

Registered number: 03982132

AB INBEV UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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AB INBEV UK LIMITED

COMPANY INFORMATION

Directors

Jason Warner
Claire Richardson
Nicolas Bartholomeeusen
Jens Hoffman (appointed 12 January 2017)
James Rowe (appointed 1 August 2017)
Rory Mclellan (appointed 6 September 2017)
Tatiana Stadukhina (appointed 20 November 2017)
Paul Maguire (appointed 29 January 2018)
Andrew Whiting (appointed 3 April 2018)
Taner Su (appointed 20 April 2018)

Company secretary

Natalie Walker

Registered number

03982132

Registered office

Porter Tun House
500 Capability Green
Luton
Bedfordshire
LU1 3LS

AB INBEV UK LIMITED

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AB INBEV UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Review of business

In 2017, we saw revenue growth of 15.35% thereby delivering a total turnover of £1.501bn. Own beer volumes grew by 5.4% which was driven by great performance of our global brands, further enhanced by our revenue management and premiumisation initiatives in both on-trade and off-trade.

Our organic EBITDA grew by 7% as a result of strong revenue delivery and optimizing the returns on our sales and marketing initiatives. We continued to invest heavily behind our brands and customers and increased our sales investment in the on-trade to increase our presence in this space.

Our global brands continued to deliver strong results. Stella Artois retained its position as the number 1 alcohol brand in UK and continued growing revenue per Hecto Litre by 7.2%. Stella Artois continued to support the "Buy a Lady a Drink" campaign together with water.org, thereby providing increased water quality and availability for people in high water-stressed communities. Budweiser grew total revenue by 8% and continues to expand its market presence through sports and music. The brand also expanded in the None alcoholic and Low alcoholic segment with the launch of "Bud Prohibition" in December 2017 ahead of "Dry January" in 2018. This launch fits well within our global dream of having 20% of our volume generated through none alcoholic and low alcoholic brands by 2025. Our growth on Corona stays phenomenal with a 25% increase in revenue largely driven by increased distribution. We also announced a partnership between Corona and Parley with a strong pledge to make 100 islands plastic free by 2020 and we keep putting in resources to ensure 100% of our packaging materials are recyclable.

Bud Light was launched in the UK market in 2017. The brand exceeded our expectations and performed well with close to 1% market share when analysed by volume performance. Bud Light continues to increase its penetration and repeat rate amongst its' target audience and with our plans to expand into bottle pack formats in 2018, we expect to keep building momentum.

Principal activities and future developments

Our core activities will continue to focus on brewing the best beers for our consumers. We want to continue to lead the premium and super-premium beer category in the UK, thereby using our brands to bring consumers closer together and provide them with great experiences. We will also continue to focus on a cost-efficient business model, where we plan wisely to achieve above market-average returns and use value-engineering to optimize our manufacturing cost base. All of this will happen through strong relationships which we are building with our customers to ensure long-term sustainability in the UK marketplace.

Forward looking, the main area of opportunity for us remains the on-trade market as we are underperforming in this sales channel. In order to grow our on-trade share, we will continue to focus on urban centres, strong wholesaler distribution models and premium points of contact where we can build consumer experiences. As part of our wider company strategy, we will also continue to leverage our none alcoholic and low alcoholic brands & craft portfolios in both on-trade and off-trade as both segments continue to grow.

AB INBEV UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial key performance indicators

The Company's Directors use the following KPI's to measure the performance of the business:

	2017	2016
Market Share	20%	18%
Sales Volumes	8,633 KHL	8,064 KHL
Revenue Growth	15.35%	4.81%
EBITDA Growth	31.10 %	10.40%

For 2018, the shipment beer market share for the Company is targeted at 20.3% (2016: 19.6%) with key drivers being our global brands, Bud Light and our expanding craft segment.

Sales volume is targeted at 9,149 MHL (2016: 8,917 MHL) with the same key drivers as the market share. We are choosing not to disclose the targets we are setting on revenue and EBITDA growth for 2018.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to increasing commodity costs which increases production costs. These are monitored regularly by the Board of Directors and management of the Company.

Brexit associated risk

We continue to develop our risk planning around Brexit and continue to seek clarity on the transition process. We are assessing the related risk factors on an ongoing basis to understand the potential impact on the business.

Credit risk

No material exposure is considered to exist in respect of intercompany loans or third party debt. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made and the Company monitors the exposure to individual customers on an ongoing basis. The Company trades with large, well known businesses.

Interest rate risk

The Company has both interest bearing intercompany assets and interest bearing intercompany liabilities. No material exposure is therefore considered to exist with regard to changes in interest rates.

Foreign currency risk

Purchases of goods and services from overseas group undertakings are denominated in foreign currencies with the Company assuming the foreign currency risk. The Group treasury function takes out contracts to manage this risk at the group level with the use of financial derivatives governed by the Ultimate Parent Company's policies approved by its board of directors. The Company does not use any foreign exchange derivatives for speculative purposes

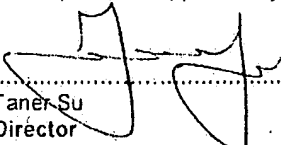
AB INBEV UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Going concern

Anheuser-Busch InBev NV/SA, the ultimate parent company of AB InBev UK Limited has provided the Company with an undertaking that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company to enable the Company to continue in operational existence for the foreseeable future. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that the support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The Directors therefore deem it appropriate to prepare the financial statements on a going concern basis.

This report was approved by the Board and signed on its behalf.


.....
Taner Su
Director

Date: 10.10.2018

AB INBEV UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £22,032,000 (2016 - loss £2,595,000).

The Directors do not recommend the payment of a dividend (2016: *Nil*).

Directors

The Directors who served during the year and up to the date of signing were:

Nicholas Robinson (resigned 21 June 2017)
Pedro Mirant-Borde (resigned 12 January 2017)
Anna Tolley (resigned 3 April 2018)
Jason Warner
Giuseppe Cremona (resigned 31 August 2017)
Claire Richardson
Nicolas Bartholomeeusen
Jens Hoffman (appointed 12 January 2017)
James Rowe (appointed 1 August 2017)
Rory Mciellan (appointed 6 September 2017)
Tatiana Stadukhina (appointed 20 November 2017)
Paul Maguire (appointed 29 January 2018)
Andrew Whiting (appointed 3 April 2018)
Taner Su (appointed 20 April 2018)

Employee and employment policies

In order to attract and retain the best people, the Company continually looks for effective ways to reward its employees. It offers a wide range of flexible benefits, including healthcare and pension plans. The Company is committed to increasing employee involvement and believes that effective two way communication between the Company and its employees brings real business benefits. Employees have opportunities to express their views at meetings with management and through regular employee opinion surveys. These surveys are then reviewed and turned into engagement actions, to which management strive to improve results annually.

On a regular basis, employees are made aware of the financial performance of their business units and of the Company as a whole, via in-house newsletters, emails and calls.

Employee safety

The Company makes every effort, in conjunction with employees, suppliers, environmental health offices and the applicable regulators to provide a safe working environment for all its employees. The Company believes that a safe environment improves morale and motivation and enhances customer relations.

Equal opportunities

The Company is committed to the principle that the sole criterion for the selection or promotion is the suitability of an applicant for the job. Training and development are available to all levels and categories of staff. Disabled people are offered the same opportunities as all others in respect of recruitment, training, promotion and career development. Employees who become disabled will be retained, wherever possible, and, if necessary, retrained.

AB INBEV UK LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Research and development

By means of its research and development activities, the Company seeks to develop and apply new technology and products to enable the Company to meet its strategic objectives faster, more efficiently and at lower cost. New technology and products are vital to the creation of sustainable competitive advantage. This is achieved by investing in carbon print reducing technology, energy saving equipment and packaging improvements that help increase product shelf life.

Deeds of indemnity

As at the date of this report and during the year, indemnities are in force under which AB InBev S.A, a fellow AB InBev group company, has agreed to indemnify the Directors of the Company, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company. These indemnities meet the definition of a qualifying third party indemnity provision.

Matters covered in the strategic report

The business review, future developments, financial risk management, principal risks and uncertainties and key performance indicators are covered in the strategic report on pages 1 to 3.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

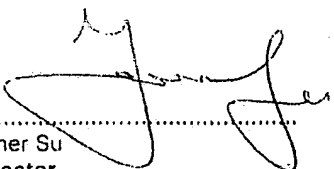
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Independent auditor

In accordance with section 487(2) of the Companies Act, 2006 the Auditor, Deloitte LLP will continue in office.

This report was approved by the Board and signed on its behalf.


.....
Taner Su
Director

Date: 10.10.2018

AB INBEV UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors are responsible for preparing the annual 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. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AB INBEV UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB INBEV UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of AB Inbev UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including "Financial Reporting Standard 101 Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including "Financial Reporting Standard 101 Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

AB INBEV UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB INBEV UK LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

AB INBEV UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB INBEV UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

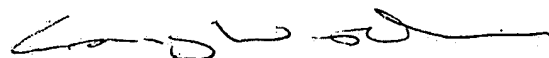
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Craig Wisdom
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom

Date: 10 October 2018

AB INBEV UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	1,501,928	1,302,007
Cost of sales		(1,137,115)	(963,931)
Gross profit		364,813	338,076
Distribution costs		(67,610)	(63,311)
Administrative expenses		(263,340)	(265,639)
Operating profit	5	33,863	9,126
Interest receivable and similar income	9	23,582	26,253
Interest payable and similar charges	10	(32,287)	(37,049)
Profit/(loss) before tax		25,158	(1,670)
Tax	11	(3,126)	(925)
Profit/(loss) for the year		22,032	(2,595)
Other comprehensive income/(loss) for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension plan	24	42,191	(194,963)
Tax on items relating to components of other comprehensive income/(loss)	20	(7,172)	33,147
Total other comprehensive income/(loss) for the year		35,019	(161,816)
Total comprehensive income/(loss) for the year		57,051	(164,411)

The notes on pages 13 to 41 form part of these financial statements.

AB INBEV UK LIMITED
REGISTERED NUMBER: 03982132

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Goodwill	12	48,814	48,814
Intangible assets	13	3,341	4,407
Tangible assets	14	178,128	180,331
Investments	15	200	157
		<u>230,483</u>	<u>233,709</u>
Current assets			
Stocks	16	48,285	57,008
Debtors: amounts falling due after more than one year	17	78,098	88,397
Debtors: amounts falling due within one year	17	501,668	1,106,558
		<u>628,051</u>	<u>1,251,963</u>
Creditors: amounts falling due within one year	18	(446,839)	(1,047,231)
Net current assets		<u>181,212</u>	<u>116,355</u>
Total assets less current liabilities		<u>411,695</u>	<u>438,441</u>
Provisions for liabilities			
Other provisions	21	(3,068)	(7,567)
Net assets excluding pension liability		<u>408,627</u>	<u>430,874</u>
Defined benefit pension plan deficit	24	(297,475)	(377,199)
Net assets		<u><u>111,152</u></u>	<u><u>53,675</u></u>
Capital and reserves			
Called up share capital	22	858,140	858,140
Profit and loss account	26	(746,988)	(804,465)
Total equity		<u><u>111,152</u></u>	<u><u>53,675</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


 Taner Su
 Director

Date:

10.10.2018

The notes on pages 13 to 41 form part of these financial statements.

AB INBEV UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	858,140	(640,364)	217,776
Comprehensive loss for the year			
Loss for the year	-	(2,595)	(2,595)
Remeasurement losses on defined benefit pension plan (note 24)	-	(194,963)	(194,963)
Tax on items relating to components of other comprehensive income (note 20)	-	33,147	33,147
Other comprehensive loss for the year	-	(161,816)	(161,816)
Total comprehensive loss for the year	-	(164,411)	(164,411)
Share based payments (note 23)	-	310	310
Total transactions with owners	-	310	310
At 31 December 2016	858,140	(804,465)	53,675
Comprehensive income for the year			
Profit for the year	-	22,032	22,032
Remeasurement gains on defined benefit pension plan (note 24)	-	42,191	42,191
Tax on items relating to components of other comprehensive income (note 20)	-	(7,172)	(7,172)
Other comprehensive income for the year	-	35,019	35,019
Total comprehensive income for the year	-	57,051	57,051
Share based payments (note 23)	-	426	426
Total transactions with owners	-	426	426
At 31 December 2017	858,140	(746,988)	111,152

The notes on pages 13 to 41 form part of these financial statements.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

AB InBev UK Limited is a private company limited by shares incorporated and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page. The nature of the Company's operations and its principal activities are brewing, distributing and importing beer.

2. Accounting policies

2.1 Basis of preparation of financial statements

The Financial Statements have been prepared, on a going concern basis under the historical cost convention, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to FRS 101.

These financial statements are presented in GBP because that is the currency of the primary economic environment in which the company operates.

A rounding level of £000 has been applied to these financial statements.

Accounting policies have been applied consistently over the financial year.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company is a wholly owned subsidiary of Nimbuspath Limited and is included in the consolidated financial statements of Anheuser-Busch InBev NV/SA which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. These financial statements are separate financial statements.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions from the requirements of IFRS in accordance with FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Consolidated financial statements can be obtained from Anheuser Busch InBev NV/SA Grand Place 1, Brussels, Belgium.

2.3 Turnover

Turnover represents sales to third parties and fellow group companies and is the invoiced amounts for goods sold during the year stated net of value added tax and deductions allowed. Sales to fellow group companies are recorded on an arm's length basis. Turnover is recognised when title transfers on shipment of the goods.

2.4 Intangible fixed assets

Licences and delivery rights purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives.

Amortisation is provided on the following bases:

Licences	-	4 years being the duration of the Licences
Delivery rights	-	4 years being the duration of the Delivery rights

2.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

Goodwill is an indefinite life asset.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings	- 15 to 30 years (6.67% to 3.33% per annum)
Plant and machinery	- 3 to 30 years (33.33% to 3.33% per annum)
Fixtures, fittings, tools and equipment	- 10 to 30 years (10% to 3.33% per annum)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Assets under construction are not depreciated until they are ready for use, when they are transferred to the relevant asset class and depreciated over their useful economic life.

2.7 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.8 Investments

Shares in fellow AB InBev group companies are stated at cost less any provision for impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost. A provision is recognised for slow moving and obsolete stock.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.10 Debtors

Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.14 Interest payable and similar charges

Interest payable and similar charges are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Share based payments

Where the Company's parent Company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent. All the company share-based payment plans are equity-settled.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

2.16 Pensions

The Company operates a defined contribution pension scheme and three defined benefit pension schemes providing benefits based on final pensionable pay.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates three defined benefit plans for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.16 Pensions (continued)

Defined benefit pension plan (continued)

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plans is recognised in the statement of comprehensive income as employee costs, except where included in the cost of an asset, this comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The interest income and expense is calculated by applying the discount rate to the defined benefit obligation and the fair value of plan assets. The interest expense is recognised in the statement of comprehensive income as 'Interest payable and similar charges' and the interest income is recognised in the statement of comprehensive income as 'Interest receivable and similar income'.

2.17 Interest receivable and similar income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.19 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

Critical judgements in applying the Company's accounting policies

There were no critical judgements in applying the Company's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Defined benefit pension schemes

The Company's liability to the pension schemes is dependent on the life expectancy estimations in relation to both current and former employees, the discount and inflation rates used in the actuarial modelling, future pension increases and asset valuation. The scheme's liability is estimated by an independent actuary and calculated using industry standard models. The Defined benefit pension plan's deficit is £297,475,000 (2016: 377,199,000). See note 24 for further information including sensitivity analysis.

Goodwill

Determining whether the Company's Goodwill has been impaired requires key assumptions and estimations to establish the Goodwill's value in use. The value in use calculations require the entity to estimate discount rates, growth rates and expected cash flows. Discount rates are estimated using pre-tax rates that reflect current market assessment of the time value of money, growth rates are estimated using the Company's long-term growth rates and cash flows are estimated using extrapolated financial budgets approved by management. The carrying amount of Goodwill at the balance sheet date was £48,814,000 (2016: £48,814,000).

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

Turnover represents the amounts derived from the provision of goods and services to customers, including duty, after deducting discounts and rebates, and value added tax. Turnover to third parties by destination is not materially different from the turnover by origin. The Company operates in one class of business, this being the manufacture and distribution of beer.

Analysis of turnover by class of business:

	2017 £000	2016 £000
Revenue from sales to third parties	1,458,099	1,248,037
Revenue from sales to related parties	43,829	53,970
	<u>1,501,928</u>	<u>1,302,007</u>

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom (third party)	1,458,099	1,248,037
Belgium (related party)	39,276	17,778
Italy (related party)	-	16,405
USA (related party)	3,521	12,651
France (related party)	-	4,707
Germany (related party)	-	1,835
Canada (related party)	261	-
Rest of world (related party)	771	594
	<u>1,501,928</u>	<u>1,302,007</u>

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Excise duty paid	742,419	659,339
Depreciation of tangible fixed assets	35,003	31,972
Amortisation of intangible assets	2,082	2,379
Operating lease rentals - land and buildings	1,559	1,423
Operating lease rentals - plant and machinery	392	729
Operating lease rentals - other assets	4,082	4,245
Staff costs (note 7)	67,465	56,370
Restructuring charges (note 21)	(290)	1,647
Exchange differences	(6,599)	1,272
Other provisions relating to claims and disputes (note 21)	(1,284)	158

6. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the Financial Statements and for other services provided to the Company:

	2017 £000	2016 £000
Non-audit fees	-	-
Fees for the audit of these financial statements	96	54

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	58,910	48,695
Social security costs	4,964	4,821
Share based payments (note 23)	426	310
Other pension costs (note 24)	3,165	2,544
	<u>67,465</u>	<u>56,370</u>

Employees participate in an annual bonus scheme, which includes performance measurements for the Company and economic benchmarks. This encourages employees' involvement in the Company's performance and also ensures a common awareness of the financial and economic factors that affect the performance of the Company. Senior management are also entitled to join the share option scheme provided by the ultimate parent company.

The average monthly number of employees, including the Directors, during the year was as follows:

	2017 No.	2016 No.
Administration	77	79
Manufacturing	675	630
Marketing	50	26
Sales	166	292
Development	23	-
	<u>991</u>	<u>1,027</u>

AB INBEV UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	2,995	3,215

Directors' emoluments includes £178,000 (2016: £800,000) in compensation for loss of office, £521,000 (2016: £56,000) in gains made on the exercise of share options and £43,000 (2016: £58,000) in pension contributions.

During the year retirement benefits were accruing to 9 Directors (2016: 10) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,191,000 (2016: £816,000). This figure is inclusive of £nil (2016: £38,000) of pension contributions, £nil (2016: £445,000) compensation for loss of office and £311,000 (2016: £nil) of exercised share options.

During the period, 4 (2016: 1) Directors, exercised share options which are held in the ultimate parent company, Anheuser-Busch InBev NV/SA.

9. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group undertakings	3,123	2,187
Interest receivable on defined benefit pension scheme (note 24)	20,170	24,062
Other interest receivable	289	4
	<u>23,582</u>	<u>26,253</u>

10. Interest payable and similar charges

	2017 £000	2016 £000
Other interest payable	-	14
Interest payable to group undertakings	2,881	5,939
Interest payable on defined benefit pension scheme (note 24)	29,406	31,096
	<u>32,287</u>	<u>37,049</u>

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tax on profit/(loss)

	2017 £000	2016 £000
Corporation tax		
Adjustments in respect of previous periods	-	485
Total current tax	<u>-</u>	<u>485</u>
Deferred tax		
Origination and reversal of timing differences	4,570	128
Changes to tax rates	(184)	1,850
Adjustment in respect of prior year	(1,260)	(1,538)
Total deferred tax	<u>3,126</u>	<u>440</u>
Taxation on profit/(loss)	<u>3,126</u>	<u>925</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit/(loss) before tax	25,158	(1,670)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%).	4,843	(334)
Effects of:		
Expenses not deductible for tax purposes	110	77
Depreciation and loss on disposal on non qualifying assets	1,063	720
Share based payments	(147)	(312)
Prior year current tax	-	485
Change in tax rates	184	1,827
Prior year deferred tax	(1,260)	(1,538)
Group relief claimed for nil consideration	(1,667)	-
Total tax charge for the year	<u>3,126</u>	<u>925</u>

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tax on profit/(loss) (continued)

Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. The impact of the announced changes is not expected to be material.

12. Goodwill

	2017 £000
Cost	
At 1 January 2017	48,814
At 31 December 2017	<u>48,814</u>
At 31 December 2016	<u>48,814</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) or the brands that are expected to benefit from that business combination.

Goodwill relates to the acquisition of The Whitbread Beer Company assets. An impairment test is carried out once a year, using value in use calculation, to ensure that the CGU represents the long term position of the Company. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected cash flows during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the brands associated to the CGU. The growth rates are based on long term company growth rate. It is anticipated that sales volumes related to the brands, particularly Boddingtons, will increase over the next few years as the strategy to re-invest and reinvigorate the brands started in 2017.

The Company has conducted a sensitivity analysis on the impairment test of the CGU and the brands carrying value. A cut in the growth rate by 1.4% (2016: 1.1%) would cause the carrying value of goodwill to equal its recoverable amount.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for 5 years based on an estimated a declining growth rate. The rate used to discount the forecast cash flows from the goodwill is 6.20% (2016: 5.9%).

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. Intangible assets

	Delivery rights £000
Cost	
At 1 January 2017	8,680
Additions	1,016
At 31 December 2017	<u>9,696</u>
Amortisation	
At 1 January 2017	4,273
Charge for the year	2,082
At 31 December 2017	<u>6,355</u>
Net book value	
At 31 December 2017	<u>3,341</u>
At 31 December 2016	<u>4,407</u>

All additions relate to delivery rights acquired during 2017.

All amortisation was charged to administrative expenses in the statement of comprehensive income.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2017	98,692	557,825	17,177	673,694
Additions	2,261	30,782	202	33,245
Disposals	-	(6,855)	(213)	(7,068)
At 31 December 2017	100,953	581,752	17,166	699,871
Depreciation				
At 1 January 2017	57,747	427,915	7,701	493,363
Charge for the year	4,560	27,623	2,819	35,002
Disposals	-	(6,409)	(213)	(6,622)
At 31 December 2017	62,307	449,129	10,307	521,743
Net book value				
At 31 December 2017	38,646	132,623	6,859	178,128
At 31 December 2016	40,945	129,910	9,476	180,331

The net book value of fixed assets above includes assets under construction of £4,017,241 (2016: £8,308,900) as at 31 December 2017. During the year, £4,291,673 (2016: £4,230,000) was released from assets under construction.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. Investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2017	1,093
Disposals	(89)
At 31 December 2017	1,004
Provision for impairment	
At 1 January 2017	936
Written back (customer loan write off)	(132)
At 31 December 2017	804
Net book value	
At 31 December 2017	200
At 31 December 2016	157

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Lowenbrau Limited	Ordinary	100 %	Dormant

The Directors believe that the carrying value of the investments is supported by its underlying net assets.

The subsidiary undertaking has the same registered office and principal place of business as AB InBev UK Limited.

AB InBev UK Limited holds 100% of the Voting rights in the subsidiary.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16. Stocks

	2017 £000	2016 £000
Raw materials and consumables	7,876	7,247
Work in progress (goods to be sold)	5,958	6,682
Finished goods and goods for resale	34,451	43,079
	<u>48,285</u>	<u>57,008</u>

Stock write-downs recognised as an expense in the period amounted to £3,505,986 (2016: £8,042,000)

17. Debtors

	2017 £000	2016 £000
Amounts falling due after more than one year		
Deferred tax asset	<u>78,098</u>	<u>88,397</u>
Amounts falling due within one year		
Trade debtors	230,570	189,603
Amounts owed by group undertakings	257,802	907,608
Other debtors	4,694	7,938
Prepayments and accrued income	8,602	1,409
	<u>501,668</u>	<u>1,106,558</u>

Amounts owed by group undertakings include £205,198,000 (2016: £867,474,000) owed by Nimbuspath Limited, which is unsecured. Of this amount £205,198,000 (2016: £255,674,000) is subject to interest at a rate of LIBOR + 0.7% with the remaining £nil (2016: £611,801,000) not being interest bearing.

All other amounts due from group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	218,248	162,161
Amounts owed to group undertakings	29,029	715,094
Other taxation and social security	127,256	111,600
Other creditors	3	
Accruals and deferred income	72,303	58,376
	<u>446,839</u>	<u>1,047,231</u>

Amounts owed to group undertakings include £nil (2016: £52,257,000) due to Bass Beers Worldwide Limited, which is unsecured and subject to interest at a rate of Libor + 1%.

Amounts owed by group undertakings include £nil (2016: £586,819,000) owed to Cobrew SA, which is unsecured and subject to interest at a rate of 0.25%.

All other amounts due to group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19. Financial instruments

	2017 £000	2016 £000
Financial assets		
Debt instruments measured at amortised cost		
- Trade and other debtors (see note 17)	235,264	197,541
- Amounts due from group undertakings (see note 17)	257,802	907,608
Equity instruments measured at cost less impairment		
- Fixed asset unlisted investments (see note 15)	200	157
	<u>493,266</u>	<u>1,105,306</u>
Financial liabilities		
Measured at amortised cost		
- Trade and other creditors (see note 18)	218,251	162,161
- Amounts due to group undertakings (see note 18)	29,029	715,094
	<u>247,280</u>	<u>877,255</u>

20. Deferred taxation

	2017 £000	2016 £000
At beginning of year	88,397	54,277
Charged to profit or loss (note 11)	(3,126)	(440)
Charged to other comprehensive income	(7,172)	33,147
Deferred tax asset transferred from Pioneer Brewing (note 24)	-	1,413
At end of year	<u>78,099</u>	<u>88,397</u>

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

20. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	12,295	8,081
Tax losses carried forward	12,683	12,202
Defined benefit pension scheme deferred tax asset	52,600	66,828
Other timing differences	521	1,286
	<u>78,099</u>	<u>88,397</u>

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of from which the future reversal of the underlying timing differences can be deducted in the foreseeable future.

In the period the Directors have reviewed the future profits of the Company and as they are expected to increase, a deferred tax asset on losses of £12,683,000 has been recognised (2016: £12,202,000).

AB INBEV UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

21. Other provisions

	Restructuring provisions £000	Other provisions £000	Total £000
At 1 January 2017	4,700	2,867	7,567
Charged/(released) to the profit or loss	(290)	(1,284)	(1,574)
Utilised in year	(2,608)	(317)	(2,925)
At 31 December 2017	1,802	1,266	3,068

Restructuring provisions

Restructuring provisions relate to the expected costs in relation to the continual restructuring of the business, these include software restructuring and one off organizational restructuring projects. The remaining provision at the balance sheet date is expected to be utilised within the next five years.

The amounts charged to the profit or loss during the period included additional provisions of £290,000 (2016: £3,544,000) and the release of existing provisions amounting to £nil (2016: £1,897,000).

Other provisions

Other provisions relate to the expected settlement cost of claims and disputes. The provision at the balance sheet date is expected to be utilised within the next five years.

The amounts charged to the statement of comprehensive income during the period include additional provisions of £102,000 (2016: £158,000) and the release of existing provisions amounting to £1,385,000 (2016: £nil).

22. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
858,140,000 (2016: £858,140,000) Ordinary shares of £1 each	858,140	858,140

The Company has one class of Ordinary share which is entitled to one vote in any circumstances.

Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from a winding up of the company.

There has been no changes to share capital in 2017 or 2016.

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

23. Share based payments

Different share and share option programmes allow Company senior management and members of the Board of Directors to acquire shares of Anheuser-Busch InBev NV/SA (the ultimate parent company). The options' exercise price equals the average market price of the underlying shares in the thirty calendar days preceding the offer date. The options have a contractual life of 10 years. The fair value of the options granted is estimated at grant date, using the binomial Hull model. Until 2005, the Company used the Black-Scholes-Merton option pricing model to determine the fair values of its employee share options granted.

Since the acceptance period of the options is two months, the fair value was determined as the average of the fair values calculated on a weekly basis during the two months offer period. The fair value of options granted to employees is expensed over the vesting period.

Expected volatility is based on historically volatility calculated using 1,766 days of historical data. In the determination of the expected volatility the group is excluding the volatility measured during the period 15 July 2008 until 30 April 2009, in view of the extreme market conditions experienced during that period. The binomial Hull model assumes that all employees would immediately exercise their options if the AB InBev share price is 2.5 times above the exercise price. As a result, no single expected option life applies.

	Weighted average exercise price (pence) 2017	Number 2017	Weighted average exercise price (pence) 2016	Number 2016
Outstanding at the beginning of the year	7920	214,414	5434	130,592
Prior year adjustments	7920	(1,743)	5434	24,279
Granted during the year	20142	37,942	8873	92,768
Forfeited during the year	8764	(33,254)	6823	(13,638)
Exercised during the year	3904	(17,016)	3445	(19,587)
Transferred out during the period				
Outstanding at the end of the year	8582	200,343	7920	214,414

The range of exercise prices of the outstanding options is between £39.04 and £86.98 while the weighted average remaining contractual life is 8.38 years.

For share options exercised during 2017 the weighted average share price at the date of exercise was £89.66 (2016: £93.35).

The total expenses recognised for the year arising from share based payments are as follows:

	2017 £000	2016 £000
Equity settled share based payments	426	310

AB INBEV UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments

Defined contribution pension scheme

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the period represents contributions payable by the Company to the scheme and amounted to £3,165,000 (2016: £2,544,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Defined benefit pension scheme

The Company operates three defined benefit schemes.

AB InBev UK Limited Pension Plan (the "Plan"):

The Plan is a funded defined benefit scheme which is closed to new members and closed to future accrual with effect from 31 May 2013.

The Plan's funds are administered by trustees and are independent of the Company's finances. Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial adviser.

The valuation of the liabilities for the Plan has been based on results from the actuarial valuation of the Plan as at 31 December 2015, rolled forward to 31 December 2017. This roll forward allows for actual cash flows from 1 January 2016 to 31 December 2017 and also changes in market conditions. The roll forward does not make any allowance for membership movements since 31 December 2015.

The weighted average duration of the defined obligation of the scheme is 24 years.

InBev UK Limited Top-UP Pension ("ITUP"):

The ITUP is unfunded.

The ITUP's funds are administered by trustees and are independent of the Company's finances.

The valuation of ITUP is based on a valuation of the one existing member's benefit as at 31 December 2017 (using membership data as at the member's date of retirement in June 2016).

The weighted average duration of the defined obligation of the scheme is 17 years.

Stag Brewing Pension Plan ("Stag"):

The Plan is a funded defined benefit scheme which is closed to new members and closed to future accrual with effect from 1 April 2012.

The Plan's funds are administered by trustees and are independent of the Company's finances. Contributions are paid to the Plan in accordance with the recommendations of an independent actuarial adviser.

The valuation of the liabilities for Stag has been based on the results of the actuarial valuation of Stag as at 1 April 2015, rolled forward to 31 December 2017. This roll forward allows for actual cash flows from 1 April 2015 to 31 December 2017 and also changes in market conditions. The roll forward does not make any allowance for membership movements since 1 April 2015, it has built in assumptions that

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. Pension commitments (continued)

Defined benefit pension scheme (continued)

membership data decreases.

The weighted average duration of the defined obligation of the scheme is 22 years.

The figures below are in respect of the Company's participation in these schemes, these have been derived using established methodology.

Due to 85% of the schemes assets being invested in debt securities, the major risk to which the scheme exposes the Company is debt securities market risk.

Reconciliation of projected benefit obligation (PBO):

	2017 £000	2016 £000
At the beginning of the year	(1,123,332)	(766,100)
Pioneer Brewing transfer	-	(80,803)
Interest cost	(29,406)	(31,096)
Actuarial gains/(losses)	18,906	(271,801)
Benefits paid	42,357	27,044
Past service cost	(105)	(93)
Other	-	(483)
At the end of the year	(1,091,580)	(1,123,332)

Reconciliation of fair value of plan assets:

	2017 £000	2016 £000
At the beginning of the year	746,133	579,400
Pioneer Brewing transfer	-	73,365
Interest income	20,170	24,062
Actuarial gains/losses	23,285	76,838
Contributions	46,740	18,950
Benefits paid	(42,118)	(26,884)
Administrative costs	(105)	(93)
Other	-	495
At the end of the year	794,105	746,133

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**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

Composition of plan assets:

	2017 £000	2016 £000
Equity securities	116,855	110,566
Debt securities	672,846	620,065
Other	4,404	15,502
Total plan assets	<u>794,105</u>	<u>746,133</u>

Balance sheet reconciliation:

	2017 £000	2016 £000
Fair value of plan assets	794,105	746,133
Present value of plan liabilities	(1,091,580)	(1,123,332)
Net pension scheme liability	<u>(297,475)</u>	<u>(377,199)</u>

During the year, contributions by the Company of £46,740,000 (2016: £18,950,000) were made to the Plan. Employer contributions of £52,190,000 are expected for the year ended 31 December 2018.

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Service cost	(105)	(93)
Interest income on plan assets (note 9)	20,170	24,062
Interest expense on defined benefit obligation (note 10)	(29,406)	(31,096)
Total	<u>(9,341)</u>	<u>(7,127)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

24. Pension commitments (continued)

	2017 £000	2016 £000
Remeasurements (recognised in other comprehensive income):		
Actuarial gains/(losses) arising during period	18,906	(271,801)
Return on plan assets less than discount rate	23,285	76,838
	<u>42,191</u>	<u>(194,963)</u>

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	2.55	2.65
Price inflation rate (RPI)	3.30	3.35
Price inflation rate (CPI)	2.30	2.35
Pension increases for deferred benefits (Final Salary Section members and ITUP)	3.30	3.35
Pension increases for deferred benefits (S&I Section members and Stag)	2.30	2.35
Life expectancy (Plan and ITUP)		
- for a male aged 65 now	22.3 years	22.3 years
- at 65 for a male aged 45 now	23.1 years	23.3 years
- for a female aged 65 now	24.2 years	24.3 years
- at 65 for a female member aged 45 now	25.1 years	25.4 years
Life expectancy (Stag)		
- for a male aged 65 now	21.4 years	21.4 years
- at 65 for a male aged 45 now	22.1 years	22.3 years
- for a female aged 65 now	24.2 years	24.4 years
- at 65 for a female member aged 45 now	25.1 years	25.5 years

AB INBEV UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension commitments (continued)

The Directors believe that the sensitivity of the company liability at 31 December 2017 and the preliminary pension expense for the year to 31 December 2018 are subject to two key factors, the discount rate and the rate of inflation.

An increase/(decrease) of 0.5% p.a. in the discount rate would decrease/(increase) the total FRS 101 defined benefit obligation at 31 December 2017 by approximately 9.67% (11.02%), amounting to a decrease/(increase) of £105,590,00 (£120,310,000).

An increase/(decrease) of 0.5% p.a. in the price inflation assumptions (both RPI and CPI) and corresponding changes to assumed pension increases in payment and revaluation for deferred pensions in excess of GMP would increase/(decrease) the total FRS 101 defined benefit obligation at 31 December 2017 by approximately 6.46% (6.14%), amounting to a increase/(decrease) of £70,547,000 (£67,062,000).

25. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Land and buildings		
Not later than 1 year	1,837	2,469
Later than 1 year and not later than 5 years	6,708	7,431
Later than 5 years	39,465	9,482
	<u>48,010</u>	<u>19,382</u>

Significant leasing arrangements exist for the following locations:

Samlesbury - Brewery Site
Porter Tun House - Head Office
Tinsley Depot - Distribution centre

No contingent rents are payable in respect of any of these leases. No terms of renewal, purchase options or escalation clauses exist for these leases. There are no restrictions imposed on the Company by these lease arrangements.

	2017 £000	2016 £000
Other		
Not later than 1 year	1,322	680
Later than 1 year and not later than 5 years	3,833	1,031
Later than 5 years	434	342
	<u>5,589</u>	<u>2,053</u>

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NOTES TO THE FINANCIAL STATEMENTS
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26. Reserves

Profit and loss account

The balance in the profit and loss account represents the total reserves of the Company.

27. Controlling party

The ultimate parent company and controlling party is Anheuser Busch InBev NV/SA and the immediate parent company is Nimbuspath Limited, a company incorporated in the United Kingdom.

The largest and smallest group to consolidate these financial statements is Anheuser Busch InBev NV/SA, incorporated in Belgium. The consolidated financial statements are available to the public and may be obtained from the Company's registered office, Anheuser Busch InBev, Grand' Place 1, Brussels, Belgium.

28. Contingent liabilities

An HMRC inquiry was initiated in 2014 but the review is not yet finalised. HMRC are investigating the transfer pricing agreements and rates applied by the company. The amount of the outflow is unquantifiable at this stage in the investigation. The company does not currently believe that the investigation will result in a materially adverse impact on the financial statements.

29. Subsequent events

On 16th May 2018, the Company begun consultation with employees located at the head office, Porter Tun House 500 Capability Green, Luton, with regards to a possible relocation to Bureau, 90 Fetter Lane, Farringdon, London, EC4A 1PT. At the conclusion of the consultation period ending on 3rd September 2018, the Company announced to employees that the relocation had been finalised and that commencing January 2019 all head office operations will be relocated to the London address.

The Company is relocating due to the consolidation of the London and the Luton offices, and aim is to retain the existing staff from both offices. The Company believes that the benefit of the relocation will be to have all the staff under one roof and to have one central hub for customers to visit.

30. Commitments under pension scheme

At 31 December 2017 the Company had future minimum pension contributions under the pension schemes disclosed in note 24:

	2017 £000	2016 £000
Not later than 1 year	21,541	18,950
Later than 1 year and not later than 5 years	75,441	75,800
Later than 5 years	199,594	225,000
Total	<u>296,576</u>	<u>319,750</u>