SABMiller plc

Our Approach to Tax 2015

Contents

About SABMiller

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

We are passionate about brewing and have a long tradition of craftsmanship, 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.

During the year we sold a total of 324 million hectolitres of beverages, including 246 million hectolitres of lager. Our revenue was US$22,130 million with EBITA of US$6,367 million.

Taxation highlights

US$22,130m
Revenue
2014: US$22,311m

US$5,642m
Adjusted profit before tax
2014: US$5,719m[1]

26.0%
Group effective tax rate
2014: 26.0%

US$10,639m
Total tax contribution[2]
2014: US$10,750m

US$5,596m
Taxes on production
2014: US$5,607m

US$1,273m
Taxes on profit
2014: US$1,173m

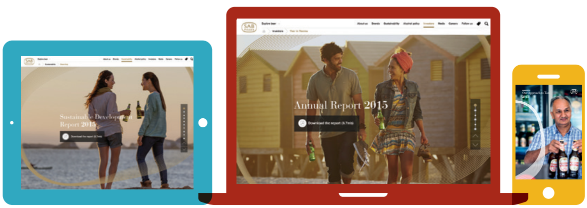
[1] 2014 adjusted profit before tax figure has been restated for the implementation of IFRS 10.
[2] We do not include tax contribution information from our associates.

Further information

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

Key to further reading:

Read more online



Foreword

We are pleased that, through our business activities, our tax contributions across the world help the development of the many economies in which SABMiller operates.

Domenic De Lorenzo
Acting Chief Financial Officer

As a large multinational company, we fully accept our responsibility to understand the trends and direction within the global tax landscape and to respond to the needs of our stakeholders. As part of our commitment to enhanced and balanced disclosure of our tax affairs, this report sets out disclosures about our tax contribution, as well as further explanation about our tax management.

In the year ended 31 March 2015, our total tax contribution was US$10,639 million. On a constant currency basis this represents an increase of 5% on the prior year. On page 9 of this report we have analysed the contribution by country and region. That analysis gives a good representation of our material tax footprint and aligns with where we deploy our assets, employ our people and earn our income.

Tax, however, is only part of our contribution to the communities in which we operate. We therefore set this report in the context of our overall contribution to economic development and, this year, give some examples of our activities within the small business sector.

Our businesses throughout the world provide direct and indirect employment, pay taxes and help sustain and develop local economies. We know that by helping the businesses in our value chain – and their local communities – to prosper, our business will prosper too. We have therefore embedded our new sustainable development strategy, *Prosper*, across our business. By delivering against it, we believe we can secure our long-term success and make a sustainable and measurable difference to the communities in which we operate.

In the context of the current tax debate, we have shared our perspectives with the Organisation for Economic Co-operation and Development (OECD), governments and other bodies to help them understand our business model and the potential impact of changes to the international tax system. We welcome this level of review and support the concept of greater transparency where it leads to a more informed and balanced discussion.

Overall, we support the aims of the OECD base erosion and profit shifting (BEPS) project, and see this as a positive development in bringing clarity and consistency to the international tax system.

We also support the OECD and United Nations' work to build tax capability in tax authorities – particularly in the developing world – and we endeavour to contribute to this work. Our history and investment in these regions allows us to make a meaningful contribution. In addition to tax technical matters, we believe it valuable to enhance understanding of business activities and outcomes.

This is SABMiller's third voluntary report on tax. We were delighted that last year's *Our Approach to Tax* report helped us to be recognised in the 2014 PwC Building Public Trust Awards as winner of the 'Tax Reporting in the FTSE 100' category. We hope this 2015 report will prove to be useful and look forward to further dialogue about our approach to tax.

Domenic De Lorenzo
Acting Chief Financial Officer
June 2015

39%

Percentage of tax contribution to revenue in relation to subsidiaries and our joint venture MillerCoors.

US$10,639m

Total amount of tax contributed around the world.

"Overall, we support the aims of the OECD base erosion and profit shifting (BEPS) project, and see this as a positive development in bringing clarity and consistency to the international tax system."

Our contribution to economic development

As well as contributing tax revenues to economies all over the world, we aim to accelerate growth and social development across our value chain.

Businesses are an engine of job creation, market development and economic growth. Yet in many communities of which we are part, people – especially women – face the challenges of unemployment, difficult economic conditions and a lack of access to markets, skills, and sometimes basic services. The decisions we make can help shape their future positively. We share with society the opportunity to build a thriving world where incomes and quality of life are growing. Therefore, we have a shared imperative to accelerate growth and social development through our value chains.

Small business – big impact

Small businesses are critical to the growth of economies, to the prosperity of communities and to the success of large businesses like SABMiller. According to the International Labour Organization, small- and medium-sized enterprises (SMEs) account for two-thirds of all jobs worldwide[1]. In high-income countries, they account for more than 60% of both employment and gross domestic product (GDP). In low-income countries, while SMEs account for nearly 90% of employment they contribute less than 20% of GDP[2].

Generating economic value

We generate economic value through our activities. This value comes from a combination of the revenue we raise, our interest and dividend receipts, royalty income and proceeds from the sale of assets. It is then distributed among our various stakeholders – to our suppliers for their operating inputs, to our employees for their labour, to our shareholders and lenders for their capital, to governments for the national infrastructure in which we operate, and to communities to fund social investment activities. The remainder is kept within our business and reinvested to fund future growth.

Our economic distribution to governments is in the form of taxes generated from our activities.

Direct economic value generated[1]

Revenue of US$22,130 million plus interest and dividend receipts, royalty income and proceeds from sale of assets.

US$ 24,299m

[1] International Labour Organization, International Labour Conference, 2015.

[2] International Finance Corporation, IFC Jobs Study, 2013.

We have direct buying or selling relationships with more than 1.5 million small enterprises. The majority are family owned, with many run by women. They include farmers growing ingredients for our beverages, suppliers of other materials and services, and the distributors, wholesalers and retailers who get our products to consumers. In Europe, for example, the hospitality sector employs 16.6 million people and is responsible for the jobs of one in 13 workers. It is also a sector where many young people find their first employment.

Small businesses play these key roles despite facing significant challenges that can include limited access to training, business advice, financial services and markets, and a supportive policy environment.

"Companies have to look at the long-term strategic benefits of helping to build increasingly stable, prosperous communities that can afford to buy their products and services into the future."

Jane Nelson
Director, CSR Initiative,
Harvard Kennedy School

Economic value distributed[5]					Economic value retained
Operating costs Costs of materials, services and facilities.	**Employee remuneration[2]** Cost of employees' salaries and benefits.	**Payments to capital providers** Financial payments made to the providers of the company's capital.	**Payments to tax authorities[3]** Tax paid, including remittance taxes and excise taxes.	**Community investments[5]** Voluntary contributions and investment of funds in the broader economy.	Value retained for corporate and operational purposes, including funding future capital expenditure, debt repayment and acquisitions.
US$ 8,817m	US$ 2,366m	US$ 2,881m	US$ 7,035m[4]	US$ 32m	US$ 3,168m

[1] This table is based on data contained in the SABMiller 2015 Annual Report and follows guidance recommended by the Global Reporting Initiative (GRI EC1). The information in this table relates to subsidiaries only.
[2] Excludes share option charges, includes employer taxes and social security contributions.
[3] Excludes VAT, indirect taxes and taxes borne by employees.
[4] This figure is reconciled to the US$10,639 million tax contributed on page 8.
[5] Includes cash donations, value of gifts in kind and time donated, and management costs of corporate social investment activity.

Our contribution to economic development
continued

Collaboration helps revive small pubs in the Czech Republic

To tackle declining beer sales as small pubs struggle to compete, our Czech business, Plzeňský Prazdroj, developed an advice and training package rolled out across more than 550 employees in 200 pubs that has boosted food and beer purchases per consumer by more than 10%.

We are committed to acting responsibly towards our small business partners, our local communities and other people who work in our value chain, for example, by promoting and managing alcohol responsibility, human rights, and labour and environmental standards.

The jobs, incomes and tax revenues generated by these small businesses stimulate growth, reduce poverty and enable communities to access better healthcare, education and livelihoods. They play a critical role in bringing communities together and are an important source of local leadership.

When these small businesses prosper, so do we. That is why we have committed to supporting more than half a million small businesses in our value chain to grow and improve their livelihoods by 2020.

Each of our operations is driving initiatives to deliver against this target (see case studies).

Zambia replaces imported malt with locally sourced crops

Within a few years of trialling barley as a rotation crop with local commercial wheat farmers, our business has moved from importing all its malting barley to sourcing it wholly from Zambia. And by making affordable, local beer, Eagle, from popular subsistence crops such as sorghum, we are supporting around 2,000 small-scale farmers.

Bringing banking and financial know-how to more than 5,000 small retailers

By using its scale and influence to introduce basic banking in rural Peruvian communities, Backus, our Peruvian business, has transformed the way small retailers handle money, increasing sales and customer loyalty in the process.

Read more online
www.sabmiller.com/beerandbanking

We will achieve this goal by:

- aligning it with our commercial strategy: by making support for small businesses integral to the way our local commercial teams work, we can be more responsive to their needs;
- understanding the small businesses in our value chain and facilitating access to essentials for their success: by enabling access to training, advice, financial services and technology, as well as new markets, so small businesses can improve their operations and financial skills as they grow; and
- collaborating with others: by joining forces with organisations that share our goals, we can deliver support more efficiently and at greater scale. For example, we have expanded our partnership with the Inter-American Development Bank in Latin America to focus on business and community leadership in six markets, and on measuring impact. We are working with CARE International to develop metrics to measure the impact of our programmes. We have also carried out research in Poland, the Czech Republic, Italy, and Romania to enhance our understanding of the needs of small traders, so we can better help them to build thriving businesses.

“

Programmes like 4e Path to Progress are groundbreaking in terms of public-private partnerships, impact and scalability. I hope to see it grow and many more like it.”

Miguel Aldaz
Lead Specialist, Office of Partnerships, Inter-American Development Bank

Enabling small businesses to thrive in Latin America

Small businesses are critical to national growth, community prosperity and the success of large companies, like SABMiller. We are committed to supporting more than half a million small businesses in our value chain to grow and improve their livelihoods by 2020, including 190,000 in Latin America. Run in partnership with the Inter-American Development Bank and FUNDES, the Swiss NGO, 4e Path to Progress is a key part of our efforts. The innovative programme gives small retailers – *tenderos* – business and leadership training that, together with access to micro-finance and technology, is helping them not only to run their businesses better but, ultimately, to become community leaders in their neighbourhoods. Supporting these retailers increases customer loyalty and sales. But the real value of 4e Path to Progress for us is the rich knowledge and insight it gives us into our smallest but most vital customers: each runs a small business but collectively they are responsible for 40% of our volumes across the Latin American region.

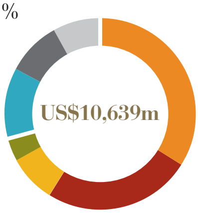
Read more about how we are accelerating growth and social development in our value chains at **www.sabmiller.com/thrivingworld**

Our contribution to government tax revenues

By running businesses successfully, we create employment, stimulate the local economies that supply us with crops, services and retail distribution, and generate tax revenues of all kinds for governments.

Total tax contribution by region

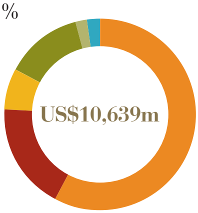
%



	2015	2014
Developing economies (US$7,533m)		
Latin America	34%	33%
Africa	25%	23%
Europe	8%	8%
Asia Pacific	4%	3%
Developed economies (US$3,106m)		
Asia Pacific	12%	16%
Europe	9%	9%
North America	8%	8%

Total tax contribution by category

%



	2015	2014
Taxes on production	58%	57%
VAT collected	18%	17%
Employment taxes	7%	7%
Taxes on profits	13%	14%
Other indirect taxes	2%	3%
Tax withheld at source	2%	2%
Taxes on property	0%	0%

How much we pay and where

We are a major contributor to tax in most markets we operate in. In the year ended 31 March 2015, our total tax contribution, including both our own taxes and those we collect on behalf of governments, was US$10,639 million. This represents cash taxes directly generated by our economic activity in each country and is thus a fair reflection of our tax footprint and what we contribute to government tax revenues. As well as corporate income tax on our profits, it also includes excise, value-added tax (VAT) collected from customers, employee taxes, and other taxes.

Total tax contribution

	2015 US$m	2014 US$m
Payments to tax authorities	**7,035**	7,203
Payments by MillerCoors joint venture (our share) to tax authorities	**657**	672
Payments of VAT collected	**1,959**	1,876
Payments of employment taxes collected	**703**	714
Payments of other sundry taxes	**285**	285
Total tax contribution	**10,639**	10,750

We have used the categorisation in the International Monetary Fund's World Economic Outlook report. As noted by the United Nations Statistics Division the designations 'developed' and 'developing' are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process. Total tax contribution is based on the cash payments in the financial year as opposed to the tax charge in the financial year.

71%

Percentage of our total taxes paid in developing markets.

Including associates, 72% of our EBITA is from developing markets in Latin America, Africa and Asia Pacific. In our subsidiaries and joint venture, MillerCoors, 71% of the taxes we pay are in developing markets.

Taxes on production

Excise is a duty levied on production. It is levied in each of our countries of operation, though the name of the duty and the basis on which it is calculated varies by country (or even by state). Beer may be taxed on the volume of the finished product, the alcohol content, a value attributable to the product, or in some cases via a combination of these methods. In certain territories non-alcoholic beverages may also be subject to these duties. Group companies, our wholesale partners and retailers must decide how much of this excise can be passed on in the price of the product to the consumer and how much is absorbed as a cost to the business.

Total tax contribution by country and region

	2015 US$m	2014 US$m	Organic, constant currency growth %
Colombia	**1,773**	1,750	11
Ecuador	**314**	309	2
El Salvador	**114**	112	2
Peru	**1,177**	1,165	6
Others[1]	**212**	180	26
Total Latin America	**3,590**	3,516	9
Mozambique	**239**	231	12
South Africa[2]	**1,665**	1,517	20
Tanzania	**301**	269	18
Zambia	**154**	134	34
Others[1]	**320**	272	31
Total Africa	**2,679**	2,423	21
Australia	**1,225**	1,671	(22)[3]
India	**392**	367	9
Others[1]	**13**	12	8
Total Asia Pacific	**1,630**	2,050	(16)
Czech Republic	**288**	291	8
Hungary	**102**	109	1
Italy	**238**	245	2
Poland	**640**	637	4
Romania	**130**	137	(2)
United Kingdom	**299**	267	10
Others[1]	**189**	198	2
Total Europe	**1,886**	1,884	4
USA[4]	**854**	877	(3)
Total North America	**854**	877	(3)
Total tax contribution	**10,639**	10,750	5

1 All amounts less than US$100 million per country.

2 Includes tax on the profit on disposal of Tsogo Sun.

3 This includes the impact of franking deficit tax paid in the year ended 31 March 2014. Excluding this, Australia total tax contribution decreased by 1% in the year.

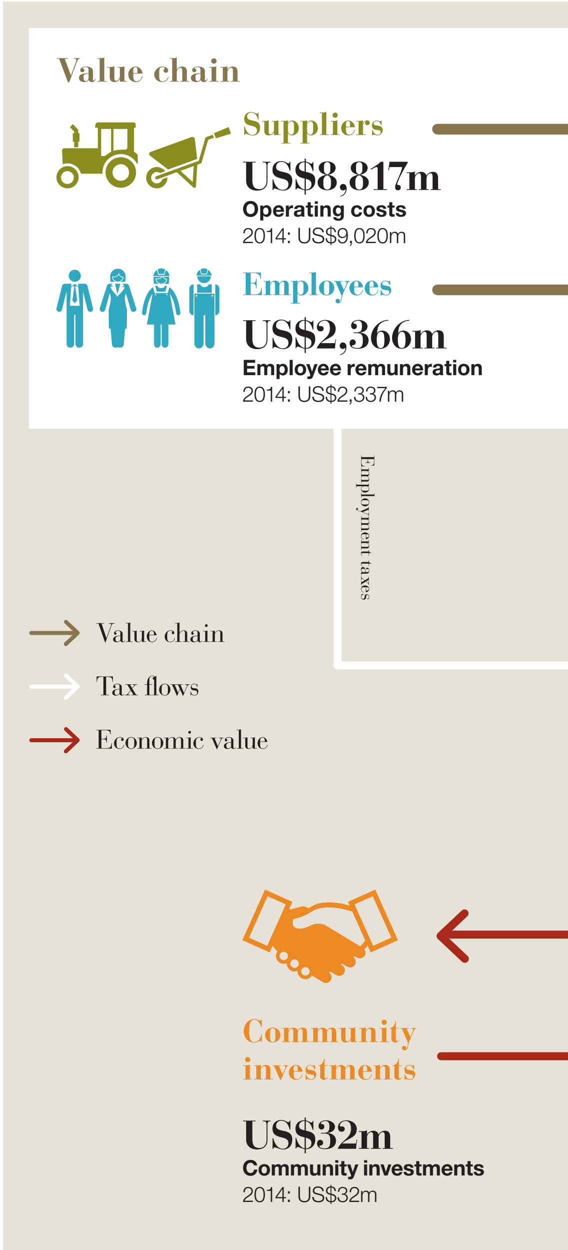
4 This includes taxes paid by our North American entities, in addition to the MillerCoors joint venture.

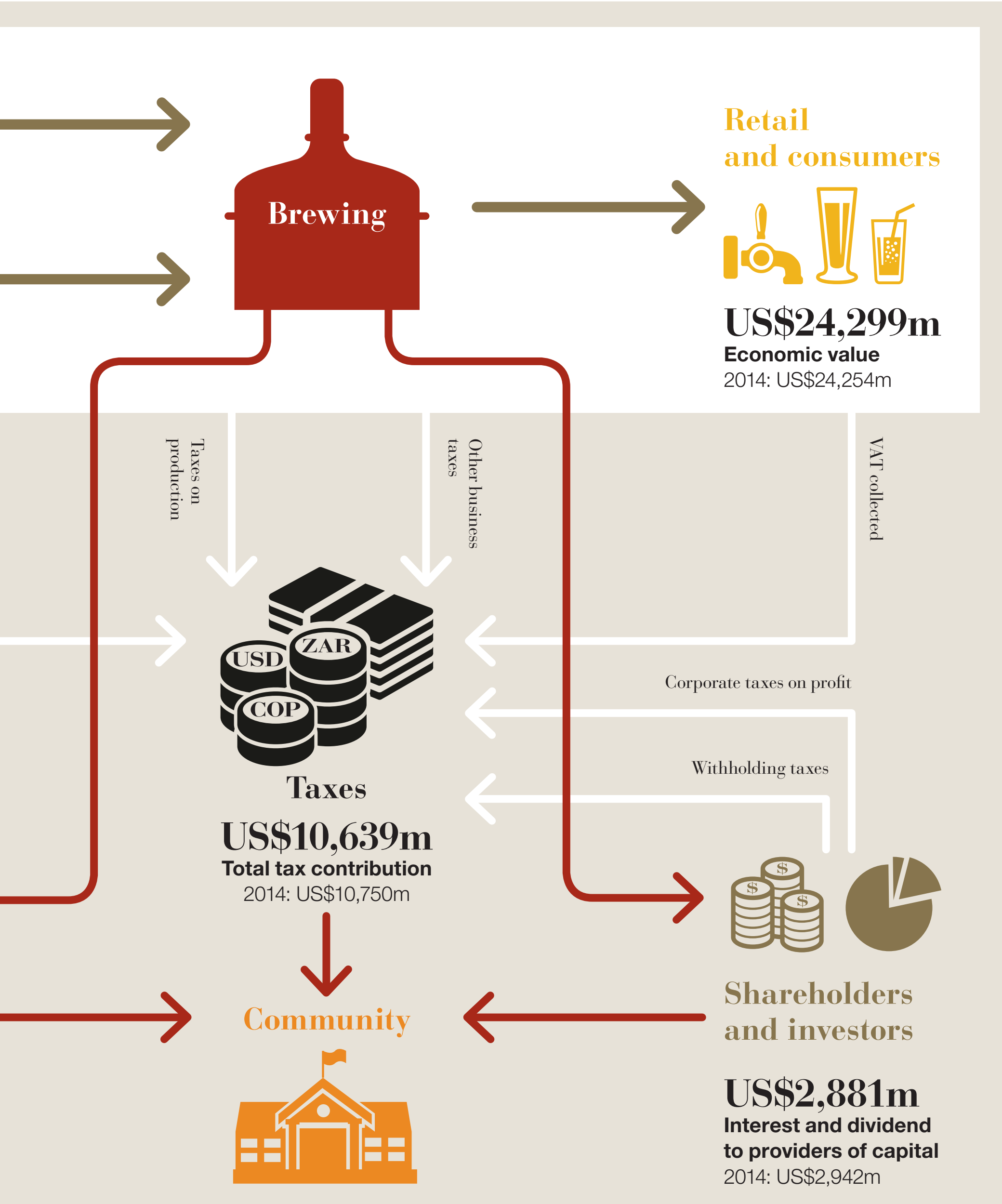
The flow of tax

This diagram shows how governments levy different taxes on the brewing of beer.

The main taxes involved are corporate income tax charged on our profits, excise duties levied on the production of beer, employment taxes and the VAT we collect from customers.

In addition to the taxes directly generated by our operations, there is also a multiplier effect in the form of the tax contributions made by our suppliers and by the retailers, restaurants and bars that sell our products. These taxes are generated indirectly and are not included in this diagram.




Retail
and consumers
US$24,299m
Economic value
2014: US$24,254m
Brewing
Taxes on production
Other business taxes
VAT collected
USD
ZAR
COP
Taxes
US$10,639m
Total tax contribution
2014: US$10,750m
Corporate taxes on profit
Withholding taxes
$
Shareholders
and investors
US$2,881m
Interest and dividend
to providers of capital
2014: US$2,942m
Community

How we manage our tax affairs

Our tax strategy is to manage all taxes to provide a responsible outcome in the interests of all stakeholders. Operating alongside this, we have a set of guiding tax principles which govern our behaviours and the tax choices we make when facing new decisions or directions.

Our guiding tax principles

- We commit to act responsibly in relation to our tax affairs, to fulfil our compliance and disclosure obligations, and to operate in accordance with all relevant laws and regulations.
- We aim to ensure that we pay the right and proper amount of tax in each country in which we operate; our economic contribution, of which tax forms a part, being very important to us.
- We seek to be efficient with our tax affairs and, in this context, will ensure that all tax planning is built on sound commercial business activity.
- We manage tax in line with our group governance framework and procedures; tax strategy, activities and uncertainties are documented and reported on a regular basis.
- We build constructive relationships with tax authorities; we encourage the building of tax administration capability and the promotion of efficient tax systems.
- We understand the value of our financial reporting to investors and society and work to provide enhanced and balanced disclosure in communicating our tax affairs.

Our global tax policies are aligned to our strategy and to our principles. These have been approved by the group's executive committee and its board of directors and have been applied across SABMiller for many years.

Tax governance

Tax governance within the group works through a set of documented standards and procedures. These describe the strategy, policies and operational aspects of tax and set the framework for how it is managed. Working in line with this framework is mandatory. Tax policies are set and tax risk is managed by the group tax committee, which is chaired by the Chief Financial Officer, who is a member of the group's executive committee and board of directors. Policies are kept under continuous review and are revised in the light of factors such as material changes within the group or in tax legislation.

Each year, the group tax committee confirms to the board of directors that it has met the standard set by the group's tax governance framework.

In addition, the group audit committee receives a regular report from the Chief Financial Officer on uncertain tax positions and, through discussion and challenge, assesses the adequacy or otherwise of positions taken.

Tax responsibilities

Tax is part of our group finance function and is the managerial responsibility of the Chief Financial Officer. Day-to-day work is delegated to the Director of Group Tax and a team of full-time in-house professionals, who hold a combination of accounting, tax and legal qualifications. The Director of Group Tax reports directly to the Chief Financial Officer.

As we implement our strategy of becoming a more globally integrated organisation, similarly, the tax function has instigated a more direct global reporting and management structure. This enables better policy implementation, tax risk management and career planning. It also ensures a more holistic view of tax matters across the group and a consistent flow of information through to the Director of Group Tax and the group tax committee.

Advisory and technical tax support is provided by a combination of large accounting firms, various legal firms and other smaller firms with the required skills. The use of advisory firms that are also our auditors is strictly controlled by, and regularly reported to, the group audit committee. During the year we have, as a principle, significantly reduced tax advisory work with the group's audit firm. We consciously monitor the use of other firms, to ensure there is an appropriate spread of work.

Transfer pricing

The vast majority of our business involves the production and sale of local brands. Therefore, there are relatively low levels of cross-border sales within the group, compared to many other multinational companies.

However, centralising professional expertise – for example in treasury, intellectual property management, back office activities, IT and procurement – leads to stronger businesses better able to compete in their local market and generating greater levels of profitability and tax.

For example, while most of our beer brands are owned within their markets of origin, it makes commercial sense to have a team of specialist trademark experts in one place to manage international rights, rather than duplicating this resource across all our markets. In the same way, centralised group functions provide other specialist services and guidance to promote best practice, and to enhance synergies across the business to ultimately increase local revenue and efficiency.

Centralisation enables us to achieve lower input costs, to focus energy on centres of excellence and to look after our assets better. It benefits consumers by allowing us to offer broader product offerings and lower prices. This pooling of activity and resource is necessary in today's business environment, and is a growing factor in our group as it becomes more globally integrated.

The core of all our transfer pricing is in compliance with both the OECD *Transfer Pricing Guidelines for Multinational Enterprises*, and local domestic tax legislation. Compliance is supported through a global transfer pricing policy and transaction-specific policies. We regularly review these policies for appropriateness.

SABMiller uses the arm's-length principle, which is endorsed by most countries. This assumes that prices are based on an equitable and willing arrangement between two independent parties. Transactions are priced within an appropriate arm's-length range, which meets the often-stringent local compliance requirements in territories at both ends of each transaction. A number of our businesses are required to file separate related party transaction or transfer pricing schedules with local tax authorities. We work with local tax authorities to provide them with full information regarding any queries they may have about our transfer pricing policies or procedures.

How we manage our tax affairs
continued

Uncertain tax positions

As is normal in a group such as ours, tax management can involve a number of areas of uncertainty on which we have to make judgements. These arise in areas such as the application of tax law, assumptions on deferred tax recognition and the assessment of potential tax liabilities where matters are in dispute.

The group policy in this area is a conservative one. We assess matters through the application of levels of risk and exposure and make appropriate provision based on our policy.

We deal with judgement through the employment of skilled personnel, the use of professional advice, the application of standard tax policies and regular reporting on such matters to the group tax committee and the group audit committee. These committees consider and discuss the judgements made and apply additional levels of assessment in the context of the group's risk framework.

Tax havens

The SABMiller group has more than 350 subsidiaries. A small number are located in jurisdictions described as tax havens[1]. These have arisen either through acquisition activity (where we have inherited them) or where we have made location and investment decisions on sound business grounds.

Within these jurisdictions, 11 companies are operating entities – these include breweries, for example in Panama, and service companies performing a common group purpose, such as group employment and insurance entities. These entities are all staffed in-country with skilled, full-time management and support employees who perform essential commercial activities. Two entities are legacy holding companies – which distribute all profits they receive to their own parent companies. The remaining 20 entities are dormant or near dormant. We keep these under review and seek to close them, where practical. All these entities are subject to disclosure, and are taxed, where appropriate, under the UK-controlled foreign company rules.

In considering the location of any new business activity, we take account of all elements, including tax. That said, location is fundamentally determined by commercial factors and the available skills base.

Tax incentives

In most of the territories in which the group operates, government tax policy evolves and develops depending on the nature of the territory's economic position and growth strategy. A number of territories offer tax incentives of various kinds. In line with our objective of tax efficiency, we seek to make use of any incentives available, within the context of sound and sustainable business decision-making. Incentives may include tax holidays, accelerated asset allowances or special tax rates for operations in specified areas.

Territories generally use tax incentives to attract business or investment, or to influence business decision-making in particular ways. There are likely to be a number of such incentives in operation at any one time across our group. All are in the context of local policy and would generally be available to any business that meets the relevant criteria. These incentives may influence our business decision-making, but are only one of a range of economic factors taken into account.

Meeting with tax authorities

We believe our dealings with tax authorities should be based on mutual respect and trust. To this end, we engage proactively with authorities in the territories in which we operate. We seek opportunities to meet regularly to ensure that

[1] The OECD defines a tax haven territory as one that has a collection of the following factors: non-existent or nominal taxes; a lack of transparency, laws or practices that prevent the exchange of information; and an absence of a substantial activity requirement. Other bodies expand on these characteristics to varying degrees.

our business dealings are better understood and to exchange views and insights. This open, two-way communication with tax authorities is very important to us, and is a required practice in all our business units.

This year we held a range of meetings with tax authorities. While some were in the course of regular audits and follow-up questions, we specifically engaged with authorities to provide updates and exchanges of information in Latin America, Africa, Asia Pacific and Europe. As a specific example, in South Africa our local business meets regularly and has open relationships with the South African Revenue Services Large Business Centre. Our total tax contribution in South Africa is substantial, and we acknowledge the value of good, open relationships with the revenue authorities.

We recognise there are differing levels of expertise in tax authorities across the world. As a group, we support working to build capability and understanding with local tax authorities.

SABMiller was a driving force behind, and one of the co-founders of, the newly formed Africa Industry Tax Association (AITA), whose current membership consists of 10 multinational companies, each with a substantial footprint in Africa. AITA was formed to create a formal and structured collective platform from which to create open lines of communication with African governments and revenue authorities on matters of common interest, and to promote fair, transparent, efficient and enforceable taxation systems and administration.

AITA is recognised by the African Tax Administration Forum (ATAF), and formally participated in a recent ATAF tax forum held in Johannesburg.

Tax disclosures

Our tax principles endorse our long-held aim that information about our business and tax affairs should be well understood by revenue authorities in all the countries in which we operate. In today's environment there is a continued push for information to be exchanged across national borders; we are happy for our tax information to be shared, where there is proper agreement and appropriate confidentiality.

As part of our work, we keep up to date with developments in the BEPS project and actively contribute to action groups where we feel qualified and able to add considered comment. In general, we support the OECD's approach and the move to deal with areas of international tax law and regulation that do not align when taken in a multinational context. We are concerned, however, that some of the measures under discussion are being developed too quickly and may result in unintended economic consequences, for example, an impact on investment or additional, unnecessary cost burdens.

A large part of the current disclosure debate is around greater transparency and tax reporting. In principle, we are comfortable with greater transparency. However, we firmly believe information shared must be robust, clear and provided within an appropriate context. Raw disclosure of limited information, outside its context, would be misleading, and unlikely to provide clarity around the tax contribution and position of a business.

In the context of the new country-by-country reporting requirements, we are fully aligned and prepared to deliver these to HM Revenue & Customs (HMRC) from 2017, based on the OECD guidelines. We believe such additional disclosure will be useful in strengthening local tax authorities' capabilities so they can best perform risk assessments on data reported and, where warranted, conduct efficient tax audit enquiries.

In many countries, companies are required to file their financial statements with the authorities and they are on public record. In such cases, much of our tax information is freely available.

Tax in the financial statements

		2015		2014[2]	
		Taxes on production US$m	**Taxes on profit US$m**	Taxes on production US$m	Taxes on profit US$m
Reconciliation to total tax paid[1]					
Excise duties (note 3)		**5,596**		5,607	
Current taxation (note 7)			**1,591**		1,284
Cash adjustments:					
Prepayments, net of tax refunds			**42**		326
Other, including payment timing differences			**(194)**		(14)
Tax paid in the consolidated cash flow statement		**5,596**	**1,439**	5,607	1,596
Reconciliation to adjusted tax charge					
Excise duties (note 3)		**5,596**		5,607	
Current taxation (note 7)			**1,591**		1,284
Deferred taxation (note 7)			**(318)**		(111)
Taxation expense in the consolidated income statement		**5,596**	**1,273**	5,607	1,173
Taxation items reflected elsewhere in the financial statements:					
Share of associates' and joint ventures' taxation (note 2)			**157**		162
Net tax (charges)/credits on exceptional items (note 4)			**(83)**		27
Tax on amortisation of intangible assets (excluding computer software) (note 7)			**117**		123
Adjusted tax charge	a		**1,464**		1,485
Calculation of the group's effective tax rate					
EBITA (note 2)			**6,367**		6,460
Adjusted net finance costs (note 5)			**(622)**		(645)
Share of associates' and joint ventures' finance costs			**(103)**		(96)
Adjusted profit before tax	b		**5,642**		5,719
Effective tax rate	a/b		**26%**		26%

[1] All note references are to the consolidated financial statements included within the SABMiller 2015 Annual Report.

[2] 2014 figures have been restated for the implementation of IFRS 10.

Tax in the financial statements

In the year ended 31 March 2015, the group recorded excise duties payable of US$5,596 million and corporate taxes of US$1,439 million, giving total taxes paid of US$7,035 million. These amounts are reflected in the consolidated financial statements and are analysed in the 2015 Annual Report. The information and analysis presented here are enhancements, and not mere repetition, of these tax disclosures.

Tax charge compared with tax paid

There are a number of reasons why the tax paid in any year will not be the same as the tax charge. As tax instalments are generally based on historical profits, the amount of tax paid in any particular year may differ from the tax accrued on profits for the year. Further, the tax charge includes amounts for deferred taxation, representing timing differences between the accounting for transactions and when tax becomes due, and amounts for uncertain and unresolved tax positions.

The amount of corporate income tax paid in the year decreased from US$1,596 million in the prior year to US$1,439 million. One of the main reasons for this is that in the prior year, we were required to prepay tax (FDT) of approximately US$394 million to the Australian Tax Office. In 2015, we made a tax prepayment of approximately US$42 million. These prepayments are not expected to recur in future years. The prepaid tax is recoverable against future corporate income tax liabilities. We have fully recognised the future benefit of the prepaid tax as an asset on our balance sheet.

Tax charge compared with the UK statutory tax rate

In most countries, the tax charge (from which the effective rate is derived) will be different to the statutory tax rate because, in calculating the tax charge:

- an individual country's financial reporting standards (as opposed to IFRS as adopted by the European Union) are applied;
- adjustments to profit before tax are unique to a country when calculating taxable profits; and
- differing tax allowances and incentives are periodically given which are specific to a country, an example being tax depreciation.

The statutory rate of corporation tax on profit in the UK for the year ended 31 March 2015 was 21%. The group's tax on profit for the year differed from the tax due at the statutory rate as a result of the differences overleaf. This reconciliation is different from the one in note 7 to the consolidated financial statements in that it reconciles adjusted profit before tax to the adjusted tax charge, as used in calculation of the group's effective tax rate.

Tax in the financial statements
continued

Effective tax rate reconciliation

	2015 US$m	2014 US$m
Adjusted profit before tax	**5,642**	5,719
Tax at 21% (2014: 23%) calculated thereon	**1,185**	1,315
Reconciling items:		
Income which is exempt from tax	**(194)**	(173)
Expenses which are not deductible for tax purposes	**108**	24
Other incentive allowances	**(43)**	(30)
Withholding and other remittance taxes	**157**	188
Difference owing to foreign rates of tax being, on average, higher than the UK	**355**	209
Tax impact of associated companies	**(6)**	(30)
Adjustments in respect of prior periods	**35**	(28)
Initial recognition of deferred tax	**(104)**	(87)
Deferred tax (recognised)/not recognised	**(46)**	60
Other	**17**	37
Adjusted tax charge	**1,464**	1,485

Deferred tax

Deferred tax represents the proportion of a company's liability for taxes owed that has been postponed to future periods. Deferred tax primarily arises from tax legislation that permits companies to claim a tax deduction for expenses at a slower or faster rate than they are recognised in the financial statements and therefore creates either a deferred tax asset or liability.

For example, most governments seek to incentivise business investment by providing that the tax depreciation of property, plant and equipment is calculated over a shorter period than the useful economic life. Accounting standards require companies to recognise and account for deferred tax assets and liabilities to give a true and fair view of a company's assets and liabilities.

The majority of our net deferred tax composition (note 19 to the consolidated financial statements) is deferred tax liabilities. These are driven by the Latin America and Asia Pacific regions and relate to intangible assets, primarily brands, recognised on acquisition. As the brands have significant useful economic lives, the underlying deferred tax liability has remained relatively stable in local currency since the acquisition dates, other than the effects of amortisation.

Our deferred tax assets are lower than our liabilities, with recognised assets primarily relating to tax losses, accounting provisions and accruals.

In addition, there are US$1,690 million (2014: US$2,054 million) of tax assets that are not currently recognised on the group's balance sheet. US$1,355 million (2014: US$1,532 million) of these are tax credits that the group has received but is not expected to be able to use in the foreseeable future.

Tax losses

In any group of companies there may be times when various subsidiaries are in a tax loss position. Within the group, examples of tax loss situations include those that exist within the UK, the Netherlands, Australia and India. Where we have incurred losses but expect there will be sufficient taxable profits in future years, we recognise a deferred tax asset in respect of the losses as we expect to fully recover the value of the asset.

Some examples of tax loss situations in our group are discussed below.

- In the UK, the costs of operating our corporate headquarters outweigh the profitability of our UK trading operation. We do not recognise a deferred tax asset in respect of these losses. However, as a result of our trading operation our total tax contribution in the UK was US$299 million covering excise, VAT and other taxes (2014: US$267 million).

- In Australia, as well as incurring financing costs in acquiring the Foster's group, consumer sentiment remains subdued and we have faced continued pressure on beer category volumes and profitability. Here we expect that there will be sufficient taxable profits in future years and so have recognised a deferred tax asset in relation to these losses. As shown on page 9, our total tax contribution in Australia was US$1,225 million, covering excise, FDT and other taxes (2014: US$1,671 million).

- In India, we operate in a challenging environment. This year we have recognised an exceptional impairment in respect of this business, reflecting the increased regulatory and excise challenges. We do not expect these conditions to reverse in the medium term. In this situation we have not accounted for a deferred tax asset on these losses.

- Our Netherlands business has had brought forward tax losses, however, we expect it to become tax-paying in the near future. We have recognised deferred tax assets in respect of these losses.

How this report was prepared

This report is intended to help SABMiller stakeholders and other readers to understand our group's approach to tax, and to provide a better perspective on how our business activities and revenues contribute to the economic and social development of the countries in which we operate.

The group is defined as being the parent, SABMiller plc, together with its subsidiaries and associated entities. A full list of principal subsidiaries, associates and joint ventures is given in note 33 to the consolidated financial statements.

For accounting purposes, the group applies a principle of consolidating subsidiaries and equity accounting for associates and joint ventures. The MillerCoors joint venture is treated as a partnership for tax purposes and its profits are shared by its partners, SABMiller and Molson Coors. Tax is payable by each partner on its share of such profits.

This report sets out taxes paid by type and by relevant geographical segments, on the same basis as reported in the consolidated financial statements. The information and analysis presented are enhancements, not mere repetition, of the tax disclosures in the financial statements.

Comparative data has not been restated for foreign exchange movements. It should be noted that some of the year-on-year movements within this report are driven by this.

The data collected includes all taxes paid and contributed to governmental bodies during the year ended 31 March 2015, regardless of the year to which the payment related. Any prior year settlements are included but any interest and penalties are excluded.

To avoid unnecessary additional costs, this report has not been subject to separate attest or audit. However, the data used is either the same data as in the group's consolidated financial statements or is from the same sources. The data is collected as part of the year-end financial process, with the directors responsible for its completion and accuracy.

In the case of an acquisition or a change in the level of effective ownership, the results are incorporated from the date of effective control or the change in the level of effective ownership. Similarly, where an entity is sold or liquidated the data includes all taxes up to the effective date of disposal or liquidation.

This report is presented to explain our approach to tax and to various tax matters across the group. It inevitably uses some technical tax terms. These are explained alongside, not as detailed definitions, but rather as a guide to meaning. More detailed financial definitions are contained in our 2015 Annual Report.

Definitions

Adjusted profit before tax	This comprises EBITA (see definition below) less adjusted net finance costs and less the group's share of associates' and joint ventures' net finance costs on a similar basis
Corporate income tax (taxes on profit)	All taxes that are based on the taxable profits of a company
Excise tax (taxes on production)	Tax that is generally based on production and levied at the point at which the beer or other product is produced
Deferred tax	The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in International Accounting Standard 12
EBITA	Earnings before interest, tax, amortisation of intangible assets (excluding computer software) and exceptional items, including the group's share of associates' and joint ventures' EBITA on a similar basis
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 the same basis, as a percentage of adjusted profit before tax
FDT (franking deficits tax)	The Australian tax system attaches tax credits to dividends paid by companies. This credit system eliminates the double taxation of company profits. A liability to pay FDT arises when an entity has a deficit in its franking account at the end of an income year. FDT is a prepayment of corporate income tax and results in a credit to an entity's franking account
Indirect tax	Taxes such as VAT or excise levied on goods and services, rather than on income or profits
Tax	Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, excise duties, property taxes, employment taxes, sales taxes, stamp duties and any other required payments
Tax borne	Tax that a person or entity is obliged to pay to a government, directly or indirectly, on that person's or entity's own behalf
Tax collected	Taxes not finally borne by the entity, but collected on behalf of governments, including personal income taxes, withholding tax, VAT
Withholding tax	A tax deducted at source, generally levied by some countries on interest, dividends or royalties paid to non-resident recipients

Further reports and contacts

1 Annual Report
For an overview of our markets and operations, please refer to our annual report.
www.sabmiller.com/annualreport2015

2 Sustainable Development Report
For an overview of our sustainable development approach and performance, please refer to our Sustainable Development Summary Report 2015.
www.sabmiller.com/sdreport2015

3 Online
Further information on our social and economic contribution, including case studies and sustainable development performance data for our country operations, can be found online.
www.sabmiller.com/prosper

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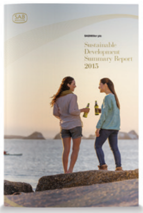
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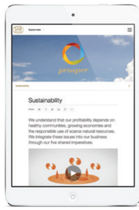

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Cautionary statement
This document includes ‘forward-looking statements’ including those that relate to SABMiller’s plans and expectations relating to its future tax contributions, approach to tax and contributions to economic development. These statements contain the words ‘believe’, ‘intend’, ‘expect’ and words of similar meaning. Such forward-looking statements involve a number of uncertainties because they are based on numerous assumptions regarding SABMiller’s future business performance and tax liabilities, involving both known and unknown risks. These factors could cause the tax contributions and approach of SABMiller to be materially different from those envisaged in the forward-looking statements. Factors which may cause differences between actual results and those expected or implied by the forward-looking statements include, but are not limited to: the economic and business conditions in the markets in which SABMiller operates; taxation policies; excise duties; fluctuations in foreign currency exchange rates and interest rates; law and regulation; and consumer demand and preferences.

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