report on pages 61 and 63.

The committee's terms of reference are reviewed annually and are available on our 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, Chief Executive, Chief Financial Officer, senior members of the group finance team, General Counsel, Group Company Secretary, and Chief Internal Auditor. Other non-executive directors have a standing invitation to attend as observers. Other members of management are 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, PwC, 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 members of management and other external assurance providers in relation to specific topics addressed by the committee.

The committee meets separately at least twice each year with the external auditors without management present and likewise at least annually 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. He also meets separately with the General Counsel, and with the Group Company Secretary. The Chief Internal Auditor, the external auditors, the General Counsel, and the Group Company Secretary 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, the Group Company Secretary and/or 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 on occasion. The committee also has a rotational programme for committee members to receive presentations from, and hold discussions with, the group's regional finance directors. These focus on the regional finance organisation and succession plans, priorities for the finance teams, implementation within the region of the group's global systems template and the cost and efficiency programme, and risk management and internal controls. The meetings provide greater insight on these matters to members of the committee and also reinforce the culture of integrity and accountability within the group.

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 committee's effectiveness was reviewed as part of the effectiveness review of the board and its committees carried out in May 2016. This concluded that the committee was operating satisfactorily and was effective in fulfilling its mandate.

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 consistency of application of the accounting policies, their compliance with applicable accounting standards, and the implementation of changes in international financial reporting standards;
– 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 and other items excluded from adjusted earnings used by management as an additional performance measure;
– the appropriateness of the going concern basis of accounting and the newly required statement on the group's longer-term viability, 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 position and performance, business model and strategy.

Additionally, the committee reviewed, and discussed with management and the external auditors, other financial information issued in relation to the recommended offer for the company.

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 the financial statements were the judgements made in respect of the carrying values of goodwill and investments in associates, the provisioning for uncertain tax positions, and the treatment of exceptional and other adjusting items in presenting underlying financial performance. These were addressed by the committee as follows:

Carrying values of goodwill and investments in associates

The judgements in respect of the carrying values of goodwill and investments in associates and potential asset impairment relate to the assumptions underlying the value in use and fair value less costs of disposal calculations and include the robustness of business plans, long-term growth assumptions and discount rates. The committee received and discussed reports from the Chief Financial Officer on the impairment methodologies applied, the bases for the key assumptions used, a range of sensitivity analyses, and the related disclosures. The committee sought additional information from management on the plans and growth expectations in Australia where carrying values are significant and market conditions are challenging. In the case of South Sudan and the investment in our Angolan associate, impairment had been identified and a charge recognised for the impairment of property, plant and equipment and the carrying value of the investment in the associate.

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.

Exceptional and adjusting items

The judgements in relation to exceptional and other adjusting items relate to whether they are appropriate to exclude in presenting underlying financial performance in the group's key performance indicators of EBITA and adjusted EPS. The committee received and discussed reports from the Chief Financial Officer on each exceptional and adjusting item to determine whether they were appropriate, and in accordance with the group's established policy on these matters, consistently applied. The committee discussed in particular the adjustment for the impairments and related losses in South Sudan and Angola, the costs arising as a result of the AB InBev bid proposals and recommended offer, including whether or not accelerated recognition of share-based charges would be appropriate as a result of the offer, and the costs incurred in relation to the planned brewery closure in MillerCoors. The committee also monitored conformity with the agreed policy approach in relation to the exceptional and business as usual costs of the cost and efficiency programme, and considered the assurance provided on the allocation of costs and the reporting of benefits.

The committee received reports from the external auditors on each of 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 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 as providing the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Risk management and internal controls

With respect to its oversight of risk management and internal controls, the committee reviewed and discussed a wide range of matters with management, and with the internal auditors and external auditors as appropriate. These included the process changes appropriate to ensure that the risk management and internal control activities of the group aligned fully with the requirements of the recently revised UK Corporate Governance Code. It also included discussion of risks arising as a consequence of the recommended offer and how these would be mitigated during the period to completion of the transaction. The committee:

- reviewed the processes for the identification, management and monitoring 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, the monitoring of their effectiveness, residual risk and risk appetite. These were also discussed by the board. As part of its review of the annual report, the committee reviewed 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 rollout of the global template; implementation of the cost and efficiency programme; IT network and data security; implementation of and compliance with anti-bribery and corruption policies; and 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. The committee reviewed a report on the implementation of the recommendations arising from the previous external review of the effectiveness of internal audit and noted progress, particularly in relation to the 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 a presentation from the Chief Information Officer on cyber security, including a progress report on the programmes being implemented to protect the group against this evolving risk;
- reviewed with the Chief Financial Officer and the Director of Group Tax the group's tax policies and operating frameworks, revisions proposed to take account of evolving best practice and experience, and the annual Our Approach to Tax report. After discussion, amendments updating the policies were agreed by the committee for endorsement by the board;

– received reports at each meeting of the committee on compliance with treasury policies, including commodity hedging and counterparty credit limits;
– received updates on the group's global insurance arrangements, and on the operation and funding of the group's defined benefit post-retirement plans; and
– received regular updates from the Chief Financial Officer on developments within the finance function.

As part of the year-end procedures, and based on the activities described above, the audit committee 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 reported to the board on this basis.

External audit independence and effectiveness

SABMiller has a well-established policy on the independence of the external auditors and management of the company's relationship with them. This sets out: the committee's responsibilities in the selection of auditors to be proposed for appointment or reappointment and for agreement on the terms of their engagement, audit scope and remuneration; the auditor independence requirements and the policy on the provision of non-audit services and 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 that 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 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. SABMiller does not indemnify its external auditors and there are no contractual obligations restricting the choice of external auditors.

The external auditors, PricewaterhouseCoopers, later becoming PricewaterhouseCoopers LLP (PwC) in 2003, were appointed as the company's auditors in 1999 when the company moved its headquarters from Johannesburg to London and listed on the London Stock Exchange.

PwC has confirmed to the committee its continuing 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 five years.

In view of the recommended offer for the company, the significant deal-related activity and additional workloads and pressures on management, the committee has agreed with PwC that Richard Hughes should continue as the lead audit partner for the current financial year ending 31 March 2017, which is one year beyond the normal five year term. The committee believes that continuity at this time will best serve audit quality and reduce risk. To address any possible independence concerns arising from this extension of term, PwC has arranged to appoint an independent partner to monitor the execution of the audit. This is additional to the oversight of the audit by the engagement quality review partner assigned to our audit. This latter role is not part of an audit team per se but provides an internally independent view within an audit firm on the conduct of the audit and the audit judgements made.

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 2016. The review was based on a survey of key stakeholders across the group, consideration of public regulatory reports on PwC 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, their objectivity and the effectiveness of the audit process. In the light of this and their continued independence, the committee has recommended to the board that a resolution for the reappointment of PwC as the external auditors for the financial year ending 31 March 2017 be proposed at the annual general meeting.

The European Union has directed member states to adopt legislation by 2016 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. Under the transitional rules of the new EU regulations, mandatory auditor rotation would require that new auditors for the company be appointed for the year ending 31 March 2024 at the latest. The Competition and Markets Authority Statutory Audit Services Order 2014 is consistent with these requirements on audit tendering. The UK Corporate Governance Code requires, on a comply or explain basis, that the audit is put out to tender at least every 10 years, subject to transitional guidance that, when a tender has not been held in the past 10 years, it would be appropriate to coincide a tender with the next rotation of the lead audit engagement partner.

In view of the recommended offer, the committee will not now hold the audit tender that was planned for later this year for appointment for the financial year commencing 1 April 2017. The committee believes avoiding the distraction of a tender during the period preceding a conclusion of the recommended offer to be in the best interests of shareholders. Should a transaction not be completed, it is the committee's intention that an audit tender process be initiated as soon as practicable thereafter for appointment for the following year, which in these circumstances would likely be the financial statements for the year ending 31 March 2018.

The Competition and Markets Authority Statutory Audit Services Order 2014 sets out certain regulations in respect of audit tendering and appointments and related audit committee responsibilities which came into effect for financial years commencing on or after 1 January 2015. The company has complied with the provisions of the Order for the financial year ended 31 March 2016.

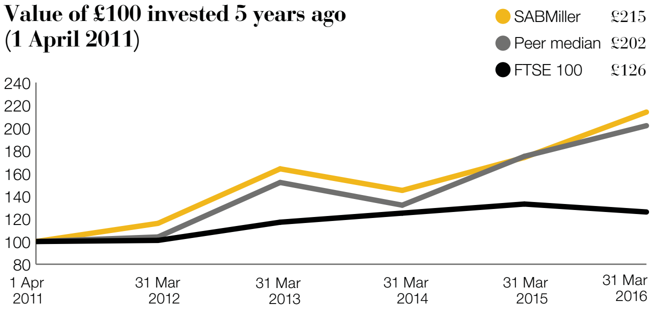
Directors' remuneration report

Annual statement by the chairman of the remuneration committee

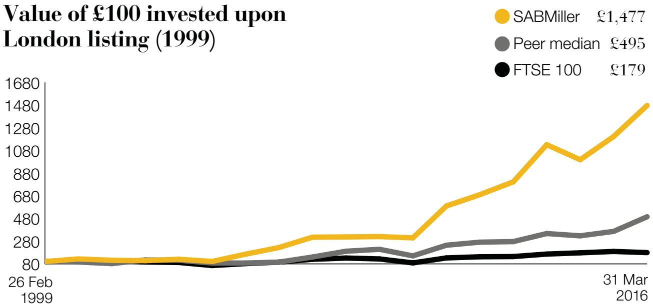
"It is the remuneration committee's responsibility to ensure that payments to executives are appropriate and aligned with shareholder interests."

Lesley Knox
Chairman of the remuneration committee

Value of £100 invested 5 years ago (1 April 2011)



Value of £100 invested upon London listing (1999)



Dear shareholder

On behalf of the board, I am pleased to present the remuneration committee's report for 2016. I summarise the group's performance and the resulting pay outcomes for the year ended 31 March 2016, and highlight some of the key issues that the remuneration committee considered during the year.

Performance and outcome

The strategy to strengthen core brands, expand the beer category to reach more consumers on more occasions, and place an emphasis on premiumisation, created superior underlying revenue, EBITA and adjusted EPS growth for the year ended 31 March 2016. Group net producer revenue was up 5% with group EBITA growth of 8% on an organic, constant currency basis. Adjusted EPS increased by 12% on the same basis over the year.

It is a reflection of the dedication and focus of management and employees that this performance has been achieved in spite of the distraction of the recommended AB InBev offer.

In terms of TSR, we remain ahead of our competitors, with growth of 115% over the five years to 31 March 2016. £100 invested in SABMiller five years ago was worth £215 on 31 March 2016, compared with £202 if invested in the median of our peer group, or only £126 if invested in the FTSE 100 index. Furthermore, £100 invested in SABMiller upon our listing in London in 1999 would have been worth £1,477 on 31 March 2016.

Underlying revenue, EBITA and adjusted EPS growth resulted in above target bonuses for the year. However, the translational impact of currency depreciation against the US dollar caused some long-term incentive awards with three to five-year performance periods to lapse with a nil payout. Adjusted EPS increased by 9% per annum over the last three years, on a constant currency basis, but the continued strengthening of the US dollar (being the currency in which we report our group results) eroded those figures to show a decline in reported adjusted EPS of 2% per annum, which is below the threshold performance levels necessary for share options and performance shares to vest. TSR out-performed, and therefore the value shares with three to five-year performance periods ended in the year to 31 March 2016 have partially vested.

Further details of the performance measures and resulting outcomes are shown on page 83 for the annual bonus plan, and on page 85 for the long-term incentives.

Executive director changes

Domenic De Lorenzo was appointed Chief Financial Officer and an executive director on 23 July 2015, having been the acting Chief Financial Officer since February 2015. Domenic was previously Director of Group Strategy and Corporate Development and a member of SABMiller's executive committee. Therefore this was an internal appointment and the committee reviewed his pay arrangements in accordance with the recruitment policy for internal appointments as shown on page 78. Recognising that Domenic was new to the role, his base pay was set at £680,000 per annum, at the lower end of the market range and below the £762,200 per annum paid to the previous incumbent. This pay level was set in anticipation that future pay increases would enable his base pay to increase to around median over time, subject to performance. For the year commencing 1 April 2016, his base pay has been increased by 5.1% to £715,000. In accordance with the recruitment policy for internal appointments, Domenic's long-term incentive awards that had not vested at the time of his appointment as an executive director would remain subject to their original performance conditions and vesting timescale. No sign-on or other similar compensation was paid, or is payable.

Impact of change of control

Following the approach by AB InBev, the committee met in October 2015 and again in November 2015 to consider the impact and determine the treatment of remuneration upon a change of control. The committee considered the remuneration policy and rules of the remuneration plans. The circumstances and likely timeline to a change of control were also considered. The following key principles and resulting treatment were determined in accordance with the remuneration policy and rules of the remuneration plans:

- **For the period before change of control** – business continues as normal, and the treatment of remuneration also continues as normal. This includes pay reviews, annual bonus outcomes, vesting and grant of long-term incentive awards determined in the normal way.
- **Upon change of control** – executive remuneration plans that are part-way through their performance periods will be brought to a close upon change of control, with the annual bonus opportunity pro-rated for the period to change of control. In accordance with the plan rules, unvested long-term incentives granted more than 12 months before change of control will vest in full where an EPS performance condition applies (the committee having considered financial forecasts and likelihood of vesting), and those with a TSR performance condition will be determined by TSR performance to change of control. Any long-term incentive awards granted within 12 months of change of control will be pro-rated for the period to change of control.

The agreement reached with AB InBev, as part of the recommended offer, provides that certain employees (but not executive directors or executive committee members) may receive retention payments of up to a maximum of 100% of annual base pay, payable over a period of up to 24 months. Additional retention, transaction and integration bonus arrangements may also be put in place, as outlined in the joint announcement on 11 November 2015, available on our website. These additional arrangements do not form part of the group's remuneration policy and do not apply to executive directors.

If, as a result of change of control, an executive director's employment is terminated, they will be entitled to receive a payment in lieu of their notice period (not exceeding 12 months) comprising base pay, retirement benefits and other benefits, plus any local or statutory redundancy entitlement, but no compensation is payable for annual bonus or long-term incentive opportunities forgone in respect of that notice period.

Committee changes

Javier Ferrán joined the board and the committee on 23 July 2015 and I am grateful for his contribution. I also thank the other committee members for their dedicated service to the company and this committee.

It is the remuneration committee's responsibility to ensure that payments to executives are appropriate and aligned with shareholder interests. Payments for the year ended 31 March 2016, the setting of new executive director pay, the treatment of remuneration upon change of control with the exclusion of executive directors from any retention, transaction and integration bonus arrangements, have maintained this principle.

Yours sincerely,

Lesley Knox
Chairman of the remuneration committee
10 June 2016

Remuneration at a glance

The table below summarises the pay of the executive directors in respect of the year ended 31 March 2016. Further details are contained in pages 81 to 85 of this report.

	Base pay	Retirement and other benefits	Annual bonus		Long-term incentives[2]		Total remuneration		
Name	£'000	£'000	£'000	% of maximum	£'000	% of maximum	2016 £'000	2015 £'000	% change
Alan Clark (Chief Executive)	1,167	593	1,709	84%	2,404	23%	5,873	7,072	-17%
Domenic De Lorenzo (Chief Financial Officer)[1]	471	159	462	82%	992	41%	2,084	–	n/a

Fixed pay   Short-term incentives   Long-term incentives

[1] Domenic De Lorenzo was appointed a director on 23 July 2015 and this table shows his remuneration from that date.

[2] The value of long-term incentives includes those granted to executive directors in respect of their prior service as employees, rather than only those granted to them as, or in contemplation of their appointment as, executive directors.

Remuneration policy

This report covers the year from 1 April 2015 to 31 March 2016, and 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.

It is intended that the remuneration policy will be put to a shareholder vote every three years (unless an earlier change of policy is proposed) and will apply from the date of the relevant general meeting. The policy described in the 2014 report took effect from 24 July 2014, following shareholder approval at the 2014 annual general meeting. No changes have been made to the policy and accordingly the policy is not being

	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.	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.

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.

put to a shareholder vote this year. A full copy of the remuneration policy approved by shareholders is included in the 2014 annual report. Key aspects of the remuneration policy are reproduced in this year's report for ease of reference.

Remuneration policy table

The table below sets out the remuneration policy that applies to executive directors from 24 July 2014, approved by shareholders at the 2014 annual general meeting.

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 (but see note 4 below). 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 out-performs 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.	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.	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.

[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.

[4] The approved policy allows for threshold vesting of share options at up to 65% of maximum for the Chief Executive and up to 80% of maximum for other executive directors. However, the remuneration committee has confirmed that in applying the policy for share options granted from 2015, the percentage of any award capable of vesting at threshold performance will not exceed 25% of maximum.

Remuneration policy continued

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 current service contract or letter of appointment	Date next due for election or re-election
Non-executive chairman			
Jan du Plessis	1 September 2014	23 July 2015	2016 AGM
Executive directors			
Alan Clark	26 July 2012	23 May 2013	2016 AGM
Domenic De Lorenzo	23 July 2015	23 July 2015	2016 AGM
Non-executive directors			
Mark Armour	1 May 2010	14 April 2010	2016 AGM
Dave Beran[1]	23 July 2015	12 October 2005	2016 AGM
Geoffrey Bible	1 August 2002	27 September 2002	2016 AGM
Dinyar Devitre	16 May 2007	16 May 2007	2016 AGM
Guy Elliott	1 July 2013	4 April 2013	2016 AGM
Javier Ferrán[2]	23 July 2015	23 July 2015	n/a
Lesley Knox	19 May 2011	17 May 2011	2016 AGM
Trevor Manuel	1 March 2015	27 January 2015	2016 AGM
Dambisa Moyo	1 June 2009	26 May 2009	2016 AGM
Carlos Pérez Dávila	9 November 2005	12 October 2005	2016 AGM
Alejandro Santo Domingo Dávila	9 November 2005	12 October 2005	2016 AGM
Helen Weir	19 May 2011	17 May 2011	2016 AGM

1 Dave Beran was appointed to the board on 23 July 2015 under the company's existing agreement with Altria Group, Inc (Altria) dated 12 October 2005. He has no separate letter of appointment.

2 Javier Ferrán will step down from the board at the annual general meeting on 21 July 2016.

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

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 76 and 77. 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 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.

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.

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, no executive director 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 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.

Annual report on remuneration

During the year ended 31 March 2016 and to the date of this report, 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 2015	– Determine base pay of executive directors and executive committee members for the year commencing 1 April 2015. – Consider and approve short-term incentive payments for the year ended 31 March 2015. – Consider and approve long-term incentive awards vesting in respect of the performance periods ended 31 March 2015. – 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 commencing 1 April 2015. – Approve long-term incentive awards to be granted in 2015.	Lesley Knox (chairman) Mark Armour Guy Elliott John Manzoni	■ ■ ■ ■
July 2015	– Determine remuneration for the Chief Financial Officer.	Lesley Knox (chairman) Mark Armour Guy Elliott Javier Ferrán	■ ■ ■ ■
October 2015	– Consider impact on remuneration plans upon a change of control.	Lesley Knox (chairman) Mark Armour Guy Elliott Javier Ferrán	■ ■ ■ ■
November 2015	– Approve (off-cycle) long-term incentive awards to selected employees joining or promoted during the year. – Confirm treatment of remuneration plans upon a change of control.	Lesley Knox (chairman) Mark Armour Guy Elliott Javier Ferrán	■ ■ ■ ■
March 2016	– Monitor and assess the progress towards performance goals.	Lesley Knox (chairman) Mark Armour Guy Elliott Javier Ferrán	■ ■ ■ ■
May 2016	– Determine base pay of executive directors and executive committee members for the year commencing 1 April 2016. – Consider and approve short-term incentive payments for the year ended 31 March 2016. – Consider and approve long-term incentive awards vesting in respect of the performance periods ended 31 March 2016. – 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 commencing 1 April 2016. – Approve long-term incentive awards to be granted in 2016.	Lesley Knox (chairman) Mark Armour Guy Elliott Javier Ferrán	■ ■ ■ ■

During the year, John Manser, Jan du Plessis, Alejandro Santo Domingo, Howard Willard, and Dave Beran attended some committee meetings as observers. Also present, at the invitation of the committee, were Alan Clark (Chief Executive), Stephen Shapiro (Group Company Secretary), John Davidson (General Counsel), Johann Nel (Group Human Resources Director), and Roger Fairhead (Group Compensation & Benefits Director), although none was present when their own remuneration was discussed.

Advisers to the remuneration committee

External advisers	Kepler Associates is appointed by the committee, following a competitive tender, to provide independent advice on remuneration matters including current market practices, incentive design, performance measures, and independent monitoring of TSR. During the year Kepler Associates became a brand of Mercer. Both Kepler Associates and Mercer are founding members and signatories of the Code of Conduct for Remuneration Consultants. 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 for support to the committee during the year ended 31 March 2016 were £102,150. 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 Group Company Secretary, the General Counsel, the Group Human Resources Director, and the Group Compensation & Benefits Director 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.

Executive directors’ emoluments for the year ended 31 March 2016 (audited)

£’000	Base pay		Retirement benefits[2]		Other benefits[3]		Total fixed pay		Annual bonus (see page 83)		Long-term incentives (including the effect of share price growth)[4] (see page 85)		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Alan Clark	**1,167**	1,133	**350**	340	**243**	59	**1,760**	1,532	**1,709**	1,098	**2,404**	4,442	**5,873**	7,072
Domenic De Lorenzo[1]	**471**	–	**140**	–	**19**	–	**630**	–	**462**	–	**992**	–	**2,084**	–

[1] Domenic De Lorenzo was appointed a director on 23 July 2015 and this table shows his remuneration from that date.

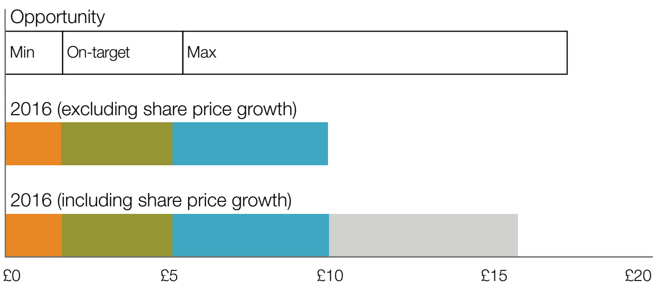
[2] Retirement benefits consist solely of contributions to defined contribution arrangements. None of the directors have entitlements to defined benefit pensions in respect of their services as a director.

[3] Other benefits include car allowance, family medical and dental insurance, long-term disability insurance, life insurance, accompanied travel, occasional overnight accommodation, legal and professional fees, and a beer allowance. Alan Clark also received a long-service award during the year of £145,875 (1½ months’ base pay) in recognition of 25 years’ service in accordance with the group’s policy for all UK employees.

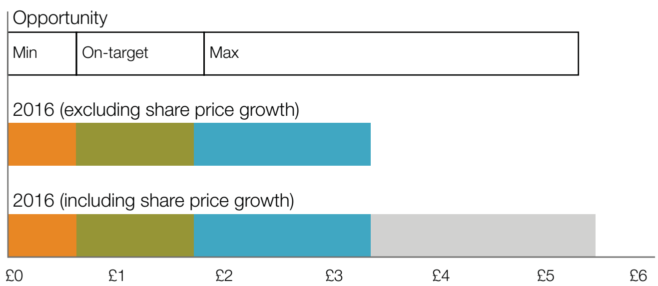
[4] The value of long-term incentives vesting in respect of performance periods ended in the year to 31 March 2016 includes those granted to executive directors in respect of their prior service as employees, rather than only those granted as, or in contemplation of their appointment as, executive directors.

The charts below show the remuneration opportunity for the year ended 31 March 2016 (using the same assumptions as the remuneration scenario charts included in the remuneration policy approved by shareholders in 2014), with actual remuneration being shown with and without the effect of share price growth over the performance periods. In the five years ended 31 March 2016, SABMiller’s share price increased by 92%.

Alan Clark
£m



Domenic De Lorenzo
£m



Annual report on remuneration continued

Non-executive directors' emoluments for the year ended 31 March 2016 (audited)

£'000	Fees		Benefits[5]		Total	
	2016	2015	2016	2015	2016	2015
Mark Armour	135	125	–	–	135	125
Dave Beran (appointed 23 July 2015)	59	n/a	–	n/a	59	n/a
Geoffrey Bible	97	92	–	–	97	92
Dinyar Devitre	105	100	–	–	105	100
Jan du Plessis[1]	476	47	–	–	476	47
Guy Elliott	150	145	–	–	150	145
Javier Ferrán (appointed 23 July 2015)[2]	67	n/a	–	n/a	67	n/a
Lesley Knox	133	128	–	–	133	128
John Manser (retired 23 July 2015)	203	650	–	–	203	650
Trevor Manuel	91	7	–	–	91	7
John Manzoni (retired 23 July 2015)[3]	–	62	–	–	–	62
Miles Morland (retired 24 July 2014)	n/a	32	n/a	–	n/a	32
Dambisa Moyo	110	105	–	–	110	105
Carlos Pérez Dávila	85	80	–	–	85	80
Alejandro Santo Domingo Dávila	85	80	–	–	85	80
Helen Weir	117	112	–	–	117	112
Howard Willard (retired 23 July 2015)[4]	–	–	–	–	–	–

1 Jan du Plessis was appointed to the board on 1 September 2014 and appointed Chairman on 23 July 2015. Under the terms of his appointment, his annual fee is £650,000 and his appointment may be terminated with 12 months' notice. In his capacity as chairman of Rio Tinto plc, he is provided with a car and driver, and on occasions he uses this car and driver for SABMiller business. SABMiller reimburses Rio Tinto plc in respect of the travel costs incurred, but no amount payable by SABMiller relates to any personal use. For the year ended 31 March 2016, the amount paid to Rio Tinto plc was £45,600 inclusive of VAT.

2 Javier Ferrán will step down from the board at the annual general meeting on 21 July 2016.

3 John Manzoni announced his intention to step down as a director following the 2015 annual general meeting, and declined to accept his non-executive director's fee from the date of this announcement on 30 October 2014.

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

5 Non-executive directors do not participate in any of the company's incentive plans, nor do they receive retirement or other benefits, other than a beer allowance (the value of which was considerably less than £1,000 for the year ended 31 March 2016).

Base pay and non-executive directors' fees

Executive directors' base pay, and non-executive directors' fees, for the year ended 31 March 2016 and those for the year ending 31 March 2017 (annualised for ease of comparison), are as follows.

			Annualised
	Year ended 31 March 2016 £	Year ending 31 March 2017[1] £	% change
Executive directors			
Chief Executive	1,167,000	**1,200,000**	2.8%
Chief Financial Officer	680,000	**715,000**	5.1%
Non-executive directors			
Non-executive Chairman's fee (inclusive of all committee fees)	650,000	**650,000**	–
Base fee	85,000	**85,000**	–
Senior Independent Director (additional fee)	30,000	**30,000**	–
Committee chairman fee (inclusive)			
– Audit	35,000	**35,000**	–
– Remuneration	28,000	**28,000**	–
– Nomination	25,000	**25,000**	–
– CARAC	25,000	**25,000**	–
Committee member fee			
– Audit	20,000	**20,000**	–
– Remuneration	15,000	**15,000**	–
– Nomination	–	**–**	–
– CARAC	12,000	**12,000**	–

1 At its meeting on 17 May 2016 the board considered the level of non-executive directors' fees and resolved not to increase them for the year ending 31 March 2017.

Annual bonus

Outcome for the year ended 31 March 2016 (audited)

For the year ended 31 March 2016, 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 2016 are shown in the table below. The actual financial targets and detailed strategic objectives of the executive directors for the year ended 31 March 2016 have not been disclosed as they remain commercially confidential. The board will review this position, and if the risk is no longer considered material, retrospective disclosure of the financial targets and strategic objectives may be made if appropriate. Retrospective disclosure of results and targets for the year ended 31 March 2014 is shown on page 84, as the commercial risk of this level of disclosure is no longer considered material.

			Outcome	
Performance measure	**Weighting**	**Achievement**	**Alan Clark**	**Domenic De Lorenzo**
Financial performance targets:				
– Group net producer revenue growth	20%	33%	6.7%	6.7%
– Group EBITA growth	20%	100%	20%	20%
– Adjusted EPS growth	20%	100%	20%	20%
	60%		**46.7%**	**46.7%**
	+		**+**	**+**
Individual strategic objectives:				
– Alan Clark	**40%**	92.5%	**37.0%**	
– Domenic De Lorenzo		88%		**35.2%**
	=		**=**	**=**
Total (% of maximum bonus opportunity)	**100%**		**83.7%**	**81.9%**
			x	**x**
Maximum bonus opportunity (% of base pay)			**175%**	**120%**
			x	**x**
Base pay during the year			**£1,167,000**	**£470,580**
			=	**=**
Annual bonus			**£1,709,000**	**£462,000**

Alan Clark's strategic objectives included his leadership of global initiatives on costs and category optimisation, for which achievement during the year ended 31 March 2016 was rated as 92.5% of maximum.

Domenic De Lorenzo's strategic objectives included efficiency savings and risk management, for which achievement during the year ended 31 March 2016 was rated as 88% of maximum.

Annual report on remuneration continued

Retrospective disclosure of annual bonus targets for the year ended 31 March 2014

Performance measure	Weighting	Threshold (25%)	Target (50%)	Maximum (100%)	Result	Outcome Alan Clark	Outcome Jamie Wilson
Financial performance targets:[1]							
– Group net producer revenue growth (%)	15%	6.5	9.9	13.4	4.3 (0%)	nil	nil
– Group EBITA margin growth (bps)	15%	–	10	50	61 (100%)	15%	15%
– Adjusted EPS growth (%)	15%	5.2	10.1	16.1	9.0 (45%)	7%	7%
– Group free cash flow (US$m)	15%	2,832	3,146	3,461	3,202 (59%)	9%	9%
	60%					**31%**	**31%**
	+					**+**	**+**
Individual strategic objectives:							
Alan Clark	**40%**					**32%**	
– Category strategy developed and implemented					90%		
– End-to-end supply chain established and cost savings delivered					70%		
Jamie Wilson							**30%**
– Global Business Services established to plan (time and cost)					75%		
– Tsogo Sun exit achieved and managed to timetable					75%		
	=					**=**	**=**
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**

[1] Targets and outcomes are shown using budgeted exchange rates for the relevant performance period with adjustments for unbudgeted acquisition and disposal activities during the year to enable like-for-like comparison.

Performance measures for the year commencing 1 April 2016

The performance measures and weightings that will determine the total bonus opportunity for the year commencing 1 April 2016 are:

Performance measure	Weighting
Financial performance targets:	
– Group net producer revenue growth	25%
– Group EBITA growth	25%
– Net working capital	10%
	60%
– Individual strategic objectives	40%
	100%

If there is a change of control during the year ending 31 March 2017, any bonus amounts payable to executive directors shall be determined by reference to achievement of the above financial performance targets and individual strategic objectives, with annual bonus payments pro-rated for the period to change of control.

Share option plan
Outcome for the year ended 31 March 2016 (audited)

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.

The vesting of share options for the executive directors for the performance periods ended 31 March 2016 is shown in the table below, which includes share options granted in respect of their services as employees rather than as, or in contemplation of their appointment as, executive directors. Share options vesting shortly after the year end with performance periods ended 31 March 2016 have lapsed with a nil payout because the required performance threshold was not achieved.

Performance conditions/period		Performance	Vesting	Outcome: Alan Clark	Outcome: Domenic De Lorenzo
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 2016		UK RPI + 1.6% pa	nil	nil	–
Performance achieved: Three years ended 31 March 2016		UK RPI - 2.0% pa	nil	nil	nil
Total number of share options vesting				**nil**	**nil**
Value at vesting				**nil**	**nil**

Share award plan
Outcome for the year ended 31 March 2016 (audited)

Share awards comprise performance shares and value shares to incentivise and reward executives for achieving:
– long-term financial performance (adjusted EPS growth over three years) through the vesting of performance shares; and
– long-term external relative performance (TSR outperformance of the median of a comparator group over three, four and five years) through the vesting of value shares.

The number of shares which can be released under a value share award is dependent upon TSR outperformance compared with a comparator group (identified on page 86) so that:
– at median or below median TSR performance, no shares will vest; but
– for every £10 million of additional shareholder value created above the median, a pre-determined fixed number of shares will vest.

The table below shows the vesting of the performance shares and value shares for the year ended 31 March 2016. Performance shares vesting shortly after the year end with performance periods ended 31 March 2016 have lapsed with a nil payout because the required performance threshold was not achieved.

Performance conditions/period		Performance	Vesting/ multiplier	Outcome: Alan Clark	Outcome: Domenic De Lorenzo
Compound growth in adjusted EPS	Threshold vesting: 6% pa	Maximum vesting: 11% pa			
Performance achieved: Three years ended 31 March 2016		-1.9% pa	nil	nil	nil
TSR outperformance achieved: Five years ended 31 March 2016[1]		12.905% outperformance x £33,485m capitalisation = £4,321m additional value	£4,321m/£10m = 432.1	432.1 x 115 = 49,691 shares	432.1 x 50 = 21,605 shares
TSR outperformance achieved: Three years ended 31 March 2016[2]		3.330% outperformance x £47,580m capitalisation = £1,584m additional value	£1,584m/£10m = 158.4	158.4 x 41 = 6,494 shares	158.4 x 10 = 1,584 shares
Total number of share vesting				**56,185**	**23,189**
Value at vesting (including share price growth)				**£2,404,312**	**£991,859**
Value at vesting (excluding share price growth)[3]				£1,334,049	£536,699

[1] Vested 31 May 2016, share price = £42.744.
[2] Vested 3 June 2016, share price = £43.166.
[3] Share price at award dates are shown on page 91.

Annual report on remuneration continued

Performance conditions for share awards granted in the year commencing 1 April 2016 (audited)

The performance condition and performance target for performance share awards granted in the year commencing 1 April 2016 are:

Performance conditions		Performance targets
Compound growth in adjusted EPS – in constant currency	Threshold vesting: 6% pa	Maximum vesting: 11% pa
Proportion of performance shares vesting	25% of maximum	100% of maximum

The performance condition for value share awards remains TSR outperformance of the median of a comparator group. The comparator group was changed for performance periods commencing from 2014 to include other companies in the wider consumer goods categories considered to be more relevant comparators than some of the smaller scale, regional, beer, and alcoholic beverage companies in the previous comparator group.

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

Details of executive directors' performance shares and value shares awarded during the year ended 31 March 2016 are shown on page 89, and those outstanding at 31 March 2016, are shown on page 91.

Total shareholdings of directors (audited)

The total shareholdings and shareholding requirements at 31 March 2016 are shown in the table below.

	Shares held[1]			Options held (see table on page 90)			
Executive director	Shares owned outright (see table below)	Shares subject to performance conditions (see table on page 91)	Subject to deferral	Owned outright (vested and exercisable)	Subject to performance conditions	Shares owned outright as % of annualised base pay at 31 March 2016 @ £42.56[2]	Shareholding requirement (shares owned outright as % of annualised base pay)[2]
Alan Clark[3]	311,608	219,061	–	636,851	525,570	1,136%	300%
Domenic De Lorenzo[4]	126,355	59,065	–	–	146,838	791%	200%

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

2 Shares owned outright and shareholding requirement excludes any shares or share options that remain subject to performance conditions or deferral.

3 As a result of shares retained from awards vested in respect of the year ended 31 March 2016, but not received until after the year end, Alan Clark owned 341,886 shares outright at 10 June 2016, equivalent to 1,247% of base pay.

4 As a result of shares retained from awards vested in respect of the year ended 31 March 2016, but not received until after the year end, Domenic De Lorenzo owned 149,544 shares outright at 10 June 2016, equivalent to 936% of base pay.

The company maintains a periodically updated table on its website, showing the shareholdings of the directors in accordance 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 2015 (or date of appointment if later)[7]	Ordinary shares acquired during the period	Ordinary shares disposed of during the period	Ordinary shares held as at 31 March 2016 (or date of ceasing to be a director if earlier)[8]
Alan Clark[1,2]	298,764	215,034	(202,190)	311,608
Domenic De Lorenzo[3]	126,355	–	–	126,355
Mark Armour	3,000	–	–	3,000
Dave Beran	–	–	–	–
Geoffrey Bible	92,750	–	–	92,750
Dinyar Devitre[4]	31,125	–	(1,125)	30,000
Jan du Plessis	30,000	–	–	30,000
Guy Elliott[5]	2,000	1,114	–	3,114
Javier Ferrán	–	–	–	–
Lesley Knox	3,000	–	–	3,000
John Manser	8,000	–	–	8,000
Trevor Manuel	–	–	–	–
John Manzoni	8,252	–	–	8,252
Dambisa Moyo	386	–	–	386
Carlos Pérez Dávila	–	–	–	–
Alejandro Santo Domingo Dávila	–	–	–	–
Helen Weir[6]	304	2	–	306
Howard Willard	–	–	–	–

1 Alan Clark had awards vested and exercised options in respect of 215,034 shares during the year ended 31 March 2016, selling 102,190 shares to pay the subscription price and to settle the resulting tax and social security charges, and retaining the balance of shares beneficially. Alan Clark disposed of 10,000 shares on 14 September 2015 by way of gifts, and The Clark Family Trust, a connected person with Alan Clark, disposed of 90,000 shares on 4 March 2016 at a price of £42.06 per share.

2 On 31 May 2016 and 3 June 2016, Alan Clark's beneficial holding increased by a total of 30,278 shares following the release to him of 56,185 shares as the result of the vesting of his 2011 and 2013 value share awards (as shown on page 85), with 25,907 shares sold to pay the resulting tax liability, retaining the balance of shares beneficially.

3 On 31 May and 3 June 2016, Domenic De Lorenzo's beneficial holding increased by a total of 23,189 shares following the release to him of 23,189 shares as the result of the vesting of his 2011 and 2013 value share awards (as shown on page 85), with the resulting tax liability paid directly by him without the sale of shares.

4 Dinyar Devitre disposed of 1,125 shares on 26 May 2015 at a price of £35.717 per share.

5 Guy Elliott acquired 219 and 895 shares on 31 July 2015 at prices of £33.486 and £33.565 per share respectively.

6 Helen Weir acquired 2 shares on 11 September 2015 at a price of £29.708 per share as part of a dividend reinvestment plan.

7 Domenic De Lorenzo was appointed a director on 23 July 2015, and his interest in shares is shown at that date.

8 John Manser, John Manzoni, and Howard Willard retired as non-executive directors on 23 July 2015, and their interest in shares is shown at that date.

9. The number of shares shown in the table above include those held by connected persons.

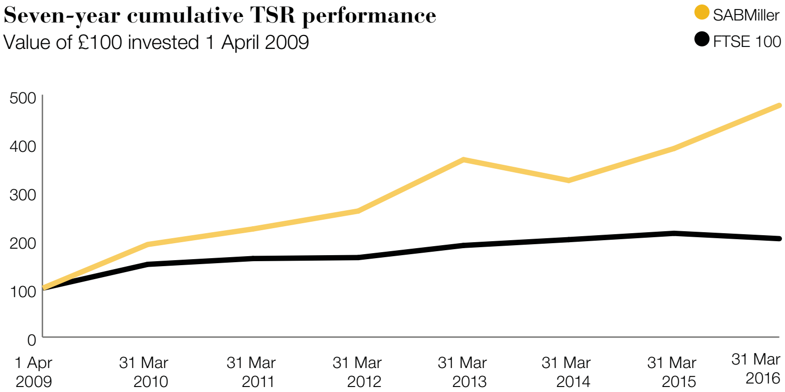
During the year ended 31 March 2016 the highest and lowest market prices for the company's shares were £42.65 and £27.73 respectively, and the closing market price on 31 March 2016 was £42.56.

Annual report on remuneration continued

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 seven years. The chart compares the company's TSR with the FTSE 100 Total Return Index over the period from 1 April 2009 to 31 March 2016, 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.

Seven-year cumulative TSR performance
Value of £100 invested 1 April 2009



Note: Spot prices

Chief Executive remuneration table

Year	2010	2011	2012	2013	2014	2015	2016
Incumbent	Graham Mackay	Graham Mackay	Graham Mackay	Graham Mackay	Alan Clark	Alan Clark	Alan Clark
Total remuneration 'single figure' (£'000)	8,515	12,713	13,728	13,910	6,463	7,072	5,873
Annual variable pay (as a % of maximum)	79%	85%	77%	62%	63%	55%	84%
LTI vesting (as a % of maximum)	100%	98%	100%	100%	87%	37%	23%

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. 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 to the Chief Executive, who is also UK-based.

	Salary and fees (annualised)	Taxable benefits	Annual cash bonus
Chief Executive (% change)	+3.0%	+312%	+56%
UK employees (% change)	+3.0%	+21%	+32%

Alan Clark's taxable benefits increased for the year ended 31 March 2016, mostly due to the payment of a long service award during the year and an increase in insurance premiums. The value of taxable benefits for UK employees increased by 21% as a result of an increase in medical insurance premiums, which had otherwise remained fixed for the prior two years.

Payments to past directors (audited)

There were no payments to past directors, termination payments or payments for loss of office in respect of the year.

Relative importance of expenditure on pay

The table below sets out the remuneration paid to or receivable by all employees, in the years ended 31 March 2016 and 31 March 2015 compared with the distributions to shareholders. The variation in total employee pay is a function of the number of employees and the percentage changes in their remuneration in the countries in which they are employed, and the depreciation of key currencies against the US dollar during the year.

	2016 US$m	2015 US$m	% change
Total employee pay	2,235	2,491	(10)%
Dividends to shareholders	1,860	1,705	9%

Scheme interests awarded during the year (audited)

On 1 June 2015, 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 90 to 91.

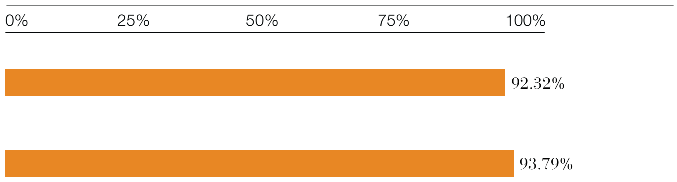
Executive director	Award type	Number of share options/ conditional shares	Face value of share options and shares[1]	Face value of share options and shares as percentage of annualised base pay	Percentage achievable if minimum performance is achieved	Latest performance period ending
Alan Clark	Share options	98,169	£3,430,025	294%	25% at threshold	31 Mar 2018
	Share options	49,084	£1,714,995	147%	25% at threshold	31 Mar 2020
	Performance shares	73,627	£2,572,527	220%	25% at threshold	31 Mar 2018
	Value shares	125	£4,367 per £10m of additional shareholder value		Nil at median or below	31 Mar 2020
Domenic De Lorenzo	Share options	49,958	£1,745,533	257%	25% at threshold	31 Mar 2018
	Share options	9,991	£349,086	51%	25% at threshold	31 Mar 2020
	Performance shares	29,975	£1,047,327	154%	25% at threshold	31 Mar 2018
	Value shares	60	£2,096 per £10m of additional shareholder value		Nil at median or below	31 Mar 2020

[1] The face value of share options and performance shares has been calculated by multiplying the maximum number of shares under option and the maximum number of shares possible to vest by the share price on the date of grant, being £34.94 on 1 June 2015.

Statement of shareholder voting

The table below sets out the result of the vote on the directors' remuneration policy at the 2014 annual general meeting, and the vote on the annual report on remuneration at the 2015 annual general meeting.

	Votes for	Votes against	Votes withheld
Remuneration policy	1,111,025,026	92,388,744	178,551,996
	92.32%	7.68%	
Annual report on remuneration	1,262,211,914	83,528,932	6,529,077
	93.79%	6.21%	



Annual report on remuneration continued

Share options (audited)

Director	Exercisable for 3-10 years from	Performance period (year ending 31 March)	Subscription price £	Outstanding as at 31 March 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2016	Vested and exercisable as at 31 March 2016	Sale price/ market price £
Alan Clark[1]	19 May 2006	Vested	10.61	100,000	–	(100,000)	–	–	–	42.51
	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	Vested	12.31	24,750	–	–	–	24,750	24,750	
	1 Jun 2010	Vested	19.51	108,550	–	–	–	108,550	108,550	
	1 Jun 2010	Vested	19.51	21,450	–	–	–	21,450	21,450	
	1 Jun 2011	Vested	22.495	65,000	–	–	–	65,000	65,000	
	1 Jun 2011	Vested	22.495	41,851	–	–	–	41,851	41,851	
	1 Jun 2011	5 years (2016)	22.495	21,450	–	–	–	21,450[3]	–	
	1 Jun 2012	Lapsed	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]	–	
	3 Jun 2013	5 years (2018)	33.30	46,200	–	–	–	46,200	–	
	2 Jun 2014	3 years (2017)	33.11	101,081	–	–	–	101,081	–	
	2 Jun 2014	5 years (2019)	33.11	49,786	–	–	–	49,786	–	
	1 Jun 2015	3 years (2018)	34.94	–	98,169	–	–	98,169	–	
	1 Jun 2015	5 years (2020)	34.94	–	49,084	–	–	49,084	–	
				1,249,168	**147,253**	**(100,000)**	**(134,000)**	**1,162,421**	**636,851**	
Domenic De Lorenzo	1 Dec 2011	5 years (2016)	22.40	12,210	–	–	–	12,210	–	
	1 Jun 2012	5 years (2017)	23.95	16,500	–	–	–	16,500	–	
	3 Jun 2013	3 years (2016)	33.30	18,760	–	–	–	18,760[3]	–	
	3 Jun 2013	5 years (2018)	33.30	9,240	–	–	–	9,240	–	
	2 Jun 2014	3 years (2017)	33.11	15,090	–	–	–	15,090	–	
	2 Jun 2014	3 years (2017)	33.11	10,110	–	–	–	10,110	–	
	2 Jun 2014	5 years (2019)	33.11	4,979	–	–	–	4,979	–	
	1 Jun 2015	3 years (2018)	34.94	–	49,958	–	–	49,958	–	
	1 Jun 2015	5 years (2020)	34.94	–	9,991	–	–	9,991	–	
				86,889	**59,949**	**–**	**–**	**146,838**	**–**	

1 On 29 March 2016 Alan Clark exercised an option to purchase 100,000 shares at an option price of £10.61 per share. 51,352 shares were sold at a price of £42.51 per share with the proceeds being used to cover the subscription price and to meet applicable income tax and social security charges. The balance of the shares were retained by him beneficially.

2 On 31 May 2016 Alan Clark and Domenic De Lorenzo were granted an option over a maximum of 123,285 shares and 66,779 shares respectively at an exercise price of £42.8275 per share, subject to the performance conditions listed below. If there is a change of control during the year ending 31 March 2017, the number of shares vesting on a change of control will be pro-rated.

3 Share options vesting in June 2016 with performance periods ended 31 March 2016 have lapsed with a nil payout because the required performance threshold was not achieved, as shown on page 85.

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 (audited)

Director	Award date	Performance period (year ending 31 March)	Share price at award date £	Outstanding as at 31 March 2015	Awarded during the year	Released during the year	Lapsed during the year	Outstanding as at 31 March 2016	Share price/ market price £
Alan Clark[2]	1 Jun 2012	Lapsed	23.95	100,000	–	–	(100,000)	–	
	3 Jun 2013	3 years (2016)	33.30	70,000[1]	–	–	–	70,000	
	2 Jun 2014	3 years (2017)	33.11	75,434	–	–	–	75,434	
	1 Jun 2015	3 years (2018)	34.94	–	73,627	–	–	73,627	
				245,434	**73,627**	**–**	**(100,000)**	**219,061**	
Domenic De Lorenzo[2]	3 Jun 2013	3 years (2016)	33.30	14,000[1]	–	–	–	14,000	
	2 Jun 2014	3 years (2017)	33.11	15,090	–	–	–	15,090	
	1 Jun 2015	3 years (2018)	34.94	–	29,975	–	–	29,975	
				29,090	**29,975**	**–**	**–**	**59,065**	

[1] Performance shares vesting in June 2016 with a performance period ended 31 March 2016 have lapsed with a nil payout because the required performance threshold was not achieved, as shown on page 85.

[2] On 31 May 2016 Alan Clark and Domenic De Lorenzo were each granted a performance share award over a maximum of 61,643 shares and 33,389 shares respectively, subject to the performance conditions listed below. If there is a change of control during the year ending 31 March 2017, the number of shares vesting on a change of control will be pro-rated.

For performance share awards granted 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 (audited)

Director	Award date	Share price at award date £	Outstanding as at 31 March 2015 (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 2016 (shares per £10m of additional value)	Earliest possible release date	Final vesting date	Share price/ market price £
Alan Clark	1 Jun 2010	19.51	115	–	(115)	–	–	1 Jun 2013	1 Jun 2015	35.74
	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	
	2 Jun 2014	33.11	125	–	–	–	125	2 Jun 2017	2 Jun 2019	
	1 Jun 2015	34.94	–	125	–	–	125	1 Jun 2018	1 Jun 2020	
			655	**125**	**(115)**	**–**	**665**			
Domenic De Lorenzo	1 Dec 2011	22.40	50	–	–	–	50	1 Dec 2014	1 Jun 2016	
	1 Jun 2012	23.95	50	–	–	–	50	1 Jun 2015	1 Jun 2017	
	3 Jun 2013	33.30	30	–	–	–	30	3 Jun 2016	3 Jun 2018	
	2 Jun 2014	33.11	30	–	–	–	30	2 Jun 2017	2 Jun 2019	
	1 Jun 2015	34.94	–	60	–	–	60	1 Jun 2018	1 Jun 2020	
			160	**60**	**–**	**–**	**220**			

On 31 May 2016 Alan Clark and Domenic De Lorenzo were conditionally awarded 125 value shares and 100 value shares respectively, of which one-third are capable of vesting for every £10 million of additional shareholder value created over three, four and five-year performance periods commencing 1 April 2016. If there is a change of control during the year ending 31 March 2017, TSR outperformance of the median of a comparator group will be measured through to change of control, and any shares vesting on a change of control will be pro-rated.

The number of shares which can be released under a value share award is dependent upon TSR outperformance compared with the median of a comparator group (identified on page 86) over three, four and five-year performance periods:
– at median or below median TSR performance, no shares will vest; and
– for every £10 million of additional shareholder value created, a predetermined fixed number of shares will vest (as set out in the table above).

Annual report on remuneration continued

Additional shareholder value represents the amount of additional return to shareholders as a result of the company's TSR performance exceeding the median 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 0.5% 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 99.5% of the additional value created accruing to shareholders.

Value share awards granted before 2013 vest on the fifth anniversary of the grant date, subject to TSR outperformance, 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 outperformance 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 share awards granted 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 outperformance 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.

At 31 March 2016, TSR outperformance, 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 2011	1 April 2012	1 April 2013	1 April 2014	1 April 2015
SABMiller's TSR to 31 March 2016	114.963%	87.503%	46.071%	40.837%	19.701%
Comparator group median TSR to 31 March 2016	102.058%	103.698%	42.741%	30.258%	11.254%
Outperformance	12.905%	nil	3.330%	10.579%	8.447%
SABMiller market capitalisation *(at commencement of the performance period)*	£33,485m	£37,639m	£47,580m	£48,459m	£56,264m
Additional shareholder value created	£4,321m	nil	£1,584m	£5,126m	£4,753m
Value of shares capable of vesting (at £42.56 per share)	£2.1m	nil	£0.8m	£2.7m	£2.5m
Value of shares as % of additional shareholder value created	0.05%	–	0.05%	0.05%	0.05%

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 10 June 2016 as recommended by the committee on 16 May 2016 and will be submitted to shareholders for approval at the 2016 annual general meeting.

Signed on behalf of the board of directors by

Stephen Shapiro
Group Company Secretary
10 June 2016

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 2016.

Much of the information previously provided as part of the directors' report is 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 54 and 55. All the current directors served throughout the period, except Dave Beran and Javier Ferrán who were elected as directors at the annual general meeting on 23 July 2015, and Domenic De Lorenzo, who was appointed as a director immediately after the annual general meeting. John Manser, John Manzoni and Howard Willard served as directors until their retirement on 23 July 2015. Javier Ferrán will retire from the conclusion of the 2016 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 74 to 92.

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 58 to 69, in the audit committee report on pages 70 to 73 and in the directors' remuneration report on pages 74 to 92.

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 3,190,462 ordinary shares were purchased by the trustee of the SABMiller Employees' Benefit Trust (EBT) (at an average price of £30.89 per share) which amounted to 0.19% of the issued ordinary shares of the company, in order to ensure that the trustee of EBT continued to hold sufficient ordinary shares to meet expected future obligations in respect of performance share awards under the Share Award Plan.

Annual general meeting

Our 2016 annual general meeting will be held at the InterContinental London Park Lane, One Hamilton Place, London W1V 7QY, UK at 11.00am on Thursday 21 July 2016. Copies of the notice of this meeting may be obtained from our website.

Dividends

An interim dividend of 28.25 US cents per share was paid to shareholders on 4 December 2015 in respect of the year ended 31 March 2016. Details of the final dividend proposed by the board for the year ended 31 March 2016 are set out below:

Amount of final dividend proposed by the board:

- 93.75 US cents per share.

Total proposed dividend for the year ended 31 March 2016:

- 122 US cents per share.

If approved, and the proposed acquisition of the company by a Belgian company formed for the purposes of the recommended transaction by AB InBev has not become effective prior to 12 August 2016, the final dividend will be payable to shareholders on either section of the register on 5 August 2016 in the following way:

Dividend payable on:
12 August 2016.

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:
- 3 August 2016 for shares traded on the JSE Limited, South Africa.
- 4 August 2016 for shares traded on the London Stock Exchange (LSE).

The rate of exchange for conversion from US dollars will be calculated on 20 July 2016 and published on the RNS of the LSE and the SENS of the JSE Limited on 21 July 2015.

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.

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 1 June 2015. This authority is due to expire at the earlier of the next annual general meeting or 23 October 2016, 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.

Directors' report continued

Political donations
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 the support of multi-party democracy.

Our subsidiary in Mozambique made a donation totalling US$142,914 to Mozambique's Ministry of Foreign Affairs, as a contribution to the costs of the 2015 Presidential inauguration ceremony.

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 regular communication and consultation with our employees and we encourage employee involvement in our performance. We have distribution of real time news through our intranet, which is available to 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 a mix of channels such as newsletters, employees' boards, meetings 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 48 to 51 gives an overview of the progress of the implementation of our sustainable development ambition, *Prosper*, and of the impact of our business on the environment. More detailed information is provided in our 2016 sustainable development report, 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 50.

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

Substantial shareholdings
As at 7 June 2016, 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[1]
Altria Group, Inc.	29 June 2012	430,000,000	26.99
BevCo Ltd.	2 June 2014	225,000,000	13.99
Public Investment Corporation	11 March 2015	50,780,462	3.14

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[1]
Altria Group, Inc.	26.52
BevCo Ltd	13.88
BlackRock Inc.	3.93

[1] Excluding shares held in treasury.

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 has also been granted an indemnity, on similar terms, covering his role as group company secretary of the company, and as a director 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.

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 2016 our employees' benefit trust (EBT) held 11,476,675 ordinary shares in the company and our Employee Share Purchase Plan Trust (ESPPT) held 12,153 shares. By agreement with the company, voting rights attached to the EBT are not exercised unless shares are beneficially owned by a participant and that participant has instructed the Trustee to vote. As at 31 March 2016 there were no shares beneficially owned by a participant in our EBT. All the shares in our ESPPT are eligible to vote except for 22 shares held by the trustee which were unallocated and the trustee has agreed that the voting rights attached to those shares will not be exercised.

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

Our articles of association give the board of directors power to appoint directors. The articles of association may be amended by special resolution of the shareholders.

Directors appointed by the board are required to submit themselves for election by the shareholders at the next annual general meeting. Additionally, as disclosed in the corporate governance report on pages 58 to 69, 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.

A change of control of the company would 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 Beer (Holdings) Company Limited the ability to exercise certain rights under a shareholders' agreement in relation to our 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 Anheuser-Busch InBev SA/NV transaction, if completed, will trigger some of the various change of control provisions mentioned above. We also have a number of facility agreements with banks which contain provisions giving rights to the banks upon a change of control of the company.

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 2017, 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.

Viability statement

The strategic report, set out on pages 2 to 53, includes information about SABMiller's strategy, financial condition, cash flows and liquidity, as well as the factors, including the principal risks, likely to affect its future development.

The directors have carried out a robust assessment of the principal risks, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the ways they are being managed and mitigated are summarised on pages 16 and 17.

Directors' report continued

In accordance with provision C.2.2 of the Code, the directors have assessed the prospects of the company over a period significantly longer than 12 months. The directors believe that a three year assessment period is most appropriate as it aligns with our normal and well established three year business planning processes. This three year period balances the long-term nature of investments in the brewing industry with an assessment of the variability of the key drivers of near-term business performance as well as external factors and regulation impacting the business.

The directors' assessment included a review of the financial impact of severe but plausible scenarios that could lessen the viability of the company, and an assumed inability to access the capital markets to refinance maturing term debt, and the likely effectiveness of the potential mitigations that management reasonably believes would be available to the company over this period.

Based on this assessment, and taking into account the current position and principal risks, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three years.

In assessing the prospects of the company, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

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; and
- 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 position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 54 and 55 of this annual report, confirms that, to the best of his or her 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

In May 2016 the South African Competition Tribunal approved, with agreed conditions, the formation of Coca-Cola Beverages Africa, Africa's largest soft drinks operation. The transaction is expected to complete in early July 2016.

Stephen Shapiro
Group Company Secretary
For and on behalf of the board of SABMiller plc
10 June 2016

In accordance with Listing Rule 9.8.4 R the table below gives the location of information required by that Rule to be included in the annual report and accounts.

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 or 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, did not receive a director's fee from SABMiller (see page 82).
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's 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 two employees' benefit 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 employees' benefit 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.

Independent auditors' report to the members of SABMiller plc

Report on the financial statements

Our opinion

In our opinion:

- SABMiller plc's consolidated financial statements and company financial statements (the financial statements) give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 and of the group's profit and cash flows for the year then ended;
- the consolidated 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.

What we have audited

SABMiller plc's financial statements comprise:

- the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 March 2016;
- the consolidated and company balance sheets as at 31 March 2016;
- the consolidated cash flow statement for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- the notes to the consolidated and company financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in 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.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is IFRSs as adopted by the European Union and applicable law. The financial reporting framework that has been applied in the preparation of the company financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

Materiality	– Overall group materiality: US$230 million which represents approximately 5% of consolidated profit before tax and exceptional items included within operating profit.
Audit scope	– The group is structured into five geographic segments and one corporate segment. Each geographic segment is a consolidation of a number of country-based operating businesses. We identified three segments (Latin America, Africa and Corporate), three country-based operating businesses (Poland, Czech Republic and Australia) and one joint venture (MillerCoors) which, in our view, required an audit of their complete financial information. Specified audit procedures were also performed on certain of the group's associates (Castel, CR Snow and Anadolu Efes). – Taken together, the components at which audit work was performed accounted for 73% of consolidated revenue, 72% of consolidated profit before tax and 76% of consolidated profit before tax and exceptional items.
Areas of focus	– Recoverability of the carrying value of the Australian cash generating unit (CGU). – Carrying value of the investment in the Angolan associate. – Provisions for uncertain tax positions. – Classification of exceptional items.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Consistent with all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud, and the risk of fraud in revenue recognition. Procedures designed to address these risks included testing of material journal entries and post-close adjustments, testing and evaluating management's key accounting estimates for reasonableness and consistency, undertaking cut-off procedures to check proper cut-off of revenue and expenses and testing the occurrence and accuracy of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. Any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Recoverability of the carrying value of the Australian CGU	
As required by applicable accounting standards in relation to goodwill, management conducts an impairment review on an annual basis to identify if the carrying values of goodwill and associated assets are considered to be impaired. We specifically focused on the Australian CGU given the size of the goodwill balance, and because the assessment of value involves subjective judgements which are highly sensitive to small changes in assumptions. Management determines the recoverable amount of the Australian CGU utilising a discounted cash flow model with five-year projections and a terminal value. Key assumptions within this model include net producer revenue (NPR) and associated estimates of short-term EBITA growth, long-term growth rate, and discount rate. Despite continued decline in the local beer category during the year, growth has been achieved through the successful execution of a number of initiatives, increased market share and improved customer relationships. As a result of its assessment, management estimated the recoverable amount is greater than the carrying value. *Refer to the audit committee review of areas of significant judgement (page 71) and goodwill note 10.*	We satisfied ourselves that it was appropriate to use fair value less costs to dispose (FVLCD) as the basis for determining the recoverable amount and verified the mathematical accuracy of the cash flow model used to estimate FVLCD. We considered the accuracy of management's forecasting process by comparing budgeted results to actual performance of the Australian business. We assessed the consistency of the assumptions used in management's cash flow forecasts with those a market participant would use when valuing the business. As part of this process we disaggregated and understood the individual cash flow components such as developments in the Australian beer category, Carlton and United Breweries' market share, the drivers of NPR growth projections such as price and mix, costs and the resultant EBITA forecasts. This included comparing inputs to the business's own forecasts based on latest internal board approved budgets and external market data. We also assessed the risks associated with achieving the forecast, which provided data points on which to sensitise management's assumptions over the first five years of the model. We compared the discount and long-term growth rates used with market information and determined that they all fall within a range of external data. We satisfied ourselves that the assumptions used in determining management's estimate of the recoverable amount were reasonable. We also considered the EBITDA multiple implied by management's estimate and determined that it falls within a range of independently derived data. Our sensitivity analysis highlighted that the model continues to be sensitive to a combination of changes in key assumptions. Any reasonably possible change in these assumptions could reduce headroom and may result in an impairment. We satisfied ourselves that this was appropriately highlighted within the disclosures in note 10.
Carrying value of the investment in the Angolan associate	
The devaluation of the Angolan kwanza, liquidity restrictions and a deterioration in macroeconomic conditions in the second half of the year led to a significant downscaling of Castel's business within Angola. Based on these factors, management determined that an impairment trigger existed and accordingly assessed the carrying value of the group's investment in its Angolan associate. The recoverable amount for the business, which was a key determinant of the recoverable value of the investment, was based on a discounted cash flow model involving five-year projections with a terminal value. Key assumptions within this model include estimates of short-term growth, long-term growth rate and discount rate. As a result of the assessment management has recorded an impairment charge of US$372 million in relation to the investment in associate in addition to the recognition of the group's share of Castel's impairment and related charges. We specifically focused on the Angolan assessment given the quantum of the impairment charge, the economic uncertainties and the judgemental nature of the future cash flow forecasts. *Refer to the audit committee review of areas of significant judgement (page 71) and investments in associates note 14.*	We verified the mathematical accuracy of the cash flow model used to support the recoverable amount and determine the impairment charge. We assessed management's future cash flow forecasts by comparing them to latest internal board approved plans and considering them in light of macroeconomic indicators and production forecasts, recognising that the operations have been significantly scaled down. We also assessed the reasonableness of the country discount and long-term growth rates used and determined that they were within a range of independently derived data and the model was not sensitive to reasonably possible changes in these assumptions. The significant decline in the recoverable amount is primarily driven by a decrease in forecast profitability. We sensitised the cash flows to illustrate the impact of increased profitability compared to plan and satisfied ourselves that the impairment charge was appropriate given the deterioration in the macroeconomic environment and the downscaling of Castel's operations within Angola. We satisfied ourselves that the assumptions used to determine the recoverable value of the investment were reasonable. We also satisfied ourselves that the impairment was appropriately highlighted and disclosed in note 14.

Independent auditors' report to the members of SABMiller plc continued

Area of focus	How our audit addressed the area of focus
Provisions for uncertain tax positions	
Due to the group operating across a number of different tax jurisdictions it is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transaction related tax matters and transfer pricing arrangements where centralised functions support a number of different countries. Where the amount of tax payable or recoverable is uncertain, the directors establish provisions based on their judgement of the probable amount of the liability, or recovery. We focused on these judgements in assessing the quantification and likelihood of the potential exposures and therefore the level of provisions required against them. In particular we focused on the impact of recent rulings and the status of ongoing local tax authority audits. *Refer to the audit committee review of areas of significant judgement (page 72).*	We obtained a detailed understanding of the potential consequences of the group's tax policies and the status of the ongoing local tax authority audits. We assessed key technical tax issues and risks related to business and legislative developments using, where applicable, our local and international specialised tax knowledge. We obtained explanations regarding the tax treatment applied to material transactions and arrangements and the corresponding provisions recorded. We obtained corroborative evidence supporting these explanations, including reading communications with local tax authorities and copies of tax advice obtained by management from its external tax advisers. We also challenged the tax positions taken for each material exposure, in particular where there have been significant developments with local tax authorities, and satisfied ourselves that relevant provisions were appropriate.
Classification of exceptional items	
The group has historically had significant levels of exceptional items which are disclosed separately within the income statement and are excluded from management's reporting of the underlying results of the business. In the year the group identified US$556 million of net exceptional items within operating profit comprising charges of US$585 million and credits of US$29 million. The treatment of exceptional items is explained within the group accounting policy. In the year exceptional items primarily relate to impairments and other related charges in respect of the group's investment in Angola and costs associated with the proposed Anheuser-Busch InBev transaction. We focused on this area because the classification of exceptional items requires judgement and they are also excluded from the calculation of elements of executive remuneration. Consistency in the identification and presentation of these items is also important to ensure comparability of year on year reporting within the Annual Report. *Refer to the audit committee review of areas of significant judgement (page 72).*	We substantiated the nature and quantum of individual items to appropriate corroborating evidence. We considered whether the classification of individual items as exceptional was consistent with the group's accounting policy and treatment in prior years where applicable. We considered whether the group has taken a balanced approach to disclosure of these items, checking that exceptional one-off items of income were treated consistently with one-off items of cost. Based on our procedures, we were satisfied that the treatment and classification of these items was consistent with prior years and in line with the group's policy.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group is structured in five geographic segments being Latin America, Africa, Asia Pacific, Europe and North America. A sixth corporate head office segment is managed at a group level. Each geographic segment is a consolidation of a number of country-based operating businesses, regional and central functions and the group's interests in associates and joint ventures within that geographical region. Based on this, we determined the appropriate segment and operating businesses to perform work over based on factors such as the size of the balances, the areas of focus as noted above, known or historical accounting issues and the desire to include some unpredictability in our audit procedures.

We considered the type of work that needed to be performed on these segments and operating businesses 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.

We identified three segments (Latin America, Africa and Corporate), three country-based operating businesses (Poland, Czech Republic and Australia) and one joint venture (MillerCoors) which, in our view, required an audit of their complete financial information. Specified audit procedures were also performed on certain of the group's associates (Castel, CR Snow and Anadolu Efes). This, together with procedures performed on regional and central functions and at the group level, accounted for 73% of consolidated revenue, 72% of consolidated profit before tax and 76% of consolidated profit before tax and exceptional items. At the group level, we also carried out analytical and other procedures on the financial information not covered by the procedures described above.

The involvement of the group engagement team in the work of the component auditors included site visits, conference calls, meetings with local management, review of work papers, attendance at audit clearance meetings, and other forms of communication as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	US$230 million (2015: US$250 million).
How we determined it	Approximately 5% of profit before tax (US$4,074 million), adjusted for exceptional items included within operating profit (US$556 million).
Rationale for benchmark applied	We considered this adjusted measure to be the most relevant in assessing the recurring financial performance of the group.

We agreed with the audit committee that we would report to them misstatements identified during our audit above US$20 million (2015: US$20 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 95, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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 company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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.

ISAs (UK & Ireland) reporting

Under ISAs (UK & 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
  - otherwise misleading.

We have no exceptions to report arising from this responsibility.

- the statement given by the directors on page 96, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), 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 and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on page 71, as required by provision C.3.8 of the Code, 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.

Independent auditors' report to the members of SABMiller plc continued

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation on page 16 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

- the directors' explanation on pages 95 and 96 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group.

Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

What an audit of financial statements involves

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 the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Richard Hughes BA FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 June 2016

Consolidated income statement

for the year ended 31 March

	Notes	2016 US$m	2015 US$m
Revenue	2	**19,833**	22,130
Net operating expenses	3	**(16,379)**	(17,746)
Operating profit	2	**3,454**	4,384
Operating profit before exceptional items	2	**4,010**	4,459
Exceptional items	4	**(556)**	(75)
Net finance costs	5	**(506)**	(637)
Finance costs	5a	**(763)**	(1,047)
Finance income	5b	**257**	410
Share of post-tax results of associates and joint ventures	2	**1,126**	1,083
Profit before taxation		**4,074**	4,830
Taxation	7	**(1,152)**	(1,273)
Profit for the year	27a	**2,922**	3,557
Profit attributable to non-controlling interests		**223**	258
Profit attributable to owners of the parent	26a	**2,699**	3,299
		2,922	3,557
Basic earnings per share (US cents)	8	**167.8**	205.7
Diluted earnings per share (US cents)	8	**166.0**	203.5

The notes on pages 108 to 170 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2016 US$m	2015 US$m
Profit for the year		**2,922**	3,557
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Net remeasurements of defined benefit plans	30	**5**	(7)
Tax on items that will not be reclassified	7	**(29)**	70
Share of associates' and joint ventures' other comprehensive income/(loss)		**72**	(178)
Total items that will not be reclassified to profit or loss		**48**	(115)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on foreign currency net investments:		**(1,230)**	(5,387)
– Decrease in foreign currency translation reserve during the year		**(1,230)**	(5,550)
– Recycling of foreign currency translation reserve on disposals		**–**	163
Net investment hedges:			
– Fair value gains arising during the year	26b	**88**	608
Cash flow hedges:	26b	**(64)**	30
– Fair value (losses)/gains arising during the year		**(56)**	45
– Fair value gains transferred to inventory		**(24)**	(8)
– Fair value (gains)/losses transferred to property, plant and equipment		**(1)**	1
– Fair value losses/(gains) transferred to profit or loss		**17**	(8)
Tax on items that may be reclassified subsequently to profit or loss	7	**18**	(3)
Share of associates' and joint ventures' other comprehensive loss		**(89)**	(120)
Total items that may be reclassified subsequently to profit or loss		**(1,277)**	(4,872)
Other comprehensive loss for the year, net of tax		**(1,229)**	(4,987)
Total comprehensive income/(loss) for the year		**1,693**	(1,430)
Attributable to:			
Non-controlling interests		**169**	179
Owners of the parent		**1,524**	(1,609)
Total comprehensive income/(loss) for the year		**1,693**	(1,430)

The notes on pages 108 to 170 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 March

	Notes	2016 US$m	2015 US$m
Assets			
Non-current assets			
Goodwill	10	**14,268**	14,746
Intangible assets	11	**6,526**	6,878
Property, plant and equipment	12	**7,750**	7,961
Investments in joint ventures	13	**5,512**	5,428
Investments in associates	14	**4,114**	4,459
Available for sale investments		**19**	21
Derivative financial instruments	22	**565**	770
Trade and other receivables	16	**121**	126
Deferred tax assets	19	**209**	163
		39,084	40,552
Current assets			
Inventories	15	**993**	1,030
Trade and other receivables	16	**1,742**	1,711
Current tax assets		**59**	190
Derivative financial instruments	22	**281**	463
Cash and cash equivalents	17	**1,430**	965
		4,505	4,359
Total assets		**43,589**	44,911
Liabilities			
Current liabilities			
Derivative financial instruments	22	**(213)**	(101)
Borrowings	20	**(2,926)**	(1,961)
Trade and other payables	18	**(3,870)**	(3,728)
Current tax liabilities		**(830)**	(1,184)
Provisions	24	**(270)**	(358)
		(8,109)	(7,332)
Non-current liabilities			
Derivative financial instruments	22	**(26)**	(10)
Borrowings	20	**(8,814)**	(10,583)
Trade and other payables	18	**(28)**	(18)
Deferred tax liabilities	19	**(2,250)**	(2,275)
Provisions	24	**(274)**	(338)
		(11,392)	(13,224)
Total liabilities		**(19,501)**	(20,556)
Net assets		**24,088**	24,355
Equity			
Share capital	25	**168**	168
Share premium		**6,849**	6,752
Merger relief reserve		**3,628**	3,963
Other reserves	26b	**(6,758)**	(5,457)
Retained earnings	26a	**19,005**	17,746
Total shareholders' equity		**22,892**	23,172
Non-controlling interests		**1,196**	1,183
Total equity		**24,088**	24,355

The balance sheet of SABMiller plc is shown on page 171.
The notes on pages 108 to 170 are an integral part of these consolidated financial statements.
The financial statements were authorised for issue by the board of directors on 10 June 2016 and were signed on its behalf by:

Alan Clark
Chief Executive

Domenic De Lorenzo
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March

	Notes	2016 US$m	2015 US$m
Cash flows from operating activities			
Cash generated from operations	27a	**5,116**	5,812
Interest received		**273**	352
Interest paid		**(659)**	(1,003)
Tax paid		**(1,315)**	(1,439)
Net cash generated from operating activities	27b	**3,415**	3,722
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,210)**	(1,394)
Proceeds from sale of property, plant and equipment		**74**	68
Purchase of intangible assets		**(103)**	(178)
Proceeds from disposal of available for sale investments		**–**	1
Proceeds from disposal of associates		**–**	979
Acquisition of businesses (net of cash acquired)		**(191)**	(5)
Investments in joint ventures	13	**(301)**	(216)
Investments in associates		**(4)**	(3)
Dividends received from joint ventures	13	**998**	976
Dividends received from associates		**253**	430
Dividends received from other investments		**–**	1
Net cash (used in)/generated from investing activities		**(484)**	659
Cash flows from financing activities			
Proceeds from the issue of shares		**113**	202
Proceeds from the issue of shares in subsidiaries to non-controlling interests		**–**	29
Purchase of own shares for share trusts	26a	**(149)**	(146)
Purchase of shares from non-controlling interests		**–**	(3)
Proceeds from borrowings		**1,064**	594
Repayment of borrowings		**(1,847)**	(4,413)
Capital element of finance lease payments		**(10)**	(10)
Net cash receipts on derivative financial instruments		**547**	243
Dividends paid to shareholders of the parent	9	**(1,860)**	(1,705)
Dividends paid to non-controlling interests		**(153)**	(173)
Net cash used in financing activities		**(2,295)**	(5,382)
Net cash inflow/(outflow) from operating, investing and financing activities		**636**	(1,001)
Effects of exchange rate changes		**(115)**	(117)
Net increase/(decrease) in cash and cash equivalents		**521**	(1,118)
Cash and cash equivalents at 1 April		**750**	1,868
Cash and cash equivalents at 31 March	27c	**1,271**	750

The notes on pages 108 to 170 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Share capital US$m	Share premium US$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 2014		167	6,648	4,321	(702)	15,885	26,319	1,163	27,482
Total comprehensive loss		–	–	–	(4,755)	3,146	(1,609)	179	(1,430)
Profit for the year		–	–	–	–	3,299	3,299	258	3,557
Other comprehensive loss		–	–	–	(4,755)	(153)	(4,908)	(79)	(4,987)
Dividends paid	9	–	–	–	–	(1,705)	(1,705)	(185)	(1,890)
Issue of SABMiller plc ordinary shares		1	104	–	–	97	202	–	202
Proceeds from the issue of shares in subsidiaries to non-controlling interests		–	–	–	–	–	–	29	29
Share of movements in associates' other reserves	26a	–	–	–	–	(6)	(6)	–	(6)
Payment for purchase of own shares for share trusts	26a	–	–	–	–	(146)	(146)	–	(146)
Buyout of non-controlling interests		–	–	–	–	–	–	(3)	(3)
Utilisation of merger relief reserve	26a	–	–	(358)	–	358	–	–	–
Credit entry relating to share-based payments	26a	–	–	–	–	117	117	–	117
At 31 March 2015		168	6,752	3,963	(5,457)	17,746	23,172	1,183	24,355
Total comprehensive income		–	–	–	(1,223)	2,747	1,524	169	1,693
Profit for the year		–	–	–	–	2,699	2,699	223	2,922
Other comprehensive loss		–	–	–	(1,223)	48	(1,175)	(54)	(1,229)
Dividends paid	9	–	–	–	–	(1,860)	(1,860)	(156)	(2,016)
Issue of SABMiller plc ordinary shares		–	97	–	–	16	113	–	113
Share of movements in associates' other reserves	26a	–	–	–	–	2	2	–	2
Payment for purchase of own shares for share trusts	26a	–	–	–	–	(149)	(149)	–	(149)
Utilisation of merger relief reserve	26a	–	–	(335)	–	335	–	–	–
Transfer between reserves	26a	–	–	–	(78)	78	–	–	–
Credit entry relating to share-based payments	26a	–	–	–	–	90	90	–	90
At 31 March 2016		**168**	**6,849**	**3,628**	**(6,758)**	**19,005**	**22,892**	**1,196**	**24,088**

The notes on pages 108 to 170 are an integral part of these consolidated financial statements.

Merger relief reserve

At 1 April 2015 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$568 million (2014: US$926 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 2016 the group transferred US$335 million (2015: US$358 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 2015 and which have had no material impact on the consolidated results of operations or financial position of the group.

- Amendment to IAS 19, 'Employee benefits' on defined benefit plans;
- IFRIC 21, 'Levies';
- Annual improvements to IFRS 2012; and
- Annual improvements to IFRS 2013.

(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 2016 are not expected to have a material impact on the consolidated results of operations or financial position of the group.

- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative is effective from 1 January 2016;
- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities', and IAS 28, 'Investments in associates and joint ventures', on investment entities applying the consolidation exemption, are effective from 1 January 2016[1].
- Amendment to IFRS 11, 'Joint arrangements', on acquisition of an interest in a joint operation, is effective from 1 January 2016;
- Amendments to IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets', on depreciation and amortisation, are effective from 1 January 2016;
- Amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, are effective from 1 January 2016;
- Amendment to IAS 27, 'Separate financial statements', is effective from 1 January 2016; and
- Annual improvements to IFRS 2014, are effective from 1 January 2016.

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 2017 or later periods, which have not been early adopted.

- IFRS 9, 'Financial instruments', is effective from 1 January 2018[1];
- IFRS 15, 'Revenue from contracts with customers', is effective from 1 January 2018[1]; and
- IFRS 16, 'Leases', is effective from 1 January 2019[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. The group has reconsidered the significant judgements and estimates applied, in particular the determination of exceptional items and share-based compensation, where it has not assumed the completion of the AB InBev transaction.

(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, and also in respect of the investments in joint ventures and associates, 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. Further significant judgement is required in determining whether a deferred tax asset is recoverable, and thus recognised. This is based on management's expectations with regard to taxable temporary differences and forecasts of future taxable profits.

1. Accounting policies continued

(iii) 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.

(iv) 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.

(v) Share-based compensation

Accounting for share-based compensation requires certain assumptions to be made in order to determine the amounts to be recognised in the income statement in accordance with IFRS 2. The income statement charge spreads the fair value of each award at the grant date over the vesting period on a straight-line basis, after considering an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge recognised immediately. The completion of the proposed AB InBev transaction has not been assumed in determining the extent and timing of the vesting of awards. The fair value at the date of grant is calculated by various binomial model calculations and Monte Carlo simulations which require various management assumptions including, inter alia, forfeiture rates, dividend yield, volatility, and risk-free interest rates. Details of the assumptions used in determining fair values of grants in the year are set out in note 25.

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 a reportable segment, the group reports separately as a segment Corporate (and in the prior year South Africa: Hotels and Gaming) as this provides useful additional information. Segmental performance is reported after the specific apportionment of attributable head office costs.

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 subsidiaries, associates and joint ventures owned by the company.

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control is where the company has power to vary the returns from its investment in the entity and exposure to the variability of those returns. 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.

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

The group has assessed the nature of its joint arrangements and determined them to be 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 decisions relating to the relevant activities 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 is 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.

(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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

(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 2016	Year ended 31 March 2015
Average rate		
Australian dollar (AUD)	**1.36**	1.15
Colombian peso (COP)	**2,922**	2,097
Czech koruna (CZK)	**24.66**	21.56
Euro (€)	**0.90**	0.78
Peruvian nuevo sol (PEN)	**3.29**	2.90
Polish zloty (PLN)	**3.81**	3.26
South African rand (ZAR)	**13.78**	11.08
Turkish lira (TRY)	**2.81**	2.22
Closing rate		
Australian dollar (AUD)	**1.31**	1.31
Colombian peso (COP)	**3,022**	2,576
Czech koruna (CZK)	**23.76**	25.59
Euro (€)	**0.88**	0.93
Peruvian nuevo sol (PEN)	**3.31**	3.10
Polish zloty (PLN)	**3.73**	3.80
South African rand (ZAR)	**14.77**	12.13
Turkish lira (TRY)	**2.82**	2.60

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 year ended 31 March 2016. The effect of inflation accounting in South Sudan for the year ended 31 March 2016 was not material.

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.

1. Accounting policies continued

(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 less any impairment losses.

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.

(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 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

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

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

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

- the excess over deposit value is written down over a period of one to 10 years.
- provisions are made against the deposit values for breakages and losses in the trade together with a design obsolescence provision held to write off the deposit value over the expected container design period – which is a period of no more than 14 years from the inception of a container design. This period is shortened where appropriate by reference to market dynamics and the ability of the entity to use containers for different brands.

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

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

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

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount.

(v) Capitalisation of borrowing costs
Financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use, are capitalised up to the time of completion of the project.

j) Advance payments made to customers (principally hotels, restaurants, bars and clubs)
Advance payments made to customers are conditional on the achievement of contracted sales targets or marketing commitments. The group records such payments as prepayments initially at fair value and amortises them in the income statement over the relevant period to which the customer commitment is made (typically three to five years). These prepayments are recorded net of any impairment losses.

Where there is a volume target the amortisation of the advance is included in sales discounts as a reduction to revenue and where there are specific marketing activities/commitments the amortisation is included as an operating expense. The amounts capitalised are reassessed annually for achievement of targets and are impaired where there is objective evidence that the targets will not be achieved.

Assets held at customer premises are included within property, plant and equipment and are depreciated in line with group policies on similar assets.

k) Inventories
Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows.

- raw materials, consumables and goods for resale: Purchase cost net of discounts and rebates on a first-in first-out basis (FIFO).
- finished goods and work in progress: Raw material cost plus direct costs and a proportion of manufacturing overhead expenses on a FIFO basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Costs of inventories include the transfer from equity of any gains or losses on matured qualifying cash flow hedges of purchases of raw materials.

l) Financial assets and financial liabilities
Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

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

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

1. Accounting policies continued

There are four categories of financial assets and financial liabilities. These are described as follows.

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include derivative assets and derivative liabilities not designated as effective hedging instruments.

All gains or losses arising from changes in the fair value of financial assets or financial liabilities within this category are recognised in the income statement.

a. Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments the value of which changes in response to an underlying variable, require little or no initial investment and are settled in the future.

These include derivatives embedded in host contracts. Such embedded derivatives need not be accounted for separately if the host contract is already fair valued; if it is not considered as a derivative if it was freestanding; or if it can be demonstrated that it is closely related to the host contract. There are certain currency exemptions which the group has applied to these rules which limit the need to account for certain potential embedded foreign exchange derivatives. These are: if a contract is denominated in the functional currency of either party; where that currency is commonly used in international trade of the good traded; or if it is commonly used for local transactions in an economic environment.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the income statement. (See note x for the group's accounting policy on hedge accounting).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are initially recognised at fair value including originating fees and transaction costs, and subsequently measured at amortised cost using the effective interest method less provision for impairment. Loans and receivables include trade receivables, amounts owed by associates, amounts owed by joint ventures, accrued income and cash and cash equivalents.

a. Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. This provision is recognised in the income statement.

b. Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents includes cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated cash flow statement, cash and cash equivalents also includes bank overdrafts which are shown within borrowings in current liabilities on the balance sheet.

(iii) Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated in this category or not classified as financial assets at fair value through profit or loss, or loans and receivables. Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognised at fair value plus transaction costs and are subsequently remeasured at fair value and tested for impairment. Gains and losses arising from changes in fair value including any related foreign exchange movements are recognised in other comprehensive income. On disposal or impairment of available for sale investments, any gains or losses in other comprehensive income are reclassified to the income statement.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

(iv) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost include trade payables, accruals, amounts owed to associates, amounts owed to joint ventures, 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, and therefore is determined from a market participant perspective. The recoverable amount under both calculations 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. For value in use, 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. Fair value less costs of disposal calculations are prepared on a post-tax basis, and are classified as level 3 in the fair value hierarchy.

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

and a suitable proportion of those used to produce more than one income stream.

An impairment loss is taken first 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.

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 2/2015 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.

1. Accounting policies continued

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill (in the case of deferred tax liabilities) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary. Deferred income tax is also recognised in respect of the unremitted retained earnings of overseas associates and joint ventures as the group is not able to determine when such earnings will be remitted and when such additional tax such as withholding taxes might be payable.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is expected that sufficient existing taxable temporary differences will reverse in the future or there will be sufficient taxable profit available against which the temporary differences (including carried forward tax losses) can be utilised.

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

v) Dividend distributions

Dividend distributions to equity holders of the parent are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

w) Employee benefits

(i) Wages and salaries

Wages and salaries for current employees are recognised in the income statement as the employees' services are rendered.

(ii) Vacation and long-term service awards costs

The group recognises a liability and an expense for accrued vacation pay when such benefits are earned and not when these benefits are paid.

The group also recognises a liability and an expense for long-term service awards where cash is paid to the employee at certain milestone dates in a career with the group. Such accruals are appropriately discounted to reflect the future payment dates at discount rates determined by reference to local high-quality corporate bonds.

(iii) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. At a mid-year point an accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year end.

(iv) Share-based compensation

The group operates a variety of equity-settled share-based compensation plans.

The equity-settled plans comprise share option and stock appreciation rights plans (with and without market performance conditions attached), performance share award plans (with and without 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 over the vesting period on a straight-line basis, after considering an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. In addition the group has granted an equity-settled share-based payment to retailers in relation to the retailer element of the BBBEE scheme. A one-off charge has been recognised based on the fair value at the grant date with a corresponding adjustment to equity. The charge will not be adjusted in the future.

The charges are based on the fair value of the awards as at the date of grant, as calculated by various binomial model calculations and Monte Carlo simulations.

The charges are not reversed if the options and awards are not exercised because the market value of the shares is lower than the option price at the date of grant.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(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 and are charged or credited to equity in other comprehensive income in the period in which they arise.

The current service cost, the net interest cost, any past service costs, and the effect of any curtailments and settlements are recognised in operating costs 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

Notes to the consolidated financial statements continued

1. Accounting policies continued

arising from experience adjustments, and changes in actuarial assumptions are recognised in full as they arise and are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(vii) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

x) Derivative financial instruments – hedge accounting
Financial assets and financial liabilities at fair value through profit or loss include all derivative financial instruments. The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange, 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.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document at inception the relationship between the hedged item and the hedging instrument as well as its risk management objectives and strategy for undertaking hedging transactions. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions or commitments (cash flow hedge); or hedges of net investments in foreign operations (net investment hedge).

(i) Fair value hedges
Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the group's interest rate risk 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 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, 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 a reportable segment, the group reports Corporate (2015: Corporate and South Africa: Hotels and Gaming) as a separate segment 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 2016 US$m	EBITA 2016 US$m	Group NPR 2015 US$m	EBITA 2015 US$m
Latin America	**5,211**	**1,959**	5,768	2,224
Africa	**6,781**	**1,708**	7,462	1,907
Asia Pacific	**3,650**	**753**	3,867	768
Europe	**3,832**	**636**	4,398	700
North America	**4,675**	**865**	4,682	858
Corporate	**–**	**(111)**	–	(122)
Retained operations	**24,149**	**5,810**	26,177	6,335
South Africa: Hotels and Gaming	**–**	**–**	111	32
	24,149	**5,810**	26,288	6,367
Amortisation of intangible assets (excluding computer software) – group and share of associates' and joint ventures'		**(350)**		(423)
Exceptional items in operating profit – group and share of associates' and joint ventures'		**(657)**		(138)
Net finance costs – group and share of associates' and joint ventures'		**(579)**		(740)
Share of associates' and joint ventures' taxation		**(114)**		(157)
Share of associates' and joint ventures' non-controlling interests		**(36)**		(79)
Profit before taxation		**4,074**		4,830

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 2016 US$m	Share of associates' and joint ventures' revenue 2016 US$m	Group revenue 2016 US$m	Excise duties and other similar taxes 2016 US$m	Share of associates' and joint ventures' excise duties and other similar taxes 2016 US$m	Group NPR 2016 US$m
Latin America	**7,018**	**–**	**7,018**	**(1,807)**	**–**	**5,211**
Africa	**6,126**	**2,124**	**8,250**	**(1,160)**	**(309)**	**6,781**
Asia Pacific	**2,793**	**2,180**	**4,973**	**(1,061)**	**(262)**	**3,650**
Europe	**3,721**	**1,371**	**5,092**	**(906)**	**(354)**	**3,832**
North America	**175**	**5,142**	**5,317**	**(4)**	**(638)**	**4,675**
	19,833	**10,817**	**30,650**	**(4,938)**	**(1,563)**	**24,149**

	2015 US$m	2015 US$m	2015 US$m	2015 US$m	2015 US$m	2015 US$m
Latin America	7,812	–	7,812	(2,044)	–	5,768
Africa	6,853	2,221	9,074	(1,334)	(278)	7,462
Asia Pacific	3,136	2,203	5,339	(1,203)	(269)	3,867
Europe	4,186	1,675	5,861	(1,011)	(452)	4,398
North America	143	5,201	5,344	(4)	(658)	4,682
Retained operations	22,130	11,300	33,430	(5,596)	(1,657)	26,177
South Africa: Hotels and Gaming	–	128	128	–	(17)	111
	22,130	11,428	33,558	(5,596)	(1,674)	26,288

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 2016 US$m	Exceptional items 2016 US$m	Operating profit before exceptional items 2016 US$m	Share of associates' and joint ventures' operating profit before exceptional items 2016 US$m	Amortisation of intangible assets (excluding computer software) 2016 US$m	Share of associates' and joint ventures' amortisation of intangible assets (excluding computer software) 2016 US$m	EBITA 2016 US$m
Latin America	**1,873**	**–**	**1,873**	**–**	**86**	**–**	**1,959**
Africa	**923**	**389**	**1,312**	**381**	**15**	**–**	**1,708**
Asia Pacific	**463**	**(29)**	**434**	**165**	**153**	**1**	**753**
Europe	**511**	**–**	**511**	**78**	**21**	**26**	**636**
North America	**(9)**	**–**	**(9)**	**826**	**4**	**44**	**865**
Corporate	**(307)**	**196**	**(111)**	**–**	**–**	**–**	**(111)**
	3,454	**556**	**4,010**	**1,450**	**279**	**71**	**5,810**

	2015 US$m	2015 US$m	2015 US$m	2015 US$m	2015 US$m	2015 US$m	2015 US$m
Latin America	2,110	–	2,110	–	114	–	2,224
Africa	1,516	(45)	1,471	427	9	–	1,907
Asia Pacific	(14)	452	438	142	188	–	768
Europe	548	–	548	85	22	45	700
North America	14	–	14	800	2	42	858
Corporate	(191)	69	(122)	–	–	–	(122)
Retained operations	3,983	476	4,459	1,454	335	87	6,335
South Africa: Hotels and Gaming	401	(401)	–	31	–	1	32
	4,384	75	4,459	1,485	335	88	6,367

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.

	2016 US$m	2015 US$m
Share of associates' and joint ventures' operating profit (before exceptional items)	**1,450**	1,485
Share of associates' and joint ventures' exceptional items in operating profit	**(101)**	(63)
Share of associates' and joint ventures' net finance costs	**(73)**	(103)
Share of associates' and joint ventures' taxation	**(114)**	(157)
Share of associates' and joint ventures' non-controlling interests	**(36)**	(79)
Share of post-tax results of associates and joint ventures	**1,126**	1,083

EBITDA

EBITA is reconciled to EBITDA as follows.

	EBITA 2016 US$m	Depreciation 2016 US$m	Share of associates' and joint ventures' depreciation 2016 US$m	EBITDA 2016 US$m	EBITA 2015 US$m	Depreciation 2015 US$m	Share of associates' and joint ventures' depreciation 2015 US$m	EBITDA 2015 US$m
Latin America	**1,959**	**274**	**–**	**2,233**	2,224	302	–	2,526
Africa	**1,708**	**249**	**120**	**2,077**	1,907	275	121	2,303
Asia Pacific	**753**	**62**	**148**	**963**	768	66	148	982
Europe	**636**	**195**	**64**	**895**	700	214	77	991
North America	**865**	**–**	**139**	**1,004**	858	–	145	1,003
Corporate	**(111)**	**36**	**–**	**(75)**	(122)	39	–	(83)
Retained operations	**5,810**	**816**	**471**	**7,097**	6,335	896	491	7,722
South Africa: Hotels and Gaming	**–**	**–**	**–**	**–**	32	–	8	40
	5,810	**816**	**471**	**7,097**	6,367	896	499	7,762

2. Segmental analysis continued

Adjusted EBITDA

Adjusted EBITDA is comprised of the following.

	2016 US$m	2015 US$m
Subsidiaries' EBITDA	**5,105**	5,690
– Operating profit before exceptional items	**4,010**	4,459
– Depreciation (including amortisation of computer software)	**816**	896
– Amortisation (excluding computer software)	**279**	335
Group's share of MillerCoors' EBITDA	**1,009**	987
– Operating profit before exceptional items	**826**	800
– Depreciation (including amortisation of computer software)	**139**	145
– Amortisation (excluding computer software)	**44**	42
Adjusted EBITDA	**6,114**	6,677

Other segmental information

	Capital expenditure excluding investment activity[1] 2016 US$m	Investment activity[2] 2016 US$m	Total 2016 US$m	Capital expenditure excluding investment activity[1] 2015 US$m	Investment activity[2] 2015 US$m	Total 2015 US$m
Latin America	**439**	**–**	**439**	429	(5)	424
Africa	**547**	**4**	**551**	720	8	728
Asia Pacific	**85**	**–**	**85**	80	–	80
Europe	**201**	**191**	**392**	253	–	253
North America	**–**	**301**	**301**	15	216	231
Corporate	**41**	**–**	**41**	75	(972)	(897)
	1,313	**496**	**1,809**	1,572	(753)	819

[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.

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

	2016 US$m	2015 US$m
UK	**440**	424
Australia	**2,149**	2,493
Colombia	**2,844**	3,568
Peru	**2,025**	2,145
South Africa	**3,804**	4,352
USA	**165**	131
Rest of world	**8,406**	9,017
	19,833	22,130

Non-current assets

	2016 US$m	2015 US$m
UK	**489**	358
Australia	**9,697**	9,804
Colombia	**4,990**	5,886
Peru	**2,896**	3,094
South Africa	**1,548**	1,735
USA	**5,781**	5,704
Rest of world	**12,909**	13,038
	38,310	39,619

Non-current assets by location exclude amounts relating to derivative financial instruments and deferred tax assets.

Notes to the consolidated financial statements continued

3. Net operating expenses

	2016 US$m	2015 US$m
Cost of inventories recognised as an expense	**4,177**	4,552
– Changes in inventories of finished goods and work in progress	**17**	57
– Raw materials and consumables used	**4,160**	4,495
Excise duties and other similar taxes	**4,938**	5,596
Employee costs (see note 6a)	**2,232**	2,483
Depreciation of property, plant and equipment	**743**	821
– Containers	**205**	219
– Other	**538**	602
Profit on disposal of available for sale investments	**–**	(1)
Profit on disposal of businesses	**–**	(45)
Profit on disposal of investment in associates	**–**	(403)
Gain on dilution of investment in associates	**–**	(2)
Profit on disposal of property, plant and equipment	**(34)**	(18)
Loss on disposal of intangible assets	**2**	–
Amortisation of intangible assets	**352**	410
– Intangible assets (excluding computer software)	**279**	335
– Computer software	**73**	75
Other expenses	**4,178**	4,696
– Selling, marketing and distribution costs	**2,132**	2,428
– Repairs and maintenance expenditure on property, plant and equipment	**266**	309
– Impairment of investment in associate	**372**	–
– Impairment of trade and other receivables	**25**	34
– Impairment of property, plant and equipment	**7**	73
– Impairment of goodwill	**–**	286
– Impairment of intangible assets	**–**	6
– Operating lease rentals – land and buildings	**68**	84
– Operating lease rentals – plant, vehicles and systems	**67**	88
– Transaction-related costs (excluding employee-related costs)	**94**	–
– Research and development expenditure	**4**	5
– Other operating expenses	**1,143**	1,383
Total net operating expenses by nature	**16,588**	18,089
Other income	**(209)**	(343)
– Revenue received from royalties	**(37)**	(47)
– Dividends received from investments	**–**	(1)
– Other operating income	**(172)**	(295)
Net operating expenses	**16,379**	17,746

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$34 million (2015: US$25 million).

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

	2016 US$m	2015 US$m
Group auditors		
Fees payable to the company's auditor and its associates for the audit of parent company and consolidated financial statements	**3**	3
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries	**7**	8
Total audit fees payable to the company's auditor	**10**	11
Taxation advisory services	**1**	1
Other non-audit services[1]	**3**	1
Total fees payable to the company's auditor	**14**	13
Reimbursement by third party of fees payable to the company's auditor	**(1)**	–
Total fees payable by the group to the company's auditor	**13**	13
Other audit firms		
Fees payable to other auditor firms for:		
The audit of the company's subsidiaries	**1**	1
Taxation advisory services	**3**	3
Services relating to corporate finance transactions	**1**	1
Internal audit services	**1**	3
Other non-audit services		
Services relating to information technology[2]	**2**	1
Other[2]	**6**	21
Total fees payable to other audit firms	**14**	30

[1] Principally relating to the AB InBev offer. [2] Consulting services principally relating to the cost and efficiency programme.

4. Exceptional items

	2016 US$m	2015 US$m
Exceptional items included in operating profit:		
Impairments[1,2]	**(379)**	(313)
Transaction costs	**(160)**	–
Cost and efficiency programme costs	**(36)**	(69)
Integration and restructuring costs	**29**	(139)
Net foreign exchange losses[2]	**(10)**	–
Profit on disposal of investment in associate	**–**	401
Profit on disposal of business	**–**	45
Net exceptional losses included within operating profit	**(556)**	(75)
Exceptional items included in net finance costs:		
Net foreign exchange losses[2]	**(44)**	–
Loan guarantee provision[1]	**(20)**	–
Early redemption costs	**–**	(48)
Recycling of foreign currency translation reserves	**–**	33
Net exceptional losses included within net finance costs	**(64)**	(15)
Share of associates' and joint ventures' exceptional items:		
Profit on transaction in associate	**86**	–
Impairments and related charges[1]	**(119)**	(63)
Restructuring costs	**(68)**	–
Group's share of associates' and joint ventures' exceptional losses	**(101)**	(63)
Net taxation credits/(charges) relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items	**28**	(83)

[1] **Angola**
During 2016 the group incurred US$491 million of exceptional charges before finance costs relating to Angola including the US$372 million impairment of the group's associate investment in Angola and the group's US$119 million share of Castel's impairment and related charges. Additionally the group has made a provision within finance costs in relation to loan guarantees in Angola of US$20 million. All the charges result from the operations being significantly scaled down following the significant devaluation of the local currency against the US dollar and the lack of availability of hard currency in Angola.

[2] **South Sudan**
During 2016 the group incurred US$17 million of exceptional charges before finance costs relating to South Sudan including the US$7 million impairment of property, plant and equipment and US$10 million of operating foreign exchange losses arising on the retranslation of net monetary liabilities. Additionally the group has incurred US$44 million of foreign exchange losses on net monetary liabilities within finance costs. All the charges result from the operation being significantly scaled down following the significant devaluation of the local currency against the US dollar and the lack of availability of hard currency in South Sudan.

Impairments
During 2015 an impairment charge of US$313 million was incurred in respect of the group's Indian business in Asia Pacific. The impairment charge comprised US$286 million against goodwill, US$23 million against property, plant and equipment, and US$4 million against intangible assets.

Transaction costs
During 2016 the group incurred costs of US$160 million relating to the potential transaction with Anheuser-Busch InBev SA/NV, including advisers' fees and staff-related costs.

Cost and efficiency programme costs
In 2016 costs of US$36 million (2015: US$69 million) were incurred in relation to the cost and efficiency programme.

Integration and restructuring costs
In 2016 a credit of US$29 million was realised relating to integration and restructuring in Australia, following the successful resolution of certain claims leading to the release of provisions.

During 2015 US$139 million of integration and restructuring costs were incurred in Asia Pacific following the Foster's and Pacific Beverages acquisitions, including impairments relating to brewery closures.

Profit on disposal of investment in associate
During 2015 a pre-tax profit of US$401 million, after associated costs, was realised on the disposal of the group's interests in the Tsogo Sun hotels and gaming business in South Africa.

Profit on disposal of business
During 2015 an additional profit of US$45 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 resolution of certain matters leading to the release of provisions.

Notes to the consolidated financial statements continued

4. Exceptional items continued

Exceptional items included in net finance costs

Early redemption costs

During 2015 a US$48 million exceptional charge was incurred in relation to costs for the early redemption of the US$850 million 6.5% Notes that were due July 2016.

Recycling of foreign currency translation reserve

During 2015 a credit of US$33 million was recognised in relation to the recycling of foreign currency translation reserves following the repayment of an intercompany loan.

Share of associates' and joint ventures' exceptional items

Profit on transaction in associate

In 2016 the group's associate Castel recognised a gain arising on the change in control following the acquisition of further interests in its Tunisian operation. The group's share of the gain amounted to US$86 million.

Impairments

During 2015 the group's share of the impairment charges taken by Anadolu Efes in relation to its beer businesses in Russia and Ukraine amounted to US$63 million.

Restructuring costs

During 2016 MillerCoors announced the closure of the Eden brewery with full effect from September 2016. Restructuring costs, including accelerated depreciation and severance costs, have been incurred of which the group's share amounted to US$68 million.

Net taxation credits/(charges) relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items

Net taxation credits of US$28 million (2015: charges of US$83 million) arose in relation to exceptional items during the year, and include US$25 million (2015: US$nil) in relation to MillerCoors although the tax credit is recognised in Miller Brewing Company (see note 7).

5. Net finance costs

	2016 US$m	2015 US$m
a. Finance costs		
Interest payable on bank loans and overdrafts	**88**	100
Interest payable on derivatives	**132**	177
Interest payable on corporate bonds	**397**	545
Interest element of finance lease payments	**4**	3
Net fair value losses on financial instruments	**27**	–
Net exchange losses	**15**	120
Exceptional foreign exchange losses[1] (see note 4)	**44**	–
Exceptional loan guarantee provision[1] (see note 4)	**20**	–
Early redemption costs[1] (see note 4)	**–**	48
Other finance charges	**36**	54
Total finance costs	**763**	1,047
b. Finance income		
Interest receivable	**16**	19
Interest receivable on derivatives	**234**	282
Net fair value gains on financial instruments	**–**	66
Recycling of foreign currency translation reserves[1] (see note 4)	**–**	33
Other finance income	**7**	10
Total finance income	**257**	410
Net finance costs	**506**	637

[1] Net exceptional losses of US$64 million (2015: US$15 million) are excluded from the determination of adjusted net finance costs and adjusted earnings per share.

Adjusted net finance costs were US$442 million (2015: US$622 million).

Refer to note 21 – Financial risk factors for interest rate risk information.

6. Employee and key management compensation costs

a. Employee costs

	2016 US$m	2015 US$m
Wages and salaries	**1,858**	2,085
Share-based payments	**90**	117
Social security costs	**175**	164
Pension costs	**107**	117
Post-retirement benefits other than pensions	**5**	8
	2,235	2,491

Of the US$2,235 million employee costs shown above, US$3 million (2015: US$8 million) has been capitalised within intangible assets and property, plant and equipment.

b. Employee numbers

The average monthly number of employees are shown on a full-time equivalent basis, excluding employees of associated and joint venture undertakings and including executive directors.

	2016 Number	2015 Number
Latin America	**28,632**	28,162
Africa	**25,669**	24,802
Asia Pacific	**4,692**	5,048
Europe	**9,971**	9,810
North America	**186**	124
Corporate	**939**	862
	70,089	68,808

c. Key management compensation

The directors of the group and members of the executive committee (excom) are defined as key management. At 31 March 2016 there were 23 (2015: 23) key management.

	2016 US$m	2015 US$m
Salaries and short-term employee benefits	**28**	29
Post-employment benefits	**2**	3
Share-based payments	**53**	47
	83	79

d. Directors

	2016 US$m	2015 US$m
Aggregate emoluments £5,986,052 (2015: £5,235,208)	**9**	8
Aggregate gains made on the exercise of share options or release of share awards	**11**	12
Notional contributions to unfunded retirement benefits scheme £370,666 (2015: £502,836)	**1**	1
	21	21

At 31 March 2016 two directors (2015: one) had retirement benefits accruing under money purchase pension schemes. Company contributions to money purchase pension schemes during the year amounted to £120,000 (2015: £40,000).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 74 to 92.

Notes to the consolidated financial statements continued

7. Taxation

	2016 US$m	2015 US$m
Current taxation	**1,039**	1,415
– Charge for the year	**1,050**	1,390
– Adjustments in respect of prior years	**(11)**	25
Withholding taxes and other remittance taxes	**148**	176
Total current taxation	**1,187**	1,591
Deferred taxation	**(35)**	(318)
– Credit for the year	**(24)**	(330)
– Adjustments in respect of prior years	**(12)**	7
– Rate change	**1**	5
Taxation expense	**1,152**	1,273
Tax charge/(credit) relating to components of other comprehensive loss is as follows:		
Deferred tax charge/(credit) on net remeasurements of defined benefit plans	**29**	(70)
Deferred tax (credit)/charge on financial instruments	**(18)**	3
	11	(67)
Total current tax	**1,187**	1,591
Total deferred tax	**(24)**	(385)
Total taxation	**1,163**	1,206
Effective tax rate (%)	**26.3**	26.0
UK taxation included in the above		
Current taxation	**–**	–
Withholding taxes and other remittance taxes	**91**	82
Total current taxation	**91**	82
Deferred taxation	**(53)**	–
UK taxation expense	**38**	82

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$96 million (2015: US$117 million).

MillerCoors is not a taxable entity. The tax balances and obligations therefore remain with Miller Brewing Company as a 100% subsidiary of the group. This subsidiary's tax charge includes tax (including deferred tax) on the group's share of the taxable profits of MillerCoors and includes tax in other comprehensive income on the group's share of MillerCoors' taxable items included within other comprehensive income.

7. Taxation continued

Tax rate reconciliation

	2016 US$m	2015 US$m
Profit before taxation	**4,074**	4,830
Less: Share of post-tax results of associates and joint ventures	**(1,126)**	(1,083)
	2,948	3,747
Tax charge at standard UK rate of 20% (2015: 21%)	**590**	787
Exempt income	**(155)**	(194)
Other incentive allowances	**(33)**	(34)
Expenses not deductible for tax purposes	**140**	179
Deferred tax asset not recognised/(recognised)	**49**	(54)
Initial recognition of deferred taxation	**(53)**	(104)
Tax impact of MillerCoors joint venture	**158**	174
Withholding taxes and other remittance taxes	**148**	176
Other taxes	**37**	33
Adjustments in respect of foreign tax rates	**288**	306
Adjustments in respect of prior periods	**(23)**	32
Deferred taxation rate change	**1**	5
Deferred taxation on unremitted earnings	**5**	(33)
Total taxation expense	**1,152**	1,273

8. Earnings per share

	2016 US cents	2015 US cents
Basic earnings per share	**167.8**	205.7
Diluted earnings per share	**166.0**	203.5
Headline earnings per share	**188.4**	213.4
Adjusted basic earnings per share	**224.1**	239.1
Adjusted diluted earnings per share	**221.6**	236.6

The weighted average number of shares was:

	2016 Millions of shares	2015 Millions of shares
Ordinary shares	**1,677**	1,674
Treasury shares	**(59)**	(63)
EBT ordinary shares	**(10)**	(7)
Basic shares	**1,608**	1,604
Dilutive ordinary shares	**18**	17
Diluted shares	**1,626**	1,621

The calculation of diluted earnings per share excludes 4,582,485 (2015: 8,613,524) share options that were non-dilutive for the year because the exercise price together with the future IFRS 2 charge of the option exceeded the average fair value of the shares during the year and 25,574,875 (2015: 16,316,980) share awards that were non-dilutive for the year because the performance conditions attached to the share awards had not been met. These share incentives could potentially dilute earnings per share in the future.

Notes to the consolidated financial statements continued

8. Earnings per share continued

Adjusted and headline earnings

The group presents an adjusted earnings per share figure which excludes the impact of amortisation of intangible assets (excluding 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 2/2015 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.

	2016 US$m	2015 US$m
Profit for the year attributable to owners of the parent	**2,699**	3,299
Headline adjustments		
Impairment of associate	**372**	–
Impairment of property, plant and equipment	**7**	73
Impairment of intangible assets	**–**	6
Impairment of goodwill	**–**	286
Profit on disposal of investment in associate	**–**	(401)
Profit on disposal of business	**–**	(45)
Tax effects of these items	**–**	146
Non-controlling interests' share of the above items	**(1)**	(1)
Share of associates' and joint ventures' headline adjustments, net of tax and non-controlling interests	**(48)**	60
Headline earnings	**3,029**	3,423
Amortisation of intangible assets (excluding computer software)	**279**	335
Transaction costs	**160**	–
Integration and restructuring costs (excluding impairment)	**(29)**	87
Cost and efficiency programme costs	**36**	69
Loan guarantee provision	**20**	–
Net foreign exchange losses	**54**	–
Early redemption costs	**–**	48
Recycling of foreign currency translation reserves	**–**	(33)
Tax effects of the above items	**(117)**	(167)
Non-controlling interests' share of the above items	**(23)**	(6)
Share of associates' and joint ventures' other adjustments, net of tax and non-controlling interests	**195**	79
Adjusted earnings	**3,604**	3,835

9. Dividends

	2016 US$m	2015 US$m
Equity		
2015 Final dividend paid: 87.0 US cents (2014: 80.0 US cents) per ordinary share	**1,404**	1,289
2016 Interim dividend paid: 28.25 US cents (2015: 26.0 US cents) per ordinary share	**456**	416
	1,860	1,705

In addition, the directors are proposing a final dividend of 93.75 US cents per share in respect of the financial year ended 31 March 2016, which will absorb an estimated US$1,509 million of shareholders' funds. If approved by shareholders, and if the proposed offer for the company by AB InBev has not become effective prior to 12 August 2016, the dividend will be paid on 12 August 2016 to shareholders registered on the London and Johannesburg registers as at 5 August 2016. The total dividend per share for the year is 122.0 US cents (2015: 113.0 US cents).

Treasury shares do not attract dividends and the employees' 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 2014	18,843
Exchange adjustments	(3,257)
Reclassification (see note 19)	(293)
Acquisitions – through business combinations	1
At 31 March 2015	15,294
Exchange adjustments	(555)
Acquisitions – through business combinations	79
At 31 March 2016	**14,818**
Accumulated impairment	
At 1 April 2014	346
Exchange adjustments	(84)
Impairment	286
At 31 March 2015	548
Exchange adjustments	2
At 31 March 2016	**550**
Net book amount	
At 1 April 2014	18,497
At 31 March 2015	14,746
At 31 March 2016	**14,268**

2016
Provisional goodwill of US$79 million arose on the acquisition of Meantime Brewing Company Ltd, a modern craft brewer in the United Kingdom. The fair value exercise in respect of this business combination is now complete.

2015
Provisional goodwill of US$1 million arose on the acquisition of a business in Africa. The fair value exercise in respect of this business combination is now complete.

Goodwill is monitored principally on an individual country basis and the net book value is allocated by cash generating unit (CGU) as follows.

	2016 US$m	2015 US$m
CGUs:		
Latin America:		
– Central America	**766**	777
– Colombia	**2,881**	3,367
– Peru	**1,408**	1,505
– Other Latin America	**198**	207
Africa:		
– South Africa	**321**	391
– Other Africa	**200**	219
Asia Pacific:		
– Australia	**5,858**	5,820
Europe:		
– Czech Republic	**761**	707
– Netherlands	**90**	85
– Italy	**368**	347
– Poland	**1,021**	1,002
– United Kingdom	**74**	–
– Other Europe	**66**	63
North America	**256**	256
	14,268	14,746

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Notes to the consolidated financial statements continued

10. Goodwill continued

Assumptions

The group uses both value in use and fair value less costs of disposal (FVLCD) calculations to determine the recoverable amounts for its CGUs. See note 1 for the detailed accounting policy on how the group determines recoverable value. The key assumptions for the discounted cash flow calculations are as follows.

Expected volume five-year 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. The cash flow forecasts included in FVLCD calculations are based on management's best estimates of expected volume CAGRs and incorporate cash flows associated with enhancing the assets' performance, such as capital expenditure, where appropriate in order to determine the FVLCD from a market participant's perspective.

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. For a value in use calculation, where a potential impairment is identified on a post-tax basis, the impairment review is reperformed on a pre-tax basis.

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 discounted cash flow calculations in each of the group's operating segments and relate only to subsidiaries of the group.

	Expected volume CAGRs 2016-2021 %	Post-tax discount rates %	Long-term growth rates %
Latin America	2.9–3.9	8.4–12.7	1.9–3.7
Africa	3.7–11.3	12.2–19.3	5.4–8.6
Asia Pacific	(0.1)	7.4	2.6
Europe	(0.9)–3.2	6.9–9.0	1.4–2.3
North America[1]	22.2	6.7	1.9

[1] Primarily the international business across the Americas.

Impairment reviews results

As a result of the annual impairment reviews, no impairment losses have been recognised in the year.

In 2015 an impairment charge of US$313 million was recognised in respect of the India CGU in Asia Pacific. This primarily reflected the group's assessment of the increasing regulatory and excise challenges in the operating environment in India and the proposed partial introduction of a national goods and services tax (GST) which will not apply to beer so that GST on input costs is not expected to be recoverable. The impairment loss was allocated to goodwill (US$286 million), property, plant and equipment (US$23 million), and intangible assets (US$4 million). The recoverable amount of the CGU was based on its value in use, which was determined using a discounted cash flow calculation. In arriving at value in use, a pre-tax discount rate of 14.1% was applied to pre-tax cash flows.

Sensitivities to assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described above.

The most material goodwill balance is in Australia. In addition to the volume CAGR, pricing and mix, and cost efficiencies are significant factors influencing the recoverable value of the CGU, and therefore NPR and EBITA CAGRs were also considered key assumptions in the discounted cash flow calculation. The estimated recoverable value was calculated on a FVLCD basis. Due to improved performance of the group's business in Australia, the recoverable amount has increased and is now approximately US$750 million (2015: US$650 million) higher than the carrying value of the CGU. For the recoverable amount to reduce to a level such that it is equal to the carrying value of the CGU, the following would need to occur in isolation: the future compound annual NPR growth over the five-year forecast period to reduce to a level such that the EBITA CAGR over the same period of 3.7% would fall below the long-term growth rate of 2.6%; or the long-term growth rate of 2.6% in nominal terms to fall below 2.1%; or the discount rate to rise from 7.4% to 7.8% or higher. These changes in assumptions are considered reasonably possible in the current operating environment.

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 other CGUs.

11. Intangible assets

	Brands US$m	Computer software US$m	Other US$m	Total US$m
Cost				
At 1 April 2014	9,188	811	557	10,556
Exchange adjustments	(1,596)	(101)	(101)	(1,798)
Additions – separately acquired	14	172	–	186
Disposals	–	(8)	–	(8)
At 31 March 2015	7,606	874	456	8,936
Exchange adjustments	(289)	(22)	4	(307)
Additions – separately acquired	–	91	–	91
Acquisitions – through business combinations	126	–	–	126
Disposals	–	(33)	(20)	(53)
At 31 March 2016	**7,443**	**910**	**440**	**8,793**
Accumulated amortisation and impairment				
At 1 April 2014	1,544	370	110	2,024
Exchange adjustments	(301)	(48)	(25)	(374)
Amortisation	301	75	34	410
Disposals	–	(8)	–	(8)
Impairment	4	2	–	6
At 31 March 2015	1,548	391	119	2,058
Exchange adjustments	(83)	(11)	2	(92)
Amortisation	254	73	25	352
Disposals	–	(31)	(20)	(51)
At 31 March 2016	**1,719**	**422**	**126**	**2,267**
Net book amount				
At 1 April 2014	7,644	441	447	8,532
At 31 March 2015	6,058	483	337	6,878
At 31 March 2016	**5,724**	**488**	**314**	**6,526**

During 2016 no impairment charges in respect of intangible assets were recognised (2015: US$6 million).

At 31 March significant individual brands included within the carrying value of intangible assets are as follows.

	2016 US$m	2015 US$m	Amortisation period remaining (years)
Brand carrying value			
Carlton (Australia)	**1,452**	1,481	**36**
Aguila (Colombia)	**813**	987	**29**
Victoria Bitter (Australia)	**732**	748	**36**
Cristal (Peru)	**459**	508	**29**
Grolsch (Netherlands)	**342**	332	**32**

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 2014	606	3,665	8,394	2,051	14,716
Exchange adjustments	(124)	(712)	(1,722)	(362)	(2,920)
Additions	828	30	216	345	1,419
Acquisitions – through business combinations	–	3	1	–	4
Breakages and shrinkage	–	–	–	(140)	(140)
Transfers	(613)	123	476	14	–
Transfers to other assets	–	–	(2)	–	(2)
Disposals	(1)	(63)	(298)	(39)	(401)
At 31 March 2015	696	3,046	7,065	1,869	12,676
Exchange adjustments	(65)	(192)	(640)	(158)	(1,055)
Additions	641	91	213	303	1,248
Acquisitions – through business combinations	–	6	10	3	19
Breakages and shrinkage	–	–	–	(111)	(111)
Transfers	(709)	130	546	33	–
Disposals	(3)	(30)	(203)	(17)	(253)
At 31 March 2016	**560**	**3,051**	**6,991**	**1,922**	**12,524**
Accumulated depreciation and impairment					
At 1 April 2014	–	723	3,916	1,012	5,651
Exchange adjustments	–	(187)	(1,015)	(203)	(1,405)
Provided during the year	–	74	528	219	821
Breakages and shrinkage	–	–	–	(77)	(77)
Impairment	–	43	30	–	73
Disposals	–	(38)	(275)	(35)	(348)
At 31 March 2015	–	615	3,184	916	4,715
Exchange adjustments	–	(35)	(314)	(75)	(424)
Provided during the year	–	68	470	205	743
Breakages and shrinkage	–	–	–	(54)	(54)
Impairment	–	–	7	–	7
Disposals	–	(14)	(190)	(9)	(213)
At 31 March 2016	**–**	**634**	**3,157**	**983**	**4,774**
Net book amount					
At 1 April 2014	606	2,942	4,478	1,039	9,065
At 31 March 2015	696	2,431	3,881	953	7,961
At 31 March 2016	**560**	**2,417**	**3,834**	**939**	**7,750**

No impairment losses have been recognised in the year as a result of the annual goodwill impairment reviews (2015: US$23 million) (see note 10).

Included in land and buildings is freehold land with a cost of US$498 million (2015: US$560 million) which is not depreciated.

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

	2016 US$m	2015 US$m
Net book amount	**74**	65

12. Property, plant and equipment continued

Included in the amounts above are the following amounts in respect of borrowing costs capitalised.

	2016 US$m	2015 US$m
At 1 April	**20**	37
Exchange adjustments	**(3)**	(6)
Amortised during the year	**(8)**	(11)
At 31 March	**9**	20

No borrowing costs were capitalised during the year (2015: none).

Borrowings are secured by various of the group's property, plant and equipment with an aggregate net book value of US$86 million (2015: US$91 million).

13. Investments in joint ventures

A list of the group's principal investments in joint ventures, including the name, country of incorporation and effective ownership interest is given in note 33.

	US$m
At 1 April 2014	5,581
Investments in joint ventures	216
Share of results retained	786
Share of other comprehensive loss	(179)
Dividends received	(976)
As at 31 March 2015	5,428
Investments in joint ventures	301
Share of results retained	746
Share of other comprehensive income	35
Dividends received	(998)
At 31 March 2016	**5,512**

Summarised financial information for the group's interest in joint ventures, on a 100% basis after adjustments to comply with the group's accounting policies, is shown below.

Summarised balance sheet

	MillerCoors	
	2016 US$m	2015 US$m
Cash and cash equivalents	**16**	18
Other current assets	**935**	911
Total current assets	**951**	929
Non-current assets	**5,030**	5,022
Total assets	**5,981**	5,951
Financial liabilities (excluding trade payables)	**(72)**	(47)
Other current liabilities	**(945)**	(911)
Total current liabilities	**(1,017)**	(958)
Financial liabilities	**(58)**	(30)
Other non-current liabilities	**(1,311)**	(1,509)
Total liabilities	**(2,386)**	(2,497)
Non-controlling interests	**(38)**	(41)
Net assets attributable to owners	**3,557**	3,413

Notes to the consolidated financial statements continued

13. Investments in joint ventures continued

Summarised statement of comprehensive income

	MillerCoors	
	2016 US$m	2015 US$m
Revenue	**8,866**	8,966
Depreciation and amortisation	**(411)**	(322)
Interest expense	**(2)**	(1)
Profit before taxation	**1,288**	1,361
Taxation expense	**(3)**	(5)
Profit for the year	**1,285**	1,356
Other comprehensive income/(loss)	**61**	(309)
Total comprehensive income	**1,346**	1,047

Reconciliation of summarised financial information

A reconciliation of the summarised financial information to the carrying amount of the group's interests in its joint ventures is as follows.

	MillerCoors	
	2016 US$m	2015 US$m
Opening net assets	**3,413**	3,676
Total comprehensive income	**1,346**	1,047
Dividends paid	**(1,721)**	(1,683)
Funding to joint venture	**519**	373
Closing net assets	**3,557**	3,413
Interest in joint venture (%)	**58**	58
Interest in joint venture	**2,063**	1,979
Goodwill	**3,449**	3,449
Carrying value of investments in joint venture	**5,512**	5,428

14. Investments in associates

A list of the group's principal investments in associates, including the name, country of incorporation and effective ownership interest is given in note 33. Details of all the group's investments in associates are provided in the related undertakings section of the annual report.

	US$m
At 1 April 2014	5,787
Exchange adjustments	(755)
Investments in associates	46
Disposals of investments in associates	(368)
Share of results retained	297
Share of other comprehensive loss	(119)
Share of movements in other reserves	(6)
Dividends receivable	(423)
At 31 March 2015	4,459
Exchange adjustments	(50)
Impairment (see note 4)	(372)
Share of results retained	380
Share of other comprehensive loss	(52)
Share of movements in other reserves	2
Dividends receivable	(253)
At 31 March 2016	**4,114**

2016

There have been no acquisitions or disposals of associates in the year.

An impairment charge of US$372 million was recognised in respect of the group's investment in BIH Brasseries Internationales Holding (Angola) Ltd, its associate with interests in Angola, as a result of the operations in Angola being significantly scaled down following the significant devaluation of the local currency against the US dollar and the lack of availability of hard currency in Angola. The recoverable amount was based on the value in use, determined using a discounted cash flow calculation with a pre-tax discount rate of 24.0%.

14. Investments in associates continued

2015

The group disposed of its investment in Tsogo Sun Holdings Ltd (Tsogo Sun), its hotels and gaming associate listed on the Johannesburg Stock Exchange, in August 2014 through an institutional placing and share buyback. The group received net proceeds of US$971 million, and realised a post-tax profit of US$239 million.

In January 2015 the group received net proceeds of US$7 million and realised a net profit of US$2 million, after associated costs, on the disposal of its packaging associate in Panama, Latin America.

The analysis of associates between listed and unlisted investments is shown below.

	2016 US$m	2015 US$m
Listed	**1,446**	1,470
Unlisted	**2,668**	2,989
	4,114	4,459

Further details of the market value of listed investments in associates are given in note 21.

Summarised financial information

Summarised financial information for associates, which in the opinion of the directors are material to the group, on a 100% basis after adjustments to comply with the group's accounting policies, is as follows.

	Castel[1]		Anadolu Efes		CR Snow	
	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m
Summarised balance sheet						
Total current assets	**3,963**	3,388	**1,411**	1,478	**1,641**	1,523
Total non-current assets	**3,699**	2,972	**6,282**	6,390	**4,888**	5,032
Total assets	**7,662**	6,360	**7,693**	7,868	**6,529**	6,555
Total current liabilities	**(1,505)**	(1,257)	**(777)**	(920)	**(2,813)**	(2,869)
Total non-current liabilities	**(592)**	(409)	**(2,491)**	(2,402)	**(744)**	(659)
Total liabilities	**(2,097)**	(1,666)	**(3,268)**	(3,322)	**(3,557)**	(3,528)
Total non-controlling interests	**(825)**	(672)	**(1,782)**	(1,659)	**(20)**	(20)
Net assets attributable to owners	**4,740**	4,022	**2,643**	2,887	**2,952**	3,007
Summarised statement of comprehensive income/(loss)						
Revenue	**6,019**	6,000	**5,099**	6,408	**4,449**	4,496
Profit/(loss) for the year attributable to owners	**825**	815	**(65)**	(466)	**262**	199
Other comprehensive (loss)/income attributable to owners	**(92)**	(59)	**158**	(537)	**(172)**	23
Total comprehensive income/(loss) attributable to owners	**733**	756	**93**	(1,003)	**90**	222

Reconciliation of summarised financial information

A reconciliation of the summarised financial information to the carrying amount of the group's interests in its associates is as follows.

	Castel[1]		Anadolu Efes		CR Snow	
	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m
Opening net assets attributable to owners	**4,022**	5,212	**2,887**	4,571	**3,007**	3,267
Total comprehensive income/(loss) attributable to owners	**733**	756	**93**	(1,003)	**90**	222
Dividends paid	**(394)**	(359)	**(97)**	–	**(146)**	(465)
Exchange adjustments	**379**	(1,587)	**(240)**	(681)	**–**	3
Other movements in reserves	**–**	–	**–**	–	**1**	(20)
Closing net assets attributable to owners	**4,740**	4,022	**2,643**	2,887	**2,952**	3,007
Interest in associates (%)	**20–40**	20–40	**24**	24	**49**	49
Interest in associates	**1,053**	925	**634**	693	**1,446**	1,473
Impairment	**(105)**	–	**–**	–	**–**	–
Goodwill	**50**	310	**357**	387	**–**	–
Carrying value of investments in associates	**998**	1,235	**991**	1,080	**1,446**	1,473

[1] BIH Brasseries Internationales Holding Ltd, Société des Brasseries et Glacières Internationales SA, Algerienne de Bavaroise Spa, BIH Brasseries Internationales Holding (Angola) Ltd, Marocaine d'Investissements et de Services SA, Skikda Bottling Company SARL, Société de Boissons de l'Ouest Algerien SARL, and Société des Nouvelles Brasseries together make up Castel's African beverage operations. Details of individual ownership percentages are included in the related undertakings section of the annual report.

Notes to the consolidated financial statements continued

14. Investments in associates continued

Individually immaterial associates

Summarised financial information for individually immaterial associates, in aggregate, is as follows.

	2016 US$m	2015 US$m
Summarised statement of comprehensive income		
Aggregate carrying amount of individually immaterial associates	**679**	671
Aggregate amounts of the group's share of:		
Profit for the year attributable to owners	**126**	124
Other comprehensive income attributable to owners	**20**	12
Total comprehensive income	**146**	136

15. Inventories

	2016 US$m	2015 US$m
Raw materials and consumables	**568**	588
Work in progress	**91**	89
Finished goods and goods for resale	**334**	353
	993	1,030

The following amount of inventories is expected to be utilised after 12 months.

	2016 US$m	2015 US$m
Raw materials and consumables	**33**	38

There were no borrowings secured on the inventories of the group (2015: US$nil).

An impairment charge of US$19 million was recognised in respect of inventories during the year (2015: US$34 million).

16. Trade and other receivables

	2016 US$m	2015 US$m
Trade receivables	**1,448**	1,412
Less: provision for impairment	**(129)**	(132)
Trade receivables – net	**1,319**	1,280
Other receivables	**363**	355
Less: provision for impairment	**(5)**	(12)
Other receivables – net	**358**	343
Amounts owed by associates	**15**	28
Amounts owed by joint ventures	**8**	4
Prepayments and accrued income	**163**	182
Total trade and other receivables	**1,863**	1,837
Analysed as:		
Current		
Trade receivables – net	**1,308**	1,265
Other receivables – net	**269**	259
Amounts owed by associates	**4**	17
Amounts owed by joint ventures	**8**	4
Prepayments and accrued income	**153**	166
	1,742	1,711
Non-current		
Trade receivables – net	**11**	15
Other receivables – net	**89**	84
Amounts owed by associates	**11**	11
Prepayments and accrued income	**10**	16
	121	126

16. Trade and other receivables continued

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

At 31 March 2016 trade and other receivables of US$462 million (2015: US$415 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The ageing of these trade and other receivables is shown below.

		Past due				
	Fully performing US$m	Within 30 days US$m	30-60 days US$m	60-90 days US$m	90-180 days US$m	Over 180 days US$m
At 31 March 2016						
Trade receivables	**938**	**175**	**65**	**25**	**35**	**36**
Other receivables	**221**	**42**	**11**	**4**	**24**	**44**
Amounts owed by associates	**14**	**1**	**–**	**–**	**–**	**–**
Amounts owed by joint ventures	**8**	**–**	**–**	**–**	**–**	**–**
At 31 March 2015						
Trade receivables	937	165	47	19	24	41
Other receivables	232	45	8	4	15	22
Amounts owed by associates	3	13	3	–	9	–
Amounts owed by joint ventures	4	–	–	–	–	–

The group holds collateral as security for past due trade receivables to the value of US$7 million (2015: US$9 million). Collateral held primarily includes bank guarantees and charges over assets.

At 31 March 2016 trade receivables of US$174 million (2015: US$179 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2016 was US$129 million (2015: US$132 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$2 million (2015: US$1 million).

At 31 March 2016 other receivables of US$17 million (2015: US$29 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2016 was US$5 million (2015: 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. No collateral was held as security against specifically impaired other receivables in either of the years ended 31 March 2016 and 2015.

The carrying amounts of trade and other receivables are denominated in the following currencies.

	2016 US$m	2015 US$m
Australian dollars	**190**	161
British pound	**100**	112
Colombian peso	**95**	117
Czech koruna	**80**	76
Euro	**206**	169
Indian rupee	**182**	130
Polish zloty	**136**	143
SA rand	**269**	297
US dollars	**171**	183
Other currencies	**434**	449
	1,863	1,837

Movements on the provisions for impairment of trade receivables and other receivables are as follows.

	Trade receivables		Other receivables	
	2016 US$m	2015 US$m	2016 US$m	2015 US$m
At 1 April	**(132)**	(144)	**(12)**	(12)
Provision for receivables impairment	**(26)**	(34)	**1**	–
Receivables written off during the year as uncollectible	**26**	21	**5**	(2)
Exchange adjustments	**3**	25	**1**	2
At 31 March	**(129)**	(132)	**(5)**	(12)

The creation of provisions for impaired receivables is included in net operating expenses in the income statement (see note 3).

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17. Cash and cash equivalents

	2016 US$m	2015 US$m
Short-term deposits	**996**	528
Cash at bank and in hand	**434**	437
	1,430	965

Cash and short-term deposits of US$109 million (2015: US$117 million) are held in certain 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.

18. Trade and other payables

	2016 US$m	2015 US$m
Trade payables	**1,478**	1,404
Accruals	**704**	651
Deferred income	**8**	8
Containers in the hands of customers	**437**	443
Amounts owed to associates	**36**	38
Amounts owed to joint ventures	**14**	18
Deferred consideration for acquisitions	**–**	4
Excise duty payable	**331**	344
VAT and other taxes payable	**212**	221
Other payables	**678**	615
Total trade and other payables	**3,898**	3,746

Analysed as:		
Current		
Trade payables	**1,478**	1,404
Accruals	**704**	651
Deferred income	**2**	4
Containers in the hands of customers	**437**	443
Amounts owed to associates	**36**	38
Amounts owed to joint ventures	**14**	18
Deferred consideration for acquisitions	**–**	4
Excise duty payable	**331**	344
VAT and other taxes payable	**212**	221
Other payables	**656**	601
	3,870	3,728

Non-current		
Deferred income	**6**	4
Other payables	**22**	14
	28	18

19. Deferred taxation

The movement on the net deferred tax liability is shown below.

	2016 US$m	2015 US$m
At 1 April	**2,112**	3,131
Exchange adjustments	**(131)**	(345)
Acquisitions – through business combinations	**26**	1
Rate change	**1**	5
Transfers from current tax	**58**	3
Reclassification[1]	**–**	(293)
Credited to the income statement	**(36)**	(323)
Deferred tax on items (credited)/charged to other comprehensive loss:		
– Financial instruments	**(18)**	3
– Remeasurements of defined benefit plans	**29**	(70)
At 31 March	**2,041**	2,112

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$m	Tax losses and credits US$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 2014	724	(413)	2,380	(48)	644	(41)	3,246
Exchange adjustments	(113)	123	(419)	(2)	–	33	(378)
Acquisitions – through business combinations	1	–	–	–	–	–	1
Rate change	(3)	–	11	–	–	(3)	5
Transfers (from)/to deferred tax assets	(38)	2	–	2	3	18	(13)
Reclassification[1]	–	(293)	–	–	–	–	(293)
Charged/(credited) to the income statement	29	(81)	(100)	7	(5)	(74)	(224)
Deferred tax on items charged/(credited) to other comprehensive loss:							
– Financial instruments	–	–	–	1	–	–	1
– Remeasurements of defined benefit plans	–	–	–	–	(68)	(2)	(70)
At 31 March 2015	600	(662)	1,872	(40)	574	(69)	2,275
Exchange adjustments	(75)	(3)	(69)	(1)	–	20	(128)
Acquisitions – through business combinations	1	–	25	–	–	–	26
Rate change	(3)	–	(1)	–	–	–	(4)
Transfers from current tax	–	56	–	–	–	2	58
Transfers from deferred tax assets	–	–	–	–	–	(2)	(2)
Charged/(credited) to the income statement	49	(8)	(73)	(9)	23	32	14
Deferred tax on items (credited)/charged to other comprehensive loss:							
– Financial instruments	–	–	–	(5)	(13)	–	(18)
– Remeasurements of defined benefit plans	–	–	–	–	28	1	29
At 31 March 2016	**572**	**(617)**	**1,754**	**(55)**	**612**	**(16)**	**2,250**

[1] Following clarification from the IFRS Interpretations Committee during 2014 regarding the recognition of deferred taxes, US$293 million was reclassified from goodwill to net deferred tax liabilities, with no impact on results or net assets.

	Fixed asset allowances US$m	Provisions and accruals US$m	Other timing differences US$m	Total US$m
Deferred tax assets				
At 1 April 2014	(16)	35	96	115
Exchange adjustments	(3)	(5)	(25)	(33)
Transfers from current tax	–	–	(3)	(3)
Transfers (to)/from deferred tax liabilities	(38)	19	6	(13)
Credited to the income statement	89	8	2	99
Deferred tax on items charged to other comprehensive income:				
– Financial instruments	–	–	(2)	(2)
At 31 March 2015	32	57	74	163
Exchange adjustments	–	–	3	3
Rate change	(4)	(1)	–	(5)
Transfers (to)/from deferred tax liabilities	–	(5)	3	(2)
(Charged)/credited to the income statement	(25)	7	68	50
At 31 March 2016	**3**	**58**	**148**	**209**

Notes to the consolidated financial statements continued

19. Deferred taxation continued

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The deferred tax asset arises due to timing differences in Corporate, Europe, Africa and Latin America. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

Deferred tax liabilities of US$1,784 million (2015: US$2,013 million) are expected to fall due after more than one year and deferred tax assets of US$104 million (2015: US$115 million) are expected to be recovered after more than one year.

	2016 US$m	2015 US$m
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**158**	281
Tax credits	**1,477**	1,355
Depreciation in excess of capital allowances	**10**	7
Share-based payments	**51**	47
	1,696	1,690

Deferred tax assets in respect of tax losses are not recognised unless there is convincing evidence that existing taxable temporary differences will reverse in the future or there will be sufficient taxable profits in future years to recover the assets. A material element of the tax losses arose in the UK. A portion (US$53 million) has now been recognised due to the group's growing UK business and increasing activities within the corporate head office, which are reflected in the group's future forecasts. US$102 million (2015: US$229 million) of the total unrecognised 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$1,468 million (2015: US$1,345 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$10 million (2015: US$11 million) has been recognised. A deferred tax liability of US$48 million (2015: US$56 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

	2016 US$m	2015 US$m
Current		
Secured		
Overdrafts	**12**	29
Obligations under finance leases	**13**	10
Other secured loans	**4**	–
	29	39
Unsecured		
Overdrafts	**147**	186
Unsecured bonds	**2,324**	712
Other unsecured loans	**426**	1,024
	2,897	1,922
Total current borrowings	**2,926**	1,961

20. Borrowings continued

	2016 US$m	2015 US$m
Non-current		
Secured		
Obligations under finance leases	**48**	43
Other secured loans	**5**	1
	53	44
Unsecured		
Unsecured bonds	**8,521**	10,203
Unsecured loans	**240**	336
	8,761	10,539
Total non-current borrowings	**8,814**	10,583
Total current and non-current borrowings	**11,740**	12,544
Analysed as:		
Overdrafts	**159**	215
Bank loans	**675**	1,361
Bonds	**10,845**	10,915
Obligations under finance leases	**61**	53
	11,740	12,544

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	2016 Total US$m	Bank loans US$m	Bonds US$m	Finance leases US$m	Net derivative financial assets[1] US$m	2015 Total US$m
Amounts falling due:										
Between one and two years	**190**	**67**	**13**	**(16)**	**254**	96	2,327	10	(264)	2,169
Between two and three years	**55**	**1,859**	**10**	**(104)**	**1,820**	239	90	7	(23)	313
Between three and four years	**–**	**1,158**	**8**	**(22)**	**1,144**	1	1,867	6	(122)	1,752
Between four and five years	**–**	**540**	**7**	**(7)**	**540**	–	1,068	7	(19)	1,056
In five years or more	**–**	**4,897**	**10**	**(398)**	**4,509**	1	4,851	13	(333)	4,532
	245	**8,521**	**48**	**(547)**	**8,267**	337	10,203	43	(761)	9,822

[1] Net financing-related derivative financial instruments only (note 22).

2016

On 7 August 2015 FBG Treasury (Aust) Pty Ltd issued AUD700 million, 3.75% Notes due August 2020, guaranteed by SABMiller plc.

2015

There were no bonds issued during the year ended 31 March 2015.

In December 2014 US$850 million, 6.5% Notes due 2016 were redeemed early.

Notes to the consolidated financial statements continued

20. Borrowings continued

Maturity of obligations under finance leases

Obligations under finance leases are as follows.

	2016 US$m	2015 US$m
The minimum lease payments under finance leases fall due as follows.		
Within one year	**16**	11
Between one and five years	**45**	36
In five years or more	**12**	15
	73	62
Future finance charges	**(12)**	(9)
Present value of finance lease liabilities	**61**	53

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 primarily lies with the group's centralised procurement function, SABMiller Procurement GmbH (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$2,519 million (2015: US$3,691 million) of borrowings has 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 which, subject to regulatory constraints or currency market limitations, hedges a proportion of the foreign currency exposures 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.

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 the prior year, based on reasonably possible changes in exchange rates, and assumes all other variables are held constant.

21. Financial risk factors continued

	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	**74**	**140**	**17**	**278**	**141**	**122**	**27**	**799**
Derivative financial instruments[1]	**55**	**3,047**	**24**	**831**	**55**	**1,209**	**54**	**5,275**
Cash and cash equivalents	**–**	**22**	**–**	**32**	**6**	**48**	**–**	**108**
Intra-group assets	**37**	**1,088**	**18**	**448**	**29**	**127**	**1**	**1,748**
	166	**4,297**	**59**	**1,589**	**231**	**1,506**	**82**	**7,930**
Financial liabilities								
Trade and other payables	**(72)**	**(142)**	**–**	**(294)**	**(63)**	**(389)**	**(4)**	**(964)**
Derivative financial instruments[1]	**(75)**	**(2,640)**	**(937)**	**(1,650)**	**(554)**	**(163)**	**(18)**	**(6,037)**
Borrowings	**(2)**	**(1,164)**	**–**	**(5)**	**–**	**(775)**	**(1)**	**(1,947)**
Intra-group liabilities	**(99)**	**(37)**	**(1)**	**(180)**	**(21)**	**(329)**	**–**	**(667)**
	(248)	**(3,983)**	**(938)**	**(2,129)**	**(638)**	**(1,656)**	**(23)**	**(9,615)**
At 31 March 2016	**(82)**	**314**	**(879)**	**(540)**	**(407)**	**(150)**	**59**	**(1,685)**
Potential impact on profit for the year – gain/(loss)								
20% increase in functional currency	**10**	**(1)**	**(6)**	**(1)**	**3**	**14**	**(10)**	**9**
20% decrease in functional currency	**(12)**	**2**	**7**	**1**	**(3)**	**(17)**	**12**	**(10)**
Potential impact on other comprehensive income – gain/(loss)								
20% increase in functional currency	**4**	**(51)**	**152**	**91**	**65**	**10**	**–**	**271**
20% decrease in functional currency	**(4)**	**61**	**(183)**	**(109)**	**(78)**	**(13)**	**–**	**(326)**

[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	1	82	–	121	150	36	42	432
Derivative financial instruments[1]	79	3,230	–	1,260	73	2,060	–	6,702
Cash and cash equivalents	–	20	1	181	3	26	9	240
Intra-group assets	31	1,131	–	422	12	277	2	1,875
	111	4,463	1	1,984	238	2,399	53	9,249
Financial liabilities								
Trade and other payables	(25)	(195)	–	(190)	(46)	(348)	(3)	(807)
Derivative financial instruments[1]	(563)	(3,009)	(884)	(2,041)	(787)	(286)	–	(7,570)
Borrowings	–	(1,071)	–	(5)	(1)	(1,497)	(19)	(2,593)
Intra-group liabilities	(44)	(31)	(1)	(142)	(25)	(177)	(2)	(422)
	(632)	(4,306)	(885)	(2,378)	(859)	(2,308)	(24)	(11,392)
At 31 March 2015	(521)	157	(884)	(394)	(621)	91	29	(2,143)
Potential impact on profit for the year – gain/(loss)								
20% increase in functional currency	1	3	32	(11)	(4)	43	(5)	59
20% decrease in functional currency	(1)	(4)	(38)	13	5	(52)	6	(71)
Potential impact on other comprehensive income – gain/(loss)								
20% increase in functional currency	86	(29)	116	77	107	(58)	–	299
20% decrease in functional currency	(103)	35	(139)	(92)	(129)	70	–	(358)

[1] These represent the notional amounts of derivative financial instruments.

Notes to the consolidated financial statements continued

21. Financial risk factors continued

The group holds foreign currency cash flow hedges totalling US$2,388 million at 31 March 2016 (2015: US$1,892 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$2,220 million at 31 March 2016 (2015: US$3,111 million). The foreign exchange gains or losses on these instruments 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

Interest rate risk is monitored based on net debt exposures. As at 31 March 2016 40% (2015: 57%) of net debt was in fixed rates taking into account interest rate derivatives.

The group's practice is to borrow (direct or synthetically) in floating rates, reflecting the fact that floating rates are generally lower than fixed rates over the medium term. The extent to which group borrowings may be in floating rates is restricted by policy such that the impact of a 1% increase in interest rates on finance costs can be no more than an agreed proportion of adjusted EBITDA. The policy excludes borrowings arising from acquisitions in the previous six months. Exposure to movements in interest rates on 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 in the prior year, based on reasonably possible changes in interest rates.

	2016 US$m	2015 US$m
Net debt	**9,638**	10,465
Less: fixed rate debt	**(7,814)**	(9,550)
Variable rate debt	**1,824**	915
Adjust for:		
Financial derivatives	**3,916**	3,545
Net variable rate debt exposure	**5,740**	4,460
+/- 100 bps change		
Potential impact on profit for the year	**57**	45
+/- 100 bps change		
Potential impact on other comprehensive income	**–**	–

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$5,416 million as at 31 March 2016 (2015: US$4,204 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.

(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, diesel 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.

At 31 March 2016 the notional value of commodity derivatives amounted to US$184 million (2015: US$142 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- from S&P and Fitch, 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.

21. Financial risk factors continued

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the group has a large number of customers which are internationally dispersed. The type of customers range from wholesalers and distributors to smaller retailers. The group has implemented policies that require appropriate credit checks on potential customers before sales commence. Credit risk is managed by limiting the aggregate amount of exposure to any one counterparty.

The group considers its maximum credit risk to be US$3,884 million (2015: US$3,760 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.

	2016 US$m	2015 US$m
Amounts expiring:		
Within one year	**108**	65
Between one and two years	**5**	76
Between two and five years	**3,500**	3,503
	3,613	3,644

At 31 March 2016 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 is due to expire in May 2020.

SABMiller Holdings Inc:
- US$1,000 million committed syndicated revolving credit facility, which is due to expire in May 2020.

In April 2016 the group extended its existing US$2,500 million and US$1,000 million committed syndicated facilities, both shown as undrawn in the table above, by one year to May 2021, with the exception of US$117 million for which the maturity remains May 2020.

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' and third party 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 2016				
Borrowings	**(3,305)**	**(598)**	**(4,305)**	**(6,771)**
Net settled derivative financial instruments	**(92)**	**(9)**	**(2)**	**–**
Gross settled derivative financial instruments – inflows	**2,596**	**114**	**5**	**–**
Gross settled derivative financial instruments – outflows	**(2,715)**	**(120)**	**(6)**	**–**
Trade and other payables	**(3,325)**	**(17)**	**(1)**	**(4)**
Financial guarantee contracts	**(120)**	**–**	**–**	**–**
At 31 March 2015				
Borrowings	(2,355)	(2,853)	(3,940)	(6,978)
Net settled derivative financial instruments	(32)	(6)	(2)	–
Gross settled derivative financial instruments – inflows	1,570	79	–	–
Gross settled derivative financial instruments – outflows	(1,653)	(80)	–	–
Trade and other payables	(3,158)	(14)	–	–
Financial guarantee contracts	(122)	–	–	–

Notes to the consolidated financial statements continued

21. Financial risk factors continued

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 A3 under review for downgrade by Moody's Investors Service and A-/stable outlook by S&P Global Ratings.

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 2016				
Assets				
Derivative financial instruments	**–**	**846**	**–**	**846**
Available for sale investments	**–**	**6**	**13**	**19**
Total assets	**–**	**852**	**13**	**865**
Liabilities				
Derivative financial instruments	**–**	**(239)**	**–**	**(239)**
Total liabilities	**–**	**(239)**	**–**	**(239)**
At 31 March 2015				
Assets				
Derivative financial instruments	–	1,233	–	1,233
Available for sale investments	–	9	12	21
Total assets	–	1,242	12	1,254
Liabilities				
Derivative financial instruments	–	(111)	–	(111)
Total liabilities	–	(111)	–	(111)

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 2016					
Assets					
Investments in listed associates					
– Anadolu Efes	**991**	**1,081**	**–**	**–**	**1,081**
– Distell Group	**209**	**624**	**–**	**–**	**624**
– Delta Corporation	**246**	**281**	**–**	**–**	**281**
Total assets	**1,446**	**1,986**	**–**	**–**	**1,986**
Liabilities					
Current borrowings	**(2,926)**	**(2,340)**	**(610)**	**–**	**(2,950)**
Non-current borrowings	**(8,814)**	**(8,818)**	**(299)**	**–**	**(9,117)**
Total liabilities	**(11,740)**	**(11,158)**	**(909)**	**–**	**(12,067)**
At 31 March 2015					
Assets					
Investments in listed associates					
– Anadolu Efes	1,080	1,187	–	–	1,187
– Distell Group	211	741	–	–	741
– Delta Corporation	179	324	–	–	324
Total assets	1,470	2,252	–	–	2,252
Liabilities					
Current borrowings	(1,961)	(717)	(1,253)	–	(1,970)
Non-current borrowings	(10,583)	(10,688)	(390)	–	(11,078)
Total liabilities	(12,544)	(11,405)	(1,643)	–	(13,048)

There have been no material transfers between levels during the year ended 31 March 2016 (2015: 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.

Notes to the consolidated financial statements continued

22. Derivative financial instruments

Current derivative financial instruments

	2016			2015		
	Notional value US$m	Assets US$m	Liabilities US$m	Notional value US$m	Assets US$m	Liabilities US$m
Fair value hedges						
Interest rate swaps	**1,500**	**16**	**(5)**	700	11	–
Cash flow hedges						
Forward foreign currency contracts	**2,207**	**13**	**(43)**	1,757	51	(30)
Cross currency swaps	**212**	**89**	**–**	492	208	–
Commodity contracts	**103**	**1**	**(10)**	97	3	(7)
Net investment hedges						
Forward foreign currency contracts	**1,534**	**4**	**(104)**	2,080	109	(11)
Cross currency swaps	**171**	**114**	**(2)**	241	30	(2)
Held for trading						
Interest rate swaps	**1,000**	**15**	**(2)**	–	–	–
Forward foreign currency contracts	**1,509**	**27**	**(43)**	1,439	51	(51)
Cross currency swaps	**34**	**1**	**–**	–	–	–
Commodity contracts	**13**	**1**	**(4)**	–	–	–
	8,283	**281**	**(213)**	6,806	463	(101)

Financing-related current derivative financial instruments amount to a net asset of US$125 million (2015: US$353 million).

Non-current derivative financial instruments

	2016			2015		
	Notional value US$m	Assets US$m	Liabilities US$m	Notional value US$m	Assets US$m	Liabilities US$m
Fair value hedges						
Interest rate swaps	**3,916**	**347**	**(11)**	3,504	289	(1)
Cash flow hedges						
Forward foreign currency contracts	**181**	**–**	**(2)**	135	1	(1)
Cross currency swaps	**210**	**99**	**–**	420	206	–
Commodity contracts	**64**	**–**	**(5)**	45	2	(3)
Net investment hedges						
Cross currency swaps	**84**	**17**	**–**	264	123	–
Held for trading						
Interest rate swaps	**600**	**24**	**(5)**	1,600	64	(5)
Cross currency swaps	**274**	**78**	**(2)**	170	85	–
Commodity contracts	**4**	**–**	**(1)**	–	–	–
	5,333	**565**	**(26)**	6,138	770	(10)

Financing-related non-current derivative financial instruments amount to a net asset of US$547 million (2015: US$761 million).

Derivatives designated as hedging instruments

(i) Fair value hedges

The group has entered into 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, euro and Australian dollar 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 2016 the carrying value of the hedged borrowings was US$5,782 million (2015: US$4,363 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 cross currency swaps designated as cash flow hedges to manage foreign currency exposures on interest payments.

The group has entered into commodity contracts designated as cash flow hedges to manage the future price of commodities. As at 31 March 2016 the notional amount of forward contracts for the purchase price of aluminium was US$128 million (2015: US$115 million), of corn was US$26 million (2015: US$21 million), of sugar was US$9 million (2015: US$4 million) and of diesel was US$4 million (2015: US$2 million).

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 2016						
Forward foreign currency contracts	**(32)**	**(62)**	**(56)**	**(6)**	**–**	**–**
Commodity contracts	**(14)**	**(18)**	**(13)**	**(5)**	**–**	**–**
Cross currency swaps	**188**	**193**	**88**	**(2)**	**(1)**	**108**
	142	**113**	**19**	**(13)**	**(1)**	**108**
At 31 March 2015						
Forward foreign currency contracts	21	7	8	(1)	–	–
Commodity contracts	(5)	(9)	(6)	(2)	(1)	–
Cross currency swaps	414	407	202	89	4	112
	430	405	204	86	3	112

(iii) Hedges of net investments in foreign operations

The group has entered into several forward foreign currency contracts and cross currency swaps which it has designated as hedges of net investments in its foreign subsidiaries in South Africa, the Czech Republic, Poland, Colombia and Peru to hedge the group's exposure to foreign exchange risk on these investments, and in Australia in 2015.

Analysis of notional amounts of 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.

	2016 US$m	2015 US$m
Forward foreign currency contracts:		
Australian dollar	**–**	515
Colombian peso	**455**	439
Czech koruna	**208**	192
Peruvian nuevo sol	**304**	257
Polish zloty	**189**	164
South African rand	**378**	513
Cross currency swaps:		
Czech koruna	**160**	297
Polish zloty	**–**	92
South African rand	**95**	116
	1,789	2,585

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. 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.

(iv) Commodity contracts

The group has entered into commodity contracts to manage the future price of commodities. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement.

Notes to the consolidated financial statements continued

22. Derivative financial instruments continued

Fair value (loss)/gain on financial instruments recognised in the income statement

	2016 US$m	2015 US$m
Derivative financial instruments:		
Interest rate swaps	**(37)**	(39)
Interest rate swaps designated as fair value hedges	**28**	428
Forward foreign currency contracts	**(117)**	48
Fair value (loss)/gain on forward foreign currency contracts transferred from other comprehensive loss	**(17)**	8
Cross currency swaps	**136**	52
Cross currency swaps designated as fair value hedges	**–**	(5)
Ineffectiveness arising from cross currency swaps designated as net investment hedges	**(5)**	(7)
Other fair value losses	**(1)**	–
	(13)	485
Other financial instruments:		
Early redemption costs (see note 4)	**–**	(48)
Other fair value gains	**16**	17
Non-current borrowings designated as the hedged item in a fair value hedge	**(28)**	(428)
Total fair value (loss)/gain on financial instruments recognised in the income statement	**(25)**	26

Fair value gains and losses on borrowings and financing-related derivative financial instruments were recognised as part of net finance costs. Fair value gains and losses on all other derivative financial instruments were recognised in operating profit.

23. Other financial instruments 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 2016								
Assets								
Available for sale investments	**–**	**–**	**19**	**–**	**–**	**19**	**19**	**–**
Derivative financial instruments	**846**	**–**	**–**	**–**	**–**	**846**	**565**	**281**
Trade and other receivables	**–**	**1,589**	**–**	**–**	**274**	**1,863**	**121**	**1,742**
Cash and cash equivalents	**–**	**1,430**	**–**	**–**	**–**	**1,430**	**–**	**1,430**
Liabilities								
Derivative financial instruments	**(239)**	**–**	**–**	**–**	**–**	**(239)**	**(26)**	**(213)**
Borrowings	**–**	**–**	**–**	**(11,740)**	**–**	**(11,740)**	**(8,814)**	**(2,926)**
Trade and other payables	**–**	**–**	**–**	**(3,347)**	**(551)**	**(3,898)**	**(28)**	**(3,870)**
At 31 March 2015								
Assets								
Available for sale investments	–	–	21	–	–	21	21	–
Derivative financial instruments	1,233	–	–	–	–	1,233	770	463
Trade and other receivables	–	1,541	–	–	296	1,837	126	1,711
Cash and cash equivalents	–	965	–	–	–	965	–	965
Liabilities								
Derivative financial instruments	(111)	–	–	–	–	(111)	(10)	(101)
Borrowings	–	–	–	(12,544)	–	(12,544)	(10,583)	(1,961)
Trade and other payables	–	–	–	(3,173)	(573)	(3,746)	(18)	(3,728)

23. Other financial instruments 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 2016					
Assets					
Derivative financial instruments	**846**	**–**	**846**	**(166)**	**680**
Cash and cash equivalents	**1,446**	**(16)**	**1,430**	**–**	**1,430**
Liabilities					
Borrowings	**16**	**(11,756)**	**(11,740)**	**–**	**(11,740)**
Derivative financial instruments	**–**	**(239)**	**(239)**	**166**	**(73)**
At 31 March 2015					
Assets					
Derivative financial instruments	1,233	–	1,233	(111)	1,122
Cash and cash equivalents	982	(17)	965	–	965
Liabilities					
Borrowings	17	(12,561)	(12,544)	–	(12,544)
Derivative financial instruments	–	(111)	(111)	111	–

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 2014	113	246	216	82	55	109	62	883
Exchange adjustments	(17)	(51)	(14)	(14)	(9)	(15)	(5)	(125)
Charged/(credited) to the income statement								
– Additional provision in year	6	27	14	29	8	7	10	101
– Amounts reversed	(5)	–	(29)	(7)	–	(8)	(16)	(65)
Utilised in the year	(6)	(24)	(4)	(17)	(9)	(33)	(12)	(105)
Remeasurements of defined benefit plans recorded in other comprehensive loss	–	7	–	–	–	–	–	7
At 31 March 2015	91	205	183	73	45	60	39	696
Exchange adjustments	(1)	(26)	(1)	(1)	(3)	(1)	–	(33)
Charged/(credited) to the income statement								
– Additional provision in year	4	23	9	3	19	–	34	92
– Amounts reversed	(16)	–	(18)	(29)	–	–	(12)	(75)
Utilised in the year	(5)	(18)	(39)	(13)	(8)	(22)	(11)	(116)
Remeasurements of defined benefit plans recorded in other comprehensive loss	–	(5)	–	–	–	–	–	(5)
Transfers to trade and other payables	–	–	–	–	–	(15)	–	(15)
At 31 March 2016	**73**	**179**	**134**	**33**	**53**	**22**	**50**	**544**

Notes to the consolidated financial statements continued

24. Provisions continued

	2016 US$m	2015 US$m
Analysed as:		
Current	**270**	358
Non-current	**274**	338
	544	696

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 2016 US$1 million (2015: 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$4 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$69 million (2015: US$85 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 in Europe, medical and other benefits in Latin America, and pension provisions for employees primarily in Latin America, Asia Pacific and Europe. The principal assumptions on which these provisions are based are disclosed in note 30.

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 in Australia and Europe which are expected to be utilised over the course of the next three years.

Payroll-related

This principally relates to employee entitlement provisions of US$24 million (2015: US$23 million) in Asia Pacific and employee long service awards of US$13 million (2015: US$15 million) in South Africa.

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 four years.

Other provisions

Included within other provisions are environmental provisions and other provisions. These are primarily expected to be utilised within four years.

25. Share capital

	2016 US$m	2015 US$m
Group and company		
Called up, allotted and fully paid share capital		
1,679,641,620 ordinary shares of 10 US cents each (2015: 1,675,670,012)	**168**	168
50,000 deferred shares of £1.00 each (2015: 50,000)	**–**	–
	168	168

	Ordinary shares of 10 US cents each	Deferred shares of £1 each	Nominal value US$m
At 1 April 2014	1,672,647,930	50,000	167
Issue of shares – share incentive plans	3,022,082	–	1
At 31 March 2015	1,675,670,012	50,000	168
Issue of shares – share incentive plans	3,971,608	–	–
At 31 March 2016	**1,679,641,620**	**50,000**	**168**

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 3,971,608 (2015: 3,022,082) new ordinary shares of 10 US cents to satisfy the exercise of options granted under the group's share purchase, option and award schemes, for consideration of US$97 million (2015: US$62 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.

Notes to the consolidated financial statements continued

25. Share capital continued

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.

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 incentives

The group operates various share incentive plans. The share incentives outstanding are summarised as follows.

Scheme	2016 Number	2015 Number
GBP share options	**8,052,528**	10,620,013
ZAR share options	**4,511,775**	7,301,172
GBP stock appreciation rights (SARs)	**9,185,858**	7,083,490
ZAR stock appreciation rights (SARs)	**2,479,045**	1,846,842
GBP performance share awards	**6,502,184**	6,289,875
GBP value share awards	**13,611,179**	11,269,028
Total share incentives outstanding[1]	**44,342,569**	44,410,420

[1] Total share incentives outstanding exclude shares relating to the BBBEE scheme.

Based on the TSR performance to 31 March 2016, only 858,391 of the theoretical maximum 13,611,179 GBP value share awards would vest.

Incentives involving 7,778,764 shares were granted, and 5,201,439 share incentives were exercised, released or lapsed after 31 March 2016 and before the date of signing of these financial statements.

Further details relating to all of the share incentive schemes can be found in the directors' remuneration report on pages 74 to 92.

The exercise prices of incentives outstanding at 31 March 2016 ranged from £0 to £35.64 and ZAR96.95 to ZAR651.00 (2015: £0 to £35.64 and ZAR96.95 to ZAR611.99). 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 2014	16,035,174	19.36	–
Granted	240,700	33.13	5.62
Lapsed	(416,624)	23.47	–
Exercised	(5,239,237)	17.03	–
Outstanding at 31 March 2015	10,620,013	20.66	–
Granted	248,108	34.94	5.60
Lapsed	(490,200)	24.24	–
Exercised	(2,325,393)	18.02	–
Outstanding at 31 March 2016	**8,052,528**	**21.64**	**–**

25. Share capital continued

ZAR share options

Share options designated in ZAR include share options granted under the South African Executive Share Option Plan 2008 and the Mirror Executive Share Purchase Scheme (South Africa). No further grants can be made under the Mirror Executive Share Purchase Scheme (South Africa), although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price ZAR	Weighted average fair value at grant date ZAR
Outstanding at 1 April 2014	10,108,718	277.52	–
Lapsed	(242,037)	381.69	–
Exercised	(2,565,509)	224.27	–
Outstanding at 31 March 2015	7,301,172	292.77	–
Lapsed	(133,368)	389.06	–
Exercised	(2,656,029)	261.89	–
Outstanding at 31 March 2016	**4,511,775**	**308.10**	**–**

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 2014	5,170,646	27.25	–
Granted	2,971,414	33.13	5.65
Lapsed	(537,598)	31.96	–
Exercised	(520,972)	13.91	–
Outstanding at 31 March 2015	7,083,490	30.34	–
Granted	3,033,727	34.94	5.55
Lapsed	(377,901)	33.44	–
Exercised	(553,458)	16.90	–
Outstanding at 31 March 2016	**9,185,858**	**32.54**	**–**

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 1 April 2014	1,178,200	527.49	–
Granted	824,378	590.38	160.13
Lapsed	(133,946)	554.28	–
Exercised	(21,790)	578.78	–
Outstanding at 31 March 2015	1,846,842	553.02	–
Granted	841,690	651.00	170.09
Lapsed	(192,787)	569.99	–
Exercised	(16,700)	550.64	–
Outstanding at 31 March 2016	**2,479,045**	**584.98**	**–**

Notes to the consolidated financial statements continued

25. Share capital continued

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 2014	6,802,427	–	–
Granted	2,148,339	–	30.81
Lapsed	(1,455,340)	–	–
Released to participants	(1,205,551)	–	–
Outstanding at 31 March 2015	6,289,875	–	–
Granted	3,057,295	–	34.18
Lapsed	(2,840,638)	–	–
Released to participants	(4,348)	–	–
Outstanding at 31 March 2016	**6,502,184**	**–**	**–**

GBP value share awards

The 3,167,663 (2015: 3,295,212) value share awards granted during the year ended 31 March 2016 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 2014	2,848	11,297,444	–	–
Granted	680	3,295,212	–	8.18
Lapsed	(368)	(3,011,712)	–	–
Released to participants	(485)	(311,916)	–	–
Outstanding at 31 March 2015	2,675	11,269,028	–	–
Granted	563	3,167,663	–	6.84
Lapsed	–	(705,472)	–	–
Released to participants	(148)	(120,040)	–	–
Outstanding at 31 March 2016	**3,090**	**13,611,179**	**–**	**–**

Of the value share awards released, 37,503 (2015: 328,554) shares were deferred and remain subject to a risk of forfeiture.

25. Share capital continued

Outstanding share incentives

The following table summarises information about share incentives outstanding at 31 March.

Range of exercise prices	Number 2016	Weighted average remaining contractual life in years 2016	Number 2015	Weighted average remaining contractual life in years 2015
GBP share options				
£8 – £9	**–**	**–**	7,650	0.1
£9 – £10	**–**	**–**	12,500	3.6
£10 – £11	**58,150**	**2.1**	439,100	1.8
£11 – £12	**359,543**	**1.1**	535,643	2.1
£12 – £13	**1,226,071**	**2.8**	1,637,418	3.8
£19 – £20	**1,249,098**	**4.2**	1,544,924	5.2
£20 – £21	**23,200**	**4.7**	23,200	5.7
£22 – £23	**1,803,948**	**5.2**	2,112,785	6.2
£23 – £24	**2,385,125**	**6.2**	3,545,118	7.2
£28 – £29	**35,400**	**6.7**	67,739	7.7
£31 – £32	**3,804**	**7.7**	3,804	8.7
£33 – £34	**662,112**	**7.5**	688,280	8.5
£34 – £35	**244,225**	**9.2**	–	–
£35 – £36	**1,852**	**8.7**	1,852	9.7
	8,052,528	**5.1**	10,620,013	5.8
ZAR share options				
R90 – R100	**–**	**–**	13,000	0.1
R120 – R130	**–**	**–**	201,243	1.0
R140 – R150	**278,900**	**2.2**	426,900	3.2
R150 – R160	**82,300**	**3.1**	307,450	3.9
R160 – R170	**93,000**	**1.1**	126,950	2.1
R180 – R190	**307,150**	**1.9**	450,600	2.9
R210 – R220	**425,500**	**3.8**	723,400	4.8
R220 – R230	**486,900**	**4.7**	719,200	5.7
R250 – R260	**141,100**	**5.2**	256,350	6.2
R290 – R300	**771,501**	**5.7**	1,216,459	6.7
R310 – R320	**255,650**	**6.2**	485,300	7.2
R400 – R410	**1,169,474**	**6.7**	1,845,320	7.7
R510 – R520	**500,300**	**7.2**	529,000	8.2
	4,511,775	**5.2**	7,301,172	6.0
GBP SARs				
£8 – £9	**–**	**–**	2,000	0.1
£10 – £11	**11,167**	**0.3**	248,625	1.1
£11 – £12	**249,918**	**1.1**	354,751	2.1
£12 – £13	**194,501**	**2.3**	256,968	3.3
£13 – £14	**8,700**	**1.6**	8,700	2.6
£19 – £20	**37,300**	**4.2**	40,000	5.2
£22 – £23	**43,600**	**5.2**	46,600	6.2
£23 – £24	**48,000**	**6.2**	53,100	7.2
£31 – £32	**20,196**	**7.7**	31,496	8.7
£33 – £34	**5,601,273**	**7.6**	6,011,659	8.6
£34 – £35	**2,949,105**	**9.2**	7,493	9.9
£35 – £36	**22,098**	**8.7**	22,098	9.7
	9,185,858	**7.8**	7,083,490	7.8

Notes to the consolidated financial statements continued

25. Share capital continued

Range of exercise prices	Number 2016	Weighted average remaining contractual life in years 2016	Number 2015	Weighted average remaining contractual life in years 2015
ZAR SARs				
R520 – R530	**985,000**	**7.7**	1,097,800	8.7
R580 – R590	**677,488**	**8.2**	732,556	9.2
R610 – R620	**16,486**	**8.7**	16,486	9.7
R650 – R660	**800,071**	**9.2**	–	–
	2,479,045	**8.3**	1,846,842	8.9
GBP performance share awards				
£0	**6,502,184**	**1.5**	6,289,875	1.2
GBP value share awards				
£0	**13,611,179**	**1.7**	11,269,028	2.2
Total share incentives outstanding	**44,342,569**	**4.3**	44,410,420	4.7

Exercisable share incentives
The following table summarises information about exercisable share incentives outstanding at 31 March.

	Number 2016	Weighted average exercise price 2016	Number 2015	Weighted average exercise price 2015
GBP share options	**6,772,525**	**19.93**	6,106,401	17.28
ZAR share options	**4,029,175**	**283.79**	4,503,152	221.77
GBP SARs	**689,386**	**16.89**	1,053,044	14.36
ZAR SARs	**34,100**	**567.08**	11,500	545.96

Share incentives exercised or released
The weighted average market prices of the group's shares at the date of exercise or release for share incentives exercised or released during the year were as follows.

	Number 2016	Weighted average market price 2016	Number 2015	Weighted average market price 2015
Share incentives designated in GBP	**3,003,239**	**37.69**	7,277,676	34.46
Share incentives designated in ZAR	**2,672,729**	**807.93**	2,587,299	618.50
Total share incentives exercised or released during the year	**5,675,968**		9,864,975	

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.

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.

25. Share capital continued

The following weighted average assumptions were used in these option pricing models during the year.

	2016	2015
Share price[1]		
– South African share option scheme (ZAR)	**645.35**	583.97
– All other schemes (GBP)	**35.27**	32.77
Exercise price[1]		
– South African share option scheme (ZAR)	**651.00**	590.36
– All other schemes (GBP)	**12.07**	12.18
Expected volatility (all schemes)[2] (%)	**21.3**	21.3
Dividend yield (all schemes) (%)	**2.1**	2.1
Annual forfeiture rate		
– South African share option scheme (%)	**5.0**	5.0
– All other schemes (%)	**3.0**	3.0
Risk-free interest rate		
– South African share option scheme (%)	**7.2**	7.5
– All other schemes (%)	**1.3**	1.7

[1] The calculation is based on the weighted fair value of issues made during the year.

[2] Expected volatility is calculated by assessing the historical share price data in the United Kingdom and South Africa from seven years prior to the grant date.

26. Retained earnings and other reserves

a. Retained earnings

	Treasury and EBT shares US$m	Retained earnings US$m	Total US$m
At 1 April 2014	(659)	16,544	15,885
Profit for the year	–	3,299	3,299
Other comprehensive loss	–	(153)	(153)
Remeasurements of defined benefit plans taken to other comprehensive loss	–	(7)	(7)
Share of associates' and joint ventures' other comprehensive loss	–	(216)	(216)
Deferred tax credit on items taken to other comprehensive loss	–	70	70
Dividends paid	–	(1,705)	(1,705)
Utilisation of merger relief reserve	–	358	358
Share of associates' and joint ventures' other reserves moves	–	(6)	(6)
Payment for purchase of own shares for share trusts	(146)	–	(146)
Utilisation of treasury and EBT shares	125	(28)	97
Credit entry relating to share-based payments	–	117	117
At 31 March 2015	(680)	18,426	17,746
Profit for the year	–	2,699	2,699
Other comprehensive income	–	48	48
Remeasurements of defined benefit plans taken to other comprehensive income	–	5	5
Share of associates' and joint ventures' other comprehensive income	–	72	72
Deferred tax charge on items taken to other comprehensive income	–	(29)	(29)
Dividends paid	–	(1,860)	(1,860)
Utilisation of merger relief reserve	–	335	335
Share of associates' and joint ventures' other reserves moves	–	2	2
Payment for purchase of own shares for share trusts	(149)	–	(149)
Utilisation of treasury and EBT shares	28	(12)	16
Transfer between reserves	–	78	78
Credit entry relating to share-based payments	–	90	90
At 31 March 2016	**(801)**	**19,806**	**19,005**

Notes to the consolidated financial statements continued

26. Retained earnings and other reserves continued

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. During 2016, 1,041,915 treasury shares (2015: 3,320,906 shares) were used to directly satisfy share awards and 1,426 treasury shares were transferred to the ESPP Trust (ESPPT). As at 31 March 2016 a total of 58,258,926 shares (2015: 59,302,267 shares) were held in treasury.

There are three employee benefit trusts currently in operation, being the SABMiller Employees' Benefit Trust (the EBT), the ESPPT 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 2016 the EBT held 11,476,675 shares (2015: 8,997,945 shares) which cost US$357 million (2015: US$228 million) and had a market value of US$701 million (2015: US$471 million). These shares have been treated as a deduction in arriving at shareholders' funds. The EBT used funds provided by SABMiller plc to purchase such of the shares as were purchased in the market. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

The AC-EBT holds shares in SABMiller plc for the purposes of providing share incentives for employees of companies in which SABMiller has a significant economic and strategic interest but over which it does not have management control. At 31 March 2016 and 31 March 2015 the AC-EBT did not hold any shares. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

Shares currently held in each EBT rank pari passu with all other ordinary shares, 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 2016 (2015: nil).

The ESPPT holds shares in SABMiller plc for the benefit of participants in the UK Employee Share Purchase Plan which is a UK broad-based share incentive plan that was established and operated for the first time during the year. At 31 March 2016 the ESPPT held 1,426 matching shares which were transferred from treasury shares during the year. These shares have been treated as a deduction in arriving at shareholders' funds. Shares currently held in the ESPPT rank pari passu with all other ordinary shares. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

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 2014	(539)	11	(176)	2	(702)
Currency translation differences	(5,308)	–	–	–	(5,308)
Net investment hedges	–	–	608	–	608
Cash flow hedges	–	30	–	–	30
Deferred tax on items taken to other comprehensive loss	–	(3)	–	–	(3)
Share of associates' and joint ventures' other comprehensive loss	(79)	(3)	–	–	(82)
At 31 March 2015	(5,926)	35	432	2	(5,457)
Currency translation differences	(1,176)	–	–	–	(1,176)
Net investment hedges	–	–	88	–	88
Cash flow hedges	–	(64)	–	–	(64)
Transfer between reserves	(78)	–	–	–	(78)
Deferred tax on items taken to other comprehensive income	–	18	–	–	18
Share of associates' and joint ventures' other comprehensive loss	(54)	(35)	–	–	(89)
At 31 March 2016	**(7,234)**	**(46)**	**520**	**2**	**(6,758)**

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

	2016 US$m	2015 US$m
Profit for the year	**2,922**	3,557
Taxation	**1,152**	1,273
Share of post-tax results of associates and joint ventures	**(1,126)**	(1,083)
Net finance costs	**506**	637
Operating profit	**3,454**	4,384
Depreciation:		
– Property, plant and equipment	**538**	602
– Containers	**205**	219
Container breakages, shrinkages and write-offs	**41**	57
Profit on disposal of businesses	**–**	(45)
Profit on disposal of available for sale investments	**–**	(1)
Profit on disposal of investments in associates	**–**	(403)
Gain on dilution of investment in associates	**–**	(2)
Profit on disposal of property, plant and equipment	**(34)**	(18)
Loss on disposal of intangibles	**2**	–
Amortisation of intangible assets	**352**	410
Impairment of goodwill	**–**	286
Impairment of intangible assets	**–**	6
Impairment of property, plant and equipment	**7**	73
Impairment of investment in associate	**372**	–
Impairment of working capital balances	**44**	68
Amortisation of advances to customers	**34**	35
Unrealised net fair value losses/(gains) on derivatives included in operating profit	**20**	(15)
Dividends received from other investments	**–**	(1)
Charge with respect to share options	**83**	112
Charge with respect to Broad-Based Black Economic Empowerment scheme	**7**	5
Other non-cash movements	**(70)**	(92)
Net cash generated from operations before working capital movements	**5,055**	5,680
Increase in inventories	**(112)**	(30)
Increase in trade and other receivables	**(204)**	(218)
Increase in trade and other payables	**422**	396
Decrease in provisions	**(41)**	(13)
Decrease in post-retirement benefit provisions	**(4)**	(3)
Net cash generated from operations	**5,116**	5,812

27b. Reconciliation of net cash generated from operating activities to free cash flow

	2016 US$m	2015 US$m
Net cash generated from operating activities	**3,415**	3,722
Purchase of property, plant and equipment	**(1,210)**	(1,394)
Proceeds from sale of property, plant and equipment	**74**	68
Purchase of intangible assets	**(103)**	(178)
Investments in joint ventures	**(301)**	(216)
Investments in associates	**(4)**	(3)
Dividends received from joint ventures	**998**	976
Dividends received from associates	**253**	430
Dividends received from other investments	**–**	1
Dividends paid to non-controlling interests	**(153)**	(173)
Free cash flow	**2,969**	3,233

Notes to the consolidated financial statements continued

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.

	2016 US$m	2015 US$m
Cash and cash equivalents (balance sheet)	**1,430**	965
Overdrafts	**(159)**	(215)
Cash and cash equivalents (cash flow statement)	**1,271**	750

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 2014	2,081	(213)	(16,783)	663	(51)	(16,384)	(14,303)
Exchange adjustments	(157)	40	713	(51)	6	708	551
Principal-related cash flows	(959)	(42)	3,819	(243)	10	3,544	2,585
Other movements	–	–	(25)	745	(18)	702	702
At 31 March 2015	965	(215)	(12,276)	1,114	(53)	(11,430)	(10,465)
Exchange adjustments	(134)	19	27	4	4	54	(80)
Principal-related cash flows	598	37	783	(547)	10	283	881
Acquisitions – through business combinations	1	–	(7)	–	(3)	(10)	(9)
Other movements	–	–	(47)	101	(19)	35	35
At 31 March 2016	**1,430**	**(159)**	**(11,520)**	**672**	**(61)**	**(11,068)**	**(9,638)**

27d. Major non-cash transactions

Major non-cash transactions included the following.

In 2016 impairments relating to the group's investment in Castel's operations in Angola and property, plant and equipment in South Sudan.

In 2016 the loan guarantee provision in Angola.

In 2016 the release of provisions following the successful resolution of certain claims in Australia.

In 2016 accelerated depreciation incurred in relation to the closure of MillerCoors' Eden brewery.

In 2016 the group's share of the gain realised on the change of control arising from Castel's acquisition of further interests in its Tunisian operation.

In 2015 impairment charges relating to the group's business in India in Asia Pacific and the group's share of the impairment charges taken by Anadolu Efes in relation to its beer businesses in Russia and Ukraine. Additionally, impairment charges in Australia including those in 2015 relating to the pending closure of the Campbelltown cidery and Port Melbourne brewery.

Additional profit realised in 2015 on the disposal of the group's Angolan operations to Castel in Africa in 2012.

In 2015 the recycling of foreign currency translation reserves following the repayment of an intercompany loan.

28. Acquisitions and disposals

Acquisitions

In June 2015, the group acquired 100% of Meantime Brewing Company Ltd, a modern UK craft brewer, with a brewery in Greenwich, London and a number of retail sites for consideration of US$191 million net of cash acquired. The business combination has been accounted for using the acquisition method.

29. 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.

	2016 US$m	2015 US$m
Land and buildings		
Within one year	**66**	67
Later than one year and less than five years	**78**	134
After five years	**18**	24
	162	225

	2016 US$m	2015 US$m
Plant, vehicles and systems		
Within one year	**42**	43
Later than one year and less than five years	**59**	79
After five years	**3**	11
	104	133

b. Other commitments

	2016 US$m	2015 US$m
Capital commitments not provided in the financial information		
Contracts placed for future expenditure for property, plant and equipment	**190**	151
Contracts placed for future expenditure for intangible assets	**1**	1
Share of capital commitments of joint ventures	**65**	66
Other commitments not provided in the financial information		
Contracts placed for future expenditure	**1,294**	1,799
Share of joint ventures' other commitments	**512**	390

Contracts placed for future expenditure in 2016 primarily relate to minimum purchase commitments for raw materials and packaging materials, which are principally due between 2016 and 2021.

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

	2016 US$m	2015 US$m
Guarantees to third parties[1]	**11**	9
Other contingent liabilities	**6**	6
	17	15

[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 third party trade customers and suppliers respectively, and by SABMiller plc in relation to loans taken out by non-controlling interests in Ethiopia.

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

The group has 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 expected to 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.

As a result of the AB InBev offer, the group has various commitments which are contingent on the completion of the transaction, including advisers' fees and staff-related costs, principally reflecting the impact of accelerated vesting of share-based compensation. These contingent liabilities, which have not been recognised in the group's results for the year ended 31 March 2016, are estimated to range from US$250 million to US$300 million.

Notes to the consolidated financial statements continued

30. Pensions and post-retirement benefits

The group operates a number of pension schemes throughout the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The majority of the schemes are funded and the schemes' assets are held independently of the group's finances. The assets of the schemes do not include any of the group's own financial instruments, nor any property occupied by or other assets used by the group. Pension and post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. Generally, the projected unit method is applied to measure the defined benefit scheme liabilities.

The group also provides medical benefits, which are mainly unfunded, for retired employees and their dependants in South Africa, the Netherlands and Latin America.

The total pension and post-retirement medical benefit costs recognised in the income statement are as follows.

	2016 US$m	2015 US$m
Defined contribution scheme costs	**89**	98
Defined benefit pension plan costs	**18**	19
Post-retirement medical and other benefit costs	**5**	8

The amounts recognised in the balance sheet are determined as follows.

	2016 US$m	2015 US$m
Portion of defined benefit obligation that is partly or wholly funded	**(405)**	(405)
Fair value of plan assets	**473**	457
Surplus of funded plans	**68**	52
Impact of asset ceiling	**(73)**	(57)
Deficit of funded plans	**(5)**	(5)
Portion of defined benefit obligation that is unfunded	**(109)**	(124)
Medical and other post-retirement benefits	**(65)**	(76)
Provisions for defined benefit plans	**(179)**	(205)
Accruals for defined contribution plans	**(4)**	(4)

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 2016 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 pension scheme is managed through a separate entity with its own board. The latest valuation of the Grolsch pension scheme was carried out at 31 March 2016 by an independent actuary using the projected unit credit method.

Carlton & United Breweries pension scheme

The Carlton & United Breweries pension scheme is a superannuation fund that 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 2014 by an independent actuary using the projected unit credit method. The valuation update for the scheme was carried out at 31 March 2016 by an independent actuary. The defined benefits section is now closed to new members.

30. 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 for 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.

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 2016						
Discount rate (%)		**8.5**	**2.1**	**2.8**	**10.2**	**7.1**
Salary inflation (%)		**4.3**	**1.0**	**2.5**	**–**	**–**
Pension inflation (%)		**4.3**	**0.7**	**2.7**	**–**	**–**
Healthcare cost inflation (%)		**–**	**–**	**–**	**9.1**	**4.0**
Mortality rate assumptions						
– Retirement age:	Males	**56**	**67**	**65**	**63**	**59**
	Females	**52**	**67**	**65**	**63**	**55**
– Life expectations on retirement age:						
Retiring today:	Males	**30**	**22**	**15**	**16**	**27**
	Females	**38**	**24**	**19**	**20**	**34**
Retiring in 20 years:	Males	**30**	**24**	**15**	**16**	**27**
	Females	**38**	**26**	**19**	**20**	**34**
At 31 March 2015						
Discount rate (%)		6.9	1.9	2.4	8.0	6.0
Salary inflation (%)		3.0	1.0	2.6	–	–
Pension inflation (%)		3.0	0.7	3.2	–	–
Healthcare cost inflation (%)		–	–	–	7.1	2.9
Mortality rate assumptions						
– Retirement age:	Males	56	67	65	63	58
	Females	51	67	65	63	55
– Life expectations on retirement age:						
Retiring today:	Males	23	21	15	16	22
	Females	32	24	20	20	29
Retiring in 20 years:	Males	23	24	16	16	22
	Females	32	26	20	20	29

Notes to the consolidated financial statements continued

30. Pensions and post-retirement benefits continued

The movements in the defined benefit pension plan liabilities are 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 2014	(141)	(338)	408	70	(81)	71	(10)	(560)	479	(81)
Benefits paid	13	11	(11)	–	16	(14)	2	40	(25)	15
Contributions paid by plan participants	–	(2)	–	(2)	(1)	–	(1)	(3)	–	(3)
Employer contributions	–	–	7	7	–	1	1	–	8	8
Current service cost	(1)	(4)	–	(4)	(3)	–	(3)	(8)	–	(8)
Past service cost	(1)	–	–	–	–	–	–	(1)	–	(1)
Interest (costs)/income	(9)	(10)	12	2	(3)	3	–	(22)	15	(7)
Remeasurements:	(6)	(105)	95	(10)	(2)	2	–	(113)	97	(16)
– Return on plan assets, excluding amounts included in interest income	–	–	95	95	–	–	–	–	95	95
– Gain/(loss) from change in demographic assumptions	6	(2)	–	(2)	–	–	–	4	–	4
– Loss from change in financial assumptions	–	(107)	–	(107)	(2)	–	(2)	(109)	–	(109)
– Experience (losses)/gains	(12)	4	–	4	–	2	2	(8)	2	(6)
Exchange adjustments	32	92	(106)	(14)	14	(11)	3	138	(117)	21
At 31 March 2015	(113)	(356)	405	49	(60)	52	(8)	(529)	457	(72)
Benefits paid	9	10	(10)	–	5	(4)	1	24	(14)	10
Contributions paid by plan participants	–	(2)	–	(2)	–	–	–	(2)	–	(2)
Employer contributions	–	–	6	6	–	–	–	–	6	6
Current service cost	(1)	(5)	–	(5)	(3)	–	(3)	(9)	–	(9)
Past service cost	(1)	–	–	–	–	–	–	(1)	–	(1)
Interest (costs)/income	(7)	(7)	7	–	(1)	1	–	(15)	8	(7)
Remeasurements:	–	22	(6)	16	–	–	–	22	(6)	16
– Return on plan assets, excluding amounts included in interest income	–	–	(6)	(6)	–	–	–	–	(6)	(6)
– Gain from change in financial assumptions	3	22	–	22	–	–	–	25	–	25
– Experience losses	(3)	–	–	–	–	–	–	(3)	–	(3)
Exchange adjustments	15	(21)	24	3	2	(2)	–	(4)	22	18
At 31 March 2016	**(98)**	**(359)**	**426**	**67**	**(57)**	**47**	**(10)**	**(514)**	**473**	**(41)**

30. Pensions and post-retirement benefits continued

The fair values 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 2016				
Equities – quoted	**–**	**139**	**11**	**150**
Bonds – quoted	**–**	**269**	**12**	**281**
Cash and cash equivalents	**–**	**–**	**18**	**18**
Property and other	**–**	**18**	**6**	**24**
Total fair value of assets	**–**	**426**	**47**	**473**
Present value of scheme liabilities	**(98)**	**(359)**	**(57)**	**(514)**
(Deficit)/surplus in the scheme	**(98)**	**67**	**(10)**	**(41)**
Unrecognised pension asset due to limit	**–**	**(67)**	**(6)**	**(73)**
Pension liability recognised	**(98)**	**–**	**(16)**	**(114)**
At 31 March 2015				
Equities – quoted	–	138	12	150
Bonds – quoted	–	248	16	264
Cash and cash equivalents	–	2	22	24
Property and other	–	17	2	19
Total fair value of assets	–	405	52	457
Present value of scheme liabilities	(113)	(356)	(60)	(529)
(Deficit)/surplus in the scheme	(113)	49	(8)	(72)
Unrecognised pension asset due to limit	–	(49)	(8)	(57)
Pension liability recognised	(113)	–	(16)	(129)

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 not been recognised as the surplus apportionment exercise required in terms of the South African legislation has not yet been completed.

The pension asset recognised in respect of Grolsch is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The limit has been set equal to nil due to the terms of the pension agreement with the pension fund.

Notes to the consolidated financial statements continued

30. Pensions and post-retirement benefits continued

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 2014	(70)	(8)	(78)
Interest costs	(2)	(1)	(3)
Change in the asset ceiling, excluding amounts included in interest costs	9	(1)	8
Exchange adjustments	14	2	16
Asset ceiling at 31 March 2015	(49)	(8)	(57)
Interest costs	(1)	–	(1)
Change in the asset ceiling, excluding amounts included in interest costs	(12)	–	(12)
Exchange adjustments	(5)	2	(3)
Asset ceiling at 31 March 2016	**(67)**	**(6)**	**(73)**

The movements in the post-employment medical benefit liabilities are 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 2014	(46)	(41)	(87)
Benefits paid	–	2	2
Employer contributions	2	–	2
Current service cost	(1)	(2)	(3)
Interest costs	(4)	(1)	(5)
Remeasurements:	1	–	1
– Loss from change in demographic assumptions	–	(1)	(1)
– Loss from change in financial assumptions	(1)	–	(1)
– Experience gains	2	1	3
Exchange adjustments	6	8	14
Present value of scheme liabilities at 31 March 2015	(42)	(34)	(76)
Benefits paid	–	2	2
Employer contributions	2	–	2
Current service cost	(1)	–	(1)
Interest costs	(3)	(1)	(4)
Remeasurements:	4	(3)	1
– Gain from change in financial assumptions	1	1	2
– Experience gains/(losses)	3	(4)	(1)
Exchange adjustments	7	4	11
Present value of scheme liabilities at 31 March 2016	**(33)**	**(32)**	**(65)**

30. Pensions and post-retirement benefits continued

The sensitivity of the pension plan and medical and other post-retirement benefit liabilities at 31 March 2016 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%	69	90	5	6
Salary growth rate	1%	7	6	–	–
Pension growth rate	1%	83	47	–	–
Life expectancy	1 year	11	11	2	2
Healthcare cost inflation	1%	–	–	6	5

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. The methods and assumptions used to prepare the sensitivity analyses are consistent with those used in the prior year.

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 2017 are US$18 million.

The weighted average duration of the defined benefit obligation is 16 years.

31. 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 26.7% equity shareholding. There were no transactions with Altria during the year.

SDG is considered to be a related party of the group by virtue of its 14.0% equity shareholding in SABMiller plc. During the year the group made purchases of logistics services and natural gas from SDG companies totalling US$5 million (2015: US$nil). At 31 March 2016 US$1 million (2015: US$nil) was owing to SDG companies.

b. Associates and joint ventures

Details relating to transactions with associates and joint ventures are analysed below.

	2016 US$m	2015 US$m
Purchases from associates[1]	**(165)**	(173)
Purchases from joint ventures[2]	**(103)**	(88)
Sales to associates[3]	**38**	9
Sales to joint ventures[4]	**19**	21
Dividends received from associates[5]	**253**	423
Dividends received from joint ventures[6]	**998**	976
Royalties received from associates[7]	**16**	18
Royalties received from joint ventures[8]	**14**	1
Management fees, guarantee fees and other recoveries received from associates[9]	**14**	14
Marketing fees paid to associates[10]	**(1)**	(1)
Management fees paid to joint ventures[11]	**(2)**	(2)
Management fees received from joint ventures[12]	**1**	–

1 The group purchased canned Coca-Cola products for resale from Coca-Cola Canners of Southern Africa (Pty) Ltd (Coca-Cola Canners); inventory from Distell Group Ltd (Distell), Associated Fruit Processors (Pty) Ltd (AFP) and Delta Corporation Ltd (Delta); and in 2015 accommodation from Tsogo Sun Holdings Ltd (Tsogo Sun).
2 The group purchased lager from MillerCoors LLC (MillerCoors).
3 The group made sales of lager to Delta, Anadolu Efes Biracılık ve Malt Sanayii AŞ (Anadolu Efes), International Trade and Supply Ltd (ITSL) and Distell, and in 2015 to Tsogo Sun.
4 The group made sales to MillerCoors.
5 The group had dividends receivable from China Resources Snow Breweries Ltd (CR Snow) of US$71 million (2015: US$228 million), Castel of US$89 million (2015: US$108 million), Coca-Cola Canners of US$10 million (2015: US$5 million), Distell of US$15 million (2015: US$18 million), Tsogo Sun of US$nil (2015: US$24 million), Delta of US$19 million (2015: US$18 million), ITSL of US$24 million (2015: US$21 million), Grolsch (UK) Ltd of US$1 million (2015: US$1 million) and Anadolu Efes of US$24 million (2015: US$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, Anadolu Efes and Castel and other recoveries from AFP.
10 The group paid marketing fees to ITSL.
11 The group paid management fees to MillerCoors.
12 The group received management fees from MillerCoors.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements continued

31. Related party transactions continued

At 31 March	2016 US$m	2015 US$m
Amounts owed by associates[1]	**15**	28
Amounts owed by joint ventures[2]	**8**	4
Amounts owed to associates[3]	**(36)**	(38)
Amounts owed to joint ventures[4]	**(14)**	(18)

1 Amounts owed by AFP, Delta, Coca-Cola Canners, Castel and Anadolu Efes.
2 Amounts owed by MillerCoors.
3 Amounts owed to AFP and 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. Key management compensation is provided in note 6c.

32. Post balance sheet events
In May 2016 the South African Competition Tribunal approved, with agreed conditions, the formation of Coca-Cola Beverages Africa, Africa's largest soft drinks operation. The transaction is expected to complete in early July 2016.

33. Principal subsidiaries, associates and joint ventures

The principal subsidiary undertakings of the group as at 31 March were as follows.

Name	Country of incorporation	Principal activity	Effective interest 2016	Effective interest 2015
Corporate				
SABMiller Holdings Ltd	United Kingdom	Holding company	**100%**	100%
SABMiller International Brands Ltd	United Kingdom	Trademark owner	**100%**	100%
SABMiller Procurement GmbH	Switzerland	Procurement	**100%**	100%
SABSA Holdings Ltd	South Africa	Holding company	**100%**	100%
Latin American operations				
Bavaria SA	Colombia	Brewing/Soft drinks	**99%**	99%
Cervecería Hondureña, SA de CV	Honduras	Brewing/Soft drinks	**99%**	99%
Cervecería Nacional (CN) SA[1]	Ecuador	Brewing	**96%**	96%
Cervecería Nacional SA[1]	Panama	Brewing	**97%**	97%
Industrias La Constancia, SA de CV	El Salvador	Brewing/Soft drinks	**100%**	100%
Unión de Cervecerías Peruanas Backus y Johnston SAA[1]	Peru	Brewing	**94%**	94%
African operations				
SABMiller Africa BV	Netherlands	Holding company	**62%**	62%
SABMiller Botswana BV	Netherlands	Holding company	**62%**	62%
Accra Brewery Ltd	Ghana	Brewing	**60%**	60%
Cervejas de Moçambique SA[1]	Mozambique	Brewing	**49%**	49%
Intafact Beverages Ltd	Nigeria	Brewing	**38%**	38%
International Breweries plc[1]	Nigeria	Brewing	**36%**	36%
Kgalagadi Breweries (Pty) Ltd	Botswana	Brewing/Soft drinks	**31%**	31%
Nile Breweries Ltd	Uganda	Brewing	**62%**	62%
Tanzania Breweries Ltd[1]	Tanzania	Brewing	**36%**	36%
The South African Breweries (Pty) Ltd	South Africa	Brewing/Holding company	**100%**	100%
Zambian Breweries plc[1]	Zambia	Brewing/Soft drinks	**54%**	54%
Asia Pacific operations				
Foster's Group Pty Ltd	Australia	Holding company	**100%**	100%
CUB Pty Ltd	Australia	Brewing	**100%**	100%
FBG Finance Pty Ltd	Australia	Financing	**100%**	100%
FBG Treasury (Aust) Pty Ltd	Australia	Financing	**100%**	100%
SABMiller Breweries Private Ltd	India	Brewing	**100%**	100%
European operations				
Birra Peroni Srl	Italy	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%

[1] Listed in country of incorporation.

The group comprises a large number of companies. The list above includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment. The principal country in which each of the above subsidiary undertakings operates is the same as the country in which each is incorporated. A complete list of all subsidiary undertakings is set out in the related undertakings section in this annual report.

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.

Kgalagadi Breweries (Pty) Ltd (KBL)
SABMiller Botswana holds a 40% interest in Kgalagadi Breweries (Pty) Ltd with the remaining 60% interest 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.

Notes to the consolidated financial statements continued

33. Principal subsidiaries, associates and joint ventures continued

Associates and joint ventures

The principal associates and joint ventures of the group as at 31 March are as set out below. Where the group's interest in an associate or a joint venture is held by a subsidiary undertaking which is not wholly owned by the group, the subsidiary undertaking is indicated in a note below.

				Effective interest	
Name	Country of incorporation	Nature of relationship	Principal activity	2016	2015
African operations					
BIH Brasseries Internationales Holding Ltd[1]	Gibraltar	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
Société des Brasseries et Glacières Internationales SA[1]	France	Associate	Holding company for subsidiaries principally located in Africa	**20%**	20%
BIH Brasseries Internationales Holding (Angola) Ltd[1]	Gibraltar	Associate	Holding company for subsidiaries principally located in Africa	**27%**	27%
Delta Corporation Ltd[2,3]	Zimbabwe	Associate	Brewing/Soft drinks	**25%**	25%
Distell Group Ltd[2,4]	South Africa	Associate	Wines and spirits	**27%**	27%
Asia Pacific operations					
China Resources Snow Breweries Ltd[1]	British Virgin Islands	Associate	Holding company for brewing subsidiaries located in China	**49%**	49%
European operations					
Anadolu Efes Biracılık ve Malt Sanayii AŞ[1,2]	Turkey	Associate	Brewing/Soft drinks	**24%**	24%
North American operations					
MillerCoors LLC[1,5]	USA	Joint venture	Brewing	**58%**	58%

1 These entities report their financial results for each 12-month period ending 31 December.

2 Listed in country of incorporation.

3 Interests in this company are held by SABMiller Africa BV which is held 62% by SABMiller Holdings Ltd.

4 This entity reports its financial results for each 12-month period ending 30 June.

5 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.

The principal country in which each of the above associated undertakings operates is the same as the country in which each is incorporated. However, Société des Brasseries et Glacières Internationales SA, BIH Brasseries Internationales Holding Ltd's (Castel) and BIH Brasseries Internationales Holding (Angola) Ltd's principal subsidiaries are in Africa, China Resources Snow Breweries Ltd operates in Hong Kong and its principal subsidiaries are in the People's Republic of China.

A complete list of all associate and joint venture undertakings is set out in the related undertakings section in this annual report.

Balance sheet of SABMiller plc

at 31 March

	Notes	2016 US$m	2015 US$m
Assets			
Fixed assets			
Intangible assets	3	**133**	133
Property, plant and equipment	4	**48**	44
Investments in subsidiaries	5	**14,128**	14,069
		14,309	14,246
Current assets			
Loans and other financial assets due after more than one year	6	**2,091**	5,762
Trade and other receivables due after more than one year	7	**15**	20
Derivative financial instruments due after more than one year	8	**248**	388
Loans and other financial assets due within one year	6	**4,639**	1,142
Trade and other receivables due within one year	7	**39**	59
Derivative financial instruments due within one year	8	**125**	20
Cash and cash equivalents	9	**878**	449
		8,035	7,840
Total assets		**22,344**	22,086
Liabilities			
Creditors due within one year			
Derivative financial instruments	8	**(19)**	(32)
Borrowings	10	**(1,126)**	(460)
Trade and other payables	11	**(188)**	(125)
Other financial liabilities	13	**(65)**	(50)
		(1,398)	(667)
Net current assets		**6,637**	7,173
Total assets less current liabilities		**20,946**	21,419
Creditors due after more than one year			
Derivative financial instruments	8	**(6)**	(5)
Borrowings	10	**(1,215)**	(1,223)
Trade and other payables	11	**(10)**	(10)
Other financial liabilities	13	**(188)**	(231)
		(1,419)	(1,469)
Net assets		**19,527**	19,950
Equity			
Share capital		**168**	168
Share premium		**6,848**	6,752
Merger relief reserve	14	**3,628**	3,963
Other reserves		**(1,281)**	(1,186)
Retained earnings		**10,164**	10,253
Total equity		**19,527**	19,950

The notes on pages 173 to 185 are an integral part of these financial statements.

The financial statements on pages 171 to 185 were approved by the board of directors on 10 June 2016 and were signed on its behalf by

Alan Clark
Chief Executive

Domenic De Lorenzo
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 income statement for SABMiller plc. The profit for the company for the year was US$1,367 million (2015: US$2,141 million).

Statement of changes in the company's equity

for the year ended 31 March

	Share capital US$m	Share premium US$m	Merger relief reserve US$m	Cashflow hedging reserve US$m	EBT reserve US$m	Treasury shares US$m	Retained earnings US$m	Total equity US$m
At 1 April 2014	167	6,648	4,321	12	(168)	(1,008)	9,400	19,372
Total comprehensive (loss)/income	–	–	–	(38)	–	–	2,141	2,103
Profit for the year	–	–	–	–	–	–	2,141	2,141
Other comprehensive loss – cash flow hedges fair value losses	–	–	–	(38)	–	–	–	(38)
Dividends paid	–	–	–	–	–	–	(1,696)	(1,696)
Issue of ordinary shares	1	61	–	–	–	–	–	62
Transfer into EBT	–	–	–	–	(53)	53	–	–
Purchase of EBT shares	–	–	–	–	(146)	–	–	(146)
Utilisation of EBT shares	–	–	–	–	112	–	(112)	–
Utilisation of treasury shares	–	43	–	–	–	50	–	93
Utilisation of merger relief reserve	–	–	(358)	–	–	–	358	–
Credit entry relating to share-based payments	–	–	–	–	–	–	113	113
Capital contribution relating to share-based payments	–	–	–	–	–	–	49	49
At 31 March 2015	168	6,752	3,963	(26)	(255)	(905)	10,253	19,950
Total comprehensive income	–	–	–	16	–	–	1,367	1,383
Profit for the year	–	–	–	–	–	–	1,367	1,367
Other comprehensive income – cash flow hedges fair value gain	–	–	–	16	–	–	–	16
Dividends paid	–	–	–	–	–	–	(1,852)	(1,852)
Issue of ordinary shares	–	84	–	–	–	–	–	84
Purchase of EBT shares	–	–	–	–	(149)	–	–	(149)
Utilisation of EBT shares	–	–	–	–	22	–	(22)	–
Utilisation of treasury shares	–	12	–	–	–	16	–	28
Utilisation of merger relief reserve	–	–	(335)	–	–	–	335	–
Credit entry relating to share-based payments	–	–	–	–	–	–	24	24
Capital contribution relating to share-based payments	–	–	–	–	–	–	59	59
At 31 March 2016	**168**	**6,848**	**3,628**	**(10)**	**(382)**	**(889)**	**10,164**	**19,527**

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 address of its registered office is SABMiller House, Church Street West, Woking, Surrey, England, GU21 6HS.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the company has applied IFRS 1 'First-time adoption of International Financial Reporting Standards' while ensuring that its assets and liabilities are measured in compliance with FRS 101.

An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the company is provided in note 18.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. These are not considered to have a material impact on the company's financial statements.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - Paragraph 118(e) of IAS 38, 'Intangible assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third balance sheet);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into with wholly-owned members of the group.

As the consolidated financial statements include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment';
- Certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instrument disclosures'; and
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors in the application of those accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are detailed in note 2.

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 exchange

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's financial statements were as follows:

	Weighted average rate		Closing rate	
	ZAR	GBP	ZAR	GBP
Year ended 31 March 2016	**13.78**	**0.66**	**14.77**	**0.70**
Year ended 31 March 2015	11.08	0.62	12.13	0.67

The financial statements 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.

Translation differences on non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Translation differences on non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

c) Investments in subsidiaries

Investments in subsidiaries are stated at cost, together with subsequent capital contributions, less provisions for impairment.

The issue by the company to employees of its subsidiaries of a grant over the company's shares represents an additional capital contribution 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.

d) Financial instruments

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.

Notes to the company financial statements continued

1. Accounting policies continued

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired. If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset.

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

The company holds four categories of financial assets and 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.

Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments the value of which 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 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 (e) for the company'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 company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in 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, loans owed by subsidiary undertakings, amounts owed by subsidiary undertakings, amounts owed by associates, other receivables and cash and cash equivalents.

a. Loans and receivables other than cash and cash equivalents

Loans and receivables other than cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the terms of the receivables. The 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 balance sheet, cash and cash equivalents include cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less.

(iii) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost include trade payables, accruals, other payables and borrowings (such as loans and amounts owed to subsidiary undertakings and unsecured bonds).

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 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 e).

(iv) Financial guarantee contracts

Financial guarantee contracts are defined in IAS 39 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.

Issued financial guarantee contracts are 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 IAS 37 'Provisions, contingent liabilities and contingent assets'.

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 income statement.

e) 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 company, 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 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 company in line with the group'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 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 company is also required to document and demonstrate that the relationship between

1. Accounting policies continued

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 either: 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).

(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 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.

f) Interest income

Interest income is recognised on an accruals basis using the effective interest method.

When a receivable is impaired the company 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.

g) Dividend income

Dividend income is recognised when the right to receive payment is established.

h) Tax

The tax expense for the year 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 year as adjusted for items that are not taxable or not deductible. The company'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, 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 company 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 company 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 expected that sufficient existing taxable temporary differences will reverse in the future or there will be sufficient taxable profit 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.

i) Dividend distributions

Dividend distributions are recognised as a liability in the company'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.

j) Property, plant and equipment and depreciation

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 company 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) Depreciation

No depreciation is provided for 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.

Office equipment	2 – 10 years
Short leasehold buildings	Shorter of the lease term or 50 years

The company 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 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 amount.

Notes to the company financial statements continued

1. Accounting policies continued

(iii) 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.

k) Intangible assets and amortisation
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 company, 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 company 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) 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 controlled by the company 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.

(ii) 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 company 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.

l) 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 company recognises a liability and an expense for accrued vacation pay when such benefits are earned and not when these benefits are paid. The company 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 company. 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 company 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 company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based compensation
The company 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 and without 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 over the vesting period on a straight-line basis, after considering 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 company has granted an equity-settled share-based payment to retailers in relation to the retailer element of the BBBEE scheme.

The charges are based on the fair value of the awards as at the date of grant, as calculated by various binomial model calculations and Monte Carlo simulations. The charges are not reversed if the options and awards are not exercised because the market value of the shares is lower than the option price at the date of grant. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised unless the options are satisfied by the transfer of treasury or other Employee Benefit Trust (EBT) shares.

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.

Shares held by EBTs and in treasury are treated as a deduction from equity until the shares are utilised.

(v) Pension obligations
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.

m) 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.

n) Impairment of non-financial assets
This policy covers all assets except financial assets (see note d) and deferred tax assets (see note h).

1. Accounting policies continued

Impairment reviews are performed by comparing the carrying value of the fixed 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, and therefore is determined from a market participant perspective. The recoverable amount under both calculations 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. For value in use, 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 company 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.

When the carrying values of fixed assets are written down by any impairment amount, the loss is recognised in the income statement 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 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.

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.

o) 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.

p) 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. 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.

2. Key estimates and judgements

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 company, 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 company due to greater complexity and/or particularly subject to the exercise of judgement. Management has reconsidered the significant judgements and estimates applied, and has not assumed the completion of the AB InBev transaction.

(i) Impairment reviews
Impairment reviews are performed if events indicate that this is necessary. Impairment reviews are based on future cash flows discounted using the weighted average cost of capital 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 company.

(ii) Taxation
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 company.

(iii) Share-based compensation
Accounting for share-based compensation requires certain assumptions to be made in order to determine the amounts to be recognised in the income statement in accordance with IFRS 2. The income statement charge spreads the fair value of each award at the grant date over the vesting period on a straight-line basis, after considering an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge recognised immediately. The completion of the proposed AB InBev transaction has not been assumed in determining the extent and timing of the vesting of awards. Details of the assumptions used in determining fair values of grants in the year are set out in note 25 to the consolidated financial statements of the group.

Notes to the company financial statements continued

3. Intangible assets

	Assets in course of construction US$m	Software US$m	Total US$m
Cost			
At 1 April 2015	51	210	261
Additions	9	18	27
Transfers	(41)	38	(3)
At 31 March 2016	**19**	**266**	**285**
Accumulated depreciation			
At 1 April 2015	–	128	128
Charge for the year	–	24	24
At 31 March 2016	**–**	**152**	**152**
Net book amount			
At 1 April 2015	51	82	133
At 31 March 2016	**19**	**114**	**133**

4. Property, plant and equipment

	Assets in course of construction US$m	Short leasehold land and buildings US$m	Office equipment US$m	Total US$m
Cost				
At 1 April 2015	23	36	22	81
Additions	4	–	5	9
Disposals	–	(2)	(2)	(4)
Transfers	(15)	–	18	3
At 31 March 2016	**12**	**34**	**43**	**89**
Accumulated depreciation				
At 1 April 2015	–	24	13	37
Disposals	–	(2)	(1)	(3)
Charge for the year	–	3	4	7
At 31 March 2016	**–**	**25**	**16**	**41**
Net book amount				
At 1 April 2015	23	12	9	44
At 31 March 2016	**12**	**9**	**27**	**48**

5. Investments in subsidiaries

	2016 US$m	2015 US$m
Cost		
At 1 April	**14,305**	14,242
Additions	**–**	14
Capital contributions relating to share-based payments	**59**	49
At 31 March	**14,364**	14,305
Accumulated impairment		
At 1 April	**236**	140
Impairment	**–**	96
At 31 March	**236**	236
Net book value		
At 1 April	**14,069**	14,102
At 31 March	**14,128**	14,069

5. Investments in subsidiaries continued

The net book value of investments in subsidiaries at 31 March 2016 of US$14,128 million (2015: US$14,069 million) includes US$633 million (2015: US$574 million) from capital contributions relating to share-based payments as well as US$5 million (2015: US$5 million) relating to a contribution of ZAR 36 million towards the cost of a guarantee fee to SABSA Holdings Ltd, a fellow group undertaking.

The directors consider that the carrying values of the investments are supported by their underlying net assets.

The direct investments in subsidiary undertakings are as follows (all interests are 100% unless stated otherwise).

Name	Country of incorporation	Principal activity	Share class	2016 US$m	2015 US$m
SABMiller Holdings Ltd	United Kingdom	Holding company	US$1 ordinary	**10,633**	10,633
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	US$1 ordinary	**39**	39
SABMiller Management BV	Netherlands	Management services	€1 ordinary	**–**	–
SABMiller Africa & Asia BV[1]	Netherlands	Holding company	€1 ordinary	**195**	195
Appletiser International BV	Netherlands	Holding company	€1 ordinary	**–**	–
SABMiller (Safari)	United Kingdom	Finance company	US$1 ordinary	**506**	506
Pilsner Urquell International BV	Netherlands	Holding company	€1 ordinary	**–**	–
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	£1 ordinary	**2,117**	2,117
Racetrack Colombia Finance SAS	Colombia	Dormant company	COP1,000 ordinary	**–**	–
SABMiller Horizon Ltd	United Kingdom	Agent company	US$1 ordinary	**–**	–
SABSA Holdings Ltd[2]	South Africa	Holding company	n/a	**5**	5
SABMiller Capital UK Ltd	United Kingdom	Holding company	US$1 ordinary	**–**	–
SABMiller Asia Capital LLP[3]	United Kingdom	Partnership	US$1 ordinary	**–**	–
SA Breweries Ltd	United Kingdom	Dormant company	£1 ordinary	**–**	–
South Africa Breweries Ltd	United Kingdom	Dormant company	£1 ordinary	**–**	–
South African Breweries Ltd	United Kingdom	Dormant company	£1 ordinary	**–**	–
				13,495	13,495
Capital contribution relating to share-based payments				**633**	574
				14,128	14,069

[1] Operates and resident for tax purposes in the United Kingdom.

[2] 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.

[3] 1% direct interest and 100% effective interest.

Indirect investments held by the company, such as subsidiaries, associates and joint ventures of the company's direct investments, are detailed in the related undertakings section of the annual report.

6. Loans and other financial assets

	2016 US$m	2015 US$m
Due after more than one year		
Loans owed by subsidiary undertakings	**1,886**	5,529
Amounts owed by subsidiary undertakings	**205**	231
Financial guarantee asset	**–**	2
	2,091	5,762
Due within one year		
Loans owed by subsidiary undertakings	**4,446**	938
Amounts owed by subsidiary undertakings	**190**	200
Amounts owed by associated undertakings	**1**	1
Financial guarantee asset	**2**	3
	4,639	1,142

Interest on the loan owed by subsidiary undertakings due after more than one year is charged at floating rates. The floating rate is one month LIBOR plus 180 basis points (bps) and the loan is repayable in 2017.

Interest on loans owed by subsidiary undertakings due within one year is charged at either fixed or floating rates. The fixed rate is 1.72%. The floating rate is one month LIBOR or equivalent depending on the location of the subsidiary undertaking. Spreads range from plus 10 bps to 80 bps.

All amounts owed by subsidiary undertakings are non-interest bearing with a fixed repayment date.

Notes to the company financial statements continued

7. Trade and other receivables

	2016 US$m	2015 US$m
Due after more than one year		
Prepayments	**15**	20
Due within one year		
Other debtors	**39**	31
Corporation tax	**–**	28
	39	59

8. Derivative financial instruments

	2016			2015		
	Notional amounts US$m	Assets US$m	Liabilities US$m	Notional amounts US$m	Assets US$m	Liabilities US$m
Derivative financial instruments due after more than one year						
Forward foreign currency contracts	**–**	**–**	**–**	1	–	–
Forward foreign currency contracts designated as cash flow hedges	**40**	**–**	**(1)**	46	–	(1)
Interest rate swaps	**600**	**24**	**(5)**	1,600	64	(4)
Interest rate swaps designated as fair value hedges	**300**	**150**	**–**	300	146	–
Cross currency swaps	**180**	**74**	**–**	286	178	–
	1,120	**248**	**(6)**	2,233	388	(5)
Derivative financial instruments due within one year						
Forward foreign currency contracts	**134**	**–**	**(4)**	563	20	(7)
Forward foreign currency contracts designated as cash flow hedges	**276**	**1**	**(11)**	290	–	(25)
Interest rate swaps	**1,000**	**15**	**(2)**	–	–	–
Cross currency swaps	**95**	**109**	**(2)**	–	–	–
	1,505	**125**	**(19)**	853	20	(32)

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 2016, the carrying value of the hedged borrowings was US$471 million (2015: US$460 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 and fellow group undertakings in South Africa (2015: South Africa and Poland) and also GBP-denominated balance sheet exposures.

(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 and fellow group undertakings in South Africa and the Netherlands (2015: South Africa and the Netherlands).

(iii) Interest rate swaps

The company has entered into interest rate swaps to manage exposures to fluctuations in interest rates. The derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement.

9. Cash and cash equivalents

	2016 US$m	2015 US$m
Short-term deposits	**878**	449

The company has short-term deposits in US dollars and British pounds. The effective interest rate was 0.24% (2015: 0.18%).

10. Borrowings

	2016 US$m	2015 US$m
Due within one year		
Loans owed to subsidiary undertakings	**1,106**	434
Amounts owed to subsidiary undertakings	**20**	26
	1,126	460
Due after more than one year		
Amounts owed to subsidiary undertakings	**–**	3
Unsecured bonds	**1,215**	1,220
	1,215	1,223
The maturity of borrowings due after more than one year is as follows:		
Between one and two years	**–**	2
Between two and five years	**745**	761
After five years	**470**	460
	1,215	1,223

Interest on loans owed to subsidiary undertakings due within one year is charged at floating rates. The floating rates are one or six month LIBOR or equivalent depending on the location of the subsidiary undertaking. Spreads range from minus 13 bps to plus 80 bps. All amounts owed to subsidiary undertakings are unsecured and repayable on demand.

The amount due after five years consists of a bond. The bond matures in 2033 with a fixed interest rate of 6.625%.

11. Trade and other payables

	2016 US$m	2015 US$m
Due within one year		
Trade and other payables	**79**	35
Taxation and social security	**37**	25
Accruals and deferred income	**72**	64
Dividends payable to shareholders	**–**	1
	188	125
Due after more than one year		
Other creditors	**6**	5
Deferred income	**4**	5
	10	10

The maturity of trade and other payables due after more than one year is as follows:

Between one and two years	**6**	5
Between two and five years	**3**	3
After five years	**1**	2
	10	10

Notes to the company financial statements continued

12. Fair values of financial assets and financial liabilities

	Book value 2016 US$m	Fair value 2016 US$m	Book value 2015 US$m	Fair value 2015 US$m
Non-current borrowings	**(1,215)**	**(1,161)**	(1,220)	(1,202)
Non-current loans	**1,886**	**1,919**	5,529	6,044

All financial assets and liabilities, other than those included in the table above, have a book value which approximates to their fair value.

The fair values of financial instruments that are traded in active markets are 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 company, pricing service or regulatory agency and these prices represent actual and regularly occurring transactions on arm's length basis.

The fair values of financial instruments that are not traded in an active market 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 maturity.

Fair value gain on financial instruments recognised in profit and loss

	2016 US$m	2015 US$m
Derivative financial instruments:		
Forward foreign currency contracts	**(6)**	40
Fair value gain on forward foreign currency contracts transferred from other comprehensive loss	**(23)**	1
Interest rate swaps	**(34)**	(33)
Interest rate swaps designated as fair value hedges	**11**	40
Cross currency swaps	**2**	66
	(50)	114
Other financial instruments:		
Guarantee fees	**54**	58
Early repayment costs	**–**	(48)
Other fair value gains	**16**	11
Borrowings designated as the hedged item in a fair value hedge	**(11)**	(38)
	59	(17)
Total fair value gain on financial instruments recognised in profit and loss	**9**	97

13. Other financial liabilities

	2016 US$m	2015 US$m
Due within one year		
Financial guarantee in respect of subsidiary borrowings	**45**	50
Loan guarantee provision	**20**	–
	65	50
Due after more than one year		
Financial guarantees in respect of subsidiary borrowings	**188**	231

The company has guaranteed the bank overdrafts and drawn components of bank loans and issued bonds 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.

	2016 US$m	2015 US$m
Financial year of maturity		
2016	**–**	640
2017	**2,350**	2,251
2018	**232**	257
2019	**1,100**	1,100
2020	**1,138**	1,073
2021	**536**	–
2022	**2,500**	2,500
2042	**1,500**	1,500
	9,356	9,321

Additionally the company has recorded a provision of US$20 million in relation to loan guarantees in Angola.

14. Reserves

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 gains of US$55 million (2015: losses of US$70 million).

Retained earnings include US$nil of non-distributable reserves (2015: US$3,645 million). During the year, upon realisation of qualifying consideration, the company recognised US$3,645 million of non-distributable reserves as distributable.

Merger relief reserve

At 1 April 2015 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$568 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. During the year ended 31 March 2016, the company transferred US$335 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.

15. Profit and loss information

Information relating to directors' remuneration is included in the directors' remuneration report on pages 74 to 92.

The fee charged for the statutory audit was US$0.1 million (2015: US$0.1 million).

The average monthly number of employees for the year is shown on a full-time equivalent basis and includes executive directors.

	2016	2015
Number of employees	**716**	676

The aggregate payroll costs were as follows.

	2016 US$m	2015 US$m
Wages and salaries	**142**	125
Share-based payments	**(2)**	4
Social security costs	**2**	2
Contributions to defined contribution plans	**11**	9
	153	140

Details of key management remuneration are provided in note 6 to the consolidated financial statements of the group.

Operating leases

Operating lease charges recognised in the income statement during the year were as follows.

	2016 US$m	2015 US$m
Plant and machinery	**5**	4
Other	**6**	6

Notes to the company financial statements continued

16. Other information

a. Deferred tax assets have not been recognised in respect of the following.

	2016 US$m	2015 US$m
Tax losses	**63**	58
Depreciation in excess of capital allowances	**10**	6
Accruals and provisions	**–**	1
Share-based payments	**51**	47
	124	112

b. Contingent liabilities and guarantees

The company has guaranteed borrowings in respect of certain subsidiary undertakings. Guarantee fees received from 100% owned subsidiaries were US$53 million (2015: US$57 million).

Guarantees provided on behalf of related parties in respect of bank facilities were US$373 million (2015: US$525 million). Note 17 details guarantee fees received from and paid to related parties.

Guarantees provided on behalf of third parties in respect of bank facilities were US$49 million (2015: US$54 million). A loan guarantee provision of US$20 million is held by the company against guarantees related to third party loans.

As a result of the AB InBev offer, the company has various commitments which are contingent on the completion of the transaction, including advisers' fees and staff-related costs, principally reflecting the impact of accelerated vesting of share-based compensation. These contingent liabilities, which have not been recognised in the company's results for the year ended 31 March 2016, are estimated to range from US$250 million to US$300 million.

At 31 March 2016 the company had total annual commitments under non-cancellable operating leases as follows.

	2016 US$m	2015 US$m
Land and buildings		
Within one year	**6**	6
Between two and five years	**14**	18
After five years	**–**	1
Other		
Within one year	**1**	3
Between two and five years	**2**	3

17. Related party transactions

Transactions with undertakings which are not wholly owned

The company has taken advantage of the exemption provided under FRS 101.8j 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.

	2016 US$m	2015 US$m
Guarantee fee income from group subsidiaries	**1**	3
Guarantee fees paid to subsidiary undertakings	**(2)**	(1)

31 March	2016 US$m	2015 US$m
Amounts owed by subsidiary undertakings falling due within one year	**5**	1
Amounts owed by associated undertakings falling due within one year	**1**	1
Amounts owed by subsidiary undertakings falling due after more than one year	**–**	4
Amounts owed to subsidiary undertakings falling due within one year	**(3)**	(4)
Amounts owed to subsidiary undertakings falling due after more than one year	**–**	(3)

18. Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 101 balance sheet, the company has reclassified amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the company's financial position and financial performance is set out in the following tables and the notes that accompany the tables. There was no impact on total comprehensive income for the year ended 31 March 2015 and no impact on net assets as at 31 March 2015 or 1 April 2014.

	31 March 2015			1 April 2014		
	UK GAAP US$m	Cumulative effect of transition to FRS 101 US$m	FRS 101 US$m	UK GAAP US$m	Cumulative effect of transition to FRS 101 US$m	FRS 101 US$m
Assets						
Fixed assets						
Intangible assets[1]	**–**	**133**	**133**	–	119	119
Property, plant and equipment[1]	**177**	**(133)**	**44**	158	(119)	39
Investments in subsidiaries	**14,069**	**–**	**14,069**	14,102	–	14,102
	14,246	**–**	**14,246**	14,260	–	14,260
Current assets						
Debtors – due after more than one year[2]	**5,782**	**(5,782)**	**–**	5,412	(5,412)	–
Loans and other financial assets due after more than one year[2]	**–**	**5,762**	**5,762**	–	5,405	5,405
Trade and other receivables due after more than one year[2]	**–**	**20**	**20**	–	7	7
Derivatives – due after more than one year[2]	**388**	**(388)**	**–**	301	(301)	–
Derivative financial instruments due after more than one year[2]	**–**	**388**	**388**	–	301	301
Debtors – due within one year[2]	**1,201**	**(1,201)**	**–**	2,293	(2,293)	–
Loans and other financial assets due within one year[2]	**–**	**1,142**	**1,142**	–	2,171	2,171
Trade and other receivables[2]	**–**	**59**	**59**	–	122	122
Derivative financial instruments[2]	**20**	**–**	**20**	52	–	52
Cash and cash equivalents	**449**	**–**	**449**	1,532	–	1,532
	7,840	**–**	**7,840**	9,590	–	9,590
Total assets	**22,086**	**–**	**22,086**	23,850	–	23,850
Liabilities						
Current liabilities						
Creditors – due within one year[2]	**(667)**	**667**	**–**	(2,091)	2,091	–
Derivative financial instruments[2]	**–**	**(32)**	**(32)**	–	(11)	(11)
Borrowings[2]	**–**	**(460)**	**(460)**	–	(1,858)	(1,858)
Trade and other payables[2]	**–**	**(125)**	**(125)**	–	(166)	(166)
Other financial liabilities[2]	**–**	**(50)**	**(50)**	–	(56)	(56)
	(667)	**–**	**(667)**	(2,091)	–	(2,091)
Net current assets	**7,173**	**–**	**7,173**	7,499	–	7,499
Total assets less current liabilities	**21,419**	**–**	**21,419**	21,759	–	21,759
Non-current liabilities						
Creditors – due after more than one year[2]	**(1,469)**	**1,469**	**–**	(2,387)	2,387	–
Derivative financial instruments[2]	**–**	**(5)**	**(5)**	–	(1)	(1)
Borrowings[2]	**–**	**(1,223)**	**(1,223)**	–	(2,089)	(2,089)
Trade and other payables[2]	**–**	**(10)**	**(10)**	–	(16)	(16)
Other financial liabilities[2]	**–**	**(231)**	**(231)**	–	(281)	(281)
	(1,469)	**–**	**(1,469)**	(2,387)	–	(2,387)
Net assets	**19,950**	**–**	**19,950**	19,372	–	19,372
Total equity	**19,950**	**–**	**19,950**	19,372	–	19,372

[1] Reclassification of software balances of US$133 million (2014: US$119 million) from tangible assets to intangible assets.

[2] The balance sheet has been represented under FRS 101 to show separate categories on the face of the balance sheet.

Related undertakings

The direct related undertakings of the company as at 31 March 2016 are shown in note 5 to the company financial statements.

(a) Indirect wholly owned subsidiaries

Unless indicated all shares are 100% held by group companies and effective interests are 100%.

Name of undertaking	Country of incorporation	Share class
A.C.N. 087 233 154 Pty Ltd	Australia	AUD Ordinary–No par value
Amayana Pty. Ltd.	Australia	AUD1.00 Ordinary
Anglemaster Limited	United Kingdom	£0.25 Ordinary
Appletise Hong Kong Limited	Hong Kong	HKD1.00 Ordinary
Appletiser Limited	United Kingdom	£1.00 Ordinary
Austindia Pty Ltd	Australia	AUD Ordinary–No par value
Axin y Cia LTDA	Colombia	COP2.00 Ordinary
BCA–Bebidas de Calidad Para Argentina S.A.	Argentina	ARS1.00 Ordinary
Bevco Limited Corp.	Panama	US$1.00 Ordinary
Bevman Services AG	Switzerland	CHF100.00 Ordinary
BHG Brewing Licence Company Limited	Cyprus	€1.71 Ordinary
Bier Beteiligungserwerbs GmbH	Austria	ATS1.00 Ordinary
Birra Peroni S.r.l.	Italy	€ Share capital
Bisa Beteiligungs GmbH	Germany	€ Share capital
Bluetongue Brewery Pty Limited	Australia	AUD1.00 Ordinary
Bourse du Vin Limited	United Kingdom	£1.00 Ordinary
Brewing Holdings Pty Ltd	Australia	AUD0.50 Ordinary
Brewing Investments Pty Ltd	Australia	AUD1.00 Ordinary
Brewman Group Limited	United Kingdom	£0.25 Ordinary
Bright Star Investments Pty Ltd	Australia	US$1.00 Ordinary
Browar Dojlidy S.A.	Poland	PLN50.00 Ordinary
Bulmer Australia Pty Ltd	Australia	AUD Ordinary
Cantab Holdings N.V.	Curaçao	US$1,000.00 B ordinary US$1,000.00 Preference
Canterbury Overseas Inc.	British Virgin Islands	US$1.00 Ordinary
Carlton and United Breweries Holdings (UK) Limited	United Kingdom	£1.00 Ordinary
Cascade Brewery Company Pty Ltd	Australia	AUD1.00 Ordinary AUD1.00 Redeemable preference
Cerveceria Argentina Sociedad Anomima Isenbeck	Argentina	ARS1.00 Ordinary
Cervejas de Angola LDA	Angola	AOA 200,000 Ordinary
CNAB Pty Ltd	Australia	AUD Ordinary AUD Ordinary-A AUD Ordinary-B AUD Special
Coca-Cola Beverages Africa Limited	United Kingdom	US$1.00 Ordinary
Craigburn Land Co. Pty. Ltd.	Australia	AUD1.00 Ordinary
CUB (New Zealand) Limited	New Zealand	NZD1.00 Ordinary
CUB (NZ) Holding Co Pty Ltd	Australia	AUD1.00 Ordinary
CUB People Pty Ltd	Australia	AUD1.00 Ordinary
CUB Pty Ltd	Australia	AUD1.00 CLASS A AUD1.00 Ordinary
De Antilope B.V.	Netherlands	€1.00 Ordinary
De Giraffe B.V.	Netherlands	€1.00 Ordinary
De Klok Dranken B.V.	Netherlands	€1.00 Ordinary
Dismin Investments Pty. Ltd.	Australia	AUD1.00 Ordinary
Dreamgame Limited	United Kingdom	£0.25 8% Cumulative Redeemable Preference £0.25 Ordinary
East West Oriental Brewing Company Limited	United Kingdom	£1.00 Ordinary
EFG Australia Pty Ltd	Australia	AUD1.00 'A' Ordinary AUD1.00 'B' Ordinary
EFG Finance Leasing Pty Ltd	Australia	AUD2.00 Ordinary
EFG Investments Pty Ltd	Australia	AUD1.00 Non-cumulative preference AUD1.00 Ordinary
EFG Securities Pty Ltd	Australia	AUD1.00 A Ordinary AUD1.00 B Ordinary AUD1.00 Non-cumulative preference
EFG Treasury Pty Limited	Australia	AUD1.00 Ordinary
ELFIC Pty Ltd	Australia	AUD1.00 A Ordinary AUD1.00 B Ordinary
Elstone Developments Pty. Ltd.	Australia	AUD1.00 Ordinary
FBG Brewery Holdings UK Limited	United Kingdom	£1.00 Ordinary
FBG Finance Pty Ltd	Australia	AUD1.00 Ordinary
FBG Holdings (UK) Limited	United Kingdom	£1.00 Ordinary
FBG International Limited	United Kingdom	£1.00 Ordinary
FBG Treasury (Aust.) Pty Ltd	Australia	AUD1.00 Ordinary
FBG Treasury (UK) Limited	United Kingdom	£1.00 Ordinary
Foster's Brands Limited	United Kingdom	£1.00 Ordinary
Foster's Brewing Group Pty. Ltd.	Australia	AUD1.00 Ordinary
Foster's Group Pty Ltd	Australia	AUD Ordinary
Gardwell Limited	British Virgin Islands	US$1.00 Ordinary
Grolsch Agencies B.V.	Netherlands	€1.00 Ordinary
Grolsch Canada Inc	Canada	CAD1.00 C1 Ordinary CAD20.00 C2 Ordinary CAD1.00 C3 Ordinary
Grolsch International B.V.	Netherlands	€1.00 Ordinary
Grolsch Monumenten B.V.	Netherlands	€100.00 Ordinary

Name of undertaking	Country of incorporation	Share class
Grolsch Vastgoed B.V.	Netherlands	€100.00 Ordinary
Grolsche Bierbrouwerij Nederland B.V.	Netherlands	€1.00 Ordinary
Hotel Solutions Inc	British Virgin Islands	USD1.00 Ordinary
Industrias La Constancia S.A. de C.V.	El Salvador	US$1.00 Ordinary
I-NOVA Consulting Pty Ltd	Australia	AUD Ordinary
Kangaroo Ridge Wines Europe Limited	United Kingdom	£1.00 Ordinary
Kompania Piwowarska S.A.	Poland	PLN2.50 Ordinary
Koninklijke Grolsch N.V.	Netherlands	€1.00 Ordinary
Liana Cottage Pty Ltd	Australia	1.00 Ordinary
Linser N.V.	Curaçao	US$1.00 Ordinary US$1.00 Preference
Linton Brewing Pty Ltd	Australia	AUD Ordinary
Lion Enterprises Singapore Pte. Ltd.	Singapore	SGD1.00 Ordinary
Marshville Associates Inc.	Panama	Ordinary
MBBC Pty Ltd	Australia	1.00 Ordinary
MBL Breweries Limited	India	INR100.00 Ordinary
Meantime Brewing Company (Retail) Limited	United Kingdom	£1.00 Ordinary
Meantime Brewing Company Limited	United Kingdom	£1.00 Ordinary
Miller Brewing 1855, Inc.	USA	US$1.00 Common Stock
Miller Brewing Company	USA	Common Stock
Miller Brewing International Inc. Chile Limitada	Chile	Partnership interest
Miller Brewing International, Inc.	USA	US$1.00 Common stock
Miller Brewing Trading Company Limited	Canada	Common
Miller Servicios Mexicanos S.A. de C.V.	Mexico	US$1.00 Series B ordinary US$1.00 Series BB ordinary
Miller Trading Company S.A. de C.V.	Mexico	US$1.00 Minimum Fixed Capital Series B US$1.00 Variable Capital Series BB
MUBEX	Mauritius	US$1.00 Ordinary
MUFIN	Mauritius	US$1.00 Ordinary
Negocios Inmobiliarios Agroindustriales S.A. de C.V.	El Salvador	US$1.00 Ordinary
New Crest Investments Pty. Ltd.	Australia	AUD1.00 Ordinary
Newark Investments AG	Switzerland	CHF100.00 Ordinary
Newbelco SA/NV	Belgium	€0.01 Ordinary
Pacific Beverages Pty Ltd	Australia	AUD Ordinary
Peroni Nastro Azzurro Limited	Isle of Man	US$1.00 Ordinary
Pilsner Urquell Company Limited	United Kingdom	£1.00 Ordinary
Pilsner Urquell International Limited	United Kingdom	£1.00 Ordinary
Pilsner Urquell Investments B.V.	Netherlands	€1.00 Ordinary
Pivovary Topvar a.s.	Slovakia	€33,194.00 Ordinary €14,000,000.00 Ordinary €33.20 Registered bearer
Plzeňský Prazdroj as	Czech Republic	CZK1,000.00 Ordinary
Queensland Breweries Pty Ltd	Australia	1.00 Cumulative preference 1.00 Ordinary
RSG Land Group Pty Ltd	Australia	AUD2.00 Ordinary
S.A. Breweries Ltd	South Africa	ZAR1.00 Ordinary
SAB Colombia S.A.S.	Colombia	COP1,000.00 Ordinary
SAB Limited	United Kingdom	£1.00 Ordinary
SABFIN (Pty) Limited	South Africa	ZAR2.00 Ordinary
SABM Centro America S. de R.L.	Panama	US$1.00 Ordinary
Sabmark International Inc.	British Virgin Islands	US$1.00 Ordinary
SABMiller Africa	Mauritius	US$1.00 Ordinary
SABMiller Africa Holdings II Limited	United Kingdom	£1.00 Ordinary
SABMiller Africa Holdings Limited	United Kingdom	£1.00 Ordinary
SABMiller Africa Investments Limited	United Kingdom	£1.00 Ordinary
SABMiller America Holdings Limited	United Kingdom	US$1.00 US$ Ordinary US$1,000.00 US$ Redeemable C Preference ZAR10.8808 ZAR Ordinary ZAR10,880.80 ZAR Redeemable C Preference
SABMiller America Investments LLC	USA	US$1.00 Common US$1,000.00 Series C Redeemable Preferred
SABMiller Americas Holdings LLC	USA	US$1.00 Class A US$1.00 Class C US$1,000.00 Series C Redeemable Preferred Stock
SABMiller Angola 1	Mauritius	US$1.00 Ordinary
SABMiller Angola 2	Mauritius	US$1.00 Ordinary
SABMiller Asia B.V.	Netherlands	€1.00 Ordinary
SABMiller Asia Holdings Limited	United Kingdom	US$1.00 Ordinary
SABMiller Asia Limited	Hong Kong	HKD1.00 Ordinary
SABMiller Australia Beverage Holdings LLP	United Kingdom	US$1.00 Ordinary
SABMiller Australia Holdings Limited	United Kingdom	US$1.00 Ordinary US$1,000.00 Redeemable C Preference

(a) Indirect wholly owned subsidiaries continued

Name of undertaking	Country of incorporation	Share class
SABMiller Australia Investment Holdings Pty Ltd	Australia	AUD1.00 Ordinary
SABMiller Australia Pty Limited	Australia	AUD Ordinary–No par value
SABMiller Beverage Investments Pty Limited	Australia	AUD Ordinary–No par value
SABMiller Brands Europe a.s.	Czech Republic	CZK5.00 Ordinary
SABMiller Brasil Marketing Ltda.	Brazil	Quotas BRL1.00 Ordinary
SABMiller Breweries Private Limited	India	INR10.00 Ordinary INR10.00 Preference
SABMiller Capital AU Pty Limited	Australia	AUD Ordinary–No par value
SABMiller Corporate Services Limited	United Kingdom	US$1.00 Ordinary
SABMiller Europe AG	Switzerland	CHF1,000.00 Ordinary
SABMiller Europe B.V.	Netherlands	€1.00 Ordinary
SABMiller Europe Menedzsment Szolgaltato Kft	Hungary	HUF1.00 Share capital
SABMiller Finance (HK) Limited	Hong Kong	US$1.00 Ordinary
SABMiller Finance B.V.	Netherlands	€10.00 Ordinary
SABMiller Finance Holdings (HK) Limited	Hong Kong	US$1.00 Ordinary
SABMiller Finance SA Limited	United Kingdom	US$1.00 Ordinary
SABMiller Financing Southern LLP	United Kingdom	US$1.00 Ordinary
SABMiller Global Business Services Colombia S A S	Colombia	COP10,000,000.00 Ordinary
SABMiller Global Business Services India Holdings B.V.	Netherlands	€1.00 Ordinary
SABMiller Global Business Services India Private Limited	India	INR10.00 Ordinary
SABMiller Global Business Services Limited	United Kingdom	US$1.00 Ordinary
SABMiller Global Business Services Poland sp.z.o.o.	Poland	PLN5,000.00 Ordinary
SABMiller Harmony Holdings Limited	United Kingdom	£0.01 A ordinary £0.01 B ordinary
SABMiller Harmony Limited	United Kingdom	£0.01 B ordinary
SABMiller Holdings Inc.	USA	US$0.01 Common US$1,000.00 Series A Redeemable Preferred
SABMiller Holdings SA Limited	United Kingdom	US$1.00 Ordinary
SABMiller Holdings SH Limited	United Kingdom	US$0.333,333,333,333,333 Ordinary
SABMiller India Holdings	Mauritius	US$1.00 Non-cumulative redeemable preference US$1.00 Ordinary US$1.00 Senior non-cumulative redeemable preference
SABMiller International B.V.	Netherlands	€1.00 Ordinary
SABMiller International Brands Limited	United Kingdom	US$1.00 Ordinary
SABMiller Investments Pty Ltd	Australia	AUD1.00 Ordinary
SABMiller Latin America Inc.	USA	US$1.00 Common Stock
SABMiller Latin Inc.	USA	US$1.00 Common stock US$1,000.00 Series A Redeemable Preferred Stock US$1,000.00 Series C Redeemable Preferred Stock
SABMiller Management (IN) B.V.	Netherlands	€1.00 Ordinary
SABMiller Management Africa Limited	Guernsey	£1.00 Ordinary
SABMiller Management Limited	Guernsey	£1.00 Ordinary
SABMiller Namibia (Pty) Limited	Namibia	NAD1.00 Ordinary
SABMiller Netherlands B.V.	Netherlands	€1.00 Ordinary
SABMiller Netherlands Cooperatieve W.A.	Netherlands	Members interest
SABMiller Poland B.V.	Netherlands	€1.00 Ordinary
SABMiller Procurement GmbH	Switzerland	CHF100.00 Ordinary
SABMiller Procurement s.r.o.	Czech Republic	Share capital
SABMiller S.r.l.	Italy	€1.00 Share capital
SABMiller SAF Limited	United Kingdom	US$1.00 Ordinary
SABMiller SI Limited	United Kingdom	US$1.00 A ordinary US$1.00 B ordinary US$1,000.00 Redeemable C Preference
SABMiller SI2 Limited	United Kingdom	US$1.00 A ordinary US$0.000,002,234,636,872 B ordinary
SABMiller Sourcing Limited	United Kingdom	US$1.00 Ordinary
SABMiller Southern Capital Financing LLC	USA	US$1.00 Common shares
SABMiller Southern Capital Limited	United Kingdom	US$1.00 A ordinary US$0.000,002,234,636,872 B ordinary US$0.000,000,131,163,281 Redeemable A Preference US$0.000,000,085,518,400 Redeemable C Preference
SABMiller Southern Investments Limited	United Kingdom	US$0.000,000,248,385,433 A ordinary US$0.000,002,234,636,872 B ordinary US$0.000,000,075,518,400 Redeemable C Preference
SABMiller Vietnam Company Limited	Vietnam	US$ Charter capital
SABMiller Vietnam Distribution Company Limited	Vietnam	US$ Charter capital
SABSA Holdings Ltd	South Africa	ZAR1.00 Ordinary
Sabsure Limited	South Africa	ZAR1.00 A ordinary ZAR1.00 Ordinary
Silvester Brothers (AMH) Pty. Limited	Australia	AUD1.00 A Class
SKOL Beer Manufacturing Company Limited	India	INR10.00 Ordinary INR10.00 Preference
Somar Pty Ltd	Australia	AUD1.00 Ordinary
South African Breweries International Holdings Inc.	British Virgin Islands	US$1.00 Ordinary
SPR Distilleries Private Limited	India	INR10.00 Ordinary
The Continental Spirits Company Pty Ltd	Australia	1.00 Ordinary
The Delphic Insurance Company Limited	Guernsey	US$1.00 Ordinary
The Wine Exchange Limited	United Kingdom	£1.00 Ordinary
Tibsco Limited	United Kingdom	£0.25 Ordinary
Tres Montañas S.A. de C.V.	El Salvador	US$1.00 Ordinary
Trinity Park Inc.	USA	AUD0.01 Common stock
Tyskie Sp. z o.o.	Poland	PLN50.00 Ordinary
Tyskie Sp. z.o.o. sp. k.	Poland	Partnership interest
UBH (Ukrainian Brewery Holding) Limited (in liquidation)	Cyprus	US$1.00 Ordinary
Voskane Pty Ltd	Australia	1.00 Ordinary
Windemere Securities Limited	Turks and Caicos Islands	USD1.00 Ordinary USD1.00 Preference
Zythos Insurance Company Pte. Limited	Singapore	AUD1.00 Ordinary US$1.00 Ordinary

(b) Subsidiaries where the effective interest is less than 100%

Name of undertaking	Country of incorporation	Effective % interest	Share class	% of share class held by group companies
ABI Bottling (Proprietary) Ltd	South Africa	92	ZAR1.00 ordinary	100
Accra Brewery Limited[1]	Ghana	60	GHS1.00 Ordinary	96
Alliance Beverages (Pty) Ltd[1]	South Africa	62	ZAR Ordinary–No par value	100
Ambo International Holdings Ltd	Mauritius	60	US$1.00 Ordinary	75
Ambo Mineral Water Share Company[1]	Ethiopia	40	ETB1,000.00 Ordinary	67
Appletiser Pure Fruit Juices (Pty) Limited	South Africa	92	ZAR1.00 Ordinary	100
Appletiser South Africa (Pty) Limited	South Africa	92	ZAR2.00 Ordinary	100
Aqua Service Mayotte SA[1]	Mayotte	50	€15.00 Ordinary	100
Azucarera del Norte S.A. de C.V.	Honduras	99	HNL10.00 Ordinary	100
Bananeras Amelia S.A. de C.V.	Honduras	99	HNL10.00 Ordinary	100
Bavaria S.A.	Colombia	99	COP2.50 Ordinary	99
Beverage Management Solutions Limited	Nigeria	50	NGN1.00 Ordinary	100
Brauhaase International Management GmbH[1]	Germany	50	€1,982,100.00 Ordinary	100
Browning Investments N.V.	Curaçao	62	US$1.00 Ordinary US$1.00 Preference shares	100 100
Canbrew B.V.	Netherlands	71	€0.4537802 Ordinary	71
C.A.P.T.S. Beverages Share Company	Ethiopia	60	ETB100.00 Ordinary	100
CAPTS Beverages Holdings[1]	Mauritius	60	US$1.00 Ordinary	75
Castle Brewing Namibia (Pty) Limited	Namibia	92	NAD1.00 Ordinary	100
Cervecería del Valle S.A.	Colombia	99	COP1,000.00 Ordinary	100
Cervejas de Moçambique SA[1, 5]	Moçambique	49	MZN2.00 Ordinary	80
Cervecería Hondureña S.A de C.V.	Honduras	99	HNL100.00 Ordinary	99

Related Undertakings continued

(b) Subsidiaries where the effective interest is less than 100% continued

Name of undertaking	Country of incorporation	Effective % interest	Share class	% of share class held by group companies
Cervecería Nacional CN S.A.[5]	Ecuador	96	US$1.00 Ordinary	96
Cervecería Nacional S.A.[5]	Panama	97	Ordinary–No par value	98
Cervecería San Juan S.A.[5]	Peru	92	PEN1.00 Investment	67
			PEN1.00 Ordinary	96
Cerveceria Union S.A.	Colombia	98	COP0.57 Ordinary	99
Chantries Limited	Kenya	80	KES10.00 Ordinary	100
Chibuku Products Limited[1]	Malawi	31	MWK1.00 Ordinary	50
Club Sporting Cristal S.A.	Peru	94	PEN100.00 Ordinary	100
Coleus Packaging (Pty) Limited	South Africa	55	ZAR0.001 Ordinary	60
Comco Societe Anonyme[1]	Comoros	42	KMF10,162.00 Ordinary	84
Comercializadora Cervecera S.A. de C.V.	Honduras	99	HNL100.00 Ordinary	100
Compañía Cervecera de Canarias, S.A.	Spain	51	€6.0101 Ordinary	71
Compañia Cerveceria S.A. de C.V.	Honduras	99	HNL100.00 Ordinary	100
Compañia de Credito S.A. de C.V.	Honduras	99	HNL100.00 Ordinary	100
Copperbelt Bottling Company Ltd	Zambia	54	ZMK Ordinary	100
Crown Beverages Limited	Kenya	80	KES100.00 Ordinary	100
Darbrew Limited[1]	Tanzania	21	TZS20.00 Ordinary	60
DINADEC S.A.	Ecuador	99	US$1.00 Ordinary	100
Distribuidora Comercial S.A.	Panama	97	US$20.00 Ordinary	99
Distribuidora Coronel Portillo S.A.C.	Peru	99	PEN1.00 Ordinary	100
Dreher Sörgyárak Zrt.	Hungary	99	HUF6,500.00 Ordinary	99
Dwarsloop Beer Wholesalers (Pty) Limited	South Africa	92	ZAR1.00 Ordinary	100
Envases Industriales Hondurenos S.A.	Honduras	99	HNL100.00 Ordinary	100
Export Compliance Services (Pty) Ltd	South Africa	62	ZAR Ordinary	100
Heinrich's Syndicate Limited	Zambia	62	ZMK0.50 Ordinary	100
Impresora del Sur S.A.	Colombia	99	COP1,000.00 Ordinary	100
Industria Grafica Latinoamerica S.A.	Colombia	99	COP1,000.00 Ordinary	100
Inmobiliaria IDE S.A.	Peru	94	PEN1.00 Common	100
			PEN1.00 Investment	35
Intafact Beverages Limited[1]	Nigeria	38	NGN Ordinary	75
International Breweries PLC[1, 5]	Nigeria	36	NGN50.00 Ordinary	72
International Breweries (Agro-Allied) Limited[1]	Nigeria	36	NGN Ordinary–No par value	100
Inversiones Hondureñas S.A. de C.V.	Honduras	99	HNL100.00 Ordinary	100
Inversiones Malteria Tropical S.A.	Colombia	99	COP1,000.00 Ordinary	100
Inversiones Nixa S.A.	Colombia	51	COP2.00 Ordinary	51
Kenbev Limited	Kenya	80	KES100.00 Ordinary	100
			KES100.00 Preference	100
Kgalagadi Breweries (Proprietary) Limited[1, 2]	Botswana	31	BWP1.00 B ordinary	100
Kibo Breweries Ltd[1]	Tanzania	36	TZS1.00 Ordinary	100
Lesotho Liquor Distributors (Proprietary) Ltd[1]	Lesotho	24	LSL1.00 Ordinary	100
Lesotho Traditional Beverages (Proprietary)Ltd	Lesotho	62	LSL1.00 Ordinary	100
Liquid Packaging Limited[1]	Zambia	43	ZMK1.00 Ordinary	100
Logísitca Integral Hondureña, S. A.	Honduras	99	HNL100.00 Ordinary	100
Maheu Number One Limited	Zambia	62	ZMW0.001 Ordinary	
Malawi Breweries Limited	Malawi	62	MWK2.00 Ordinary	100
Malawi Traditional Beverages Ltd	Malawi	62	MWK2.00 Ordinary	100
Malteria Tropical S.A.	Colombia	99	COP1,000.00 Ordinary	100
Maluti Mountain Brewery (Pty) Ltd[1]	Lesotho	24	LSL1.00 Ordinary	39
Mayco Societe Anonyme[1]	Mayotte	50	€0.16 Ordinary	100
Namanve Property Company Limited[1]	Uganda	39	UGX2,000.00 Ordinary	49
National Breweries plc[1, 5]	Zambia	43	ZMK0.01 Ordinary	70
Naviera Oriente S.A.C.	Peru	94	PEN1.00 Ordinary	100
New Age Beverages (Pty) Limited	South Africa	92	ZAR0.01 Ordinary	100
Nile Breweries Ltd	Uganda	62	UGX10.00 Ordinary	99
Osiris Industries Limited	Ghana	80	Ordinary–No par value	100
Other Beverage Interests (Proprietary) Limited	South Africa	92	ZAR1.00 Ordinary	100
Overseas Breweries Limited	Switzerland	62	CHF20.00 Ordinary	100
Pabod Breweries Limited[1]	Nigeria	41	NGN1.00 Ordinary	82
Plásticos Industriales Hondureños, S. A. de C. V.	Honduras	99	HNL100.00 Ordinary	100
Racetrack Peru S.r.l.	Peru	99	PEN1.00 Ordinary	100
Rainier Inc.[1]	Cayman Islands	62	US$1.00 Ordinary	100
Rombas Trans International Srl	Romania	98	RON160.00 Ordinary	100
Rwenzori Bottling Company	Uganda	80	UGX Ordinary	100
S.C. Andip Distribution S.R.L.	Romania	99	RON10.00 Ordinary	100
S.C. Ursus Consulting S.R.L.	Romania	99	RON10.00 Ordinary	100
SABMiller Africa B.V.	Netherlands	62	€1.00 A ordinary	100
			€1.00 D Preference	100
SABMiller Botswana B.V.	Netherlands	62	€1.00 A ordinary	100
SABMiller Brands Korea	Republic of Korea	75	KRW100,000.00 Ordinary	75
SABMiller India Limited	India	99	INR10.00 Ordinary	99
SABMiller Investments II B.V.	Netherlands	80	€1.00 Ordinary	80
SABMiller Investments Ltd	Mauritius	80	US$1.00 Ordinary	80
SABMiller NAB Korea	Republic of Korea	75	KRW100,000.00 Ordinary	100
SABMiller Nigeria Holdings B.V.[1]	Netherlands	50	€1.00 Ordinary	50
SABMiller Zimbabwe B.V.	Netherlands	62	€1.00 Ordinary	100
San Ignacio S.A.	Peru	99	PEN1.00 Ordinary	100
Siembra de Caña S.A. de C.V.	Honduras	99	HNL50.00 Ordinary	100
Sociedad Portuaria Bavaria S.A.	Colombia	99	COP1,000.00 Ordinary	100
Societa' per Azioni Produzione Lavorazione Orzo–S.A.P.L.O	Italy	90	€0.65 Ordinary	90
South African Barley Breeding Institute	South Africa	92	Non profit company	100
Southern Sudan Beverages Ltd	South Sudan	80	US$10.00 Ordinary	100
Strategic Alliance JV[1]	Mauritius	50	US$1.00 Ordinary	50
Swaziland Beverages Limited[1]	Swaziland	37	SZL1.00 Ordinary	60
Tanzania Breweries Limited[1, 5]	Tanzania	36	TZS100.00 Ordinary	57
Tanzania Distilleries Limited[1]	Tanzania	23	TZS20.00 Ordinary	65
The South African Breweries Centenary Company	South Africa	92	Non profit company	100
The South African Breweries (Pty) Ltd	South Africa	92	ZAR0.000001 Ordinary	92
The South African Breweries Barley Farm (Pty) Limited	South Africa	92	ZAR1.00 Ordinary	100
The South African Breweries Hop Farms (Pty) Limited	South Africa	92	ZAR2.00 Ordinary	100

(b) Subsidiaries where the effective interest is less than 100% continued

Name of undertaking	Country of incorporation	Effective % interest	Share class	% of share class held by group companies
The South African Breweries Maltings (Pty) Limited	South Africa	92	ZAR1.00 Ordinary	100
Thohoyandou Beer Distributors (Pty) Limited	South Africa	54	ZAR1.00 Ordinary	59
Transportes 77 S.A.	Peru	94	PEN1.00 Ordinary	100
Transportes TEV S.A.	Colombia	99	COP500,000.00 Ordinary	100
Unión de Cervecerias Peruanas Backus y Johnston S.A.A.[5]	Peru	94	PEN10.00 A ordinary	99
			PEN10.00 B preference	13
			PEN1.00 Investment	89
Ursus Breweries S.A.	Romania	99	RON5.90 Ordinary	99
Voltic (GH) Limited	Ghana	80	Ordinary	100
Voltic International Inc.	British Virgin Islands	80	US$1.00 Ordinary	100
Voltic Holdings B.V.[1]	Netherlands	50	US$1.00 Ordinary	100
Voltic Nigeria Ltd[1]	Nigeria	50	NGN1.00 Ordinary	100
V-Pet (GH) Limited[1])	Ghana	56	Ordinary	70
Westonaria Beer Distributors (Pty) Limited	South Africa	41	ZAR1.00 Ordinary	45
Zambian Breweries plc[5]	Zambia	54	ZMK0.01 Ordinary	87

(c) Joint ventures

Name	Principal place of business address	Effective % interest	Share class	% of share class held by group companies
MillerCoors LLC[4, 6]	250 S Wacker Dr, Chicago, IL 60606, USA	58	US$0.001 A ordinary	50
			US$0.001 B ordinary	100

(d) Associates

Name	Country of incorporation	Effective % interest	Share class	% of share class held by group companies
Ale Property B.V.	Netherlands	25	€1.00 Ordinary	25
Algerienne de Bavaroise Spa[6, 7]	Algeria	40	DZD1,000.00 Ordinary	40
Anadolu Efes Biracılık ve Malt Sanayii A.[5, 6]	Turkey	24	TRL1.00 Common	24
Associated Fruit Processors (Pty) Limited	South Africa	46	ZAR1.00 Ordinary	50
B.I.H. Brasseries Internationales Holding (Angola) Limited[6]	Gibraltar	27	€500.00 Class A Preference	100
			€500.00 Ordinary	27
B.I.H. Brasseries Internationales Holding Limited[6]	Gibraltar	20	€1,000.00 Ordinary	20
			€1,000.00 R Tracker	100
China Resources Snow Breweries Limited[6]	British Virgin Islands	49	US$1.00 Ordinary	49
Coca-Cola Canners of Southern Africa (Pty) Limited[6]	South Africa	29	ZAR1.00 Ordinary	32
Cooperatieve Inkoop Slijterij Ondernemingen U.A.	Netherlands	45	€100.00 B ordinary	100
Delta Corporation Limited[5, 8]	Zimbabwe	25	US$0.01 Ordinary	40
Distell Group Limited[5, 9]	South Africa	25	ZAR0.01 Ordinary	27
Drankenorganisatie Nederland "D.O.N." B.V.	Netherlands	35	€45.378 Ordinary	35
Ensemble Vastgoed B.V.	Netherlands	50	€1,000.00 Ordinary	50
Grolsch (UK) Limited	United Kingdom	50	£1.00 Ordinary	51
Heisterkamp-Grolsch Real Estate B.V.	Netherlands	50	€1.00 Ordinary	50
Heisterkamp-Grolsch Vastgoed B.V.	Netherlands	50	€1.00 Participations A	100
Henk Smit Amsterdam B.V.	Netherlands	35	€100.00 Ordinary	35
International Trade & Supply Limited[6]	British Virgin Islands	40	US$1.00 Ordinary	40
Marocaine d'Investissements et de Services SA[5, 6, 10]	Morocco	40	MAD100 Ordinary	100
Skikda Bottling Company S.A.R.L.[6, 7]	Algeria	40	DZD10,000.00 Ordinary	100
Société de Boissons de l'Ouest Algerien S.A.R.L.[6, 7]	Algeria	40	DZD1,000.00 Ordinary	100
Société Des Brasseries et Glacières Internationales S.A.[6]	France	20	€15.24 Ordinary	20
Société des Nouvelles Brasseries[6, 7]	Algeria	40	DZD1,000.00 Ordinary	100
Van Erp Dranken B.V.	Netherlands	35	€1.00 Participations B	100
Výzkumný ústav Pivovarský a Sladařský, a.s.	Czech Republic	22	CZK1,000.00 bearer	22

Notes

1 The operations continue to be consolidated due to the group's ability to control the operations.

2 SABMiller Botswana BV holds a 40% interest in Kgalagadi Breweries (Pty) Ltd with the remaining 60% interest 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.

3 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.

4 SABMiller shares joint control of MillerCoors with Molson Coors Brewing Company under a shareholders' agreement. Voting interests are shared equally between SABMiller and Molson Coors, and each of SABMiller and Molson Coors has equal board representation. Under the agreement SABMiller has a 58% economic interest in MillerCoors and Molson Coors has a 42% economic interest.

5 Listed in country of incorporation.

6 These entities report their financial results for each 12-month period ending 31 December.

7 Effective 18 March 2004, SABMiller acquired 25% of the Castel group's holding in these entities. Together with its 20% interest in the Castel group's Africa beverage interests, this gives SABMiller participation on a 40:60 basis with the Castel group.

8 Interests in this company are held by SABMiller Africa BV which is held 62% by SABMiller Holdings Ltd.

9 This entity reports its financial results for each 12-month period ending 30 June.

10 SABMiller acquired a 25% direct interest in this holding company on 18 March 2004 which has controlling interests in three breweries, a malting plant and a wet depot in Morocco. This 25% interest, together with its 20% interest in the Castel group's African beverage interests, gives SABMiller an effective participation of 40% and the other 60% is held by the Castel group's Africa beverage interests.

Five-year financial review

for the years ended 31 March

	2016 US$m	2015 US$m	2014 US$m	2013 US$m	2012 US$m
Income statements					
Group NPR	**24,149**	26,288	26,719	26,932	24,949
Revenue	**19,833**	22,130	22,311	23,213	21,760
Operating profit	**3,454**	4,384	4,242	4,192	5,013
Net finance costs	**(506)**	(637)	(645)	(726)	(562)
Share of post-tax results of associates and joint ventures	**1,126**	1,083	1,226	1,213	1,152
Taxation	**(1,152)**	(1,273)	(1,173)	(1,192)	(1,126)
Non-controlling interests	**(223)**	(258)	(269)	(237)	(256)
Profit for the year attributable to owners of the parent	**2,699**	3,299	3,381	3,250	4,221
Adjusted earnings	**3,604**	3,835	3,865	3,772	3,400
Adjusted EBITDA	**6,114**	6,677	6,656	6,564	n/a
Balance sheets					
Non-current assets	**39,084**	40,552	48,366	50,588	50,998
Current assets	**4,505**	4,359	5,385	5,683	4,851
Assets of disposal group classified as held for sale	**–**	–	–	23	79
Total assets	**43,589**	44,911	53,751	56,294	55,928
Derivative financial instruments	**(239)**	(111)	(115)	(86)	(109)
Borrowings	**(11,740)**	(12,544)	(17,047)	(18,548)	(19,226)
Other liabilities and provisions	**(7,522)**	(7,901)	(9,107)	(10,199)	(10,554)
Liabilities of disposal group classified as held for sale	**–**	–	–	(1)	(7)
Total liabilities	**(19,501)**	(20,556)	(26,269)	(28,834)	(29,896)
Net assets	**24,088**	24,355	27,482	27,460	26,032
Total shareholders' equity	**22,892**	23,172	26,319	26,372	25,073
Non-controlling interests in equity	**1,196**	1,183	1,163	1,088	959
Total equity	**24,088**	24,355	27,482	27,460	26,032
Cash flow statements					
Net cash generated from operations before working capital movements	**5,055**	5,680	5,677	5,758	4,979
Net working capital movements	**61**	132	93	(204)	258
Net cash generated from operations	**5,116**	5,812	5,770	5,554	5,237
Net interest paid	**(386)**	(651)	(743)	(770)	(407)
Tax paid	**(1,315)**	(1,439)	(1,596)	(683)	(893)
Net cash inflow from operating activities	**3,415**	3,722	3,431	4,101	3,937
Net capital expenditure and other investments	**(1,239)**	(1,503)	(1,416)	(1,440)	(1,522)
Net investments in subsidiaries, joint ventures and associates	**(496)**	755	(338)	(223)	(11,095)
Dividends received from joint ventures, associates and other investments	**1,251**	1,407	1,128	1,000	1,017
Net cash inflow before financing and dividends	**2,931**	4,381	2,805	3,438	(7,663)
Net cash outflow from financing	**(435)**	(3,677)	(1,195)	(517)	8,819
Dividends paid to shareholders of the parent	**(1,860)**	(1,705)	(1,640)	(1,517)	(1,324)
Effect of exchange rates	**(115)**	(117)	(61)	(51)	(39)
Increase/(decrease) in cash and cash equivalents	**521**	(1,118)	(91)	1,353	(207)
Per share information (US cents per share)					
Basic earnings per share	**167.8**	205.7	211.8	204.3	266.6
Diluted earnings per share	**166.0**	203.5	209.1	202.0	263.8
Adjusted basic earnings per share	**224.1**	239.1	242.0	237.2	214.8
Total number of shares in issue (millions)	**1,679.6**	1,675.7	1,672.6	1,669.7	1,664.3
Other operating and financial statistics					
Return on equity (%)[1]	**15.7**	16.6	14.7	14.3	13.6
EBITA margin (as a percentage of group NPR)	**24.1**	24.2	24.2	23.7	n/a
Adjusted EBITDA margin (as a percentage of relevant NPR)	**31.5**	31.7	31.4	30.0	n/a
Net debt: adjusted EBITDA	**1.6**	1.6	2.1	2.4	n/a
Interest cover (times)	**13.8**	10.7	10.3	8.9	n/a
Free cash flow (US$m)	**2,969**	3,233	2,563	3,230	3,048
Gearing ratio (%)	**40.0**	43.0	52.0	56.8	68.4
Average monthly number of employees	**70,089**	68,808	69,947	70,486	71,144

[1] This is calculated by expressing adjusted earnings as a percentage of total shareholders' equity.

	2016 US$m	2015 US$m	2014 US$m	2013 US$m	2012 US$m
Group NPR					
Segmental analysis					
Latin America	**5,211**	5,768	5,745	5,802	5,315
Africa	**6,781**	7,462	7,421	7,765	7,834
Asia Pacific	**3,650**	3,867	3,944	4,005	2,600
Europe	**3,832**	4,398	4,574	4,300	4,235
North America	**4,675**	4,682	4,665	4,656	4,544
Retained operations	**24,149**	26,177	26,349	26,528	24,528
South Africa: Hotels and Gaming	**–**	111	370	404	421
	24,149	26,288	26,719	26,932	24,949
Operating profit (excluding share of associates and joint ventures)					
Segmental analysis					
Latin America	**1,873**	2,110	2,069	1,983	1,736
Africa	**1,312**	1,471	1,478	1,491	1,513
Asia Pacific	**434**	438	468	461	124
Europe	**511**	548	576	652	804
North America	**(9)**	14	9	7	–
Corporate	**(111)**	(122)	(161)	(202)	(190)
Operating profit – before exceptional items	**4,010**	4,459	4,439	4,392	3,987
Exceptional credit/(charge)					
Latin America	**–**	–	47	(63)	(119)
Africa	**(389)**	45	(8)	57	121
Asia Pacific	**29**	(452)	(103)	(104)	(70)
Europe	**–**	–	(11)	(64)	1,135
North America	**–**	–	–	–	–
Corporate	**(196)**	(69)	(122)	(26)	(41)
Retained operations	**(556)**	(476)	(197)	(200)	1,026
South Africa: Hotels and Gaming	**–**	401	–	–	–
Operating profit – after exceptional items	**3,454**	4,384	4,242	4,192	5,013
EBITA					
Segmental analysis					
Latin America	**1,959**	2,224	2,192	2,112	1,865
Africa	**1,708**	1,907	1,954	1,957	1,911
Asia Pacific	**753**	768	845	854	321
Europe	**636**	700	703	784	836
North America	**865**	858	804	740	756
Corporate	**(111)**	(122)	(161)	(202)	(190)
Retained operations	**5,810**	6,335	6,337	6,245	5,499
South Africa: Hotels and Gaming	**–**	32	123	134	135
	5,810	6,367	6,460	6,379	5,634

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, 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 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 year attributable to owners of the parent for items in accordance with the South African Circular 2/2015 entitled 'Headline Earnings'. Such items include exceptional 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
TSR performance is measured by taking the percentage growth in our TSR over the five-year period to the date aligned with the related measurement date of value share (2014: 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 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.

Growth in adjusted earnings per share (EPS) (constant currency)
Growth in adjusted EPS compared with the prior year is measured on a constant currency basis (as defined above). 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 on page 192.

Proportion of group EBITA from developing economies
EBITA generated in developing economies divided by group EBITA before corporate costs. EBITA is defined on page 192. Developing economies are as defined by the International Monetary Fund (IMF).

Organic growth in total beverage volumes
Organic growth in total beverage volumes is measured by comparing total beverage volumes in the year with those in the prior year excluding the effects of acquisitions and disposals (organic information is defined on page 192). Total beverage volumes are measured as defined on page 192.

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 192) and excluding the effects of acquisitions and disposals (organic information is defined on page 192). Group net producer revenue is defined on page 192.

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 192). 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 192) and excluding the effects of acquisitions and disposals (organic information is defined on page 192). EBITA is defined on page 192.

EBITA margin progression (organic, constant currency)
Progression in EBITA margin compared with the prior year is measured on a constant currency basis (as defined on page 192) and excluding the effects of acquisitions and disposals (organic information is defined on page 192). EBITA margin is defined on page 192.

Hectolitres of water used at our breweries per hl of lager produced
Water used at our breweries divided by the volume of lager produced. All consolidated subsidiaries are included on a 100% basis together with our 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 (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 our equity accounted percentage share of the MillerCoors joint venture.

Cumulative financial benefits from our cost and efficiency programme
Cumulative annual cost savings as a result of the roll out of global business services organisation and the expansion of the scope of our supply chain activities.

Non-financial definitions

AB InBev
Anheuser-Busch InBev SA/NV

Altria
Altria Group, Inc our largest shareholder.

BevCo Ltd
A holding company of the Santo Domingo Group, our second largest shareholder.

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.

Global brands
SABMiller's global brands are Peroni Nastro Azzurro, Miller Genuine Draft, Miller Lite, Pilsner Urquell and Grolsch. Their volumes and NPR are measured on a subsidiary basis, excluding home markets.

Like-for-like definition in China
The like-for-like comparison in China is on a constant currency and underlying basis consistent with the prior year, excluding the reclassification undertaken by our associate, CR Snow.

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.

PwC
PricewaterhouseCoopers LLP, our external auditors.

Premium segment
Taking the leading brands 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
South Africa's Central Securities Depository, which exists to allow share transactions in South Africa to be settled electronically.

Underlying
Where underlying is used in the description of business performance, this refers to performance on an organic, constant currency basis. Organic and constant currency are both defined on page 192.

Ordinary shareholding analyses

Listed below are analyses of holdings extracted from the register of ordinary shareholders at the year end:

	Number of shareholders	Percentage of share capital
Portfolio size		
1 – 1,000	50,552	0.68
1,001 – 10,000	6,127	1.05
10,001 – 100,000	1,662	3.94
100,001 – 1,000,000	750	14.18
1,000,001 and over	170	80.15
	59,261	100.00
Category		
Banks	10	0.09
Individuals, nominees and trusts	57,063	5.51
Insurance companies	160	3.64
Investment companies	16	0.54
Medical aid schemes	37	0.14
Mutual funds	916	21.45
Other corporate entities	22	39.40
Pension funds	806	11.78
Other	231	17.45
	59,261	100.00

Shareholders' diary[1]

Financial reporting calendar and annual general meeting

Trading update and annual general meeting	July 2016
Announcement of interim results, for the half year to September	November 2016
Preliminary announcement of annual results	May 2017
Annual report published	June 2017

Dividends	Declared	Paid
Ordinary:		
Interim	November	December
Final	May	August

[1] Should the completion of the transaction with AB InBev not be completed prior to these dates.

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. It is not just the novice investor that can be duped in this way; many victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, sell shares at a premium or requests to complete confidentiality agreements with the callers. It is unlikely that firms authorised by the Financial Conduct Authority (FCA) would approach shareholders in this manner, so it is advisable to seek out your own investment opportunities.

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/systems-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.
- you can find guidance on being a "scamsmart investor" on the FCA website at **http://scamsmart.fca.org.uk/**

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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