GREATNESS DELIVERED

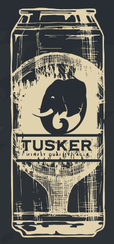
★★★★★ 2017 ★★★★★

INTEGRATED REPORT AND FINANCIAL STATEMENTS


John Walker & Sons
THE PIONEER BLEND
JOHNNIE WALKER
KEEP WALKING
Johnnie Walker
Red Label
Blended Scotch Whisky
ESTABLISHED 1820
Johnnie Walker
BLACK LABEL
Blended Scotch Whisky
12
EXCESSIVE CONSUMPTION OF ALCOHOL IS HARMFUL TO YOUR HEALTH.
STRICTLY NOT FOR SALE TO PERSONS UNDER 18 YEARS.
www.eabl.com
eabl
UDV

Premium Quality

MENU



GREATNESS DELIVERED

★★★★★ 2017 ★★★★★

INTEGRATED REPORT AND FINANCIAL STATEMENTS

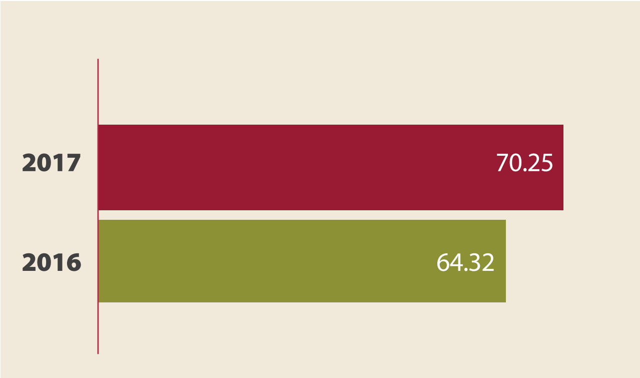
Premium Quality

"We are passionate about ensuring our brands are of the highest quality at every consumer and price touchpoint".

Financial Highlights

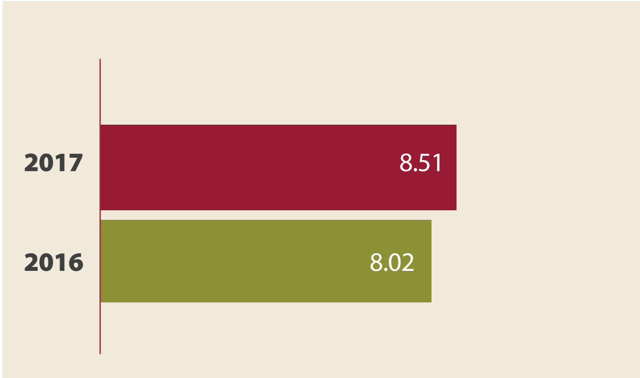
Net sales (Kshs 'billion)

Reported movement (9%)



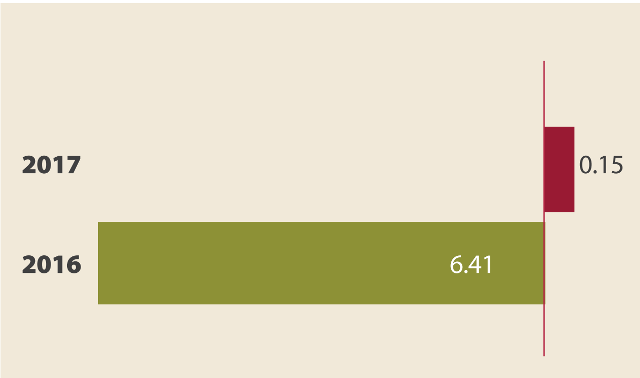
Profit of the year - continuing operations (Kshs 'billion)

Reported movement (6%)



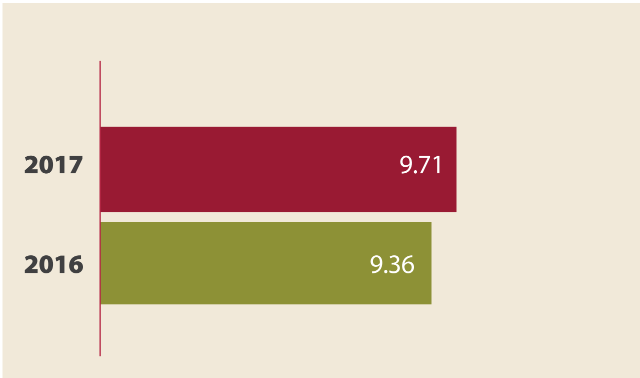
Net current assets/(liabilities) position (Kshs 'billion)

Reported movement (102%)

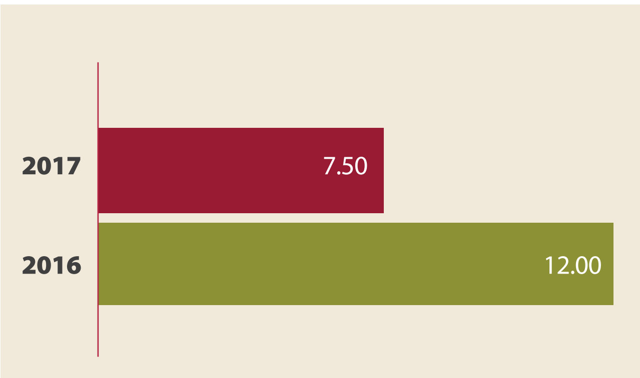


Earnings per share - continuing operations (Kshs)

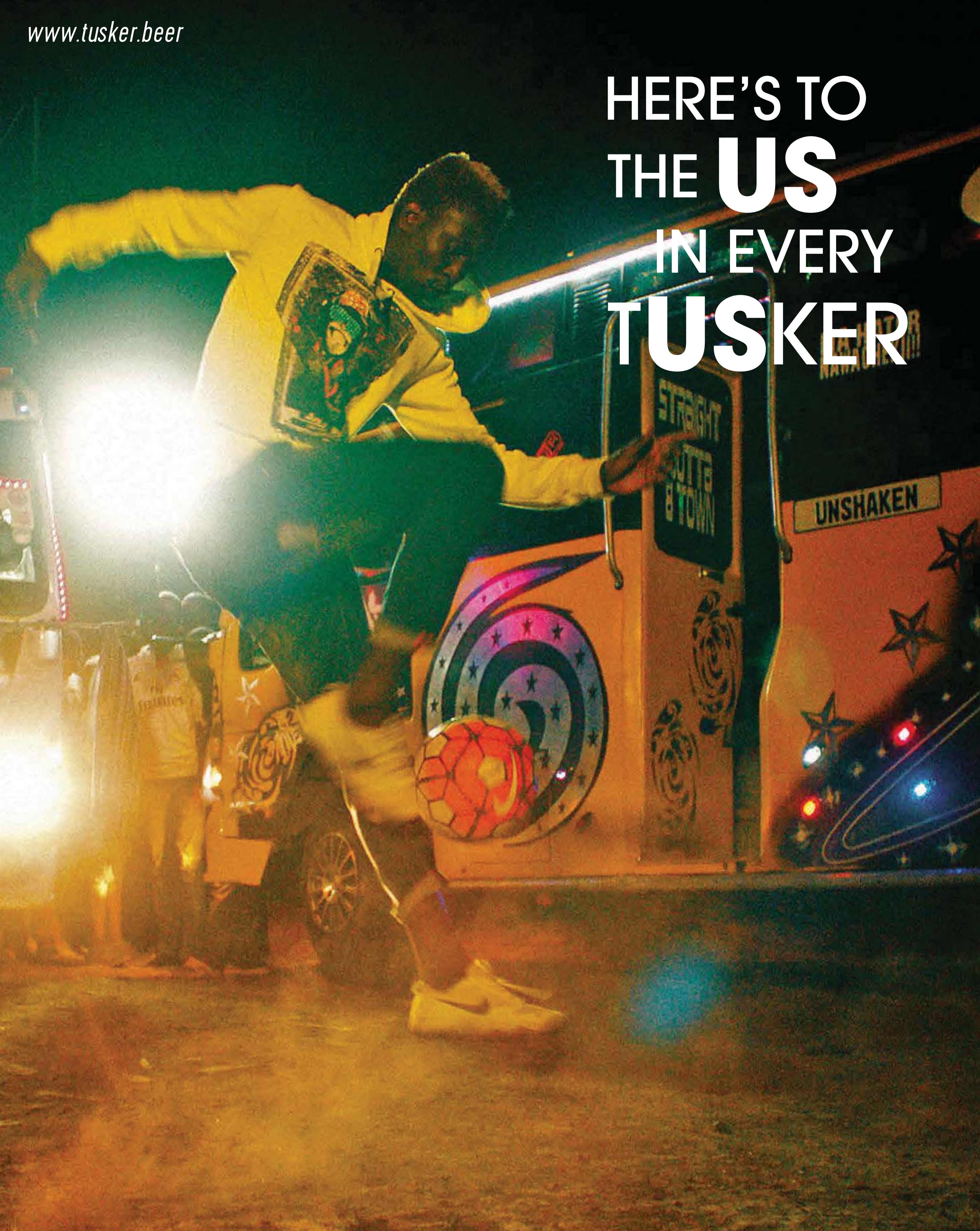
Reported movement (4%)



Dividends per share (Kshs) *



** In 2016, there was special dividend of Kshs 4.5 per share paid.*



EXCESSIVE CONSUMPTION OF ALCOHOL IS HARMFUL TO YOUR HEALTH.
STRICTLY NOT FOR SALE TO PERSONS UNDER 18 YEARS.

About us

East African Breweries Limited (EABL) is East and Central Africa's leading branded alcohol beverage business. We have a wide and outstanding collection of brands that range from beer, spirits and adult non-alcoholic drinks (ANADs) reaffirming our standing as a total adult beverage (TAB) company.

We have invested in breweries, distilleries, support industries and a distribution network across the region. The group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors.

EABL operates through the following subsidiaries: Kenya Breweries Limited, Uganda Breweries Limited, Serengeti Breweries Limited, UDV (Kenya) Limited, East African Beverages (South Sudan) Limited and East African Maltings Limited. EABL provides direct employment to over 1500 and indirect employment to over 2 million East Africans. As an international company, we work with our trade partners and communities to ensure that we are building sustainable practices and livelihoods.

We continue working with our suppliers who include our farmers, to ensure that there is continuous improvement to achieve excellence.

> **"We have invested in breweries, distilleries, support industries and a distribution network across the region. The group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors."**

Our key areas of engagement with our suppliers include:

- Ethical business practices;
- The protection of human rights;
- Health and Safety standards;
- The reduction of environmental impact through the supply chains of which we are a part;
- Working with suppliers to create a more positive role for alcohol in society.

About us

Purpose:

Celebrating life everyday, everywhere.

Our Ambition:

To create the best performing, most trusted and respected consumer products company in Africa.

Our Vision:

To be the most celebrated business in every market in Eastern Africa.

Our Values:

Our Values are at the heart of our business. They form a critical element of our corporate strategy, influencing the way we work everyday and everywhere.

We are passionate about consumers. Our curiosity and consumer insights drive our growth. We cherish our brands and we are creative in pursuing their full potential. We are innovative, constantly searching for new ideas that drive growth and developing them across the business.

We value each other. We seek and strive for inclusion and diversity, mutually fulfilling relationships and partnerships and respect for people's lives.

We give ourselves and each other the **Freedom to Succeed.** We trust each other, we are open to challenges and we respond quickly to the opportunities this creates.

We are **Proud of what we do** and how we do it. We behave responsibly with the highest standards of integrity and social responsibility.

We strive to **Be the best.** We are always learning and improving, we set high standards and stretch to exceed them. We celebrate our success.

Chairman's Statement

EABL is a regional leader in the consumer brands sector demonstrating strong integration internally with staff and management and externally with consumers and the communities we operate in across the region. Through our brands, the reliable and sustainable relations developed and nurtured with key partners have formed a robust platform for our operations and continued growth. During the year, management and staff of EABL continued to display the spirit of agility and delivered commendable results in an uncertain operating environment.

> **"Our business was able to deliver a solid performance driven by the agility and resilience of the entire organisation in dealing with the challenges in the market and operating environment. Through continued focus by management and staff, the business was able to deliver on the key priorities, anchored on fundamentals that supported the company's performance in the year. The company also continued to lay a strong foundation for the future."**
>
> **Charles Muchene - Group Chairman**

Resilient performance in a difficult environment

The business delivered solid results with a growth of 5% in volume and 9% net sales for the year under review. The results were achieved through continued focus on consumers through the portfolio of our strong brands.

The business put in concerted efforts to establish a reflective brand portfolio, addressing trends in the Total Beverage Alcohol (TBA) in the region as well as the continuously changing and volatile environment. This has been achieved through innovation and by ensuring that our brands are affordable and available for the consumer.

Our business was able to deliver a solid performance driven by the agility and resilience of the entire organisation in dealing with the challenges in the market and operating environment. Through continued focus by management and staff, the business was able to deliver on the key priorities, anchored on fundamentals that supported the company's performance in the year. The company also continued to lay a strong foundation for the future.

In Kenya, we continued investing in our brands through robust innovation and continuous focus on the commercial capabilities. In Uganda, we continued focusing on ensuring brand affordability in light of shrinking disposable incomes across the region. Tanzania increased emphasis on incremental brand support and innovation that is at the heart of addressing the economic and competitive environment we face there.

Consistent growth

The growth in the top-line was impacted by the decline in bottled beer sales due to the excise-driven price increases and negative impact of drought that resulted in suppressed demand. This adverse impact was offset by the growth in the value beer and mainstream spirits categories. The business delivered a 14% growth in spirits, driven by Kenya Cane and Johnnie Walker which grew at 46% and 17% respectively. Value beer also recorded remarkable growth, with Senator and Balozi growing by 12% and 15% respectively.

I am encouraged by the strategic actions taken during the year to strengthen the path towards achieving the performance ambition; through organisational effectiveness efforts, close collaboration with our partners while keeping consumers and our employees at the centre of the delivery. I firmly believe these actions will take EABL back to its long term growth trajectory.

5% Growth in volume

9% Growth in net sales

Regulatory environment

This financial year has been volatile due to various factors affecting the economies of the countries in which we operate, our business and, most importantly, the consumer. The economic performance in general, paired with regulatory changes impacted the business in a negative way, increasing the cost of production and reducing the spending capacity of the consumers.

Despite this adverse trading environment, the performance delivered in the year has shown the strength of EABL as a business.

Operating environment

The economic indicators in the region showed growth and we experienced widespread political stability. Although Gross Domestic Product (GDP) growth is expected to slow down to 4.7% this year in East Africa, compared to 5.4% in 2016, this region's growth has outstripped that of the larger Sub-Saharan Africa. However, this growth was driven by investment in infrastructure and it did not flow through to consumer confidence and spending.

Kenya: Overall inflation increased to 11.7% in May, on account of increased food prices which stood at 21% from 6% at the start of the year. This led to the reduction of consumption and the consumer witnessed shrinking purchasing power with the increased cost of living. The resultant inflationary effect has seen consumers move to the more affordable categories in our portfolio. These conditions impacted the category performance in Kenya with the value beer and spirits segments emerging as the great performers and delivering the double-digit growth.

Uganda: The economic growth for the year is expected to be lower than the originally projected 5.8%. This resulted in the need for monetary interventions allowing for credit growth in the economy. These interventions positively impacted the business performance, with some of the key brands showing a recovery from the prior year.

The economy is expected to pick up pace and growth is projected to reach 5.2% in 2017/18. This will be a good platform for a better future outlook in the country.

We delivered 20% growth of spirits, with Uganda Waragi growing by 24%. Ngule, an innovation brand launched last year, continued growing and contributed to the 13% year-on-year growth in the value category.

Tanzania: The country made strides in the ease of doing business, assessment largely due to the substantial reforms in key processes in the last four years. Economic growth was projected to stabilise at around 7% in the medium term. This has been affirmed by the Government of Tanzania explaining that a lot of its infrastructure payments are off-shore thus not propelling local money supply.

The outlook for Tanzania is promising with the increased visibility of the current spending through a tighter monetary policy. The state has steadily opened up the economy to private-sector participation, underpinned by strategic privatisation and a well-regulated investor environment.

Despite the tough operating environment, the business demonstrated resilience and delivered encouraging performance for some of the premium brands like Guinness and continued strength in the lower mainstream segment.

Greater Lakes Region: Rwanda maintained a stable political environment and has clearly defined its long-term economic goals. In Burundi and South Sudan, we experienced continued political instability.

The focus is now on continued strengthening of our Route to Consumer (RtC) channels and management of the long-term potential of our business. Performance in the region was very volatile but we managed to grow spirits at 26%.

Sustainability

The business continues to be a driving pillar in ensuring we have the right influence in the community we operate in and with the people who interact with us. The business strategy is focused on the entire value chain and an integral part being the community we work in through our role in Society initiatives focusing on responsible alcohol consumption, sustainable resources utilisation and environmental initiatives driven at increasing Local Raw Material (LRM) in our productions processes.

The business delivered a 14% growth in spirits, driven by Kenya Cane and Johnnie Walker which grew at 46% and 17% respectively.

Strategic focus

EABL is focused on the investment in key drivers to support its growth and aim towards achievement of the ambition "To be the best performing, most trusted, respected and celebrated consumer company" for our consumers, forging strategic partnerships with our partners and stakeholders, being a respected partner in the community, delivering a world class supply footprint and embedding the culture of efficiency in our investments. This is coupled with established structures and empowered people to support our ambition and continuously develop their capabilities towards achieving this goal.

Innovations continued to be an area of key focus in the current year performance and contributed to net sales of Kshs 19 billion and growth of 15% over the prior year. Key innovations introduced during the year included Tusker Cider, Pilsner 7, Smirnoff Electric Ginseng, McDowell's Whisky and Jebel and Gin variants in Kenya, Ngule in Uganda and Serengeti Lite in Tanzania.

In EABL there has been an increased focus on Route to Consumer (RtC), to improve the key metrics across the regions. Kenya has utilized RtC as a key enabler to deliver the strategic vision with its elements identified to deliver an additional growth in the year. This was achieved through improved distributor management and rewarding the achievement of gold standards. Increased outlet coverage was key to success in Uganda as well as partnering with stockists and an improvement in execution standards.

The business continued investing in the future by increasing capacity, improving quality, elevating health and safety, enabling brand innovation and improving the efficiency of the supply footprint across the region.

EABL continues to invest in initiatives that have a positive impact on the communities within the region. Our operations and investment have been focusing on maximising the opportunities in using Local Raw Materials (LRM) in our activities. This improves our efficiencies but also supports the development of the communities across the region.

Outlook

The operating environment is quite challenging but I expect it to improve in the coming periods. The current political stability in the key markets of Kenya, Tanzania and Uganda is expected to continue. East Africa continues to enjoy a steady increase in foreign direct investment especially in the infrastructure and the manufacturing sector which also support the growth of the economy.

The investment in a new 1 Million-hectolitre brewery in Kisumu dedicated to the production of Senator Keg is expected to start production in the next 18-24 months. This has come with a lot of excitement and demonstrated EABL's commitment to focus on investing in the future and the community. This continued focus on Senator not only tackles the illicit alcohol segment, but also increases tax revenue and employment in the agro-sector.

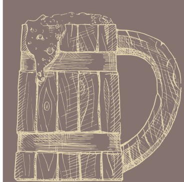
In light of this positive outlook, management continues its efforts to return the business to growth, to deliver further margin improvements through increased focus on cost efficiencies, to increase investment in our brands and in capital expenditure, to establish the right organisational set up and to build capabilities of employees to support this growth, towards our performance ambition.

Appreciation

On behalf of the Board, I would like to express my gratitude and appreciation firstly to all the consumers of our products for their continued collaboration and loyalty and to the management and staff of EABL for their agility and resilience in delivering this year's performance and setting the business on a firm footing for the future.

I would also like to thank members of the Board for their dedication and support, overseeing the business while delivering robust corporate governance standards.

Charles Muchene
Group Chairman



The investment in a new 1 Million-hectolitre brewery in Kisumu dedicated to the production of Senator Keg is expected to start production in the next 18-24 months.

Kshs 19bn

Innovations continued to be an area of key focus in the current year performance and contributed to net sales of Kshs 19 billion and growth of 15% over the prior year.

Taarifa ya Mwenyekiti

Kampuni ya EABL ndiyo inayoongoza katika sekta ya Viwanda vya bidhaa za watumiaji, hali inayodhihirisha mshikamano thabiti wa ndani kati ya wafanyakazi na usimamizi, na mahusiano imara ya nje baina yake na wateja pamoja na jamii tunazoendeshea biashara kote katika ukanda huu. Kupitia kwa bidhaa zetu, mahusiano haya endelevu ya kutegemewa na kudumishwa ambayo yalibuniwa na kukuzwa kwa ushirikiano na washirika wetu wakuu yamejenga msingi thabiti wa utendakazi wetu na kusaidia katika ustawi. Katika mwaka unaochanganuliwa, usimamizi na wafanyakazi wa EABL waliendelea kuonyesha moyo wa bidii na kufanikiwa kupata matokeo ya kujivunia katika mazingira ya kikazi yasiyobashirika.

> "Biashara yetu ilifanikiwa kupata matokeo mazuri kutokana na ukakamavu na ari ya shirika lote kwa jumla katika kukabiliana na changamoto zilizo kwenye soko na mazingira ya kuendeshea biashara. Kupitia umakinifu wa usimamizi na wafanyakazi, biashara hii ilipata matokeo mazuri kwenye dhamira zake muhimu, yakiegemezwa kwenye nguzo muhimu zilizohimili utendakazi wa kampuni hii katika mwaka huo. Kampuni hii pia iliendelea kuweka msingi imara kwa ajili ya siku zijazo."
>
> **Charles Muchene - Mwenyekiti**

Matokeo mazuri katika mazingira magumu

Biashara hii ilirekodi matokeo mazuri ambayo yalikua kwa 5% kwenye mauzo ya jumla na 9% kwenye mauzo baada ya kutoa gharama, katika mwaka huo unaochanganuliwa. Matokeo haya yalipatikana kwa kumakinikia wateja kupitia kitengo imara cha bidhaa zetu thabiti.

Biashara hii ilijizatiti ili kuunda kitengo cha bidhaa thabiti, kilichoshughulikia mielekeo katika Jumla ya Kileo katika Vinywaji (TBA) katika ukanda huu pamoja na mazingira haya yanayoendelea kubadilika na kutobashirika. Haya yalifanikiwa kupitia ubunifu na kwa kuhakikisha kuwa bidhaa zetu zina bei nafuu mbali na kupatikana kwa urahisi.

Biashara yetu ilifanikiwa kupata matokeo mazuri kutokana na ukakamavu na ari ya shirika lote kwa jumla katika kukabiliana na changamoto zilizo kwenye soko na mazingira ya kuendeshea biashara. Kupitia umakinifu wa usimamizi na wafanyakazi, biashara hii ilipata matokeo mazuri kwenye dhamira zake muhimu, yakiegemezwa kwenye nguzo muhimu zilizohimili utendakazi wa kampuni hii katika mwaka huo. Kampuni hii pia iliendelea kuweka msingi imara kwa ajili ya siku zijazo.

Nchini Kenya, tuliendelea kuwekeza katika bidhaa zetu kwa ubunifu wa kipekee na kuendelea kuzingatia hasa uwezo wa kibiashara. Nchini Uganda, tuliendelea kuzingatia uhakikishaji wa bei rahisi kwa wateja hasa kutokana na mapato yanayoendelea kupungua kote katika ukanda huu. Nchini Tanzania, umuhimu ulielekezwa kwa uimarishaji wa bidhaa na ubunifu ambao ndio msingi wa kushughulikia mazingira magumu ya kiuchumi na yenye ushindani tunaokabiliana nao huko.

Ukuaji wa kuendelea

Ukuaji wa kiwango cha juu uliathiriwa na upunguaji wa mauzo ya bia ya chupa kutokana na bei iliyoathiriwa na ongezeko la ushuru na athari mbaya ya kiangazi, hali iliyochangia pakubwa katika upungufu wa mahitaji wa bidhaa. Athari hii mbaya ilifutwa na ukuaji wa thamani ya bia na pia kwenye kitengo cha kileo cha mvinyo maarufu. Biashara hii ilipata ukuaji wa 14% kwenye mvinyo, hali iliyochangiwa na Kenya Cane na Johnnie Walker ambazo zilikua kwa 46% na 17% mtawalia. Bia yenye thamani pia ilirekodi ukuaji wa kuridhisha, ambapo Senator na Balozi zilikua kwa 12% na 15% mtawalia.

Nimetiwa moyo sana na hatua maalum zilizochukuliwa katika mwaka huo ili kuimarisha juhudi za kufikia makusudio yetu yaliyotarajiwa; kupitia kwa jitihada faafu

5% Kwenye mauzo ya jumla

9% Kwenye mauzo baada ya kutoa gharama za shirika, ushirikiano wa karibu na washirika wetu huku tukiendelea kuwategemea hasa wateja na wafanyakazi wetu kuafikia malengo haya. Ninaamini kwa dhati kuwa hatua hizi zitairejesha EABL katika mkondo wake wa muda mrefu wa ukuaji.

Mazingira ya kisheria

Mwaka huu wa kifedha umekuwa telezi kutokana na sababu kadhaa zilizoathiri uchumi wa mataifa tunayoendeshea biashara kwayo, biashara yetu, na muhimu zaidi wateja wetu. Matokeo ya kiuchumi kwa jumla, ukijumuisha na mabadiliko ya kisheria yaliathiri pakubwa biashara yetu kwa njia mbaya, hali iliyoongeza gharama ya uzalishaji na kupunguza uwezo wa kifedha miongoni mwa wateja wetu.

Lakini licha ya mazingira haya mabaya ya kibiashara, matokeo yaliyopatikana katika mwaka huo yamedhihirisha uwezo wa EABL kama biashara kamilifu.

Mazingira ya utendakazi

Viashiria vya kiuchumi katika eneo hili vilionyesha ukuaji, ikiwa ni pamoja na kushuhudiwa kwa amani katika maeneo mengi. Licha ya ukuaji huo, Mapato ya Kitaifa ya Jumla (GDP) yanatarajiwa kupungua hadi 4.7% mwaka huu katika ukanda wa Afrika Mashariki, ikilinganishwa na 5.4% katika mwaka wa 2016 japo ukuaji katika ukanda huu umepiku ule wa eneo zima la Kusini mwa Sahara ya Afrika. Hata hivyo, ukuaji huu ulichochewa na uwekezaji katika miundomsingi ingawaje haukuweza kuhisiwa na wateja ambapo uwezo wao kifedha ulipungua.

Kenya: Mfumko wa bei wa jumla uliongezeka hadi asilimia 11.7 katika mwezi wa Mei, kutokana na ongezeko la bei ya vyakula ambayo ilifikia 21% kutoka 6% mwanzoni mwa mwaka huo. Hii ilichangia kupungua kwa utumiaji wa bidhaa na wateja wakapoteza uwezo wa kifedha kutokana na ongezeko la gharama ya maisha. Matokeo ya mfumko huo wa bei yamechangia pakubwa wateja kukimbilia bidhaa zenye bei nafuu katika biashara yetu. Hali hizi ziliathiri utendakazi wa sekta yetu nchini Kenya ambapo bia yenye thamani pamoja na mvinyo ziliibuka kuwa zenye matokeo mazuri na zikafanikiwa kurekodi ukuaji kwa viwango vya makumi.

Uganda: Ukuaji wa kiuchumi mwaka huu unatarajiwa kupungua ukilinganisha na jinsi ilivyokadiriwa hapo mwanzoni ikiwa ni 5.8%. Hii ilisababisha kubuniwa kwa mikakati ya kifedha inayoruhusu ukuaji wa kifedha katika uchumi. Mikakati hii ilisaidia katika ukuaji wa biashara, ambapo baadhi ya bidhaa muhimu zilionyesha kufufuka dhidi ya athari za mwaka uliotanguliwa.

Uchumi unatarajiwa kuinuka na ukuaji unabashiriwa kufikia 5.2% katika mwaka wa 2017/18. Huu utakuwa msingi bora kwa maisha ya baadaye ya nchi hii. Tulifanikiwa kupata ukuaji wa 20% katika biashara ya mvinyo, ambapo kinywaji cha Waragi ya Uganda kilikua kwa 24%. Ngule, ambayo ni bidhaa bunifu iliyozinduliwa mwaka jana, iliendelea kukua na kuchangia ukuaji wa kila mwaka wa 13% katika kitengo cha bia ya thamani.

Tanzania: Nchi hii ilipiga hatua katika urahisishaji wa kufanya biashara, hasa kutokana na mabadiliko mazuri katika harakati muhimu za kibiashara katika miaka minne iliyopita. Ukuaji wa kiuchumi ulikadiriwa kufikia uthabiti katika maeneo ya 7% katika kipindi cha muda wastani wa kiuchumi. Hii imesisitizwa na Serikali ya Tanzania iliyofafanua kuwa malipo yake mengi ya miundomsingi si ya nje ya nchi na hivyo basi kuendeleza usambaaji wa pesa nchini.

Mustakabali wa Tanzania unatia moyo huku matumizi ya kifedha ya sasa yakimulikwa kupitia sera thabiti ya kifedha. Nchi hii kwa utaratibu imefungua uchumi ili kuruhusu wadau katika sekta ya kibinafsi kushiriki, hali inayowezeshwa na ubinafsishaji pamoja na mazingira ya uwekezaji yaliyodhibitiwa vizuri.

Licha ya mazingira magumu ya kibiashara, biashara hii ilidhihirisha ukakamavu wake na kufanikisha matokeo ya kuridhisha katika baadhi ya bidhaa kuu kama vile Guinness na kuimarika kwa kitengo kikuu.

Ukanda wa Ziwa Kuu: Rwanda ilidumisha mazingira thabiti ya kisiasa na hii imehakikisha malengo ya kiuchumi ya kipindi kirefu yamefikiwa. Nchini Burundi na Sudan Kusini, tuliendelea kushuhudia msukosuko wa kisiasa.

Biashara hii ilipata ukuaji wa 14% kwenye mvinyo, hali iliyochangiwa na Kenya Cane na Johnnie Walker ambazo zilikua kwa 46% na 17% mtawalia.

Uzingativu sasa ni kwa kuendelea kuimarisha njia za kuwafikia wateja na usimamizi mzuri wa uwezo wa biashara yetu katika kipindi kirefu kiuchumi. Utendakazi katika ukanda huu ulikumbwa na wasiwasi lakini tulifaulu kukuza biashara ya mvinyo kwa kiwango cha 26%.

Uendelevu

Biashara hii inaendelea kuwa nguzo kuu ya kuhakikisha kwamba tunaiathiri jamii kwa njia nzuri huku tukiendesha biashara katika sehemu zao pamoja na watu tunaotangamana nao. Mkakati huu wa kibiashara unalenga msururu mzima wa bidhaa za thamani na sehemu muhimu kwa jamii tunayofanya kazi kwayo kupitia jukumu letu kwa juhudi za jamii hasa tukiangazia unywaji wajibifu wa pombe, utumiaji endelevu wa rasilmali na juhudi zinazoelekezwa pamoja na utunzaji mazingira kwa lengo la kuongeza Malighafi ya Kitaifa (LRM) katika harakati za utengenezaji bidhaa zetu.

Mkakati thabiti

EABL inalenga uwekezaji katika vichocheo vikuu ili kusaidia katika ukuaji wake unaokusudia kufikia matamanio yetu ya "Kuwa kampuni bora zaidi ya bidhaa za wateja katika utendakazi, inayoaminiwa vyema zaidi, inayoheshimika na kusherehekewa zaidi" na wateja wetu, ikifanikisha ushirikiano wa mikakati na washirika na wadau wake, ikiwa mshirika anayeheshimika zaidi katika jamii hii, ikifanikiwa kutoa bidhaa za kiwango cha kimataifa, na kukitisha desturi ya uwekezaji bora; hii ikijumuishwa na mifumo thabiti na watu wenye uwezo wa kufanikisha matamanio yetu na kuendelea kuimarisha uwezo wao kwa madhumuni ya kufikia lengo hili.

Ubunifu uliendelea kuwa eneo lenye uzingativu mkuu katika utendakazi wa mwaka huu na ulichangia mauzo ya Kshs 19 bilioni baada ya kutoa gharama na ukuaji wa 15% ikilinganishwa na mwaka uliotangulia. Ubunifu muhimu ulioanzishwa mwaka huo ulijumuisha Tusker Cider, Pilsner 7, Smirnoff Electric Ginseng, McDowell's Whisky na Jabel, pamoja na bidhaa za Gin nchini Kenya, Ngule nchini Uganda pamoja na Serengeti Lite nchini Tanzania.

Katika EABL, pamekuwapo na ongezeko la juhudi katika mkakati wa Utaratibu Bora -kwa-Wateja (RtC), ili kuongeza kiwango kikuu cha bidhaa zinazotengenezwa kote katika eneo hili. Kenya imetumia vyema mfumo wa RtC kama kiungo kikuu cha kufanikisha lengo kuu ambapo sifa zake kuu zimebainishwa ili kufaulisha ukuaji zaidi katika mwaka huo. Hii ilifanikiwa kupitia usimamizi mzuri wa usambazaji na kuwatunuku wanaofanikiwa kufikia viwango vya ufanisi vya ngazi ya 'dhahabu'. Ongozeko la usambazaji mpana lilikuwa muhimu nchini Uganda pamoja na kushirikiana na wanaohifadhi bidhaa na kuimarika kwa viwango vya utendakazi.

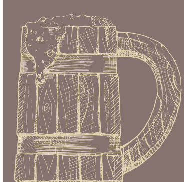
Biashara hii iliendelea kuwekeza katika hali ya baadaye kwa kuongeza uwezo, kuimarisha ubora, kuinua viwango vya afya na usalama, kuwezesha ubunifu wa bidhaa na kuimarisha ubora wa kusambaza bidhaa kote katika ukanda huu.

EABL inaendelea kuwekeza katika juhudi zenye athari nzuri kwa jamii zinazoishi katika eneo hili. Utendakazi wetu na uwekezaji umekuwa ukilenga utumiaji bora wa nafasi zilizopo za Malighafi ya Kitaifa (LRM) katika shughuli zetu. Hii inaimarisha ubora wetu mbali na kusaidia kukuza jamii kote katika eneo hili.

Mustakabali

Mazingira ya kuendeshea biashara yana changamoto lakini ninatarajia kwamba yataimarika katika vipindi vijavyo. Amani iliyopo katika masoko muhimu ya Kenya, Tanzania na Uganda inatarajiwa kuendelea kubakia hivyo. Ukanda wa Afrika Mashariki unaendelea kufurahia ongezeko katika uwekezaji wa moja kwa moja wa kigeni hasa katika sekta za miundomsingi na utengenezaji bidhaa ambazo pia zinachangia pakubwa kwenye ukuaji wa uchumi.

Uwekezaji wa kiwanda cha pombe cha hektolita Milioni 1 mjini Kisumu kinachozamia katika utengenezaji wa pombe ya Senator Keg unatarajiwa kuanza kazi kwenye kipindi cha miezi 18-24 ijayo. Hili limekuja na msisimko mkuu na limedhihirisha kujitolea kwa EABL katika kutimiza lengo lake la kuwekeza kwenye hali za baadaye na jamii. Huku kuzingatia Senator hakukabiliani tu na sekta ya pombe haramu, bali pia kunaongeza pato la ushuru na ajira katika sekta ya kilimo.



Uwekezaji wa kiwanda cha pombe cha hektolita Milioni 1 mjini Kisumu kinachozamia katika utengenezaji wa pombe ya Senator Keg unatarajiwa kuanza kazi kwenye kipindi cha miezi 18-24 ijayo.

Bilioni 19

Ubunifu uliendelea kuwa eneo lenye uzingativu mkuu katika utendakazi wa mwaka huu na ulichangia mauzo ya Kshs 19 bilioni baada ya kutoa gharama na ukuaji wa 15% ikilinganishwa na mwaka uliotangulia.

Kutokana na mustakabali huu mzuri, usimamizi unaendeleza jitihada zake za kurejesha biashara hii katika ukuaji, kufanikisha uboreshaji wa mapato kupitia uzingatiaji zaidi wa matumizi bora ya gharama, kuongeza uwekezaji katika bidhaa zetu na matumizi ya pesa za mtaji, ili kuunda msingi bora wa shirika na kujenga uwezo wa wafanyakazi kuchangia katika ukuaji, tukielekea kutimiza matamanio yetu ya matokeo bora.

Shukrani

Kwa niaba ya Bodi hii, ningependa kutoa shukrani zangu za dhati kwanza kwa wateja wa bidhaa zetu kwa kuendelea kushirikiana nasi na pia kwa uaminifu wao kwetu pamoja na usimamizi na wafanyakazi wa EABL kwa ari na juhudi zao zilizowezesha matokeo haya ya mwaka huu na kukitisha biashara hii kwenye msingi bora kwa ajili ya siku zijazo.

Ningependa kushukuru wanachama wa Bodi hii kwa kujitolea kwao pamoja na usaidizi wao, wakiangalia biashara hii huku wakifanikisha viwango vya juu vya usimamizi bora wa shirika.

Charles Muchene
Mwenyekiti

Board of Directors

MR. CHARLES MUCHENE (AGE 60)
Independent Non-Executive Director Group Chairman, Kenyan

Appointed to the Board as Non-Executive Director of the Company in February 2011 and as Chairman in February 2012. Mr. Charles Muchene is a practicing business consultant providing board level advice to select clients. He also serves as a Non-Executive Director on a number of boards including Barclays Bank of Kenya Limited and AIG Kenya Limited, and has previously served on the boards of CfC Stanbic Holdings Limited, CfC Stanbic Bank Limited and SBG Securities Limited. Previously, he was the Country Senior Partner for Kenya at PwC for over a decade.

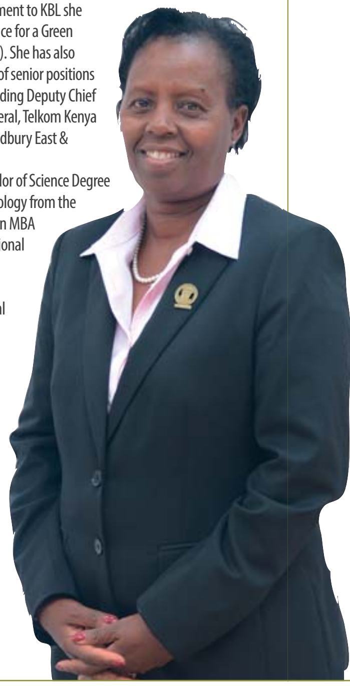
He holds a Bachelor of Commerce Degree from the University of Nairobi. He is also a Fellow of the Institute of Certified Public Accountants of Kenya, a Member of the Institute of Certified Public Secretaries of Kenya as well as the Institute of Directors.

MR. ANDREW COWAN (AGE 50)
Group Managing Director, British

Mr. Cowan is an established business leader, with a wide range of commercial and strategic management experience spanning over 20 years in the FMCG sector. Prior to this appointment he led Diageo Great Britain (GB). Mr. Cowan's experience straddles corporate leadership, strategy development, operational management as well as sales and marketing. Andrew joined Diageo in 2008 as Commercial Director for Northern Ireland and was appointed to the role of Commercial Director in the Republic of Ireland a year later. He returned to GB in 2011 and led the Diageo GB business until his appointment to EABL.

MRS. JANE KARUKU (AGE 55)
Executive Director, Kenyan

Appointed to the Board in September 2013.
Mrs. Jane Karuku is currently the Managing Director of Kenya Breweries Limited (KBL).
Before her recent appointment to KBL she was the President of Alliance for a Green Revolution in Africa (AGRA). She has also previously held a number of senior positions in various companies including Deputy Chief Executive & Secretary General, Telkom Kenya and Managing Director, Cadbury East & Central Africa.
Mrs. Karuku holds a Bachelor of Science Degree in Food Science and Technology from the University of Nairobi and an MBA in Marketing from the National University of California.
She is a Trustee of the United States International University, Kenya.



MR. JAPHETH KATTO (AGE 66)
Independent Non- Executive Director, Ugandan

Appointed to the Board in February 2014.
Mr. Japheth Katto is a consultant in corporate governance and financial services regulation.
He was the CEO of Uganda's Capital Markets Authority from inception in 1998 until 2013.
He has a wealth of experience in both the private and public sector having held various accounting, auditing and financial services regulation roles in East Africa and the UK. Mr. Katto is the Board Chairman of Stanbic Bank Uganda, a member of the Board of Trustees of the Duke of Edinburgh International Award Uganda and a member of the Global Council of the UK based Association of Chartered Certified Accountants (ACCA).
He holds a Bachelor of Commerce Degree from Makerere University and is a Fellow of ACCA and a member of the Institute of Certified Public Accountants of Uganda.

DR. GYORGY GEISZ L (AGE 49)
Executive Director, Hungarian

Appointed Group Finance Director in October, 2015.
He joined Diageo in 2006 as Finance Director Corporate Region and Diageo Business services Centre (DBSC). He has subsequently held other Senior Management roles in Diageo including Group Chief Accountant and most recently Finance Director for Diageo's Russia and Eastern Europe markets.
Dr. Geiszl is a qualified Chartered Accountant and in addition holds a Doctor of Economics Degree from the University of Janus Pannonius, Hungary.

MS. CAROL MUSYOKA (AGE 45)
Independent Non- Executive Director, Kenyan

Appointed to the Board in September 2015.
Ms. Carol Musyoka is a Lawyer by training and a banker by profession.
She currently provides consulting and knowledge partnerships for various local and international institutions specifically in the areas of leadership and corporate governance.
She was previously an executive director at Barclays Bank Kenya holding the position of Corporate Director.
She currently holds non-executive directorships in BAT (K) Limited, Business Registration Services and the Competition Authority of Kenya.

MR. NEHEMIAH MCHECHU (AGE 44)
Independent Non-Executive Director, Tanzanian

Appointed to the Board in February 2014
Mr. Nehemiah Mchechu is currently the Director General of the National Housing Corporation, Tanzania, and comes from a strong background in financial and management expertise. He has previously held key positions in the banking industry, most notably as Head of Global Markets and Alternate Director, Standard Chartered Bank Tanzania and Managing Director and CEO, Commercial Bank of Africa, Tanzania. Mr. Mchechu holds a Bachelor of Commerce (Finance) and Management Degree from the University of Dar es Salaam. He is President of the University of Dar es Salaam Faculty of Commerce Alumnae Association and a member of the ACI-Financial Market Association, Tanzania Chapter.

DR. ALAN SHONUBI (AGE 58)
Independent Non-Executive Director, Ugandan

Appointed to the Board in July 2009.
Dr. Alan Shonubi is an Advocate and Notary Public and the founding partner of the Ugandan law firm Shonubi, Musoke & Co. Advocates, a tier one law firm. He is ranked as one of the world's leading lawyers in Uganda by Chambers Global specializing in commercial law mergers, and acquisitions where he is ranked as a senior statesman . A former President of the East Africa Law Society, Dr. Shonubi is a reputable business leader in Uganda in his own right and Chairman of Uganda Breweries Limited, Uganda Baati Limited, International Distillers Uganda Limited and Entebbe Hospital. He is also a director of several private companies including Cooper Motors Corporation, Golf Course Holdings (Garden City), AAR Health Services and Interswitch Uganda Limited.

MR. JOHN O'KEEFFE (AGE 45)
Non- Executive Director, Irish

Appointed to the Board on 1 July 2015.
Mr. John O'Keeffe has worked at Diageo for over 20 years. During his career with the company, he has gained a wealth of experience across both emerging and developed markets namely Ireland, Jamaica, Sweden, Greece and Russia. Before his appointment as President, Diageo Africa, John was Managing Director for Guinness Nigeria Plc.
Mr. O'Keeffe holds a Bachelor of Commerce (Hons) (Economics & Marketing) Degree from University College Cork, Ireland.

DR. MARTIN ODUOR-OTIENO, CBS (AGE 60)
Independent Non-Executive Director, Kenyan

Non-Executive Director since May 2016 and a Member of the Audit Committee.
Dr. Oduor-Otieno is currently an independent Business Advisor and Executive Coach. Prior to this, he worked with Deloitte East Africa as Partner, Financial Services Industry from May 2013 to December 2015. Dr. Oduor-Otieno had an illustrious career at Kenya Commercial Bank Group between October 2005 and December 2012, initially as Deputy CEO and then as Chief Executive Officer. He has held senior positions in Barclays Bank of Kenya Limited and in the Public Sector. Dr. Oduor-Otieno holds Executive MBA and Bachelor of Commerce degrees and is an alumnus of the Harvard Business School's AMP. He is a Fellow of the Kenya Institute of Bankers, Institute of Public Accountants of Kenya and a Member of the Institute of Certified Public Secretaries of Kenya and the Institute of Directors of Kenya. He holds directorships in Standard Bank Group, Standard Bank of South Africa, British American Tobacco Kenya plc and GA Life Assurance Limited.

MR. PAUL GALLAGHER (AGE 49)
Non-Executive Director, Irish

Appointed to the Board in July 2016.
Mr. Paul Gallagher is currently the Global Operational Excellence Director at Diageo and is responsible for developing and executing the overall excellence in supply chain strategy in the Diageo global beer markets. His 25 years' experience spans across end to end supply management, procurement, customer service, manufacturing, and transformation management. Prior to joining Diageo, Paul worked at Cement Roadstone Holdings where he held a number of positions across its operations and supply chain.

MS JOYCE MUNENE (AGE 43)
Group Company Secretary, Kenyan

Appointed Group Company Secretary on 27 April 2016.
Ms. Munene is an Advocate of the High Court of Kenya, a Certified Public Secretary, a Certified Governance Auditor and a Certified Professional Mediator.
Prior to her appointment, Ms. Munene worked with Equity Bank (K) Limited where she held the position of Manager, Legal Services & Assistant Company Secretary. She started her career as a Legal Officer with United Insurance Company Limited and later practiced law in the firm of Munene, Omwenga & Company Advocates.
Ms. Munene holds a Master's Degree in Business Administration (Strategic Management) from Jomo Kenyatta University, a Bachelors of Laws Degree from University of Pune and a Diploma in Law from the Kenya School of Law.

EABL Senior Management

Andrew Cowan
Group Managing Director

Gyorgy Geiszl
Group Finance and Strategy Director

Jane Karuku
Kenya Breweries Limited Managing Director

Mark Ocitti
Uganda Breweries Limited Managing Director

Helene Weesie
Serengeti Breweries Limited Managing Director

Peter Vogtlander
Group Supply Chain Director

Wambui Kosgey
Group Legal Director

Eric Kiniti
Group Corporate Relations Director

***Paul Kasimu**
Group Human Resources Director

Pat Rich
Group Controls, Compliance and Ethics Director, Audit & Risk

*Resigned 30th June 2017

Notice is hereby given that the Ninety - Fifth Annual General Meeting (AGM) of East African Breweries Limited (the "Company") will be held on **Thursday, 21st September, 2017 at the Safari Park Hotel, Ruaraka** NAIROBI at **11.00 am** to transact the following business:

Ordinary Business

1. To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 30th June 2017 together with the Directors' Report, Directors' Remuneration Report and Auditors' Reports thereon.

2. To confirm the interim dividend of Kshs 2.00 per ordinary share paid on 21st April 2017, and declare a final dividend of Kshs 5.50 per ordinary share payable net of withholding tax on or about the 31st October 2017, to shareholders at the register on the close of business on 25th August 2017.

3. Election of Directors:

   a. Mr. John O'Keeffe retires by rotation in accordance with Article 106 of the Articles of Association and being eligible, offers himself for re-election by virtue of Article 108 of the Articles of Association.

   b. Dr. Alan Shonubi retires by rotation in accordance with Article 106 of the Articles of Association and being eligible, offers himself for re-election by virtue of Article 108 of the Articles of Association.

   c. Ms. Carol Musyoka retires by rotation in accordance with Article 106 of the Articles of Association and being eligible, offers herself for re-election by virtue of Article 108 of the Articles of Association.

   d. In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit & Risk Committee be elected to continue serving as members of the said committee:

      i. Mr. Nehemiah Mchechu;
      ii. Mr. Japheth Katto;
      iii. Dr. Martin Oduor-Otieno;
      iv. Mr. Paul Gallagher.

4. To approve an increase in the Directors' Fees to a total of approximately Kshs 20,124,927 for all Independent Non-Executive Directors together.

5. To note that the auditors Messrs PricewaterhouseCoopers (PwC) continue in office as auditors by virtue of Section 721(2) of the Companies Act 2015 and to authorize the directors to fix their remuneration.

6. Any other business of which notice will have been duly received.

By Order of the Board

Joyce N. Munene
Company Secretary
P.O. Box 30161-00100
NAIROBI.

21 August, 2017

Notes

1) A Member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

2) In case of a Member being a Corporate, the proxy form must be completed under the hand of an officer or attorney duly authorized in writing.

3) Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the form to the Company Secretary at the registered office of the Company or to the Registrars – Custody & Registrars, 6th Floor Bruce House, Standard Street, P. O. Box 8484-00100 Nairobi so as to arrive not later than 2.30pm on 19th September 2017, being not less than 48 hours before the time appointed for the meeting. Duly signed proxy forms may also be emailed to proxy@candrgroup.co.ke in PDF format.

4) In accordance with Article 166 of the Company's Articles of Association, a copy of the entire Annual Report and Financial Statements may be viewed and/or obtained from the Company's website (www.eabl.com).

Taarifa inatolewa kuwa Mkutano Mkuu wa tisini na tano wa East African Breweries Limited ("Kampuni" hii) utafanyika **Alhamisi, Septemba 21, 2017 katika hoteli ya Safari Park Hotel,** huko **Ruaraka** NAIROBI **saa tano asubuhi** kujadili yafuatayo:

Biashara ya Kawaida:

1. Kupokea, kuzingatia na kama itakubaliwa, kutumia taarifa ya mwaka na Taarifa za kifedha zilizokaguliwa kwa mwaka ulioishia tarehe Juni 30 2017 pamoja na taarifa za Wakurugenzi na Wahasibu ziliyomo.

2. Kuthibitisha mgao wa muda wa shilingi 2.00 kwa kila hisa ya kawaida iliyolipwa tarehe Aprili 21, 2017, na kutangaza mgawo wa mwisho wa shilingi 5.50 kwa kila hisa ya kawaida baada ya kuondoa ushuru ya zuio siku ya au siku karibu na Octoba 31 2017, kwa wanahisa katika daftari mwisho wa masaa ya biashara siku ya Agosti 25 2017.

3. Uchaguzi wa Wakurugenzi:

    a. Bwana John O'Keeffe anastaafu kwa zamu kulingana na kifungu 106 cha sheria za uhusiano na kwa kuwa amehitimu, anajitolea kuchaguliwa tena kulingana na ibara 108 cha sheria za uhusiano.
    b. Dkt. Alan Shonubi anastaafu kwa zamu kulingana na kifungu 106 cha sheria za uhusiano na kwa kuwa amehitimu, anajitolea kuchaguliwa tena kulingana na ibara 108 cha sheria za uhusiano.
    c. Bi Carol Musyoka anastaafu kwa zamu kulingana na kifungu 106 cha sheria za uhusiano na kwa kuwa amehitimu, anajitolea kuchaguliwa tena kulingana na ibara 108 cha sheria za uhusiano.
    d. Kwa mujibu wa masharti ya Sehemu ya 769 ya Sheria ya Makampuni ya mwaka 2015, wakurugenzi wafuatao wakiwa wajumbe wa Halmashauri na pia Kamati ya Ukaguzi na Hatari wachaguliwe na waendelee kama wanachama wa kamati:

        i. Bwana Nehemiah Mchechu;
        ii. Bwana Japheth Katto;
        iii. Dkt. Martin Oduor-Otieno;
        iv. Bwana Paul Gallagher.

4. Kuidhinisha kuongezeka kwa ada ya Wakurugenzi kwa jumla ya shilingi Kshs 20,124,927 kwa Wakurugenzi wasio-watendaji wote pamoja.

5. Kufahamu kwamba wakaguzi Messrs PricewaterhouseCoopers (PwC) kuendelea kufanya kazi kama wakaguzi kwa mujibu wa Sehemu 721 (2) cha Sheria ya Makampuni ya 2015 na kuidhinisha wakurugenzi kuamua malipo yao.

6. Mengineyo ambayo ilani yake itakuwa imepokewa..

Kwa Amri ya Bodi

Joyce N. Munene
Katibu wa Kampuni
P.O. Box 30161-00100
NAIROBI.

21 Agosti, 2017

Maelezo:

1) Mwanachama ambaye ana haki ya kuhudhuria na kupiga kura katika mkutano na hawezi kuhudhuria ana haki ya kumteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi sio lazima awe mwanachama wa Kampuni.

2) Iwapo mwanachama ni wa shirika, fomu mbadala lazima ikamilishwe kwa mkono wa afisa au wakili aliyeidhinishwa kwa maandishi.

3) Wanahisa ambao hawapendekezi kuwa katika Mkutano Mkuu wanaombwa wajaze na kurudisha fomu kwa Katibu wa Kampuni katika ofisi za usajili za Kampuni au Wasajili - Custody & Registrars, 6th Floor Bruce House, Standard Street, P.O. Box 8484-00100 Nairobi ili kufika muda usiozidi saa nane unusu tarehe 19 September 2017, ikiwa imesalia masaa 48 kabla ya wakati wa mkutano. Fomu za uwakilishi zilizowekwa saini kihalali pia zawezatumwa kwa barua pepe kwa: proxy@candrgroup.co.ke katika muundo wa PDF.

4) Kwa mujibu wa Ibara ya 166 ya Makala za Uhusiano za Kampuni, nakala ya Ripoti nzima ya mwaka na taarifa za kifedha inaweza kutazamwa na / au kupatikana kutoka tovuti ya Kampuni (www.eabl.com).


www.tusker.beer
TUSKER
MALT
TUSKER
ESTD 1922
MALT
Alc 5.0% V/V 330ml
THE TASTE
OF LEGENDS

Strengthening and Accelerating Our Beer Brands

KENYA

Tusker Lager

Tusker exists to inspire Kenyans of all ages and backgrounds to come together to achieve exciting new possibilities. Tusker has always been at the heart of social interactions in Kenya and will always be. Over-time, among young millennial consumers the brand has not resonated as we would have wished it to. As a result, in Financial Year 2017 (F17) we have rebooted our brand purpose (what the brand stands for) to ensure that we play the role we should in the category. The 'Here is to Us in Every Tusker' campaign has been very well received 4 months on and its premise of Kenyans drawing strength from each other to achieve the extra-ordinary portends growth for the Tusker Trade Mark.

Guinness

Guinness continues to lead in the alcohol beverage category boasting the strongest equity across both beer and spirits. Comparatively, Kenya is a very strong Guinness market globally with the second strongest equity and penetration. Guinness has not shied away from rolling out aggressive campaigns led by the Get Booked 3 National Consumer Promotion as well as the Guinness Viewing centers that have seen Kenya become a center of reference for activations around football despite these activities being heavily impacted by price. The brand has however been on the decline from a volume and value perspective compared to last year. Despite this being the toughest year for Guinness yet, Financial Year 2018 (F18) presents unique opportunities and challenges that will see the brand bounce back to its pride position.

Senator Lager

Senator performance has remained strong in the year with continued focus on price accessibility and increasing the efficiency of the Route to Consumer (RtC). The consumers in the value segment are very price sensitive hence it is essential that Senator continues to reinforce its role as the most accessible value beer preposition. In support of the price adherence, improving the ambiance in the outlets where these consumers enjoy Senator remains a key driver of growth. This will remain a focus area including the deployment of glassware and jugs to the Senator Bars.

UGANDA

Bell Lager

Through F17, Bell Lager has been all about bringing its purpose to life – "Pouring Life In Every Moment" . The brand started the year with a National Consumer Promotion (NCP) dubbed TUBBAALE in which consumers enjoyed that unbeatable taste of Bell and also won exciting Bell giveaways like Flat Screen TVs, Motor Cycles, and Vans & Land Titles. This was a very huge activation that boosted the Bell brand and helped reaffirm its big-brand feel in the consumers' mind.

Following that NCP, Bell embarked on building emotional appeal to consumers through association with music, a key target consumer passion point. Bell sponsored popular music events such as Nyege Nyege Festival and Roast & Rhyme Festival where consumers released and enjoyed their life with music and Bell. Going forward Bell is going for consistency to further bring to life its brand purpose. The plan is to roll-out a Thematic Campaign with several music events through the year and all these will single-mindedly deliver "pouring life in every moment."

TANZANIA

Serengeti Premium

Serengeti Breweries Limited (SBL) entered into a 3-year sponsorship deal on May 12th, 2017 with Tanzania Football Federation (TFF) that effectively makes Serengeti Premium Lager the main sponsor of the National Team the "Taifa Stars".

This is the second time that SBL is supporting the national team with its brand Serengeti Premium Lager after a similar 5 year sponsorship spell between 2007 and 2012. In the agreement, Serengeti Premium Lager will benefit from exclusive marketing rights and brand exposure opportunities during all local played matches and the players of the national team, which include African Footballer of Year 2016, Mbwana Ally Samata.

Serengeti Breweries Limited has taken this important step knowing the passion of our consumers for football as well as understanding the important role that sports plays in the nation's socio-economic development. By supporting Taifa Stars we are not only contributing to the growth of the sports sector but also in reinvigorating local football, a game that Tanzania in general hold so dear.


www.tusker.beer
TAKE
THE
LEAD
TUSKER
LITE
TUSKER
LITE
REFRESHING CRISP TASTE
TUSKER
#LITETHEWAY

Growing Faster with Spirits

PREMIUM SPIRITS & RESERVE

Johnnie Walker

Johnnie Walker has leveraged its leadership position as the No. 1 premium whisky in the market to transform category participation, revolutionize whisky-drinking culture and make whisky drinking aspirational and cool for a new generation of drinkers. The growth has been led by Johnnie Walker Red Label driven by scaled up in-bar activations and 'liquid to lips' of signature serve Johnnie Ginger. We have transformed connection to the trademark by rooting the global brand purpose with skill in local context and culture making the Johnnie Walker TM a revelant and desirable icon of progress. In Kenya the 'Keep Walking Kenya and key cities edition' campaign has grown brand awareness through Above The Line (ATL) focusing on Digital/Social platforms. The brand remains the leading brand for gifting as well as mentorships which continue to effectively deliver consumer knowledge on whisky.

Smirnoff Vodka

Smirnoff vodka is back in growth. The brand embarked on a journey to reclaim its position as the iconic premium quality vodka in Kenya. We have premiumized and differentiated the brand through a pack change from a generic flask to a premium cylindrical shape with a tamper proof cap. This change was followed in quick succession by our purity campaign which is geared at amplifying the brand's quality credentials in order to rebuild and restore consumer confidence in Smirnoff's aspirational world class stature.

RESERVE

Singleton: A perfect entry for single malts due to its amazing taste profile and accessible price point. In the past 2 years and with the entry of 2 extra flavours Singleton Sunray and Singleton Tailfire have given Singleton a greater footprint across key urban cities and emerging towns, giving discerning consumers more choice.

RESERVE

Cîroc: coming off a brilliant year, the brand has continued to recruit consumers into the luxury world through distribution and listing. Cîroc remains the number 1 ultra-premium vodka in the market.

MAINSTREAM SPIRITS

Kenya Cane

Kenya Cane, popularly referred to as KC, regained its position as the Number 1 spirit brand in Kenya. The introduction of a Coconut flavored variant in February 2016 redefined the brand in the eyes of the consumer and drove significant growth. The implementation of tamper evident closures further boosted consumer confidence in Kenya Cane and cemented our reputation of consistently delivering high quality products. The brand also embarked on a renovation journey with the launch of a new and unique 750ml pack that is representative of the consumer's expectation of a brand of KC's calibre. Continued investment behind building brand strength through the new thematic campaign is yielding positive results with more consumers connecting with the brand. Kenya Cane is well positioned to continue its reign in the first position.

Ug Coconut

Under Uganda Waragi we extended UG Coconut variant into a 200ml pack with an objective to make it accessible both in price & distribution. The introduction of UG Coconut 200ml pack guarantees the variant penetration into the mainstream segment where 200ml original currently plays.

Chrome Vodka

Since the launch of Chrome Vodka in December 2014, it has rapidly grown to affirm its position as a leading lower mainstream brand in Kenya. Anchored on its premium feel and affordable price positioning, it continues to recruit more millennials into our mainstream spirits portfolio providing an opportunity for them to premiumize into the upper mainstream repertoire.

www.eabl.com

TUSKER PREMIUM CIDER

EXPLODING WITH TASTE

NOW IN A CAN

EXCESSIVE CONSUMPTION OF ALCOHOL IS HARMFUL TO YOUR HEALTH.

STRICTLY NOT FOR SALE TO PERSONS UNDER 18 YEARS.

Innovation to meet new consumer needs

KENYA

Tusker Cider

Tusker Cider was launched in October last year creating an immediate impact in the market. Tusker Premium Cider is created from fresh apples, perfectly-balanced for a unique drinking experience. The new format innovation is an appealing can, retaining the maroon, black and gold colours and packaged to resonate with the young, vibrant millennial consumers looking for something new and exciting to add to their drinks repertoire. The premium chilled 500ML Tusker Cider Can is already available at retail outlets countrywide, with a plan to fully make it available in 18,359 outlets nationally by end of August. The uptake of Tusker Cider has been encouraging with the drink covering 73% numeric distribution in target outlets. The cider category through the cans has the opportunity to further the innovations agenda of KBL that has previously collectively driven up the brewery's market performance by up to 67%. With Kenya's economic growth momentum expected to be around 6% and retail trade, hotels and restaurants sub-sector projected to continue its sterling performance on last year. KBL is anticipating a vibrant period for innovations such as Tusker Cider to meet the changing needs of consumers in the growing market.Innovation brands have significantly contributed to KBL's business growth in the last financial year and are expected to double their contribution in the next 2 years. Tusker has a rich heritage since its launch in 1922 and is the leading, most-loved beer in Kenya, comprising Tusker Lager, Tusker Malt and Tusker Lite and now the new kid on the block - Tusker Premium Cider.

Smirnoff Ice Electric Ginseng

KBL launched a new Ready to Drink (RtD) alcoholic beverage under the Smirnoff flagship brand in August 2017, extending its category offering for the fast-growing consumer segment. Smirnoff Ice Electric Ginseng is a departure from other RtDS; it is the first alcoholic drink in Kenya that contains Ginseng flavor giving the drink a unique bold taste. Ginseng is an exotic herb that has for long been used in Asian food and drink culture. The drink cues to the freshness, youthfulness and energetic spirit among Kenyan millennial consumers who are looking for a drink that keeps up with the energy and rhythm of the night, so Smirnoff Ice Electric Ginseng invites them to experience those highly charged moments that make good times better #KeepItMoving. Smirnoff first launched the vodka-based RtDS in Kenya with Smirnoff Red and Black Ice- packaged in clear returnable bottles. In the recent years, it has launched the already successful Smirnoff Ice Double Black with Guarana offered in a 330ml sleek can. The Ready to Drink category is among the fastest growing alcohol segments in Kenya, having registered a 140% growth with our already existing portfolio over the last four years. Smirnoff Ice Electric Ginseng comes in a unique blue color, is packaged in an attractive 330ML sleek can and retails at Recommended Retail Price (RRP) Kshs 140.

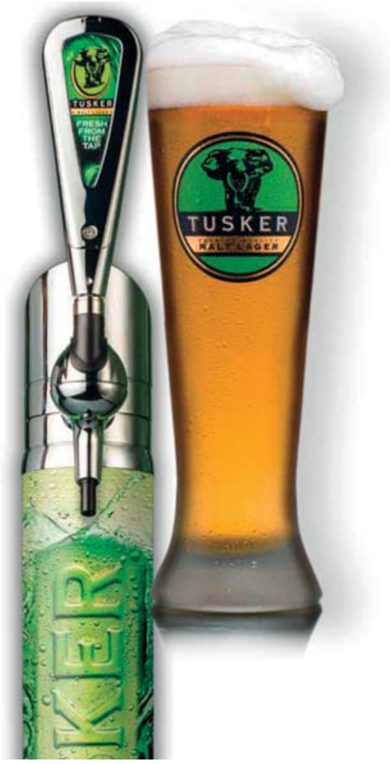
Pilsner 7

Pilsner 7 is a 7% Alcohol Beverage Volume (ABV) Lager, with a crisp and refreshing taste specially brewed for fun times with 'lion hearted' friends. Millennials are looking for new experiences that offer them quality affordable fun for less. Pilsner 7 offers them a high quality affordable brand that is great value for money. The liquid evokes a taste of a strong beer with a full body yet smooth taste experience at 7% ABV and at RRP of Kshs 140.

UGANDA

Black Bell

Guided by the innovation fundamentals of Recruit, Re-recruit and Disrupt, F17 biggest highlight was the launch of Black Bell, a variant and a recruiter into our biggest mainstream gem of a brand, Bell Lager. Black Bell was introduced in 500ml bottle and priced at par to mainstream as an opportunity to create new news for Bell and to drive recruitment of new millennial consumers. The brand is a unique consumer proposition, it behaves like no other beer in the market. It's Black but not a stout, with ABV above normal at 5.8% and brewed with special Moldovian hops that give it a unique taste and vibe. Just like its mother brand, Black Bell exists to "Pour life into every moment." Black Bell will continue to establish itself as the brand for millennials (Male with Legal Purchasing Age 24 years - LPA 24 YO) by bringing to life its unique brand character (Young, Masculine, Bold, ABV & Suave).



Senator Keg & Tusker Malt Lager Draught

To disrupt the beer category we introduced and executed pilot projects leveraging formats – Senator Keg to disrupt value and Tusker Malt draught to disrupt the premium beer space.

The Senator Keg pilot was run in 25 outlets in North & East division to test the viability of the Keg proposition as an aspirational value for money option for the local brew consumer at a very accessible price of UGX 1500/- for a 500ML mug – formal, quality offer. Preliminary Monitoring and Evaluation (M&E) for the pilot launch was positive, which revealed Keg growing 7-10% month on month in the 25 outlets. F18 plans are therefore to explode keg into more outlets across Uganda.

Tusker Malt Lager (TML) Draught was introduced at the back end of F16 in 17 premium outlets. The introduction of the brand was to disrupt and capitalize on the blossoming draught business.

TML draught is in growth within the 17 outlets; growing from 1 keg a week to 4 kegs with huge potential for growth as we improve on the consumer experiences that would give the brand a competitive edge. F18 plans are to increase our footprint into over 50 outlets while ensuring perfect serve, cold and quality of the draught.

TANZANIA

Serengeti Lite

On 19th May 2017, Serengeti Breweries Limited, launched a new Lite beer in the market, the first truly Tanzanian brewed lite beer in the country. The brand known as Serengeti Premium Lite is an extension of the existing of award winning Serengeti Premium Lager which has been in the market for over 20 years.

Serengeti Premium Lite is a lite beer with 4.0 ABV that has a fuller and wholesome taste than any other Lite beer in the market. The brand has been received well by consumers due to the awareness campaign, taste and the pack look and feel.

Serengeti Premium Lite maintains the same level of international beer quality as that of its mother brand, Serengeti Premium Lager, which has received over 10 local and international quality medals.

Building and extending our advantage in Route to Consumer

It is almost one year since the Route to Consumer (RTC) project work streams were merged into sales under the sales director. The RtC initiatives being run under Business As Usual performed as below:

1. Tripling outlet coverage

Coverage is a measure of unique outlets called upon (successful calls) in a given month. In March we covered 44% of our total Distributor Management System (DMS) universe. The head count for coverage is still spread among the UBL sales team. In Quarter 4, the Junior Sales Representatives (JSR) footprint will be increased to cover all regions with a total of 67 JSRs through an addition of 20 more people. 3 Contract Distributors (CDs) had the biggest improvement in coverage while 5 CDs had a decline in coverage.

2. Coolers

The Capital Expenditure (CAPEX) budget for 2000 additional coolers was approved and delivery is expected in Quarter 1 of F18. All 2000 coolers availed in F16 are in trade, bringing the total footprint to over 3000 countrywide.

3. Execution Standards

We maintained a flat performance of 73% month on month overall against the target of 80%, largely driven by Price and Product assortment (distribution). We continue pushing these through availing our products, improved route distribution and driving price awareness.

An ongoing sensitization drive on cooler usage will help improve the score on visibility and quality. On visibility we have also re-distributed the available Point of Sale (POS) material to cover more 'Kafundas' (local bars).

4. Improved Territory Management

We maintained focus on brand availability in all markets. CDs identified with working capital challenges were engaged and a renewed focus on their health has been reignited, in light of the F20 growth ambition. Through various interactions we hope to ensure top level commitment to our plans. All territories are to be re-evaluated against the F13 RtC work to ascertain movements in relation to our strategy.

5. Automation through DMS

With all distributors and sales force on DMS full solution, we have moved to a phase of usage embedment and working on analytics to capture the benefits of the data being captured by the system.

6. Performance Based 3rd Party Management

Trade terms have been the biggest tool in this with a mix between shipment and depletion. In Quarter 3 we adjusted the trade terms on shipment to influence spreading of purchases through the month with payments being unlocked.

“CDs identified with working capital challenges were engaged and a renewed focus on their health has been reignited, in light of the F20 growth ambition.”

73%

We maintained a flat performance of 73% month on month overall against the target of 80%, largely driven by Price and Product assortment (distribution).


SMIRNOFF
TIMELESS PURITY
IN A NEW PACK
NEW 250ML PREMIUM PACK
WITH A TAMPER-PROOF CAP
SMIRNOFF
SMIRNOFF
Triple Distilled
TEN TIMES FILTERED
VODKA
Pierre Smirnoff
RECIPE
Nº21

Grain to Glass Strategy

Great strides have been made in EABL supply chain in the 2016/2017 financial period. From implementing local sourcing policy, to investments in infrastructure to grow our production capacity and successful transition to a new distribution partnership, KBL has continued with its legacy of converting local produce to internationally celebrated, quality beer and spirits brands.

Local sourcing of raw materials has grown from 79% in FY16 to 89% in FY17. Local Raw Material (LRM) sourcing is at 89% FY outlook for F17, versus a target of 79%.

Increased local sourcing continues to deliver value for our business, while offering credible commercial opportunities to farmers, service providers and other players in the value chain players. Governments across East Africa continue to be key partners, by offering favourable policy environments and partnering with us on strategic sourcing opportunities.

There were major challenges in FY17 within LRM: a devastating drought across East Africa that impacted availability and pricing, and in some cases, impacted on our quality-first principle.

As we look ahead into F18-F20, the teams are working to invest on measures that can insulate our businesses: We are looking into ways of sustainable irrigation in a more structured way, and we will implement 100% LRM quality assurance across all our supply chains.

We are also closely involved in making financing available to our producers, incorporating mechanisation and building more climate resilient supply chains.

As we look into the future, LRM will remain a bright spot for each of our businesses. We have strong teams that are working more collaboratively, they are sound plans with broad business support, and East Africa remains an area with vast Agriculture potential.

The focus will be to assure our businesses of supply volumes, deliver Cost of Goods Sold (COGS) savings and implement 100% quality adherence, every time.

Great work and focus has also gone to delivering excellence in supply chain, by enhancing efficiencies across all the areas.

KBL supply chain is the current reigning brewery of the year in the Diageo world, an award it won for demonstrating the highest current standards, in effective planning, astute sourcing, manufacturing excellence and distribution efficiency.

KBL supply chain is the current reigning brewery of the year in the Diageo world, an award it won for demonstrating the highest standards in effective planning, astute sourcing, manufacturing excellence and distribution efficiency.

KBL continues to lead the Diageo world in Site Extract, Energy and Water usage efficiencies and is inching closer to achieving global operational benchmarks. This is testament to the commitment of the supply chain team who live by the Diageo mantra of Excellent Execution, Every day, Everywhere. We are empowered by strong governance structures with an agile and responsive mindset to today's challenging operating environment, driven by the passion to consistently meet our customers and consumers requirements.

KBL's production function has increased efficiencies and increased output. For example, in spirits packaging, automation processes have increased one production line efficiency by 34%. In brewing, use of new brewing methodologies has reduced brewing production time thus increasing volumes brewed. In beer packaging, efficiencies in Keg production has increased output to 20,000 barrels per day.

With investments in brewing, packaging and spirits manufacturing infrastructure, coupled with use of new technologies such as high maltose syrup, production output has been increased and ensured market demand is met. KBL continues to put in place measures to be an environmentally responsible corporate citizen by reducing energy and water use. With the commissioning of a Kshs 300 million water treatment plant, more efficient water utilization will be achieved. For these efforts, the KBL supply chain won an Energy Management Award for sustainable water and energy management.

Quality continues to be the hallmark of KBL products, achieved through stringent and thorough quality controls applied in the manufacturing process. With the roll out of quality assurance process, which aims to empower every person in the production process with the skills to assure quality, the bar on quality output is bound to be raised. KBL flagship Tusker brands of Tusker Lager, Tusker Malt and Tusker Lite and other iconic brands, Pilsner Lager, White Cap Lager and Balozi Lager are current holders of Monde Gold and Silver selection awards, a recognition of the highest global quality standards.

In the financial year, KBL Logistics carried out a successful transition to a new third party logistics provider, Bollore. The change will deliver an estimated cost savings of £1 million as well as increase logistics and warehousing efficiencies in the first year of operations alone.

There are many more milestones to be achieved in the rest of the year. These include adding to KBL supply chain costs savings tally of £6 million achieved so far through smart sourcing, increased production and logistics efficiencies, contributing significantly to KBL financial bottom line.

Ongoing research will assist in developing alternative sources of starch to mitigate against scarcity of raw materials from adverse weather conditions.

Preparations are underway to install a new 2.5 million Eus spirits line that will enable supply deliver on the double digit spirits demand growth.

There is also a planned capacity expansion in packaging to increase Senator Production output.

Quality continues to be the hallmark of KBL products, achieved through stringent and thorough quality controls applied in the manufacturing process

£1 million

There are many more milestones to be achieved in the rest of the year. These include adding to KBL supply chain costs savings tally of £6 million achieved so far through smart sourcing, increased production and logistics efficiencies, contributing significantly to KBL financial bottom line.

DO NOT FORWARD TO PERSONS UNDER 18 YEARS. EXCESSIVE CONSUMPTION OF ALCOHOL IS HARMFUL TO YOUR HEALTH. STRICTLY NOT FOR SALE TO PERSONS UNDER 18 YEARS


Add some
flavour
to your
day
NOW AVAILABLE IN 200ML
Original
UGANDA WARAGI
PREMIUM GIN
THE SPIRIT OF UGANDA
SINCE 1965
The Original
UGANDA WARAGI™
PREMIUM LIQUEUR
MADE WITH UGANDA WARAGI
MONDE SELECTION
WINNER 2010-2015
COCONUT FLAVOURED
INGREDIENTS: WATER, NEUTRAL SPIRIT, FLAVOURS.
BLENDED & BOTTLED BY UGANDA BREWERIES LTD.
UGANDA WARA

Our role in society

KBL believes in growing value together both for our business and communities. We want to source, produce, market and sell our products in ways that have a positive impact on society.

To achieve this, we have set sustainability and responsibility targets which we expected to achieve by 2020. These targets will be guided by three main pillars which are Leadership in Alcohol in Society, Building Thriving Communities and Reducing our Environmental Impact.

We are committed to securing our ecosystem through tree planting initiatives

During the year, several projects have been initiated in Kenya, Uganda and Tanzania.

Alcohol in society

At EABL, we recognise fully the impact of alcohol consumption in society, especially if not consumed responsibly. Which is why tackling harmful drinking is a priority for the company. We do this through partnerships and programmes that impact on misuse.

Kenya

KBL's Under 18 Asipewe campaign was intensified during this period. The campaign focused on direct retailer and stakeholder engagement that impact on misuse. We aim to reach out to those distributing and selling alcohol, enrolling their support and participation and making them more aware of the consequences of selling alcohol to minors.

To date, more than 27,000 retailers and 1121 secondary school heads have been trained. Over the Christmas period in 2016, KBL created an interactive responsible drinking social media platform targetting Millennials.

Party Central Kenya, whose slogan is "Save yourself for the next party," is a vibrant platform on Twitter, Facebook and Instagram with over 80,000 followers. The platform carries information on how to "party smart" through a hashtag campaign dubbed #vutiataxi, which means, hail a taxi.

Uganda

To give us objective data and provide direction to the campaign, UBL commissioned a study in September 2016 through our partner, Straight Talk Foundation (STF), to provide insight into the triggers and impact of underage consumption in Uganda.

The results from the four districts (Kampala, Soroti, Gulu and Kabale) indicate that:

1. There is easy access to alcohol and unregulated consumption.
2. The largest proportion (42.9%) of alcohol consumed is illicit alcohol of which 18.8% is locally produced waragi (Kasese, Enguli and Lira Lira) while 24.1% is local brew (mainly Malwa and Ajono). The proportion of formal beer consumed is 26.5%.
3. Since alcohol is readily available in homes, children may begin to drink as early as 8 years of age and girls specifically learn to brew alcohol by the time they are 12 years of age.
4. 88.2% of illicit alcohol consumers are aware of the impacts of illicit alcohol consumption to them and their families.
5. Most of consumers of illicit alcohol are not willing to stop consuming it due to its affordability.

Uganda Breweries Limited was recognised for running the Best Campaign for Consumer Issues

Responsible drinking is in our DNA.

The recommendations from the study suggested:

1. Lobbying for regulation of the informal alcohol sector.
2. A need to sensitize consumers on the dangers of illicit alcohol.

In November 2016, campaign dubbed 'The RED CARD Responsible Drinking' won an award for Best Concern for Consumer Issues at the Uganda CSR Awards organised by Uganda Manufacturers Association (UMA) and GIZ, bringing the total of awards on Responsible Drinking to three in the past three years.

UBL, in partnership with Uber, started a campaign against drunk driving in December 2016. Consumers got free Uber rides during bar activations to encourage zero tolerance to drink driving under the theme: "Your night, your choices, your consequences". The campaign is also very active on social media platforms with over 64,000 followers on Facebook and Twitter.

In January 2017, UBL staff got an opportunity to voice their opinions on Alcohol in Society (AiS) through an organised debate on self-regulation of the alcohol industry during the Half Year Staff Conference.

Some 100 contractors received DrinkIQ training in March 2017 in a bid curb incidences of on-site drinking or contractors reporting to work with traces of alcohol.

Tanzania

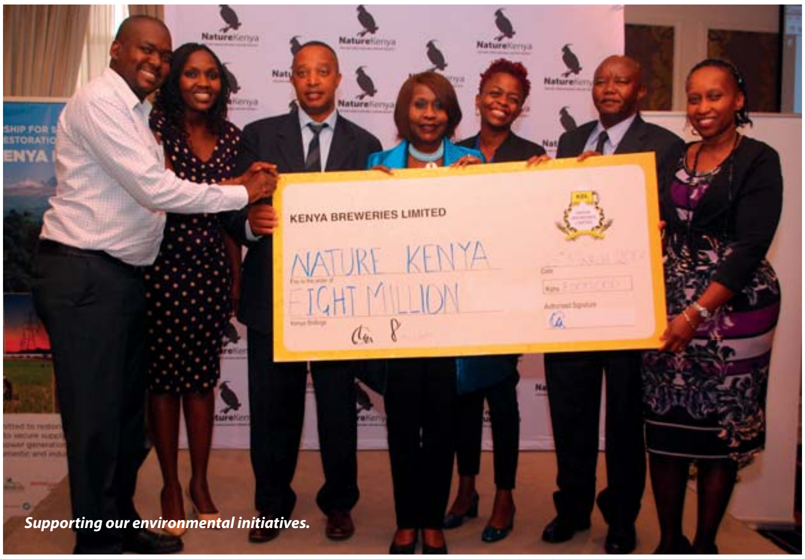
Serengeti Breweries Limited carried on with the Don't Drink and Drive campaigns across the country. In October 2016, SBL took the campaigns to Moshi, Arusha, Dodoma and Dar es Salaam. The campaigns are aimed at sensitising consumers, through the Drink IQ programme, on the dangers of irresponsible alcohol consumption.

Kerwa Community in Kiambu benefits from the EABL Foundation sponsored water project serving 15,000 people.

SBL also extended stakeholder forums to traffic officers, bar and club owners and retailers.

Building Thriving Communities

We have a responsibility to ensure that as we grow the business, our people, our suppliers, the communities around our operations, our customers and consumers and the society grows with us.



Supporting our environmental initiatives.

Kenya

EABL Foundation commissioned water projects in line with our objective of equipping and supporting communities in which we operate. In December 2016, the Foundation commissioned a water project in Buchenge Area. The project, which includes rehabilitation of water springs and pipping projects, serves over 7,000 residents.

In March 2017, EABL Foundation also commissioned a water project in Makueni which includes a borehole and a 100,000 litre water tank to serve residents and sorghum farmers.

Uganda

Phase II of Entebbe Referral Hospital rainwate harvesting project was completed in July 2016.

David Croft, Diageo's Global Sustainable Development Director, handed over a 200,000 litre water harvesting tank and system to the administration of the hospital during his visit to Uganda in November 2016.

He also officiated at a ground-breaking ceremony for a sanitation facility at Port Bell landing site under the EABL Foundation Water of Life programme during the event that was attended by various political leaders and the local community. The facility will serve 5,000 people.

In March 2017, a second public sanitation facility was commissioned at Kirombe slum in Luzira which is home to approximately 1,500 households with a population of around 7,000.

Tanzania

Under the EABL Foundation Water of Life programme, Serengeti Breweries Limited commissioned a Tsh83 million water project in Makanya Village, Same, Kilimanjaro region to provide clean water to the area residents.

The project is benefiting more than 10,600 people who include local farmers who were encouraged to initiate irrigation farming.

The EABL Foundation Water Project will benefit more than 10,600 people of Makanya Village area in Kilimanjaro.

Reducing our Environmental Impact

We are constantly working to cut our carbon footprint throughout the company value chain. This involves reducing water and energy consumption in our operations, investing in sustainable packaging, exploring possibilities to use renewable energy sources, recycling and waste management.

Kenya

In March 2017 , Kenya Breweries Limited, in collaboration with Nature Kenya and the government announced a reforestation drive that would see the organisations plant over 100,000 trees around Mt Kenya Forest and Upper Tana River ecosystem. KBL has set aside Kshs 8 million, time and resources to support the initiative.

The ecosystem is the most productive basin for agriculture in Kenya that provides water to national parks, generates half of the country's total hydropower, and supplies water to Nairobi', while Mt Kenya Forest is an important water catchment area as it provides invaluable hydrologic services. KBL staff members took part in the inaugural tree planting drive in Naromoru and planted close to 5000 trees.

In the same month, KBL commissioned a state-of-the-art water treatment plant at its factory in Ruaraka, Nairobi. The plant, which has a capacity of 240,000 litres per hour, is set to improve the company's water quality and operational efficiency, while improving overall water supply within the production site.

The new plant builds on KBL's tradition of promoting sustainable water stewardship and its efforts to address the water challenges along its value chain. It is also in line with the company's Water Blueprint - a strategy designed to effect substantial, sustainable and measurable change and reflects the company's increasing prioritisation of water.

Uganda

Construction of the expanded effluent treatment plant was completed in January 2017 at a cost of approximately £4 million. The expansion allows UBL to comply with local regulatory consent limits and demonstrate our total commitment to water and environmental protection.

KBL
KENYA BREWERIES LIMITED

UNDER 18 SI MTEJA NI MTOTO WAKO

Serving alcohol to a minor is like serving alcohol to your own child because we all know that in Kenya it takes a village to raise a child. Amua leo, under 18 asipewe!

UNDER 18 ASIPEWE

Compliance and Ethics

At EABL we are not just interested in being the best performing consumer products company, we are equally committed to being the most 'trusted and respected' business in Africa. The Controls, Compliance and Ethics (CCE) function works with the EABL Executive team to embed broad ownership of EABL's 'trusted and respected' agenda throughout our business. The CCE function works with other functions to ensure that a robust control environment exists, that we comply with our Code of Business Conduct (COBC) and applicable Policies and Standards and, where breaches are suspected to have occurred, ensures that they are investigated professionally with appropriate consequence management if a breach is confirmed. The CCE team seeks to underpin EABL's reputation as an organization that can be relied upon to deliver on its promises to its people, its customers, its consumers and its communities.

Risk Management and Controls

EABL's approach to risk management is in line with Diageo's Global Risk Management Standard. On an annual basis, each business unit undertakes a 'blue sky' risk assessment. The top internal and external risks are thereafter ranked based on their likelihood of occurrence and their impact to the business, and action owners are tasked with ensuring that robust risk mitigation plans are in place. These risks are reviewed every quarter by Business Unit with the EABL Group Risk Management Committee **(RMC)** reviewing material Group wide risks. The GMs of each business Chairs their RMCs with the Group CEO Chairing the EABL RMC.

EABL also has in place a Control Assurance and Risk Management (CARM) framework which covers all the major controls required for every function in the business to operate effectively, efficiently and in a compliant manner. As has been the case in previous years, the CARM process was refreshed in F17, with an assessment of key controls that are scoped for design and then tested.

EABL also has its own Internal Auditing Team (the Controls Assurance Team (CAT)) with a mandate from the EABL Board Assurance and Risk Committee, to undertake process reviews and deep dives in areas perceived to be of high risk to the business. The reviews undertaken covered diverse areas such as Supply Chain and Logistics, Manufacturing and Inventory Management, Commercial Spend, the outsourcing of services and Tax Management. Agreed actions are in various stages of completion and are tracked by the CCE teams in the respective markets.

Breach Management

EABL's approach to breach management is embedded in its Breach Management Standards. In order to ensure that potential breaches to our Code, Policies and Standards are handled fairly and expeditiously Breach Management Committees in each business meet on a regular basis to review progress of ongoing investigations, check on the status of any ongoing disciplinary proceedings and progress agreed actions to closure.

In F17 we also conducted a second two day investigations training course which contributed towards enhancing the quality and outcomes of investigations and reducing significantly the time it took to resolve breach allegations. We try to be as transparent as possible with our people following proven breaches sharing appropriate communications. As at 1 April F17, 12 employees were dismissed for various breaches of our Code of Business Conduct.

Pathway of Pride 7

Pathway Of Pride 7 (POP 7) took place from the 8th-12th of May 2017 where all the people who work in the business (contractors and employees) participated in compliance and ethical discussions.

The theme for this year was: ***'It's in your hands'***. After 6 years of POP our people now have a good understanding of compliance and what to do when faced with ethical dilemmas to ensure they do the right thing. The theme was inspired by the fact that everyone at EABL is equal and each own our working environment and have the ability to shape this environment positively by electing to do the right thing – it really is '*in your hands*' .

This year we followed the same structure of POP 6 and therefore gave all our people the opportunity to write short scripts covering any area of our COBC and policies. 4 winning scripts were selected and acted out / filmed and screened for discussion during the May events.

Whistle Blowing (SpeakUp) Policy

As a business, we have a responsibility to keep our business strong by demonstrating the highest standards of integrity in our behaviour.

One of the ways is through our whistle blowing policy which is embedded in our "SpeakUp" channel.

SpeakUp is a confidential service anyone can use to raise concerns about things relating to EABL that are not or do not seem right, such as the risk of harm to EABL people, customers, the public or the environment. Speak Up is administered by an independent company and hence its independent nature as a channel addressing matters touching on our integrity. This service is available 24 hours a day, seven days a week, and can accommodate calls in more than 75 languages. One does not have to be an employee of EABL to report a matter.

People and Culture

EABL's culture is rooted in a deep sense of our purpose - 'Celebrating life, every day, everywhere' -, the personal connections our people have to our brands, our relationships with each other and our passion to win. Our people create our culture and they keep it strong.

With over 1,500 employees across our three business units and different functional areas in 6 East African countries (Burundi, Kenya, Rwanda, Tanzania and South Sudan), we want our people to feel excited and engaged about working with us. We are committed to investing in their success, for their benefit and that of our business.

Multi-Year talent planning

EABL has developed a Multi-Year Talent Planning (MYTP) approach, strategically forecasting the talent capabilities needed to drive growth. We have prioritized three focus areas to guarantee our plans with the right people and capabilities; talent, capability, organizational effectiveness and culture, as we believe in creating an environment for our people that will stretch, challenge and enable them to grow themselves and the business. We have put in place a three year talent agenda that focuses on: sound acquisition and retention of manpower where our recruitment and selection policy seeks to ensure fair access to job opportunities and diversity; talent mapping that encourages employees to fulfil their potential so as to make their greatest possible contribution to our business; and leadership development to drive organizational effectiveness.

Leadership and people development

At EABL, we are committed to helping our people realize and reach their potential. To achieve this we have numerous training and development programmes, but we also strongly believe that our leaders are key in creating the conditions for our people to succeed. Some of these programmes include:

Amazing People Manager **–** the quality of our line managers is key to releasing the potential of our people and to deliver on our performance ambition. In a bid to fast track development of our line managers, the Company developed a programme styled "Amazing People Manager", which equips managers with tools, resources and offers support as they seek to inspire our people and drive results. Currently, over 400 managers have gone through the programme, which has now been developed globally by Diageo.

Performance management system styled 'Partners for Growth" (P4G) is based on the need to release the potential of every employee in the organization. P4G puts performance and career conversations at the heart of the process, focusing on using and building strengths with two-way development conversations to deliver both business and personal outcomes. The process supports individuals in identifying their career aspirations and in prioritizing development actions. A philosophy of 70-20-10 principle has been adopted for development with 70% practice and experience coming from one's day to day job, 20% through coaching and mentoring, and 10% from formal traditional learning experience including training and e-learning.

A talent charter has also been adopted in all business units to maximize the potential of employees and commitment to develop, value and support employees achieve greatness together.

EABL's culture is rooted in a deep sense of our purpose - 'Celebrating life, every day, everywhere' -, the personal connections our people have to our brands, our relationships with each other and our passion to win. Our people create our culture and they keep it strong.

70-20-10

A philosophy of 70-20-10 principle has been adopted for development with 70% practice and experience coming from one's day to day job, 20% through coaching and mentoring, and 10% from formal traditional learning experience including training and e-learning.

Talent programmes

Our Talent Development pipeline architecture is designed to enhance the long-term pipeline for our future leadership roles by identifying potential and accelerating growth and readiness of key talent. It consists of 3 programmes:

- **Global Graduate Programme –** Entry level talent assessed with high potential who join a 3 year rotational programme in Sales, Marketing, Supply, Finance, or HR.

- **Future Leaders' Programme –** Mobile junior leadership talent who have shown the potential to be future leaders of the business. Upon nomination, they join a 3 year programme to include a global rotation to stretch their leadership and functional breadth.

EABL emerged top 2 in Kenya for the Deloitte Best Company to Work For Survey 2016.

EABL bagged two major awards during the financial year – Employer of Choice Award – Graduates 2016 Award and runners' up – Corporate Social Responsibility 2016 Category.

- **Accelerated Leaders' Programme –** Key to accelerating the growth of high potential senior managers joining an international cohort of thirty (30) leaders across Diageo ; focusing on increasing breadth of international experience with more detailed development and career planning.

- An international director's programme styled Diageo Leadership Performance Programme is in place to accelerate the development of newly appointed individuals to executive levels.

Employee engagement

The EABL engagement strategy is focused on making the Company the best place to be for talented people. Our Company moves at pace, it looks ahead and continues to evolve and improve. Our progress brings with it new talented people, great brands, new partnerships and expansion into new categories and markets. This makes for a vibrant and truly diverse Company, a true reflection of the world today, able to provide as much in return, as our people can bring.

The values that underpin our business guide how we work. We are 'passionate about our customers and consumers and want to be the best. We give each other the freedom to succeed and value each and every person's contribution. We work hard so we can be proud of what we do and how we do it'.

> **"**
> **The values that underpin our business guide how we work. We are 'passionate about our customers and consumers and want to be the best. We give each other the freedom to succeed and value each and every person's contribution. We work hard so we can be proud of what we do and how we do it'.**

These values are not merely words on a page. While we constantly look to evolve and improve how we go about our work, our values remain consistent. We try to live these values every day, everywhere and together with our purpose, we believe that when demonstrated for all to see, they drive our Company forward.

Deep at the heart of this is to create an environment where employees believe that their own values resonate well with those of the Company. Each year EABL conducts a Values Survey that seeks to assess Employee Engagement, Performance Enablement, Manager Effectiveness and Manager NPS (Net Promoter Scores), in order to measure how well we are living and demonstrating our values daily across the business. During the year end, our scores were: 100% employee participation with an engagement level of 82%,performance enablement score of 85%, and a manager effectiveness score of 81%. We achieved a 42% score on our NPS for line managers, which was a great improvement due to the Company's implementation of the Amazing People Manager programme.

Staff welfare

We want our people to thrive at EABL and are committed to their professional and personal development and to simply ensure that EABL is a great place to work.

Our staff welfare is key to our growth and we ensure we have a healthy workforce through our medical benefit scheme and employee wellness programme. The EABL clinic facility has been enhanced and now provides specialists' services to employees and their families. These services include dental, dermatological, pediatric, gynecological and nutritional. In house laboratory services are also available at the clinic, making total medical services easily accessible to employees.

The employee wellness programme provides additional health and wellbeing initiatives. During the year end, we undertook a training programme for our employees' domestic workers to increase their knowledge and skills on first aid, baby care, hygiene and nutrition thereby giving our employees peace of mind when at work. We also rolled-out our now popular channel for sharing knowledge and best practices dubbed "baby and well woman clinic".

Employer brand

We continue to employ bright, dynamic and highly engaged talent at all levels within our business. We trust each other and work with genuine positive intent behind our actions. We care about our business, and care about working for a Company that consistently displays a strong employer brand as an industry leader across the region. As we continue to invest in our people, we have been recognised as follows:

- Best Employer in East Africa: Global Career Company
- Top 2 in Kenya: Deloitte Best Company to Work For Survey 2016
- Top 2 in Uganda Federation of Employers
- Emerged top in the 2016 Chief Information Officer (CIO) Awards
- Runners up Corporate Social Responsibilty (CSR) Employer of Choice: Careers in Africa Employer of Choice Award
- Best Graduate Employer of Choice: Global Career Company
- Best Employer in Tanzania - Training & Development: Association of Tanzanian Employers
- EABL a great exporter of talent to Diageo with 18 staff outside East Africa including 2 MDs (Nigeria and Cameroun) and 5 directors and 23 Kenyans getting expatriate experience.

Our reputation as an employer brand is gaining amazing momentum and a sure path of success story in engaging and leveraging the best talent in the market to guarantee our immediate and future growth plans.

100%

During the year end, our scores were: 100% employee participation with an engagement level of 82%,performance enablement score of 85%, and a manager effectiveness score of 81%. We achieved a 42% score on our NPS for line managers, which was a great improvement due to the Company's implementation of the Amazing People Manager programme.

Valuing Diversity

As part of Valuing our Diversity, EABL hosted various interactive sessions notably the Spirited Women Mentorship forum that provided opportunities for women to share insights on functional leadership and strengthening of women in the business through coaching, mentoring and creation of relationships to help change team work dynamics. The sessions also saw various women in leadership positions provide tips on how to be bold in execution as part of EABL's ongoing initiatives in embedding a culture of diversity and inclusion across our business.

Employee Share Ownership Plan (ESOP)

The Employee Share Ownership Plan was set up in 2001 to attract and retain employees by connecting employment to the long term success of the business. Share Options form an integral part of employee engagement and commitment to creating long term value in the organization.

The plan runs two parallel schemes: Group Executive Stock Option Scheme (ESOP) which is based on stock appreciation rights and the Employee Share Savings Scheme (ESSS) which is a savings plan based on discounted stocks.

Since inception the total number of shares bought by the scheme is 6,166,402 out of which 4,736,399 units have been created and sold by the employees. The scheme currently holds 1,430,003 shares at an approximate value of Kshs 377 million.

During the FKE Awards, EABL scooped two awards as 1st runners up for Learning & Development and 2nd runners up for Work-Place Environment.

The EABL Spirited Women mentorship forums provided opportunities for women to share insights on various areas such coaching, mentoring and creation of relationships to help change team work dynamics.

Corporate Governance Statement

Overview

Corporate Governance is the system through which corporations are directed, controlled and operated as power is exercised over its assets and resources. East African Breweries Limited is committed to the highest standards of Corporate Governance and business ethics. The company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization and is in compliance with the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public ("the Corporate Governance Code") as well as the equivalent guidelines for listed companies in Tanzania and Uganda.

Besides complying with the corporate governance code, the company has committed to embedding internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Code of Business Conduct (the Code) to which every employee makes a commitment to comply. The Code is aligned to globally accepted standards and meets the requirements of local laws as well as internationally applicable laws and regulations. It guides activities in dealing with employees, customers, suppliers, competitors, government and the community at large. The code also articulates the company's policy on insider trading. Directors, management, staff members and related parties are instructed during closed periods, not to trade in their shares while in possession of any insider information not available to the public.

The Role of the Board

The Board comprises of six Independent Non-Executive Directors, two Non-Executive Directors and three Executive Directors. The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and for its overall strategic direction, its values and governance. It provides the leadership necessary for the organization to meet its business objectives within the framework of its internal controls, while also discharging the Company's obligations to its shareholders. Responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Group Managing Director and the Company's executive team.

During the year, there were three standing Committees of the Board. These were the Board Corporate Governance Committee, the Board Audit and Risk Management Committee and the Board Nominations & Remuneration Committee. The committees are all chaired by Independent Non-Executive Directors who also form the majority of the committee's membership. Additionally in May this year, the board constituted a Board Investment Committee whose mandate is to review and interrogate any investments or divestments that would have any significant impact on the company's balance sheet.

Division of Responsibilities

The Chairman and the Group Managing Director's roles are separate, with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating productive contribution of all Directors. The Chairman is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them.

The Group Managing Director has overall responsibility for the performance of the business and provides leadership to facilitate successful planning and execution of the objectives and strategies agreed by the Board.

Non-Executive Directors

The Board had eight Non-Executive Directors, collectively made up of six Independent Non- Executive Directors and two Non-Executive Directors as at the end of the financial year. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The Chairman and five of the Non-Executive Directors, as at the date of this Report, are independent as defined by the Corporate Governance Code and accordingly over half of the Board is constituted of Independent Non-Executive Directors.

On joining the Board, all Directors receive a full induction. Non-Executive Directors also receive a full programme of briefings on all areas of the Company's business from Executive Directors, the Company Secretary and other senior executives.

Conflict of Interest

The board requires all directors to disclose on appointment, annually and at the beginning of each Board and Board Committee meeting, any circumstance which may give rise to any actual or potential conflict of interest with their roles as Directors.

Directors Training & Development

The Board is committed to on-going training and development of its Directors and towards that goal, appropriate training interventions were identified during the year for attendance by Directors. To enable the Non-Executive Directors gain exposure to the Group's business on the ground, one of the four scheduled Board meetings is held in one of the end markets, where directors get an opportunity to undertake various trade visits and engage outlets on market related issues. The Board and its Committees also receive regular briefings on legal and regulatory developments that affect the business.

The Chairman and the Non-Executive Directors have a particular responsibility for ensuring that the organization strategy, the key enablers and business operations are fully discussed and critically reviewed. This enables the Board to promote the success of the Company for the benefit of all its shareholders as a whole. In so doing, the Board has regard to such matters as the interests of the Company's employees, the fostering of business relationships with customers, suppliers and other stakeholders and the impact that the Company has on the environment and communities in which it operates.

The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment which stipulate the terms of their appointment.

The Composition of the Board

The Composition of the Board is as set out on page 16 and 17.

Attendance at Board and Annual General Meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Mr. C. Muchene (Group Chairman)	7	7
Mr. J. O'Keeffe (Group Vice Chairman)	7	7
Mr. A. Cowan (Group Managing Director)	7	7
Dr. G. Geiszl	7	7
Dr. A. Shonubi	7	7
Mrs. J. Karuku	7	7
Mr. J. Katto	7	7
Mr. N. Mchechu	5	7
Ms. C. Musyoka	6	7
Dr. M. Oduor-Otieno	7	7
Mr. P. Gallagher	6	7

Board Corporate Governance Committee

The Board Corporate Governance Committee has oversight over the adherence and compliance by the Company to the principles and requirements of good corporate governance and business ethics. All members of the Committee are Independent Non-Executive Directors.

During the year, the Committee reviewed on a quarterly basis an implementation tracker on the changes brought about by the Companies Act, 2015. A sub-committee set up with the responsibility of reviewing the act also reviewed in detail a draft amendment bill, and proposed regulations seeking to amend the Companies Act 2015 and the regulations thereto. The sub-committee analysed the impact of the proposed amendments and further made recommendations on sections requiring amendments pursuant to a request sent out to stakeholders for their comments.

The Committee also took cognisance that the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public became fully operational on 4th March 2017. During the year, the committee monitored implementation of the requirements under the CMA code and in that regard reviewed various policies presented by management for approval, reviewed the stakeholder engagement plan and recommended some changes to the constitution of board committees. The committee also reviewed the progress made on various governance projects such as the digitization of the share register, restructuring of EABL subsidiaries and winding up of dormant entities.

In a bid to enhance governance within EABL, the committee did include in its work plan an annual corporate governance training for all directors.

Members:

Mr. J. Katto * (Chairman)

Dr. A. Shonubi*

Ms. C. Musyoka*

Ms. J. Munene (Secretary)

**Independent Non-Executive Directors*

Attendance at Board Corporate Governance Committee meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Mr. J. Katto	3	3
Dr. A. Shonubi	3	3
Ms. C. Musyoka	3	3

Board Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for monitoring and reviewing the integrity of the financial statements, the effectiveness of the accounting, internal control and business risk systems of the Group, and the efficiency of the Group's procedures for handling complaints and whistle blowing allegations.

During the year, the composition of the committee changed with the appointment of an additional independent non-executive director to serve as a member of the committee. The committee currently comprises of three independent non-executive directors and one non-executive director.

The Mandate of the Committee also includes:

- Monitoring and reviewing the performance of the Group's external auditors by keeping under review their independence and objectivity;
- Making recommendations as to their reappointments (or where appropriate, making recommendations for change);
- Approving their terms of engagement and the level of audit fees payable to them;
- Overseeing the internal control and risk management systems in relation to the company's financial reporting process and the group's process for preparation of the consolidated accounts.

During the year, the Audit & Risk Committee met five times and reviewed the following business:

- Annual report and associated preliminary year end results announcement, focusing on key areas of accounting judgement and complexity, accounting and provisioning policies.
- The external audit strategy and the findings of the external auditor from its review of the interim results and hard close as at May 2017 and its audit of the year-end consolidated financial statements.
- Interim results announcement, which included; financial statements and company's management results.

Upon completion of the consolidated financial statements, a report highlighting key issues and judgments considered in respect of the 2017 financial statements was reviewed by the committee with the following being deliberated upon:

- Hyperinflationary accounting due to the South Sudan operations through East African Beverages Southern Sudan ("EABSS"). South Sudan's annual inflation rate exceeded the benchmark 100%. The committee determined that in accordance with IAS 29, South Sudan had met the criteria to be classified as a hyperinflationary environment. However, from an EABL group point of view, the translation differences arising from application of IAS 29 for EABSS were considered immaterial.
- Goodwill impairment review for Serengeti Breweries Limited ("SBL") - A goodwill impairment review is performed annually for SBL. The impairment review is based on SBL's growth projections which are premised on its robust business strategy around driving volumes in order to maximize capacity utilization through its premium brands, spirits and innovation brands. During the financial year 2017, management took a more conservative approach and opted to recognize an impairment charge on goodwill of KShs 285 million.
- Impairment of deferred income tax asset (SBL) – SBL has been carrying TZS 7.76bn (Kshs 322 million) with respect to unrealized foreign exchange losses on the revaluation of the intercompany loan. Due to the SBL capital restructuring, management has derecognised the deferred income tax asset amounting to TZS 7.76bn (Kshs 322 million).
- Provisions and material contingent liabilities in the group.

In addition, the committee reviewed various detailed reports from;

- The Control, Compliance and Ethics team (CC&E) and the Global Audit & Risk (GAR) team;
- The annual GAR audit plan and the assessment of top risks identified by GAR as driving the plan and scope of audits for the year ending 30 June 2017;
- Regular legal updates from the Group Legal Director;

The Audit Committee reviews annually the appointment of the auditors taking into account the auditor's effectiveness and independence and all appropriate guidelines, and makes a recommendation to the Board accordingly. The group has a policy on auditor independence and on the use of the external auditor for non-audit services which is reviewed annually. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. There are no contractual obligations that restrict the company's current choice of external auditor.

PricewaterhouseCoopers (PwC) were the Group's auditors during the financial year. They have since issued a written confirmation to the Board of their intention to seek reappointment as the Company's Auditors at the Annual General Meeting, subject to Shareholders' approval.

Members:

Mr. N. Mchechu* (Chairman)

Mr. J. Katto*

Dr. M. Oduor-Otieno*

Mr. P. Gallagher

Ms. J. Munene (Secretary)

**Independent Non-Executive Directors*

Attendance at Board Audit and Risk Management Committee meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Mr. N. Mchechu	4	5
Dr. M. Oduor-Otieno	5	5
Mr. J. Katto	5	5
Mr. P. Gallagher	5	5

Board Nominations & Remuneration Committee

The Board Nominations and Remuneration Committee (BNRC) is responsible for identifying and nominating for the approval of the Board and EABL Subsidiary Boards candidates to fill Board vacancies as and when they arise. The committee is also responsible for implementation of the annual Board performance evaluation process.

The mandate of the Committee includes:

- Reviewing succession planning within the Board and identifying and nominating suitable candidates to fill vacancies that may arise from the Board and Board Committees;
- Evaluating the performance of the Board, Board Committees, Board Members and the Company Secretary;
- Reviewing and recommending to the Board, the remuneration of management, independent non-executive directors and staff incentive schemes, amongst other matters relating to employee terms and conditions of employment.

The Committee had 5 meetings during the year and dealt with the following business:

- Review of the board succession plan with particular consideration on its composition to provide a broader representation of gender, geographical, business continuity and professional representation;
- Review and approval of management pay structures, pension benefits and review of reward principles that drive the talent agenda in the company;
- Review of the structure on board development with focus on training programmes to strengthen the board effectiveness and performance;
- Establishment of a framework for evaluation of effectiveness of the Board and individual Board members;
- Review of the Employee Share Ownership Plan (ESOP) Governance Framework;
- Detailed review of the directors and officers insurance liability policy.

In the year ended June 2017, EABL received the following recognitions:

- Best Employer in East Africa: Global Career Company
- Top 2 in Kenya: Deloitte Best Company to Work for Survey 2016
- Emerged top in the 2016 CIO Awards
- Runners up CSR Employer of Choice: Careers in Africa Employer of Choice Award
- Best Graduate Employer of Choice: Global Career Company
- Best Employer in Tanzania - Training & Development: Association of Tanzanian Employers
- In Uganda, UBL was recognised as runners up as the Employer of Choice by the Federation of Uganda Employers.

Three out of four members of the Committee were Independent Non-Executive Directors as at 30 June 2017.

Members:

Dr. M. Oduor-Otieno* (Chairman)

Mr. J. O'Keeffe

Dr. A. Shonubi*

Ms. C. Musyoka*

Ms. J. Munene (Secretary)

Independent Non-Executive Directors

Attendance at Board Nominations & Remuneration Committee meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Dr. M. Oduor-Otieno	5	5
Mr. J. O'Keeffe	5	5
Dr. A. Shonubi	4	5
Ms. C. Musyoka	5	5

Board Evaluation

The effectiveness of the Board, its Committees, the Executive and Non-Executive Directors, the Chairman and the Company Secretary were assessed for the year ended 30 June 2017. Preparation of the board evaluation report by the external consultant is underway and shall be submitted to the Board in October 2017. The findings of the board evaluation shall be reported in the next annual report.

Communication with Stakeholders

East African Breweries Limited is committed to ensuring that there is regular interaction and communication with its stakeholders who include shareholders, investors and the financial markets among others. The board has mapped all its stakeholders and ensures that they are provided with full and timely information about the Company's performance. This is achieved through the release of its half-year and annual results in the local press, distribution of annual reports and holding of investor briefings as appropriate. The Annual General Meeting provides a useful opportunity for shareholder engagement and, in particular, for the Chairman to articulate the Company's progress and receive and answer questions from investors. The Board believes that there is an active and regular interaction with all its stakeholders. In addition to information on the Company's activities the following documents and policies are readily available to Stakeholders on the Company's website:

1. The Board Charter;
2. Terms of Reference for all Board Committees;
3. The Board Diversity Policy;
4. Past and current copies of the Annual Reports;
5. Investor News;
6. Share Price performance – Kenya, Uganda and Tanzania.

Shareholders at a past EABL Annual General Meeting

Premium Quality

Financial Statements

Premium Quality

Corporate Information

DIRECTORS

Mr. C Muchene	Group Chairman
Mr. J O'Keeffe*****	Group Vice Chairman
Mr. A Cowan*	Group Managing Director
Dr. G Geiszl**	Group Finance and Strategy Director
Dr. A Shonubi ***	
Mrs. J Karuku	
Mr. J Katto***	
Mr. N Mchechu****	
Ms. C Musyoka	
Dr. M Oduor-Otieno	
Mr. P Gallagher*****	
Mr. C. Ireland*	Resigned 28 July 2016

* British **Hungarian *** Ugandan
**** Tanzanian *****Irish

SECRETARY

Joyce N. Munene (CPS No. 1954)
Certified Public Secretary of Kenya
Corporate Centre
Ruaraka
P.O. Box 30161
00100 Nairobi, GPO

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants of Kenya
PwC Tower
Waiyaki way / Chiromo road
P.O. Box 43963
00100 Nairobi, GPO

ADVOCATES

Kaplan and Stratton Advocates
Williamson House
4th Ngong Avenue
P.O. Box 40111
00100 Nairobi, GPO

Coulson Harney Advocates
5th Floor, ICEA Lion Centre, West Wing
Riverside Park, Chiromo Road, Nairobi
P.O. Box 10643
00100 Nairobi, GPO

SHARE REGISTRARS

Custody & Registrar Services Limited
6th Floor, Bruce House
Standard Street
P.O. Box 8484
00100 Nairobi, GPO

PRINCIPAL BANKERS

Standard Chartered Bank Kenya Limited
48 Westlands Road, Nairobi, Kenya
P.O. Box 30003
00100 Nairobi, GPO

CfC Stanbic Bank Limited
CfC Stanbic Centre
Chiromo Road, Westlands
P.O. Box 30550
00100 Nairobi, GPO

Citibank NA
Citibank House
Upper Hill Road
P.O. Box 30711
00100 Nairobi, GPO

Barclays Bank of Kenya Limited
Barclays Westend Building
Off Waiyaki Way
P.O. Box 30120
00100 Nairobi, GPO

REGISTERED OFFICE

East African Breweries Limited
Corporate Centre
Ruaraka
P.O. Box 30161
00100 Nairobi, GPO

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 30 June 2017, which disclose the state of affairs of East African Breweries Limited ("EABL" or the "Company") together with its subsidiaries (jointly the "Group"). The annual report and financial statements have been prepared in accordance with the requirements of the Companies Act 2015.

1. Principal activities

The Company and the Group are involved in marketing, production and distribution of a collection of brands that range from beer, spirits to adult non-alcoholic drinks.

2. Results

The Group and Company results for the year are set out on page 66 and page 68 respectively.

3. Business review

a) Business performance

EABL reported a resilient performance and delivered solid results in a difficult trading environment in the region exacerbated by significant regulatory challenges.

Revenue delivered was Kshs 70 billion and grew by 9% compared to the prior year, with most of the growth coming from value beer and spirits categories. However this growth was offset by a decline in premium and mainstream beer categories due to the duty driven price inflation in Kenya and Uganda.

Selling and distribution expenses and administrative expenses declined by 11% and 8% respectively a consequence of the Group's continued focus on efficiency and productivity. Other expenses increased significantly due to goodwill impairment charge, indirect tax provisions and other asset write offs.

Net finance costs declined by 3% due to the lower daily average level of borrowings during the year as a result of improved liquidity. Tax expenses declined by 14% as a result of tax one offs in prior year.

The business delivered a gross profit margin of 44% and operating margin of 19%. Profit for the year from continuing operations (i.e. excluding the profit on sale of the glass business reported in the preceding year) increased by 6%.

EABL continued to invest in its future growth and in the year under review, incurred capital expenditure of Kshs 5.7 billion. The business has also announced its commitment to spend Kshs 15 billion on building a new brewery in Kisumu, Kenya in the next two years.

b) Operating environment

EABL faced a volatile operating environment in this financial year which negatively impacted the consumers' spending ability due to shrinking disposable income but also increased the costs of operations.

Economic volatility, high inflation and drought led to general softening of the market. The Group has a clear strategy to mitigate the current challenges and return the business to growth.

The increase in excise duty in Kenya in December 2015 had an ongoing impact on the current financial year as the price increase resulted in lower demand and recovery of the bottled beer segment which took longer than expected. The trajectory in the second half of the financial year was more positive, driven by extensive activations, price promotions and new innovation launches.

c) Policy and regulation

The policy and regulatory environment remains largely volatile in the region. In Kenya, we have seen continued reviews of the legal framework around alcohol consumption and advertisement where the Alcoholic Drinks Control Act was revised, newer guidelines on alcohol advertisements and outlet-opening timing were issued and enforced by various government bodies and we also saw a renewed crackdown on illicit alcohol consumption.

Tanzania saw moves towards restriction on sachets and review of on-premise alcohol consumption hours and Uganda saw reviews towards local raw materials taxation for spirits and also restriction on sachets. Despite the issuance of new and simpler rules of origin in order to ease non-tariff barriers to intra-EAC trade, there are still significant administrative challenges and the intended benefits are yet to be realised.

d) Sustainability

We believe in partnering with our communities and remain committed to advocating the role of alcohol in society and impact of harmful consumption. We therefore work to promote responsible drinking and support the World Health Organisation goal to reduce harmful consumption of alcohol by 10% by 2025. We have made commitments in this regard, undertaking responsible-drinking programmes and anti-under-age advocacy campaigns in our marketplace. Already, over 30,000 people in the alcohol sector already signed up on our responsible-drinking digital platform, demonstrating that these initiatives are increasingly successful in Kenya, Uganda and Tanzania where they will be enhanced, with expansion into our emerging markets such as Rwanda, Burundi and South Sudan in the coming year.

We have made significant progress with our Water of Life programmes with over 33,000 people benefiting from the programme during the year adding to the 5 million impacted since the inception of the programme. We will continue to invest in our communities by providing safe water and sanitation amenities, undertaking capacity building initiatives through our skills for life programme, and make valuable contributions to our value chain in the various programmes we have with our farmers.

With the current local raw materials sourcing at 80% by volume, we have engaged local farmers primarily in semi-arid areas to supply sorghum to the business. This has had a significant impact on their livelihoods with over 30,000 farmers already engaged in supply of sorghum to the brewery in Kenya to make Senator keg beer.

Our focus on reducing our environmental impact has made significant progress. Water usage has reduced from 5 litres per 1 litre of final product to 4.3 litres and energy efficiency has improved from 85% to 90% and we are working with key stakeholders on partnerships and collaborations towards impactful management of natural resources.

e) Employees

We recognise that people are integral part of the business and as such are investing in their growth and we have continually been recognised in this area. In May 2017, EABL was recognised by Federation of Kenya Employers, attaining 1st Runners up for learning & development and 2nd Runners up for work place environment.

The directors are pleased once again to record their appreciation to all the employees of the Company and its subsidiaries for the untiring effort, energy and dedication during the year.

f) Internal policy framework

EABL endeavours to ensure that it has best in class policies in the region. EABL wishes to highlight in particular the diversity, procurement and ICT policies that are in place and are constantly updated in order to incorporate current trends in the region and the fast pace of advancement in technology.

g) Related party transactions

The directors confirm that they have disclosed the Group and Company related party transactions in these financial statements.

The directors further confirm that they are not aware of any insider dealings for the year ended 30 June 2017.

h) Key contractual relationships

The business is not exposed in terms of major contracts for essential services owing to availability of secondary suppliers. However, the business has major contracts on a few essential areas such as:

- Distribution and Logistics - Bollore (K) Limited.
- Sugar – Czarnikow Kenya Limited.
- Spirits – Agro Chemicals & Food Company Limited, NCP SA and Mauritius.
- Glass – Central Glass Industries Limited, Milly Glass Limited and Misr Glass Manufacturers.
- Heavy Fuel Oil (HFO) – Cape Suppliers Limited.
- Third Party Contractors – Sheer Logic Management Consultants.

4. Dividends

The directors recommend a final dividend of Kshs 5.50 per share amounting to a total of Kshs 4,349,259,000 to be paid on or before 31 October 2017 to those members on the register at the close of business on 25 August 2017. The total dividend for the year is therefore Kshs 7.50 per share, amounting to a total of Kshs 5,930,807,000 (2016 Kshs 9,489,293,000).

In the year to 30 June 2016, regular dividend was Kshs 7.50 per share amounting to Kshs 5,930,807,000. In addition, a special dividend of Kshs 4.50 per share, amounting to Kshs 3,558,485,000, was paid out of the proceeds from disposal of the glass business.

5. Directors

The directors who held office during the year and to the date of this report are set out on page 52.

6. Auditor

Disclosures to Auditors

The directors confirm that with respect to each director at the time of approval of this report:

a. there was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
b. each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of Auditor

PricewaterhouseCoopers (PwC) continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

7. Approval of financial statements

The financial statements were approved by the board of directors on 27 July 2017.

By Order of the Board

Joyce N. Munene
Company Secretary
27 July, 2017

Ripoti ya Wakurugenzi

Wakurugenzi wakuu wanawasilisha ripoti yao ya kila mwaka pamoja na matokeo ya kifedha yaliyokaguliwa ya mwaka uliomalizikia tarehe 30 Juni 2017, ambayo yanafichua hali halisi katika kampuni ya East African Breweries Limited ('Kampuni au EABL') pamoja na tanzu zake ambapo kwa pamoja ni ('Shirika'). Ripoti hii na matokeo ya kifedha ya kila mwaka yameandaliwa kulingana na mahitaji ya makampuni ya mwaka 2015.

1. Shughuli kuu

Kampuni na shirika hili linajishughulisha na mauzo, uzalishaji na usambazaji wa bidhaa mbalimbali, ikiwa ni pamoja na bia, pombe ya mvinyo pamoja na vinywaji vya watu wazima visivyolewesha.

2. Matokeo

Matokeo ya Shirika hili na Kampuni yamewekwa wazi katika kurasa za 66 na 68 mtawalia.

3. Uchanganuzi wa kibiashara

a) Matokeo ya biashara

EABL ilitangaza matokeo ya kuridhisha katika kipindi cha mazingira magumu ya kiuchumi kwenye ukanda huu huku pakiwa pia na changamoto nyingi za kisheria.

Jumla ya mapato yalikuwa shilingi Bilioni 70, ongezeko la 9% ukilinganisha na mwaka uliotangulia, ongezeko kubwa likitoka kwa kitengo cha bia za thamani pamoja na mivinyo. Hata hivyo, ukuaji huo ulitenguliwa na kupungua kwa mauzo ya vinywaji vya thamani vya bia kutokana na ongezeko la ushuru na mfumko wa bei za bidhaa hapa nchini Kenya pamoja na taifa jirani la Uganda.

Gharama za mauzo na usambazaji pamoja na zile za usimamizi zilipungua kwa 11% na 8% mtawalia, haya yakiwa ni matokeo ya shirika kuzingatia katika nyenzo za ubora wa utendakazi na uzalishaji wa bidhaa. Gharama nyinginezo ziliongezeka kutokana na matozo ya uhifadhi wa bidhaa, masharti ya ushuru usio wa moja kwa moja pamoja na mauzo ya rasilmali zilizouzwa.

Matumizi taslimu ya kifedha yalipungua kwa 3% kutokana na kiwango cha chini cha mikopo ya wastani kila siku katika kipindi kizima cha mwaka ikiwa ni matokeo ya ongezeko la fedha. Gharama za ushuru zilipungua kwa 14% ikiwa ni matokeo ya malipo ya ushuru wa mara moja ya malipo ya mwaka uliokuwa umetangulia.

Biashara ilipata faida ya jumla ya kiwango cha 44% pamoja na kiwango cha uendeshaji wa biashara cha 19%. Faida ya mwaka ya shughuli za kila siku (ikiwa ni pamoja na, kutoshirikisha faida ya mauzo ya bidhaa za glasi iliyokuwa imetangazwa mwaka uliotangulia) iliongezeka kwa 6%.

EABL iliendelea kuwekeza katika ukuaji wake wa siku za baadaye na katika mwaka unaochanganuliwa, iliingia gharama ya mtaji wa matumizi ya shilingi Bilioni 5.7. Kampuni imetangaza azma yake ya kutumia shilingi Bilioni 15 za kujenga kiwanda cha utengenezaji wa bia huko Kisumu, Kenya katika kipindi cha miaka miwili ijayo.

b) Mazingira ya kikazi

EABL ilikumbana na mazingira magumu ya kufanyia kazi katika mwaka huu wa kifedha ambayo hatimaye yaliathiri pakubwa uwezo wa matumizi ya wateja wetu kutokana na kiwango kidogo au finyu cha mapato yao na hali kadhalika kuongezeka kwa gharama ya kufanyia kazi.

Kuyumbayumba kwa uchumi, mfumko mkubwa wa bei na kiangazi kikuu kilisababisha kudorora kwa jumla kwa masoko. Shiriki hili lina mipango na mikakati madhubuti ya kukabiliana na changamoto hizi ili kuirudisha hali halisi ya biashara yetu katika njia ya ukuaji mzuri.

Ongezeko la ushuru wa bidhaa za humu nchini mnamo Desemba 2015, liliathiri pakubwa hali ya kifedha ya mwaka huu kwani ongezeko la bei lilisababisha kupungua kwa uwezo wa wateja kununua bidhaa zetu na uthibiti wa kitengo cha bia zinazouzwa na chupa, hali iliyochukua muda mrefu kuliko ilivyokuwa imetarajiwa. Matarajio yetu katika kipindi cha pili cha nusu ya mwaka yalikuwa yenye matumaini.

c) Sera na sheria

Mazingira ya kisera na kisheria yanazidi kubakia katika hali tete kwenye ukanda huu. Nchini Kenya, tumeshuhudia marekebisho ya kila mara ya sheria kuhusu unywaji wa pombe na matangazo ya kibiashara ambapo Sheria ya Kudhibiti Vinywaji vyenye Kileo ilirekebishwa, miongozo mipya kuhusu matangazo ya biashara yanayohusu pombe na ufunguzi wa maeneo ya kuuza pombe ikatolewa na kutekelezwa na idara mbalimbali za serikali, na pia tulishuhudia msako kuhusu unywaji wa pombe haramu.

Nchini Tanzania, tuliona hatua za kuwekea pombe za viroba vikwazo na marekebisho kuhusu saa za kunywa pombe katika baa, nayo Uganda ikashuhudia ushuru kutozwa mvinyo na pia pombe za viroba kuwekewa vikwazo. Licha ya kutolewa kwa sheria mpya na nyepesi za kawaida kwa lengo la kupunguza vikwazo vya kibiashara katika biashara kati ya mataifa ya Jumuiya ya Afrika Mashariki (EAC), bado kuna changamoto za kiusimamizi licha ya kwamba manufaa yaliyotarajiwa bado hayajapatikana.

d) Uendelevu

Tunaamini katika ushirikiano na jamii yetu na hivyo tunaendelea kujitolea katika kupigania jukumu la pombe kwenye jamii na athari ya unywaji hatari wa pombe. Kwa hivyo, tunajitolea kupigia debe unywaji wa pombe wenye uwajibikaji mbali na kuunga mkono lengo la Shirika la Afya Duniani (WHO) la kupunguza unywaji hatari wa pombe kwa 10% kufikia mwaka 2025. Tumejitolea kuhusu hili kwa kuweka mipango ya kuhimiza unywaji wajibifu wa pombe na kuanza kampeni za kukataza unywaji wa pombe miongoni mwa vijana ambao hawajafikisha umri wa kuanza kunywa pombe.

Huku wadau 30,000 katika sekta ya pombe wakiwa tayari wamejisajili katika mpango wa maonyesho ya kidijitali ya kuhimiza unywaji wa pombe wenye uwajibikaji, hii ni ishara thabiti kwamba mpango huu umefaulu vyema humu nchini Kenya, Uganda na Tanzania na bila shaka pana nia ya kuuzidisha, kadhalika pana mipango ya kuupanua hadi katika masoko ibuka kama vile Rwanda, Burundi na Sudan Kusini mwaka ujao.

Tumepiga hatua kubwa katika mpango wetu wa Maji ya Uzima (Water of Life) ambapo zaidi ya watu 33,000 wamenufaika nao katika mwaka unaoangaziwa, hawa ni mbali na watu milioni 5 walionufaika kutokana na mradi huo tangu uanzishwe. Tutaendelea kuwekeza katika jamii zetu kwa kuwapa maji safi na vifaa vya kuzoa taka, kwa kutekeleza hatua za Upatiaji Nguvu kupitia tajriba yetu katika mpango wa maisha, na kutoa mchango wa thamani kwa bidhaa zetu na kutekeleza mipango mbali mbali tuliyonayo kati yetu na wakulima wetu.

Huku tukiendelea kupata 80% ya malighafi yetu kutoka humu nchini, tumewashirikisha wakulima wa humu nchini walio katika maeneo-kame kutuuzia wimbi na maweli. Hatua hii imekuwa na ufanisi kwa maisha yao ambapo zaidi ya wakulima 30,000 wanahusishwa katika biashara ya kuuzia kampuni ya Kenya maweli na wimbi kwa lengo la kutengeneza bia ya Senator keg.

Lengo letu la kupunguza athari ya biashara yetu kwa mazingira limepiga hatua nzuri. Matumizi ya maji yamepungua kutoka lita 5 kwa kila bidhaa inayotengenezwa hadi lita 1 ya bidhaa kamili mpaka kufikia lita 4.3 pamoja na kuwepo kwa matumizi bora ya nishati ambayo yameongezeka kutoka 85% hadi 90% na bado tunashirikiana na wadau wakuu kwa lengo la kusimamia vyema maliasili zetu.

e) Wafanyakazi

Tunafahamu ya kwamba watu ndio kiungo kikuu cha biashara kwani wanawekeza pakubwa katika ukuaji na tumeendelea kutambulika kwa hilo. Mnamo mwezi wa Mei 2017, EABL ilitambuliwa na Shirika la Waajiri la Kenya, kwa kuwa mshirika wa nambari 1 kwenye kitengo cha mafunzo na maendeleo na pia kuwa mshirika wa nambari 2 katika kitengo cha Mazingira ya Eneo la Kufanyia kazi.

Wakurugenzi Wakuu wanaona fahari kwa mara nyingine kutoa shukrani zao kwa wafanyakazi wote wa Kampuni hii pamoja na tanzu zake kwa bidii zao zisizokoma, kwa nguvu zao na kujitolea katika mwaka huo.

f) Mifumo ya sera za ndani

EABL inajizatiti kuhakikisha kwamba ina sera imara na madhubuti katika ukanda huu. EABL ingependa kuweka wazi suala la uanuai, mifumo ya kandarasi na sera za Teknolojia ya Habari na Mawasiliano zinazotumika kwa sasa na ambazo hubadilishwa mara kwa mara ili kuambatanisha yanayotokea katika ukanda mzima na kushirikisha teknolojia mpya inayokuwa kwa kasi.

g) Mahusiano ya kibiashara na wadau

Wakurugenzi Wakuu wa Shirika hili wanatoa hakikisho kwamba tayari wamebainisha mahusiano yetu ya kibiashara na wadau wake kwenye taarifa hizi za kifedha. Kadhalika, wakurugenzi wakuu wanahakikisha kwamba hawafahamu uhusika wowote kwao wa ndani kwa ndani wa kibiashara katika mwaka uliokamilikia Juni 30 2017.

h) Mahusiano makuu ya mikataba

Biashara yetu haiko vibaya katika kitengo cha mikataba mikubwa ya huduma muhimu kutokana na mipango ya kuwepo kwa kiwango cha pili cha wadau wa kibiashara.

Hata hivyo, ina mikataba mikubwa katika sehemu chache tu kama zilivyoorodheshwa hapo chini:

- Usambazaji na Uchukuzi – Ballore (K) Limited.
- Sukari - Czarnikow Kenya Limited.
- Mvinyo – Agro Chemicals & Food Company Limited, NCP Afrika Kusini na Mauritius.
- Glasi – Central Glass Industries Limited na Misr Glass Manufacturers.
- Heavy Fuel Oil (HFO) – Cape Suppliers Limited.
- Wasanifu wa Ziada – Sheer Logic Management Consultants.

4. Migao

Wakurugenzi wakuu wanapendekeza mgao wa mwisho wa Kshs 5.50 kwa kila hisa, hii ikiwa jumla ya Kshs 4,349,259,000 zitakazolipwa kufikia ama kabla ya tarehe 31 Oktoba 2017 hasa kwa wale wanachama waliokuwa kwenye sajili kufikia siku ya kufunga biashara ya zoezi hili mnamo tarehe 25 Agosti 2017. Hivyo basi, mgao wa jumla wa mwaka ni Kshs 7.50 kwa kila hisa, ikiwa ni jumla ya Kshs 5, 930,807,000 (2016 Kshs. 9,489,293,000).

Katika mwaka huo wa 2016, mgao wa kawaida ulikuwa Kshs 7.50 kwa kila hisa, ikiwa ni Kshs 5, 930,807,000. Zaidi ya hayo, mgao maalum wa Kshs 4.50 kwa kila hisa, ikiwa ni Kshs 3,558,485,000, uliolipwa kutokana na mapato ya mauzo ya mabaki ya biashara ya glasi.

5. Wakurugenzi wakuu

Wakurugenzi wakuu walioshikilia nyadhifa katika mwaka huo hadi siku ya kutolewa kwa ripoti hii wameorodheshwa katika ukurasa wa 52.

6. Mkaguzi wa hesabu za kifedha

Ripoti ya wakaguzi wa mahesabu

Wakurugenzi Wakuu wanathibitisha kwamba kila Mkurugenzi Mkuu kufikia wakati wa kutolewa kwa ripoti hii:

a. Kulikuwepo, kulingana na uelewa wa kila mkurugenzi, taarifa zozote muhimu za ukaguzi wa kifedha za kampuni ambazo mkaguzi wa kifedha hakuwa amepokea ; na

b. Kila Mkurugenzi Mkuu alikuwa amechukua hatua zote zilizostahili kuchukuliwa kama Mkurugenzi Mkuu ili kufahamu taarifa zote muhimu za ukaguzi wa kifedha na kuweza kutambua kwamba mkaguzi wa kifedha wa kampuni anaifahamu taarifa hiyo.

Kipindi cha uhudumu cha mkaguzi wa mahesabu ya kifedha

PricewaterhouseCoopers (PwC) inaendelea kushikilia wadhifa huo kama mkaguzi wa mahesabu ya kifedha kulingana na kifungu cha sheria za Ushirika wa Kampuni na Sehemu ya 721 ya Sheria ya Kampuni za Kenya, 2015.

Wakurugenzi wanaendelea kuchunguza ufaafu, dhima na uhuru wa mkaguzi wa mahesabu ya kifedha. Jukumu hili linahusisha uidhinishaji wa mkataba wa ushirikishwaji wa katika Ukaguzi wa Kifedha pamoja na ada zinazohusishwa kwa niaba ya wenyehisa.

7. Uidhinishaji wa taarifa za kifedha

Taarifa hizi za kifedha ziliidhinishwa na bodi ya wakurugenzi wakuu mnamo tarehe 27 Julai 2017.

Kwa Amri ya Bodi Kuu

Joyce N. Munene

Katibu wa Kampuni
27 Julai 2017

Directors' Remuneration Report

EABL's ambition is to be the best performing, most trusted and respected consumer products Company in each of the markets we operate in with significant leadership focus and investment behind delivering an ambitious talent strategy. Reward is a key enabler to this strategy – impacting our ability to attract, motivate and retain talent.

EABL is pleased to present the Director's remuneration report for the year ended 30 June 2017. This report is in compliance with the EABL's reward policy, the CMA Code of Corporate Governance Guidelines on Directors' Remuneration and the Kenya Companies Act 2015. A key provision of the Company's principles is that reward will directly support the business strategy with clear and measurable linkage to business performance.

The EABL reward system seeks to recognize the contribution individuals make to the success of the Company while reflecting the value of the roles they perform, as well as the level to which they perform them. Our approach to recognizing our Directors' contribution to the business is based on the principles of:

- Market: Our reward levels reflect the competitive market and compare favourably with relevant businesses for such skills.
- Communication: We aim to explain to everyone the component value of their total reward package and the criteria which may affect it.
- Effectiveness: We aim to seek out best practice and ensure our reward programmes remain effective for the business and individuals.
- Our reward components are reviewed regularly and are subject to external benchmarking to ensure that we continually offer fully competitive total reward packages. We are committed to ensuring reward and recognition is applied in a fair and consistent manner.

During the financial year, EABL's Board of Directors consisted of:

- 3 Executive Directors: Mr. Andrew Cowan, Dr. Gyorgy Geiszl and Mrs. Jane Karuku.
- 2 Non-Executive Directors: Mr. John O'Keeffe and Mr. Paul Gallagher.
- 6 Independent Non-Executive Directors ("INEDs"): Mr. Charles Muchene, Dr. Alan Shonubi, Mr. Japheth Katto, Mr. Nehemiah Mchechu, Dr. Martin Oduor-Otieno and Ms. Carol Musyoka.

The remuneration of the executive directors is as per negotiated employment contracts. The Non-Executive Directors do not earn any remuneration from EABL as they are members of the board as representatives of the majority shareholder. The INEDs remuneration policy has been reproduced for ease of reference and to provide context to the decisions taken during the year. There were no changes to the INEDs remuneration structure, as approved by the shareholders on 5th November 2015.

For the financial year ended 30 June 2017, the consolidated directors' fees and remuneration was Kshs 222,570,390 (2016: KShs 172,658,530).

The Company is proposing to increase the INEDs' remuneration structure during the financial year commencing 1 July 2017 by a consolidated fee of approximately Kshs 20,142,927 pursuant to a detailed benchmarking exercise performed against comparable peer organisations.

Independent Non-Executive Directors' remuneration policy and framework

EABL offers a selection of financial and non-financial reward and benefits. The precise nature of these is subject to ongoing review and may be amended from time to time, taking into account market practice.

The list of the reward components is as follows:

1. **Retainer fees**

   This will be competitive taking into account market rates of pay. Fees are reviewed every two years after a survey of prevailing market movements. Any increases will be determined in accordance with the business' ability to fund the increase. Retainer fees are paid on a monthly basis.

2. **Attendance fees**

   Independent Non-Executive Directors will be paid an attendance fee in recognition of the time spent attending EABL Board or Committee meetings as well as meetings for the Subsidiary Companies. These are also benchmarked on market rates and trends.

3. **Insurance cover**

   EABL will provide professional indemnity insurance for all the Non-Executive Directors in line with best practice in the market.

4. Product allowance

Non-Executive Directors' are eligible to receive a discretionary choice from a select product range to enable them experience the group's brands first hand. This is based on one crate of beer or its equivalent in spirits accessed once a month. There is no cash alternative to product allowance and it is not a contractual benefit.

The Company values the continued dialogue with EABL's shareholders and engages directly with them when making any revisions to the INEDs remuneration package.

By Order of the Board

Joyce N. Munene
Company Secretary
27 July 2017

Statement of Directors' Responsibilities

The Kenyan Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; disclose with reasonable accuracy at any time the financial position of the company; and that enables them to prepare financial statements of the company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act 2015. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act 2015. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

(ii) Selecting suitable accounting policies and then apply them consistently; and

(iii) Making judgements and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

The Group's statement of financial position indicates a net current assets position of Kshs 150,887,000 (2016: net current liabilities of Kshs 6,413,141,000). As at 30 June 2017, the Group's current ratio was at 1.01 against 0.77 as at 30 June 2016. The Group had undrawn funding available as at 30 June 2017 of Kshs 11 billion.

To further satisfy ourselves as to the going concern of the Group, we have undertaken a detailed funding assessment including a debt maturity analysis. Based on the outcome of this exercise we have concluded that the Group will generate/access sufficient funds to meet all its obligations over the next twelve month period from the date of this report. We have also reviewed all our borrowing financial covenants and confirm to be compliant.

As explained in Note 2(a)(ii) we find it appropriate to continue to prepare these financial statements on a going concern basis.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 27 July 2017 and signed on its behalf by:

Mr. Andrew Cowan	**Dr. Gyorgy Geiszl**
Director	**Director**

Report of the independent auditor to the shareholders of East African Breweries Limited

Report on the audit of the consolidated financial statements

Our opinion

We have audited the accompanying consolidated financial statements of East African Breweries Limited (the Company) and its subsidiaries (together, the Group) set out on pages 66 to 123, which comprise the consolidated statement of financial position at 30 June 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the separate statement of financial position of the Company at 30 June 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of East African Breweries Limited give a true and fair view of the financial position of the Group and the Company at 30 June 2017, and of the Group and Company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of goodwill
At 30 June 2017, the Group had goodwill of Kshs 2.8 billion, net of an impairment charge of Kshs 285 million, arising from acquisition of subsidiaries in prior years. In line with the accounting policy on intangible assets in Note 2 (i) to the financial statements, goodwill is tested for impairment on an annual basis. The determination of recoverable amount using value-in-use models requires judgement on the part of management in both identifying and then valuing the relevant cash generating units (CGUs). Recoverable amounts are based on management's view of variables and market conditions such as future selling prices and sales volume growth rates, the timing of future operating expenditure, and the most appropriate discount and long term growth rates.

As shown in Note 24, an impairment charge of Kshs 285 million was recognised in respect of goodwill in the year, due to challenging trading conditions in one of the CGUs.

We focused on goodwill impairment assessment because the value-in-use calculations involve significant judgment about the future performance of the CGUs, whose variations could result in material differences in the outcomes of the assessment.</td><td>We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the CGUs, industry-specific reports and the macro economic outlook.

Our audit procedures included challenging management on the appropriateness of the impairment model and reasonableness of the assumptions through performing the following:

• benchmarking key market-related assumptions in the models, including discount rates, long term growth rates and foreign exchange rates, against external data and assessing the reliability of cash flow forecasts through a review of actual past performance and comparison to previous forecasts;
• testing the mathematical accuracy and performing sensitivity analyses of the models.

We assessed the appropriateness and completeness of the related disclosures in Note 24 of the group financial statements, including the adequacy of the sensitivity analysis disclosures.</td></tr>
<tr><td>Contingent liabilities for legal claims and tax matters
As explained in Note 31 of the group financial statements, the Group is subject to various legal, customs, duty, excise and other tax claims.

Directors make certain judgements as to the likely outcome of these matters for purposes of calculating any potential liabilities. The outcome of these claims could be materially different from the directors' judgement.</td><td>Our audit focused on assessing the reasonableness of the Directors' judgements in relation to unresolved legal, customs, duty, excise and other tax claims. In particular, our procedures included the following:

• where relevant, reading external legal advice obtained by management;
• discussing open matters and developments with the group legal counsel and management;
• challenging management's analysis which sets out the basis of the exposures; and
• obtaining direct confirmation from the Group's external legal counsel of the estimated financial exposure.

As explained in Note 31 to the financial statements, since the settlement of these matters is subject to future negotiations and legal proceedings, the calculations of the provisions are subject to inherent uncertainty. In our view, the provisions were within a reasonable range of outcomes in the context of that uncertainty. We evaluated whether the disclosures within the financial statements appropriately address any significant uncertainties that exist around determining the provisions.</td></tr>
</table>

Report of the independent auditor to the shareholders of East African Breweries Limited (continued)

Other information

The directors are responsible for the other information. The other information comprise the annual report (but does not include the consolidated financial statements and our auditor's report thereon), a draft of which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015, 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters as prescribed by the Kenyan Companies Act, 2015

In our opinion, the information given in the report of the directors on pages 53-55 is consistent with the financial statements.
The engagement partner on the audit resulting in this independent auditor's report is FCPA Anne Eriksson – P/No. 772.

Certified Public Accountants

pwc

27 July, 2017

PricewaterhouseCoopers CPA. PwC Tower,
Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001
www.pwc.com/

Consolidated statement of profit or loss

		Year ended 30 June	
	Note	2017	2016
		Kshs '000	Kshs '000
Revenue	6(a)	70,247,065	64,322,220
Cost of sales	7(a)	(39,116,742)	(32,110,383)
Gross profit		**31,130,323**	**32,211,837**
Selling and distribution costs	8	(5,375,078)	(6,058,859)
Administrative expenses	9(a)	(8,249,140)	(9,006,258)
Other (expenses)/income, net	10(a)	(1,025,056)	(262,539)
Finance income	13(a)	81,686	280,738
Finance costs	13(a)	(3,255,402)	(3,545,979)
Profit before income tax	11	**13,307,333**	**13,618,940**
Income tax expense	14(a)	(4,792,765)	(5,597,555)
Profit for the year from continuing operations		**8,514,568**	**8,021,385**
Profit from discontinued operations, net of tax	16	-	2,249,428
Profit for the year		**8,514,568**	**10,270,813**
Profit attributable to:			
Equity holders of the company		7,677,032	9,650,707
Non controlling interest	19	837,536	620,106
Profit for the year		**8,514,568**	**10,270,813**
Earnings per share			
-Basic (Kshs per share)	17	9.71	12.20
-Diluted (Kshs per share)	17	9.71	12.20
Earnings per share - continuing operations			
-Basic (Kshs per share)	17	9.71	9.36
-Diluted (Kshs per share)	17	9.71	9.36
Earnings per share - discontinuing operations			
-Basic (Kshs per share)	17	-	2.84
-Diluted (Kshs per share)	17	-	2.84

The notes on pages 77 to 123 are an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 30 June	
	2017	2016
	Kshs '000	Kshs '000
Profit for the year	**8,514,568**	**10,270,813**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Exchange differences from translation of net foreign operations	(788,612)	(2,177,026)
Total comprehensive income for the year	**7,725,956**	**8,093,787**
Total comprehensive income for the year attributable to:		
Equity holders of the Company	7,032,965	7,477,159
Non-controlling interest	692,991	616,628
Total comprehensive income for the year	**7,725,956**	**8,093,787**

The notes on pages 77 to 123 are an integral part of these financial statements.

Company statement of profit or loss and other comprehensive income

		Year ended 30 June	
		2017	**2016**
	Note	**Kshs '000**	**Kshs '000**
Revenue	6(b)	7,549,884	3,192,125
Cost of sales	7(b)	(2,595,378)	(266,950)
Gross profit		**4,954,506**	**2,925,175**
Selling and distribution costs	8	(15,395)	-
Administrative expenses	9(b)	(1,893,385)	(2,495,208)
Other (expenses)/income, net	10(b)	(904,767)	2,725,948
Finance income	13(b)	1,619,077	1,862,705
Finance costs	13(b)	(4,019,349)	(4,778,835)
Dividend income		9,723,594	10,103,583
Profit before income tax	**11**	**9,464,281**	**10,343,368**
Income tax credit/(expense)	14(b)	557,722	(205,779)
Profit for the year		**10,022,003**	**10,137,589**
Profit for the year		10,022,003	10,137,589
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**10,022,003**	**10,137,589**

The notes on pages 77 to 123 are an integral part of these financial statements.

Consolidated statement of financial position

		As at 30 June	
	Note	2017	2016
		Kshs '000	Kshs '000
Equity attributable to owners of the Company			
Share capital	18	1,581,547	1,581,547
Share premium	18	1,691,151	1,691,151
Translation reserve		(2,571,084)	(1,927,017)
Proposed dividends		4,349,259	4,349,259
Retained earnings		7,334,700	5,588,475
		12,385,573	**11,283,415**
Non-controlling interest	19	(397,403)	(416,169)
Total equity		**11,988,170**	**10,867,246**
Non-current liabilities			
Deferred tax liabilities	21(a)	5,095,988	5,240,593
Borrowings	34(a)	27,488,274	21,473,594
Finance lease liabilities	20	110,166	132,753
		32,694,428	**26,846,940**
Total equity and non-current liabilities		**44,682,599**	**37,714,186**
Non-current assets			
Property, plant and equipment	22(a)	37,317,446	35,606,808
Intangible assets – Software	23(a)	562,815	422,611
Intangible assets – Goodwill	24(a)	2,839,319	3,577,191
Intangible assets – Brand	24(b)	482,562	563,005
Prepaid operating lease rentals	25(a)	14,992	10,309
Other investments	27	10,000	10,000
Deferred tax assets	21(a)	3,304,578	3,937,403
		44,531,712	**44,127,327**
Current assets			
Inventories	28	7,473,094	8,131,242
Trade and other receivables	29(a)	9,928,000	11,572,146
Current income tax		826,033	631,827
Cash and bank balances	33(b)	3,907,473	1,221,066
		22,134,600	**21,556,281**

Continued in page 70

Consolidated statement of financial position (continued)

		As at 30 June	
	Note	2017	2016
		Kshs '000	Kshs '000
Current liabilities			
Trade and other payables	30(a)	20,814,011	21,847,760
Dividends payable	15	487,109	873,588
Finance lease liabilities	20	93,228	72,918
Bank overdraft	33(b)	589,366	5,175,156
		21,983,714	**27,969,422**
Net current assets / (liabilities)		**150,886**	**(6,413,141)**
		44,682,598	**37,714,186**

The financial statements on pages 66 to 123 were approved for issue by the board of directors on 27 July 2017 and signed on its behalf by:

Mr. Andrew Cowan

Director

Dr. Gyorgy Geiszl

Director

The notes on pages 77 to 123 are an integral part of these financial statements.

Company statement of financial position

		At 30 June	
		2017	2016
	Note	Kshs '000	Kshs '000
Equity attributable to owners of the company			
Share capital	18	1,581,547	1,581,547
Share premium	18	1,691,151	1,691,151
Proposed dividends		4,349,259	4,349,259
Retained earnings		12,516,751	8,425,555
Total equity		**20,138,708**	**16,047,512**
Non-current liabilities			
Borrowings	34(b)	26,969,236	20,969,236
Total equity and non-current liabilities		**47,107,944**	**37,016,748**
Non-current assets			
Property, plant and equipment	22(b)	384,424	661,727
Prepaid operating lease rentals	25(b)	1,124	1,195
Intangible assets – Software	23(b)	282,544	272,628
Investment in subsidiaries	26	29,053,977	29,053,977
Other investments	27	10,000	10,000
Long-term receivables from group companies	35(b)	20,436,978	16,675,565
Deferred income tax	21(b)	1,424,232	1,652,631
		51,593,279	**48,327,723**
Current assets			
Inventories		33,958	2,594
Trade and other receivables	29(b)	5,862,696	8,662,668
Current income tax		1,203,598	1,084,935
Cash and bank balances	33(b)	1,927,851	35,437
		9,028,103	**9,785,634**
Current liabilities			
Trade and other payables	30(b)	13,025,960	15,168,022
Dividends payable	15	487,109	873,588
Bank overdraft	33(b)	369	5,054,999
		13,513,438	**21,096,609**
Net current liabilities		**(4,485,335)**	**(11,310,975)**
		47,107,944	**37,016,748**

The financial statements on pages 66 to 123 were approved for issue by the board of directors on 27 July 2017 and signed on its behalf by:

Mr. Andrew Cowan
Director

Dr. Gyorgy Geiszl
Director

The notes on pages 77 to 123 are an integral part of these financial statements.

Consolidated statement of changes in equity

Year ended 30 June 2017	Share capital	Share premium	Translation reserves	Proposed dividends	Retained earnings	Total	Non-controlling interest	Total equity
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2016	1,581,547	1,691,151	(1,927,017)	4,349,259	5,588,475	**11,283,415**	(416,169)	**10,867,246**
Total comprehensive income								
Profit for the year	-	-	-	-	7,677,032	**7,677,032**	837,536	**8,514,568**
Other comprehensive income	-	-	(644,067)	-	-	**(644,067)**	(144,545)	**(788,612)**
Total comprehensive income for the year	**-**	**-**	**(644,067)**	**-**	**7,677,032**	**7,032,965**	**692,991**	**7,725,956**
Transactions with owners of the company								
Dividends:								
- Proposed final for 2017	-	-	-	4,349,259	(4,349,259)	**-**	-	**-**
- Interim for 2017	-	-	-	-	(1,581,548)	**(1,581,548)**	-	**(1,581,548)**
- Final for 2016	-	-	-	(4,349,259)	-	**(4,349,259)**	(674,225)	**(5,023,484)**
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**(5,930,807)**	**(5,930,807)**	**(674,225)**	**(6,605,031)**
At 30 June 2017	**1,581,547**	**1,691,151**	**(2,571,084)**	**4,349,259**	**7,334,700**	**12,385,573**	**(397,403)**	**11,988,170**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The notes on pages 77 to 123 are an integral part of these financial statements.

Consolidated statement of changes in equity (continued)

Year ended 30 June 2016	Share capital	Share premium	Translation reserves	Proposed dividends	Retained earnings	Total	Non-controlling interest	Total equity
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2015	1,581,547	1,691,151	246,531	4,744,645	5,427,061	**13,690,935**	(337,752)	**13,353,183**
Total comprehensive income								
Profit for the year	-	-	-	-	9,650,707	**9,650,707**	620,106	**10,270,813**
Other comprehensive income	-	-	(2,173,548)	-	-	**(2,173,548)**	(3,478)	**(2,177,026)**
Total comprehensive income for the year	**-**	**-**	**(2,173,548)**	**-**	**9,650,707**	**7,477,159**	**616,628**	**8,093,787**
Transactions with owners of the company								
Dividends:								
- Proposed final for 2016	-	-	-	4,349,259	(4,349,259)	**-**	-	**-**
- Special dividend for 2016	-	-	-	-	(3,558,485)	**(3,558,485)**	-	**(3,558,485)**
- Interim for 2016	-	-	-	-	(1,581,549)	**(1,581,549)**	-	**(1,581,549)**
- Final for 2015	-	-	-	(4,744,645)	-	**(4,744,645)**	(695,045)	**(5,439,690)**
Total transactions with owners of the company	**-**	**-**	**-**	**(395,386)**	**(9,489,293)**	**(9,884,679)**	**(695,045)**	**(10,579,724)**
At 30 June 2016	**1,581,547**	**1,691,151**	**(1,927,017)**	**4,349,259**	**5,588,475**	**11,283,415**	**(416,169)**	**10,867,246**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The notes on pages 77 to 123 are an integral part of these financial statements.

Company statement of changes in equity

	Share capital	Share premium	Proposed dividends	Retained earnings	Total equity
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2017					
At 1 July 2016	1,581,547	1,691,151	4,349,259	8,425,555	**16,047,512**
Total comprehensive income for the year	-	-	-	10,022,003	**10,022,003**
Transactions with owners of the Company:					
Dividends:					
- Proposed final for 2017	-	-	4,349,259	(4,349,259)	**-**
- Interim for 2016	-	-	-	(1,581,548)	**(1,581,548)**
- Final for 2016	-	-	(4,349,259)	-	**(4,349,259)**
Total transactions with owners	-	-	-	(5,930,807)	**(5,930,807)**
At 30 June 2017	**1,581,547**	**1,691,151**	**4,349,259**	**12,516,751**	**20,138,708**
Year ended 30 June 2016					
At 1 July 2015	1,581,547	1,691,151	4,744,645	7,777,259	**15,794,602**
Total comprehensive income for the year	-	-	-	10,137,589	**10,137,589**
Transactions with owners of the Company:					
Dividends:					
- Proposed final for 2016	-	-	4,349,259	(4,349,259)	**-**
- Special dividend for 2016	-	-	-	(3,558,485)	**(3,558,485)**
- Interim for 2016	-	-	-	(1,581,549)	**(1,581,549)**
- Final for 2015	-	-	(4,744,645)	-	**(4,744,645)**
Total transactions with owners	-	-	(395,386)	(9,489,293)	**(9,884,679)**
At 30 June 2016	**1,581,547**	**1,691,151**	**4,349,259**	**8,425,555**	**16,047,512**

The notes on pages 77 to 123 are an integral part of these financial statements.

Consolidated statement of cash flows

		Year ended 30 June	
	Notes	2017	2016
		Kshs '000	Kshs '000
Operating activities			
Cash generated from operations	33(a)	21,523,606	27,934,402
Interest received	13(a)	81,686	280,738
Interest paid	13(a)	(3,255,402)	(3,545,979)
Income tax paid		(4,435,419)	(6,091,926)
Net cash generated from operating activities		**13,914,471**	**18,577,235**
Investing activities			
Purchase of property, plant and equipment	22(a)	(5,667,577)	(4,870,101)
Purchase of intangible assets - software	23(a)	(31,388)	(147,435)
Proceeds from disposal of property, plant and equipment		1,031,397	208,000
Proceeds from disposal of subsidiary		-	3,479,592
Net cash used in investing activities		**(4,667,568)**	**(1,329,944)**
Financing activities			
Dividends paid to Company's shareholders	15	(6,317,286)	(9,625,960)
Dividends paid to non-controlling interests		(674,255)	(695,045)
Proceeds from borrowings - Medium term note	34(a)	6,000,000	4,994,446
- Short term loan	34(a)	2,500,000	-
Loan repayments	34(a)	(2,500,000)	(12,898,623)
Net cash used in financing activities		**(991,541)**	**(18,225,182)**
Net increase / (decrease) in cash and cash equivalents		**8,255,362**	**(977,891)**
Movement in cash and cash equivalents			
At start of year		(3,954,090)	(1,391,898)
Foreign exchange impact of translation		(983,165)	(1,584,301)
Net increase / (decrease) during the year		8,255,362	(977,891)
Cash and cash equivalents at end of year	**33(b)**	**3,318,107**	**(3,954,090)**

The notes on pages 77 to 123 are an integral part of these financial statements.

Company statement of cash flows

		Year ended 30 June	
	Notes	2017	2016
		Kshs '000	Kshs '000
Operating activities			
Cash (used in)/generated from operations	33(a)	(235,712)	10,328,503
Interest received	13(b)	1,619,077	1,862,705
Interest paid	13(b)	(4,019,349)	(4,778,835)
Income tax paid		(118,663)	(1,606,776)
Net cash (used in)/generated from operating activities		**(2,754,647)**	**5,805,597**
Investing activities			
Purchase of property, plant and equipment	22(b)	(377,026)	(262,144)
Purchase of intangible assets	23(b)	(7,607)	-
Proceeds from disposal of property and equipment		1,271,650	178,000
Proceeds from disposal of subsidiary		-	3,479,592
Net investment loans to subsidiaries		(591,634)	(4,557,674)
Dividends received from subsidiaries		9,723,594	10,103,583
Net cash generated from investing activities		**10,018,977**	**8,941,357**
Financing activities			
Dividends paid to Company's shareholders	15	(6,317,286)	(9,625,960)
Proceeds from borrowings - Medium term note	34(b)	6,000,000	4,500,000
- Short term loan	34(b)	2,500,000	-
Loan repayments	34(b)	(2,500,000)	(11,715,761)
Net cash used in financing activities		**(317,286)**	**(16,841,721)**
Net increase/(decrease) in cash and cash equivalents		**6,947,044**	**(2,094,767)**
Movement in cash and cash equivalents			
At start of year		(5,019,562)	(2,924,795)
Net increase/(decrease) during the year		6,947,044	(2,094,767)
At end of year	33(b)	**1,927,482**	**(5,019,562)**

The notes on pages 77 to 123 are an integral part of these financial statements.

Notes

1. General information

East African Breweries Limited is incorporated as a limited liability company in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The address of its registered office and principal place of business is as follows:

East African Breweries Limited
Corporate Centre, Ruaraka
P.O Box 30161
00100 Nairobi GPO

The consolidated financial statements for the Company as at 30 June 2017 and for the year then ended comprise the Company and the subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in manufacturing, marketing and sale of drinks, malt and barley. The Company's shares are listed on the Nairobi Securities Exchange, Dar es Salaam Stock Exchange and Uganda Stock Exchange.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit or loss account by the income statement, in these financial statements.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

(i) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Kenyan Companies Act. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

(ii) Going Concern

The Group's statement of financial position indicates a net current assets position of Kshs 150,887,000 (2016: net current liabilities of Kshs 6,413,141,000). As at 30 June 2017, the Group's current ratio was at 1.01 against 0.77 as at 30 June 2017. The Group had undrawn funding available as at 30 June 2017 of Kshs 11 billion as disclosed on note 34.

To further satisfy themselves as to the going concern of the Group management have undertaken a detailed funding assessment including a debt maturity analysis. Based on the outcome of this exercise it was concluded that the Group would generate/access sufficient funds to meet all its obligations over the next twelve month period from the date of the financial statements. Management have also reviewed all borrowing financial covenants and confirm them to be compliant.

(iii) Functional and presentation currency

The financial statements are presented in Kenyan Shillings (Kshs) which is the Company's functional currency. All financial information presented in Kenyan Shillings have been rounded to the nearest thousand except when otherwise indicated. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency) except where otherwise indicated.

(iv) Use of judgement and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(v) New and amended standards adopted by the Company

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 July 2016:

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

Notes (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New and amended standards adopted by the Company (continued)

- Notes – confirmation that the notes do not need to be presented in a particular order.
- Other comprehensive income ('OCI') arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for de recognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

Amendment to IAS 27, 'Separate financial statements' on equity accounting'. The IASB has made amendments to IAS 27 Separate Financial Statements, effective 1 January 2016, which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

Amendments to IFRS 11 'Joint arrangements' of acquisition of a joint operation: The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

This includes:

- measuring identifiable assets and liabilities at fair value
- expensing acquisition-related costs
- recognising deferred tax, and
- recognising the residual as goodwill, and testing this for impairment annually.

Existing interests in the joint operation are not re-measured on acquisition of an additional interest, provided joint control is maintained.

The amendments also apply when a joint operation is formed and an existing business is contributed.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38 'Intangible Assets' on depreciation and amortisation: The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New and amended standards adopted by the Company (continued)

- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

Amendments made to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associates and joint ventures' clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

(vi) New standards and interpretations early adopted

Amendment to IAS 12 'Recognition of Deferred Tax Asset for Unrealised Losses' - Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The amendment to IAS 12 is effective 1 January 2017. The adoption of this amendment did not have a material impact on the Company's financial statements.

(vii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is assessing IFRS 9's full impact.

Notes (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(vii) New standards and interpretations not yet adopted (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 11,,Joint arrangements'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The effective date for the adoption of this standard has been deferred indefinitely.

Annual improvements 2014. These set of amendments, effective 1 January 2016, impact 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiaries. A subsidiary is an entity controlled by East African Breweries Limited. Control is the power to direct the relevant activities of the subsidiary that significantly affects the subsidiary's return so as to have rights to the variable return from its activities.

Where the group has the ability to exercise joint control over an entity but has rights to specified assets and obligations for liabilities of that entity, the entity is consolidated on the basis of the group's rights over those assets and liabilities.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Investments in subsidiaries are accounted for at cost in the company's financial statements.

(ii) Non-controlling interest ('NCI')

NCI are measured at their proportionate share of the acquired identifiable net assets at the acquisition date.

(iii) Balances and transactions eliminated at consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued form the start of the comparative year.

2. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), excises, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

- Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured.
- Dividend income is recognised as income in the period in which the right to receive payment is established.
- Royalty income is recognised based on agreed rates applied on net sales value of the related products.
- Management fee is recognised based on actual costs plus an agreed mark up.

(e) Finance income and costs

Finance income comprises interest income and foreign exchange gains that relate to borrowings and cash and cash equivalents. Interest income is recognised in profit or loss on a time proportion basis using the effective interest method.

Finance costs comprise interest expense and foreign exchange losses that relate to borrowings and cash and cash equivalents. Interest expense is recognised in profit or loss using the effective interest method.

All other foreign exchange gains and losses are presented in profit or loss within 'other income'.

(f) Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Consolidation of group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to Non-controlling interest (NCI).

- Finance costs comprise interest expense and foreign exchange losses that relate to borrowings and cash and cash equivalents. Interest income is recognised in profit or loss using the effective interest method.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale.

If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into presentational currency at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentational currency at spot exchange rates at the dates of the transactions.

(g) Hyperinflation

The South Sudan economy has been classified as hyperinflationary from 1 July 2016. Accordingly, the results, cash flows and financial position of East African Breweries (South Sudan) Limited have been expressed in terms of the measuring unit current at the reporting date. The results, cash flows and financial position have also been expressed in terms of the measuring unit current at the reporting date.

Notes (continued)

2. Summary of significant accounting policies (continued)

(g) Hyperinflation (continued)

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year.

The group has not adjusted the current year amounts for changes in the price level or exchange rates as the impact has been assessed by management not to be material (Note 3).

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure on assets under construction is charged to work in progress until the asset is brought into use.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated on a straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	25 years or unexpired period of lease if less than 25 years
Plant, equipment, furniture and fittings	5 – 33 years
Motor vehicles	4 – 5 years
Returnable packaging	10 – 15 years

Freehold land and capital work in progress is not depreciated.

Depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted if appropriate.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the profit or loss.

(i) Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of the software from the date that they are available for use. The estimated useful life is three to five years.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(iii) Brands

Brands acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Brands are considered to have an indefinite economic life because of the institutional nature of the brands and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

(j) Financial instruments

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. These are classified as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables comprise trade and other receivables, cash and bank balances and balances with related parties.

These are measured at amortised cost using the effective interest method, less any impairment losses.

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are recognised on the date the Group becomes party to the contractual provisions of the instruments. Other financial liabilities are initially recognised at fair value less any directly

2. Summary of significant accounting policies (continued)

(j) Financial instruments (continued)

(i) Intangible assets (continued)

attributable transaction costs. These include trade and other payables, loans and borrowings and intercompany balances. Other financial liabilities are measured at amortized cost.

(ii) Recognition

The Group recognizes loans and receivables on trade date. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

All other financial instruments are recognised on the trade date which is the date on which the Group becomes party to the contractual provisions of the instrument.

(iii) Measurement

Financial instruments are measured initially at fair value. In the case of financial instruments not at fair value, these are measured through profit or loss less applicable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Other financial liabilities are measured at amortised cost.

(iv) De-recognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(k) Leases

(i) Finance leases

Leases of equipment, including hire purchase contracts where the Group assumes substantially all the risks and rewards incident to ownership, are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. The finance cost is charged to the profit or loss account in the year in which it is incurred. Equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

(ii) Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised to the profit or loss account on a straight line basis over the term of the lease.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average method and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods, work in progress and raw materials comprises an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(m) Employee benefits

(i) Retirement benefits obligations

The Group operates defined contribution retirement benefit schemes for some of its employees. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Funds, which are defined contribution schemes.

The Group's contributions to the defined contribution schemes are recognised in the profit or loss in the year to which they relate. The Company has no further obligation once the contributions have been paid.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation and any adjustment to tax payable or receivable in respect of previous years. The current tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. A tax rate reconciliation that reconciles the notional taxation charge as calculated at the Kenya tax rate, to the actual total tax charge is prepared on a materiality basis. As a group operating in multiple countries, the actual tax rates applicable to profits in some of countries are different from the Kenya tax rate.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(o) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

(p) Segmental reporting

Segment information is presented in respect of the Group's geographical segments, which is the primary format and is based on the countries in which the Group operates. The Group has no distinguishable significant business segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis.

(q) Impairment

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost such as trade and other receivables is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are

2. Summary of significant accounting policies (continued)

(q) Impairment (continued)

Impairment of non-financial assets (continued)

discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment of loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(r) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits held at call with the banks net of bank overdrafts.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

(u) Other investments

Other investments are measured at cost.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of goodwill and other indefinite lived intangible assets (brand)

Assessment of the recoverable value of an intangible assets, the useful economic life of an asset, or that an asset has an indefinite life, requires management judgement. The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(q). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations as stated in Note 24.

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Disclosures on contingent liabilities with respect to tax are included in note 31.

(iii) Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(h) above. Directors also apply estimates in determining the existence of returnable packaging materials.

(iv) Non-controlling interest ("NCI")

Critical estimates are made by the Directors in determining control of a subsidiary for measurement of NCI. NCI are measured at their proportionate share of the acquired identifiable net assets at the acquisition date.

(b) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining whether assets are impaired based on the annual fixed assets verification exercise.

4. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk, changes in debt and equity market prices, foreign currency exchange rates, liquidity risk and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise

Notes (continued)

4. Financial risk management objectives and policies (continued)

potential adverse effects on its financial performance. This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

East African Breweries Limited has established a risk management committee made up of senior management which is responsible for developing and monitoring the Group's risk management policies which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has established controls and compliance function, which carries out regular and ad hoc reviews of risk management controls and procedures. The results are reported to senior management.

Market risk

i. Foreign exchange risk

Foreign currency risk arises on sales, purchases and borrowings denominated in currencies other than Kenya Shillings. Receipts of foreign currency denominated debtors finance repayments of foreign currency denominated borrowings. Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for transactions in foreign currency.

A 5 % strengthening of the Kenya shilling against the following currencies at 30 June would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis was performed on the same basis for 2016.

	Group	**Profit or loss/equity**	
	As at 30 June	**2017**	**2016**
		KShs'000	**KShs'000**
GBP	Sterling pound (GBP)	1,509,924	596,417
USD	US Dollar (USD)	890,380	74,111
UGX	Ugandan shillings (UGX)	100,632	79,770
EUR	Euro (EUR)	99,865	(35,844)
ZAR	South African Rand (ZAR)	1,939	(250)
TZS	Tanzanian Shillings (TZS)	1,147	18,287
SSP	South Sudanese pound (SSP)	-	(7)
AUD	Australian Dollar (AUD)	-	(263)
		2,603,887	**732,221**

	Company	**Profit or loss/equity**	
	As at 30 June	**2017**	**2016**
		Kshs'000	**Kshs'000**
GBP	Pound Sterling (GBP)	1,527,954	46,137
USD	US Dollar (USD)	895,970	46,637
UGX	Ugandan Shilling (UGX)	99,673	75,624
EUR	EURO (EUR)	114,390	(3,477)
TZS	Tanzanian Shilling (TZS)	-	18,574
SSP	South Sudanese Pound (SSP)	1,209	(3)
AUD	Australian Dollar (AUD)	-	(22)
		2,639,196	**183,470**

4. Financial risk management objectives and policies (continued)

ii. Price risk

The Company does not hold any financial instruments subject to price risk.

iii. Interest rate risk

The Group's interest bearing financial assets and financial liabilities include bank loans, bank overdrafts and related party borrowings. These are at various rates, and they are therefore exposed to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. As at 30 June 2017, an increase/decrease of 1 percentage point would have resulted in a decrease/increase in profit for the year of Kshs 31,737,000 (2016: Kshs 32,652,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the finance director, except for credit risk relating to accounts receivable balances. The credit controller is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Group does not have any significant concentrations of credit risk. For trade receivables, the credit controller assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group does not grade the credit quality of receivables. Individual risk limits are set based on internal ratings in accordance with limits set by the board. The utilisation of credit limits is monitored regularly.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates.

The Group manages credit risk by requiring the customers to provide financial guarantee contracts.

None of the above assets are either past due or impaired except for the following amounts in trade receivables. The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default.

Notes (continued)

4. Financial risk management objectives and policies (continued)

Credit risk (continued)

The ageing analysis of these trade receivables is as follows:

Group	2017	2016
	Kshs'000	Kshs'000
Not due,	4,775,144	7,855,747
Past due but not impaired:		
-by up to 30 days	2,607,949	1,488,401
-by 31 to 120 days	1,872,054	1,253,331
-over 121 days	327,210	619,008
Trade and other receivables	**9,582,357**	**11,216,487**
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	956,840	784,055
Provision for impairment loss	(956,840)	(784,055)
Net carrying amount	**9,582,357**	**11,216,487**

Company		
Not due,	3,670,799	6,805,013
Past due but not impaired:		
-by upto 30 days	2,016,411	1,757,298
-by 31 to 120 days	175,486	91,465
Trade and other receivables	**5,862,696**	**8,653,776**
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	-	-
Provision for impairment loss	-	-
Net carrying amount	**5,862,696**	**8,653,776**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

4. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cashflows.

At 30 June 2017:

Group	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Borrowings	-	43,224	-	15,975,814	-	16,019,038
Related party borrowings	-	-	-	-	11,469,236	11,469,236
Bank overdrafts	-	589,366	-	-	-	589,366
Trade and other payables	3,060,871	17,753,140	-	-	-	20,814,011
Dividend payable	487,110	-	-	-	-	487,110
Finance lease	-	93,228	110,166	-	-	203,394
	3,547,981	**18,478,958**	**110,166**	**15,975,814**	**11,469,236**	**49,582,155**

Company	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Borrowings	-	-	-	15,500,000	-	15,500,000
Related party borrowings	-	-	-	-	11,469,236	11,469,236
Bank overdrafts	-	369	-	-	-	369
Trade and other payables	5,570,972	7,454,988	-	-	-	13,025,960
Dividend payable	487,110	-	-	-	-	487,110
	6,058,082	**7,455,357**	**-**	**15,500,000**	**11,469,236**	**40,482,675**

At 30 June 2016:

Group	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Borrowings	-	143,847	-	9,860,511	11,469,236	21,473,594
Bank overdrafts	-	5,175,156	-	-	-	5,175,156
Trade and other payables	570,437	21,489,953	-	-	-	22,060,390
Dividend payable	873,588	-	-	-	-	873,588
Finance lease	-	72,918	59,835	-	-	132,753
	1,444,025	**26,881,874**	**59,835**	**9,860,511**	**11,469,236**	**49,715,481**

Company	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Borrowings	-	-	-	9,500,000	11,469,236	20,969,236
Bank overdrafts	-	5,054,999	-	-	-	5,054,999
Trade and other payables	1,339,822	13,828,200	-	-	-	15,168,022
Dividend payable	873,588	-	-	-	-	873,588
	2,213,410	**18,883,199**	**-**	**9,500,000**	**11,469,236**	**42,065,845**

Notes (continued)

4. Financial risk management objectives and policies (continued)

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

Group	2017	2016
	Kshs'000	Kshs'000
Total borrowings (Note 34)	28,077,640	26,648,750
Less: cash and bank balances (Note 33(b))	(3,907,473)	(1,221,066)
Net debt	**24,170,167**	**25,427,684**
Total equity	11,988,171	10,867,246
Total capital	**36,158,338**	**36,294,930**
Gearing ratio	**66.85%**	**70.06%**

Company	2017	2016
	Kshs'000	Kshs'000
Total borrowings (Note 34)	26,969,605	26,024,235
Less: cash and bank balances (Note 33(b))	(1,927,851)	(35,437)
Net debt	**25,041,754**	**25,988,798**
Total equity	20,138,708	16,047,512
Total capital	**45,180,462**	**42,036,310**
Gearing ratio	**55.43%**	**61.82%**

4. Financial risk management objectives and policies (continued)

Fair value

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities(Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group and company's financial assets and liabilities that are measured at fair value at 30 June 2017.

Group and Company				
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Financial assets at fair value through profit or loss				
Other investments	-	-	10,000	10,000
Total assets	-	-	10,000	10,000

The following table presents the company's financial assets and liabilities that are measured at fair value at 30 June 2016.

Group and Company				
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Financial assets at fair value through profit or loss				
Other investments	-	-	10,000	10,000
Total assets	-	-	10,000	10,000

There were no transfers between levels 1 and 2 during the year.

a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NSE equity investments classified as trading securities or available for sale.

b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. In the current year assets are carried at cost as there is no suitable basis for its valuation.

Notes (continued)

5. Segmental reporting

Directors have determined the operating segments based on the reports reviewed by the Group executive committee that are used to make strategic decisions. The Group executive committee includes the Group Managing Director and the Group Finance Director.

The committee considers the business from a geographical perspective. Geographically, management considers the performance of the business in Kenya, Uganda and Tanzania. Exports to Rwanda, Burundi and the great lakes region are recognised in the country of origin.

The reportable operating segments derive their revenue primarily from brewing, marketing and selling of drinks, malt and barley. The executive committee assesses the performance of the operating segments based on a measure of net sales value.

The segmental information provided to the executive committee is as follows:

	Kenya		Uganda		Tanzania		South Sudan		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
External sales	52,481,635	46,288,650	11,563,786	11,024,933	6,181,257	7,139,765	20,387	61,914	-	(193,042)	70,247,065	64,322,220
Inter segment sales	9,212,093	18,048,527	131,803	190,018	45,448	27,378	-	-	(9,389,344)	(18,265,923)	-	-
Total sales	**61,693,728**	**64,337,177**	**11,695,589**	**11,214,951**	**6,226,705**	**7,167,143**	**20,387**	**61,914**	**(9,389,344)**	**(18,458,965)**	**70,247,065**	**64,322,220**

Reportable segments assets and liabilities agree to the consolidated assets as follows:

	Kenya		Uganda		Tanzania		South Sudan		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Segment non-current assets	73,651,909	68,082,991	5,280,202	5,019,490	8,500,521	8,744,110	402	2,728	(42,901,332)	(37,721,992)	44,531,712	44,127,327
Total segment assets	91,624,434	88,132,406	11,050,051	9,481,521	10,978,352	10,962,968	29,087	221,442	(47,015,610)	(43,114,729)	66,666,314	65,683,608
Segment liabilities	45,917,070	47,057,113	8,888,928	7,742,047	13,993,490	12,098,092	1,615,775	1,195,580	(15,737,120)	(13,276,470)	54,678,143	54,816,362
Capital expenditure	4,437,421	3,430,905	743,206	1,108,125	518,338	519,808	-	-	-	(41,301)	5,698,965	5,017,537
Depreciation expense and amortisation	2,241,359	2,357,731	402,873	426,747	785,792	688,652	297	1,317	-	(24,826)	3,430,321	3,449,621

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

5. Segmental reporting (continued)

Segment revenue is based on the geographical location of both customers and assets. The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the income statement. There is no reliance on individually significant customers by the Group. The amounts provided to the executive committee in respect to total assets and total liabilities are measured in a manner consistent with that of the financial state.

6. Revenue

	2017	2016
	Kshs '000	**Kshs '000**
(a) Group		
Gross sales	124,066,748	115,886,485
Indirect taxes	(53,819,683)	(51,564,265)
	70,247,065	**64,322,220**
(b) Company		
Net sales	5,457,700	454,245
Management fees	1,766,691	2,106,747
Royalties	325,493	631,133
	7,549,884	**3,192,125**

7. Cost of sales

	2017	2016
	Kshs '000	**Kshs '000**
(a) Group		
Raw materials and consumables	20,412,467	18,521,804
Maintenance and other costs	9,496,218	5,229,267
Staff costs (including travel)	4,204,872	3,816,523
Depreciation and armotisation	3,042,081	3,159,895
Distribution and warehousing	1,961,104	1,382,894
	39,116,742	**32,110,383**
(b) Company		
Raw materials and consumables	2,378,534	265,047
Maintenance and other costs	27,938	1,903
Staff costs including travel	188,864	-
Distribution and warehousing	42	-
	2,595,378	**266,950**

8. Selling and distribution costs

	2017	2016
	Kshs '000	**Kshs '000**
(a) Group		
Selling and distribution costs	**5,375,078**	**6,058,859**
(b) Company		
Selling and distribution costs	**15,395**	**-**

Notes (continued)

9. Administrative expenses

	2017	2016
	Kshs '000	**Kshs '000**
(a) Group		
Staff costs	5,145,984	6,094,985
Office supplies and other costs	2,502,216	2,129,973
Depreciation and armotisation	388,239	289,725
Travelling and entertainment	212,701	382,654
Restructuring costs	-	108,921
	8,249,140	**9,006,258**
(b) Company		
Staff costs	1,611,197	2,189,383
Office supplies and other costs	45,811	57,457
Depreciation and armotisation	148,826	97,865
Travelling and entertainment	87,551	150,503
	1,893,385	**2,495,208**

10. Other income/(expenses), net

	2017	2016
	Kshs '000	**Kshs '000**
(a) Group		
Other income		
Transactional foreign exchange gains	1,205,986	-
Profit on disposal of property, plant and equipment (Note 33(a))	-	1,077,587
Sundry other income	381,721	615,171
	1,587,707	**1,692,758**
Other expenses		
Sundry expenses	1,578,382	933,208
Impairment of goodwill (Note 24)	284,687	-
Write down of inventories	225,274	292,606
Profit on disposal of property, plant and equipment (Note 33(a))	212,965	95,674
Impairment losses on trade receivables	210,505	113,636
Write-off of returnable packaging	67,755	84,443
Impairment of investments	33,195	-
Transactional foreign exchange losses	-	435,730
	2,612,763	**1,955,297**
	(1,025,056)	**(262,539)**
(b) Company		
Other income		
Net transactional foreign exchange gains	-	331,387
Profit on disposal of property, plant and equipment	-	1,077,587
Profit on disposal of business	-	2,249,428
	-	**3,658,402**
Other expenses		
Withholding tax irrecoverable	580,942	249,132
Net transactional foreign exchange losses	51,130	211,813
Other expenses	272,695	471,509
	904,767	**932,454**
	(904,767)	**2,725,948**

11. Profit before income tax

The following items have been charged/(credited) in arriving at the profit before tax

	2017	2016
	Kshs '000	Kshs '000
(a) Group		
Employee benefits expense (Note 12 (a))	9,350,856	9,911,508
Depreciation on property, plant and equipment (Note 22 (a))	3,328,169	3,375,152
Impairment of goodwill (Note 24)	284,687	-
Amortisation of intangible assets - software (Note 23(a))	101,788	74,693
Amortisation of prepaid operating lease (Note 25 (a))	363	295
Auditor's remuneration	39,599	40,235
(b) Company		
Employee benefits expense (Note 12 (b))	1,800,061	2,189,383
Depreciation on property, plant and equipment (Note 22 (b))	90,223	54,222
Amortisation of intangible assets - software (Note 23(b))	58,532	43,635
Amortisation of prepaid operating lease (Note 25 (b))	71	70
Auditor's remuneration	11,307	8,550

12. Employee benefits expense

	2017	2016
	Kshs '000	Kshs '000
a) Group		
Salaries and wages	6,887,648	7,022,735
Defined contribution scheme	436,303	346,040
National Social Security Funds	164,145	119,347
Other staff costs	1,862,760	2,423,386
	9,350,856	**9,911,508**
(b) Company		
Salaries and wages	1,046,021	1,701,474
Defined contribution scheme	78,143	57,271
National Social Security Fund	45,752	17,898
Other staff costs	630,145	412,740
	1,800,061	**2,189,383**

13. Finance income/(expenses), net

	2017	2016
	Kshs '000	Kshs '000
(a) Group		
Finance income		
Interest income	81,686	280,738
	81,686	**280,738**
Finance costs		
Interest expense	(3,255,402)	(3,535,343)
Other finance costs	-	**(10,636)**
	(3,255,402)	**(3,545,979)**

Notes (continued)

13. Finance income/(expenses), net (continued)

	2017	2016
	Kshs '000	**Kshs '000**
(b) Company		
Finance income		
Interest income	1,619,077	1,862,705
	1,619,077	**1,862,705**
Finance costs		
Interest expense	(4,019,349)	(4,778,835)
	(4,019,349)	**(4,778,835)**

14. Income tax expense

	2017	2016
	Kshs '000	**Kshs '000**
(a) Group		
Income tax expense		
Current income tax:		
Current year charge	4,725,556	5,632,306
(Over)/under provision of tax in prior years	(484,345)	1,000,584
Current income tax charge	**4,241,211**	**6,632,890**
Deferred income tax (Note 21)		
Current year charge / (credit)	439,340	(608,714)
Under/(over) provision of tax in prior years	112,214	(426,621)
Deferred income tax charge / (credit)	**551,554**	**(1,035,335)**
Total income tax expense	**4,792,765**	**5,597,555**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2017	2016
	Kshs '000	**Kshs '000**
Profit before income tax	13,307,333	13,618,940
Tax calculated at the statutory income tax rate of 30% (2016 - 30%)	3,992,200	4,085,682
Tax effects of:		
Expenses not deductible for tax purposes	580,802	1,212,605
Income not subject to tax	-	(274,695)
Deferred income tax asset not recognised	591,894	-
(Over)/under provision of current income tax in prior year	(484,345)	1,000,584
Under/(over) provision of deferred tax in prior year	112,214	(426,621)
Income tax expense	**4,792,765**	**5,597,555**

14. Income tax expense (continued)

	2017	2016
	Kshs '000	Kshs '000
(b) Company		
Income tax (credit)/expense		
Current income tax:		
Current year charge	-	251,818
(Over)/under provision of current income tax in prior years	(786,122)	644,852
Current income tax (credit)/charge	**(786,122)**	**896,670**
Deferred income tax:		
Current year charge/(credit)	144,984	(705,300)
Under provision of deferred tax in prior years	83,416	14,409
Deferred income tax charge/(credit) (Note 21 (b))	**228,400**	**(690,891)**
Total tax (credit)/charge	**(557,722)**	**205,779**

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2017	2016
	Kshs '000	Kshs '000
Profit before income tax	9,464,281	10,343,368
Tax calculated at the statutory income tax rate of 30% (2016 - 30%)	2,839,284	3,103,010
Tax effects of:		
Non-taxable income	(2,917,077)	(4,043,493)
Expenses not deductible for tax purposes	222,777	487,001
(Under)/over provision of deferred income tax in prior year	(786,122)	14,409
Under provision of current income tax in prior year	83,416	644,852
Income tax (credit)/charge	**(557,722)**	**205,779**

Notes (continued)

15. Dividends

A final dividend in respect of the year ended 30 June 2017 of Kshs 5.50 per share (2016: Kshs 5.50 per share) amounting to a total of Kshs 4,349,259,000 (2016: Kshs 4,349,259,000) has been proposed.

During the year an interim dividend of Kshs 2.00 per share amounting to a total of Kshs 1,581,549,000 was paid. The total dividend for the year is therefore Kshs 7.50 per share (2016: Kshs 12.00) amounting to a total of Kshs 5,930,807,000 (2016: Kshs 9,489,293,000).

Payment of dividends is subject to withholding tax at a rate of 0%, 5% and 10% depending on the residence and the percentage shareholding of the respective shareholders.

The following is the movement in dividends during the year:

Group and Company	2017	2016
	Kshs '000	Kshs '000
At 1 July	873,588	614,869
Dividend declared during the year	5,930,807	9,884,679
Dividends paid	(6,317,286)	(9,625,960)
At 30 June	**487,109**	**873,588**

16. Discontinued operation

In September 2015, the Group sold its shares in Central Glass Industries Limited ("CGI"); the glass and containers producing subsidiary of the Group, to Consol Glass Proprietary Limited following a strategic review of the business for a cash consideration of Kshs 3.5 billion. The pre-tax profit on disposal of the subsidiary was Kshs 2.4 billion.

CGI's results are presented in the financial information for the year ended 30 June 2016 as a discontinued operation. The financial information relates to CGI for the period to the date of disposal. The consolidated income statement and statement of cash flow distinguish discontinued operations from continuing operations.

Income statement

	2017	2016
	Kshs '000	Kshs '000
Revenue	-	193,042
Expenses	-	(192,169)
Result from operating activities	**-**	**873**
Income tax	-	(248)
Post-tax profit from business of discontinued operations	**-**	**625**
Pre-tax profit on disposal of the subsidiary	-	2,369,789
Income tax expense	-	(120,986)
Post-tax profit on disposal of the subsidiary	**-**	**2,248,803**
Profit from discontinued operations	**-**	**2,249,428**

17. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on profit attributable to ordinary shareholders of Kshs 7,677,032,000 (2016: Kshs 9,650,707,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2017 of 790,774,356 (2016 – 790,774,356).

	2017			2016		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to ordinary shareholders (Kshs '000)	7,677,032	-	7,677,032	7,401,279	2,249,428	9,650,707
Weighted average number of ordinary shares						
Issued and paid shares (Note 29)	790,774,356	790,774,356	790,774,356	790,774,356	790,774,356	790,774,356
Basic earnings per share (Kshs per share)	**9.71**	**-**	**9.71**	**9.36**	**2.84**	**12.20**

Diluted earnings per share

The calculation of diluted earnings per share as at 30 June 2017 was based on profit attributable to ordinary shareholders of Kshs 7,677,032,000 (2016: Kshs 9,650,707,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2017 of 790,774,356 (2016 – 790,774,356) as the effect of share options exercised is not significant.

	2017			2016		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to ordinary shareholders (Kshs '000)	7,677,032	-	7,677,032	7,401,279	2,249,428	9,650,707
Weighted average number of ordinary shares						
Issued and paid shares (Note 29)	790,774,356	790,774,356	790,774,356	790,774,356	790,774,356	790,774,356
Diluted earnings per share (Kshs per share)	**9.71**	**-**	**9.71**	**9.36**	**2.84**	**12.20**

18. Share capital

	Number of shares	Ordinary shares	Share premium
		Kshs'000	**Kshs'000**
Issued and fully paid			
Balance as at 1 July 2015, 30 June 2016 and 30 June 2017	**790,774,356**	**1,581,547**	**1,691,151**

The total authorised number of ordinary shares is 1,000,000,000 with a par value of Kshs 2.00 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the company's residual assets.

Notes (continued)

19. Non-controlling interests

The following table summarizes the information relating to the Group's subsidiaries that have material non-controlling interests.

At 30 June 2017	UDV (Kenya) Limited	Serengeti Breweries Limited	Other Subsidiaries	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Non-controlling interest percentage	53.68%	49%	1% - 1.8%	
Non-current assets	1,947,565	8,498,407	5,271,414	
Currents assets	7,691,502	2,477,831	5,770,767	
Non-current liabilities	90,231	(12,002,326)	4,840,746	
Current liabilities	(4,363,973)	(5,706,024)	(5,727,413)	
Net assets/(liabilities)	**5,365,325**	**(6,732,112)**	**10,155,514**	
Carrying amount of non-controlling interest	**2,880,106**	**(3,298,735)**	**21,226**	**(397,403)**
Revenue	14,758,986	6,226,706	11,694,593	
Profit/(loss)	3,132,374	(1,706,107)	(711,591)	
Total comprehensive income	3,132,374	(1,706,107)	(711,591)	
In respect on non-controlling interest	**1,681,458**	**(835,992)**	**(7,930)**	**837,536**
Cash generated from operating activities	2,954,149	1,324,268	893,324	
Cash used in investment activities	(909,825)	(511,476)	(841,755)	
Cash generated (used in)/from financing activities	(1,256,063)	(52,712)	1,516,775	
Net increase in cash and cash equivalents	**788,261**	**760,080**	**1,568,344**	

At 30 June 2016	UDV (Kenya) Limited	Serengeti Breweries Limited	Other Subsidiaries	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Non-controlling interest percentage	53.68%	49%	1% - 1.8%	
Non-current assets	1,245,701	8,742,003	5,012,040	
Currents assets	5,547,314	2,218,858	4,677,385	
Non-current liabilities	70,717	(11,371,058)	(1,647,246)	
Current liabilities	(3,374,715)	(4,301,148)	(5,000,381)	
Net assets/(liabilities)	**3,489,017**	**(4,711,345)**	**3,041,798**	
Carrying amount of non-controlling interest	**1,872,904**	**(2,308,559)**	**19,486**	**(416,169)**
Revenue	12,768,274	7,167,143	11,255,021	
Profit/(loss)	2,497,519	(1,462,458)	(728,948)	
Total comprehensive income	2,497,519	(1,462,458)	(728,948)	
In respect on non-controlling interest	**1,340,668**	**(716,604)**	**(3,958)**	**620,106**
Cash generated from/(used in) operating activities	2,161,067	(845,883)	(1,697,270)	
Cash used in investment activities	(765,442)	(508,669)	(908,230)	
Cash generated from/(used in) Financing activities	(1,276,391)	1,786,694	165,063	
Net increase/(decrease) in cash and cash equivalents	**119,234**	**432,142**	**(2,440,437)**	

20. Finance lease liabilities

The Group has a lease agreement to purchase motor vehicles. The purchased vehicles are recognised as the Group's assets at their fair value at the inception of the lease. The corresponding liabilities to the lessor are disclosed as finance lease liabilities.

Lease payments are apportioned between finance lease expenses and reduction of the lease obligation to achieve a constant rate of interest in the remaining balance of the lease liability. Finance costs are recognised immediately in profit or loss. The imputed cost on the liabilities is based on an agreed interest rate of 13% (2016: 9%).

	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	2017	**2017**	**2016**	**2016**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Finance lease liabilities				
Less than one year	139,382	93,228	98,060	72,918
Between one and five years	164,721	110,166	82,685	59,835
	304,103	**203,394**	**180,745**	**132,753**
Less future finance charges	(100,709)	-	(47,992)	-
Present value of lease obligations	**203,394**	**203,394**	**132,753**	**132,753**

21. Deferred income tax

Deferred income tax is calculated using the enacted domestic tax rate of 30% (2016 – 30%). The movement on the deferred income tax account is as follows:

	2017	2016
(a) Group	**Kshs'000**	**Kshs'000**
At the beginning of the year	1,303,190	2,650,215
Credit/(charge) to profit or loss	335,862	(1,056,014)
Under provision of deferred tax in prior year	112,214	20,679
Effect of change in exchange rates	40,144	(311,690)
At the end of the year	**1,791,410**	**1,303,190**
Analysed as follows:		
Deferred income tax liabilities	5,095,988	5,240,593
Deferred income tax assets	(3,304,578)	(3,937,403)
At the end of the year	**1,791,410**	**1,303,190**
(b) Company		
At the beginning of the year	(1,652,631)	(961,741)
Credit/(charge) to profit or loss	83,416	(705,300)
Prior year under provision	144,983	14,409
Total deferred income tax movement	228,399	(690,891)
At the end of the year	**(1,424,232)**	**(1,652,631)**

Notes (continued)

21. Deferred income tax (continued)

Deferred income tax assets and liabilities and deferred tax charge/(credit) in the income statement are attributable to the following items:

(a) Group

Year ended 30 June 2017:	At 1 July 2016	Charged/ (credited) to OCI	Charged/ (credited) to income statement	Effects of exchange rate changes	At 30 June 2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities					
Property, plant and equipment on historical basis	5,047,442	(66,120)	(90,992)	(21,101)	4,869,229
Unrealised exchange gains	193,151	(5,697)	40,630	(1,325)	226,759
	5,240,593	**(71,817)**	**(50,362)**	**(22,426)**	**5,095,988**
Deferred income tax assets					
Property, plant and equipment on historical basis	(85,889)	22,158	(14,789)	-	(78,520)
Unrealised exchange gains	(731,013)	52,355	300,994	65,460	(415,682)
Tax losses carried forward	(2,849,038)	107,682	(57,821)	(4,219)	(2,803,396)
Provisions	(271,463)	1,836	(61,004)	1,367	(329,264)
Derecognised deferred tax	-	-	322,322	(38)	322,284
	(3,937,403)	**184,031**	**489,702**	**62,570**	**(3,304,578)**
Net deferred income tax	**1,303,190**	**112,214**	**439,340**	**40,144**	**1,791,410**

Year ended 30 June 2016:	At 1 July 2015	Prior year (over)/under provision	Charged/ (credited) to income statement	Effects of exchange rate changes	At 30 June 2016
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities					
Property, plant and equipment on historical basis	5,793,409	(105,243)	(513,362)	(127,362)	5,047,442
Revaluation	460,283	(105,817)	(119,225)	(22,537)	212,704
Unrealised exchange gains	54,879	139,590	(1,318)	-	193,151
Provisions	3,887	-	(3,887)	-	-
	5,852,175	**34,347**	**(518,567)**	**(127,362)**	**5,240,593**
Deferred income tax assets					
Property, plant and equipment	(74,254)	-	(11,635)	-	(85,889)
Unrealised exchange losses	(348,189)	(473,993)	73,913	17,256	(731,013)
Tax losses carried forward	(2,534,304)	13,027	(439,516)	111,755	(2,849,038)
Provisions	(245,213)	-	287,091	(313,341)	(271,463)
	(3,201,960)	**(460,966)**	**(90,147)**	**(184,330)**	**(3,937,403)**
Net deferred income tax	**2,650,215**	**(426,619)**	**(608,714)**	**(311,692)**	**1,303,190**

21. Deferred income tax (continued)

(b) Company

Year ended 30 June 2017:	At 1 July 2016	Prior year over/ provision	Charged/ (credited) to income statement	At 30 June 2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities				
Property, plant and equipment	8,300	1,701	6,286	16,287
Unrealised exchange gains	52,758	(52,914)	12,216	12,060
	61,058	**(51,213)**	**18,502**	**28,347**
Deferred income tax assets				
Unrealised exchange losses	(121,876)	52,914	68,298	(664)
Provisions	(147,239)	-	(144,392)	(291,631)
Tax losses	(1,444,575)	81,715	202,576	(1,160,284)
	(1,713,690)	**134,629**	**126,482**	**(1,452,579)**
Net deferred income tax	**(1,652,632)**	**83,416**	**144,984**	**(1,424,232)**

Year ended 30 June 2016:	At 1 July 2016	Prior year over/ provision	Charged/ (credited) to income statement	At 30 June 2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities				
Property, plant and equipment	12,706	-	(4,406)	8,300
Unrealised exchange gains	54,879	-	(2,121)	52,758
	67,585	**-**	**(6,527)**	**61,058**
Deferred income tax assets				
Unrealised exchange losses	(29,693)	-	(92,183)	(121,876)
Provisions	(74,371)	-	(72,868)	(147,239)
Tax losses	(925,262)	14,409	(533,722)	(1,444,575)
	(1,029,326)	**14,409**	**(698,773)**	**(1,713,690)**
Net deferred income tax	**(961,741)**	**14,409**	**(705,300)**	**(1,652,632)**

Notes (continued)

22. Property, plant and equipment

(a) Group

	Freehold property	Leasehold buildings	Plant and equipment	Motor vehicles	Returnable packaging	Capital work in progress	Total
Year ended 30 June 2017	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost							
1 July 2016	4,267,901	3,352,209	36,026,391	158,922	14,178,725	3,022,938	61,007,086
Additions	172,568	31,430	805,393	-	886,331	3,766,788	5,662,510
Disposals	(191,102)	(378,391)	(345,400)	(74,395)	(1,241,994)	(63,116)	(2,294,398)
Transfers from capital work in progress	363,271	48,429	1,556,323	-	271,102	(2,554,392)	(315,267)
Assets written off	-	-	-	-	(439,283)	-	(439,283)
Effect of exchange rate changes	(948)	(6,081)	315,590	(2,901)	174,935	381,574	862,169
At 30 June 2017	**4,611,690**	**3,047,596**	**38,358,297**	**81,626**	**13,829,816**	**4,553,792**	**64,482,817**
Depreciation and impairment							
At 1 July 2016	985,215	868,115	16,230,959	138,292	7,177,697	-	25,400,278
On assets disposed	(63,142)	(99,652)	(225,855)	(74,290)	(604,219)	-	(1,067,158)
On assets written off	-	-	-	-	(371,530)	-	(371,530)
Charge for the year	82,445	128,478	1,689,927	8,304	1,435,623	-	3,328,169
Effect of exchange rate changes	(1,301)	(2,552)	(99,982)	(1,553)	(19,000)	-	(124,388)
At 30 June 2017	**1,003,217**	**894,389**	**17,595,049**	**54,145**	**7,618,571**	**-**	**27,165,371**
Carrying amount at 30 June 2017	**3,608,473**	**2,153,207**	**20,763,248**	**27,481**	**6,211,245**	**4,553,792**	**37,317,446**

There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 34. The capital work in progress is mainly due to a new spirits line and expansion of the kegging line in Kenya.

22. Property, plant and equipment (continued)

(a) Group (continued)

	Freehold property	Leasehold buildings	Plant and equipment	Motor vehicles	Returnable packaging	Capital work in progress	Total
Year ended 30 June 2016	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost							
1 July 2015	4,234,932	3,126,689	35,497,936	122,308	11,927,128	1,461,081	56,370,074
Additions	-	2,927	277,895	-	1,402,577	3,186,702	4,870,101
Disposals	(325,264)	-	(310,577)	-	(847,035)	(158,081)	(1,640,957)
Reclassifications	1,285	-	(1,350,456)	-	1,572,353	(223,182)	-
Transfers from capital work in progress	220,202	-	630,543	-	392,837	(1,243,582)	-
Assets written off	-	-	-	-	(300,719)	-	(300,719)
Effect of exchange rate changes	136,746	222,593	1,281,050	36,614	31,584	-	1,708,587
At 30 June 2016	**4,267,901**	**3,352,209**	**36,026,391**	**158,922**	**14,178,725**	**3,022,938**	**61,007,086**
Depreciation and impairment							
At 1 July 2015	977,031	770,202	13,181,953	61,558	5,798,953	-	20,789,697
On assets disposed	(134,874)	-	(259,889)	-	(773,107)	-	(1,167,870)
Reclassifications	7,320	-	(324,783)	-	317,463	-	-
On assets written off	-	-	-	-	(216,275)	-	(216,275)
Charge for the year	101,529	52,106	1,536,037	1,161	1,684,319	-	3,375,152
Effect of exchange rate changes	34,209	45,807	2,097,641	75,573	366,344	-	2,619,574
At 30 June 2016	**985,215**	**868,115**	**16,230,959**	**138,292**	**7,177,697**	**-**	**25,400,278**
Carrying amount at 30 June 2016	**3,282,686**	**2,484,094**	**19,795,432**	**20,630**	**7,001,028**	**3,022,938**	**35,606,808**

There are no assets pledged by the Group to secure liabilities other than as disclosed under note 34. The capital work in progress is mainly due to additional spirit line in Kenya.

Notes (continued)

22. Property, plant and equipment (continued)

(b) Company

	Freehold property	Leasehold buildings	Plant and equipment	Capital work in progress	Total
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost					
1 July 2016	174,900	41,490	466,689	232,474	915,553
Additions	-	-	29,705	347,321	377,026
Disposals	(205,041)	-	(102,700)	(62,729)	(370,470)
Transfers from work in progress	35,423	-	11,665	(177,205)	(130,117)
Transfers to/from intercompany	126,946	-	(87,201)	(235,715)	(195,970)
At 30th June 2017	**132,228**	**41,490**	**318,158**	**104,146**	**596,022**
Depreciation and impairment					
At 1 July 2016	11,845	20,853	221,129	-	253,827
On assets disposed	(154,985)	-	(102,700)	-	(257,685)
Transfers to/from intercompany	126,946	-	(1,713)	-	125,233
Charge for the year	14,201	-	76,022	-	90,223
At 30th June 2017	**(1,993)**	**20,853**	**192,738**	**-**	**211,598**
Carrying amount at 30th June 2017	**134,221**	**20,637**	**125,420**	**104,146**	**384,424**

There are no assets pledged by the Company to secure liabilities other than as disclosed under Note 34.

	Freehold property	Leasehold buildings	Plant and equipment	Capital work in progress	Total
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost					
1 July 2015	162,305	41,420	333,729	280,839	818,293
Additions	-	-	-	262,144	262,144
Disposals	(325,264)	-	(68,957)	(147,435)	(541,656)
Transfers from work in progress	6,250	-	111,484	(117,734)	-
Reclassifications	-	-	45,340	(45,340)	-
Transfers to intercompany	331,609	70	45,093	-	376,772
At 30th June 2016	**174,900**	**41,490**	**466,689**	**232,474**	**915,553**
Depreciation and impairment					
At 1 July 2015	-	18,950	176,152	-	195,102
Additions	-	-	-	-	-
On assets disposed	(134,874)	-	(29,369)	-	(164,243)
Transfers to intercompany	146,719	-	22,026		168,745
Charge for the year	-	1,903	52,319	-	54,222
At 30th June 2016	**11,845**	**20,853**	**221,128**	**-**	**253,826**
Carrying amount at 30th June 2016	**163,055**	**20,567**	**245,630**	**232,474**	**661,727**

There are no assets pledged by the Company to secure liabilities other than as disclosed under Note 34.

23. Intangible assets - software

	2017	2016
(a) Group	**Kshs'000**	**Kshs'000**
Cost		
At 1 July	1,650,241	1,536,940
Additions	31,388	147,435
Disposals	(69,275)	-
Transfer from property, plant and equipment (Note 22)	315,268	-
Effect of exchange rate changes	(511)	(34,134)
At 30 June	**1,927,111**	**1,650,241**
Amortisation		
At 1 July	1,227,630	1,160,149
Amortisation during the year	101,788	74,693
Effect of exchange rate changes	34,878	(7,212)
At 30 June	**1,364,296**	**1,227,630**
Net book value	**562,815**	**422,611**
(b) Company		
Cost		
At 1 July	1,412,475	1,265,040
Disposals	(69,275)	-
Transfer from property, plant and equipment (Note 22)	130,116	-
Additions	7,607	147,435
	1,480,923	**1,412,475**
Amortisation		
At 1 July	(1,139,847)	(1,096,212)
Charge for the year	(58,532)	(43,635)
At 30 June	**(1,198,379)**	**(1,139,847)**
Net book value	**282,544**	**272,628**

Transfer of assets from property plant and equipment to intangible assets related to costs incurred in the acquisition of software.

24. Intangible assets - goodwill and brand

(a) Goodwill

	Carrying amount at 1 July	Impairment charge	Effect of exchange rate changes	Carrying amount at 30 June
Year ended 30 June 2017	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Serengeti Breweries Limited (SBL)	2,928,527	(284,687)	(418,398)	2,225,442
UDV (Kenya) Limited (UDV)	415,496	-	-	415,496
International Distillers (Uganda) Limited (IDU)	233,168	-	(34,787)	198,381
Total	**3,577,191**	**(284,687)**	**(453,185)**	**2,839,319**
Year ended 30 June 2016				
Serengeti Breweries Limited (SBL)	2,928,527	-	-	2,928,527
UDV (Kenya) Limited (UDV)	415,496	-	-	415,496
International Distillers (Uganda) Limited (IDU)	233,168	-	-	233,168
Total	**3,577,191**	**-**	**-**	**3,577,191**

Notes (continued)

24. Intangible assets - goodwill and brand (continued)

(a) Goodwill (continued)

The goodwill represents the excess of cost of acquisitions over the fair value of identifiable assets and liabilities of the respective companies.

As at 30 June 2017, goodwill arising from foreign operations was translated into the presentation currency at the exchange rates prevailing at the reporting date.

(b) Brand

	2017	2016
	Kshs'000	**Kshs'000**
Carrying amount at 1 July	563,005	563,005
Effect of exchange rate changes	(80,443)	-
Carrying amount at 30 June	**482,562**	**563,005**

This represents the value of the brand Premium Serengeti Lager.

As at 30 June 2017, the brand intangible was translated into the presentation currency at the exchange rates prevailing at the reporting date.

(c) Impairment testing for cash-generating units containing goodwill and brand

(i) Impairment testing methodology

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of an operating division is determined based on a detailed 5-year model that has been extrapolated in perpetuity by applying the long term growth rate of the country. Profit has been amended with working capital and capital expenditure requirements.The net cashflows have been discounted using the country-specific pre-tax weighted average cost of capital (WACC).

These calculations use cash flow projections based on financial projections approved by management covering a 5-year period. Cash flows beyond the five-year period are extrapolated using estimated terminal growth rates. The growth rates do not exceed the long-term average growth rates for the respective countries in which the segments operate.

(ii) Key assumptions used for fair value calculations:

	Tanzania		Kenya		Uganda	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
EBITDA margin[1]	12%	10%	11%	10%	12%	10%
Terminal growth rate[2]	5%	7%	5%	7%	5%	7%
WACC rate[3]	18%	17%	13%	16%	14%	19%

1. Forecast EBITDA margin
2. Weighted average growth rate used to extrapolate cash flows beyond the projected period.
3. Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each operating segment. Management determined forecast EBITDA margin based on past performance and its expectations for market developments. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

24. Intangible assets - goodwill and brand (continued)

(c) Impairment testing for cash-generating units containing goodwill and brand (continued)

(iii) Results of impairment testing on the carrying amount of goodwill

Serengeti Breweries Limited (SBL)
Based on the above assumptions, the carrying net asset amount (including the goodwill) for SBL exceeded the recoverable value of the CGU at 30 June 2017 by Kshs 285 million (2016: Kshs Nil). As a result, the Group has recognised an impairment charge to that extent.

UDV (Kenya) Limited (UDV) and International Distillers (Uganda) Limited (IDU)
Based on the above assumptions, the carrying net assets amounts for UDV and IDU (including the goodwill) did not exceed the recoverable value of the CGU at 30 June 2017 (2016 : Kshs Nil). As a result, the group did not recognise any impairment losses.

(iv) Significant estimates : Impact of possible changes in key assumptions

Serengeti Breweries Limited (SBL)

Goodwill
If the budgeted cash flows used in the value-in-use calculation had been 1% lower than management's estimate at 30 June 2017 with all other assumptions unchanged, the group would have had to recognise an additional impairment charge of Kshs 65 million.

If the terminal growth rate used in the value-in-use calculation had been 1% lower than management's estimate at 30 June 2017 with all other assumptions unchanged, the group would have had to recognise an additional impairment charge of Kshs 374 million.

If the pre-tax discount rate applied to the cash flow projections of SBL had been 1% higher than management's estimate at 30 June 2017 and all other assumptions unchanged, the group would have had to recognise an additional impairment charge of Kshs 540 million.

Brand
Assuming growth rates were in line with management's estimate as at 30 June 2017 but WACC rate had been 1% higher and the terminal growth rate 1% lower, this would not have resulted in any impairment charge.

25. Prepaid operating lease rentals

Leases of land have been classified as operating leases.

(a) Group

	2017	2016
	Kshs'000	Kshs'000
Cost		
At 1 July	16,698	16,636
Additions	5,066	-
Effect of exchange rate changes	(21)	62
Carrying amount as at 30 June	**21,743**	**16,698**
Amortisation		
At 1 July	6,389	6,098
Charge for the year	363	295
Effect of exchange rate changes	(1)	(4)
Carrying amount as at 30 June	**6,751**	**6,389**
Net book value	**14,992**	**10,309**

Notes (continued)

25. Prepaid operating lease rentals (continued)

(b) Company

	2017	2016
	Kshs'000	Kshs'000
Cost		
At 1 July and 30 June	**2,250**	**2,250**
Amortisation		
At 1 July	1,055	985
Charge for the year	71	70
Carrying amount as at 30 June	**1,126**	**1,055**
Net book value	**1,124**	**1,195**

26. Investments in subsidiaries

	Country of incorporation	Effective ownership interest	Book value as at 30 June	
			30-Jun-17	30-Jun-16
			Kshs'000	Kshs'000
Kenya Breweries Limited	Kenya	100%	22,377,809	22,377,809
Serengeti Breweries Limited	Tanzania	51%	4,942,998	4,942,998
Uganda Breweries Limited	Uganda	98%	687,648	687,648
East African Breweries (Mauritius) Limited	Mauritius	100%	-	-
UDV (Kenya) Limited	Kenya	46%	589,410	589,410
EABL International Limited	Kenya	100%	150,000	150,000
International Distillers Uganda Limited	Uganda	100%	300,000	300,000
EABL Tanzania Limited	Tanzania	100%	5,610	5,610
East African Beverages (South Sudan) Limited	South Sudan	99%	299	299
Salopia Limited	Kenya	100%	200	200
East African Maltings (Kenya) Limited	Kenya	100%	-	-
East African Maltings (Uganda) Limited	Uganda	100%	-	-
Allsopps (EA) Sales Limited	Kenya	100%	3	3
Kenya Liquor Distributors Limited	Kenya	100%	-	-
Harp Distributors Limited	Kenya	100%	-	-
International Distillers Kenya Limited	Kenya	100%	-	-
Kenya Distillers Limited	Kenya	100%	-	-
Gilbey's East Africa Limited	Kenya	100%	-	-
Net book amount			**29,053,977**	**29,053,977**

27. Other investments (Group and Company)

	2017	2016
	Kshs '000	Kshs '000
Unquoted at cost		
20% investment in Challenge Fund Limited who in turn have subscribed to 50% in Central Depository and Settlement Corporation Limited	10,000	10,000
At end of year	**10,000**	**10,000**

During the year, the investment in Challenge Fund Limited did not change. The carrying amount of the investment estimates to its fair value.

28. Inventories

	2017	2016
Group	**Kshs'000**	**Kshs'000**
Raw materials and consumables	5,096,867	5,323,907
Work in progress	483,618	550,864
Finished goods	1,672,653	2,239,655
Goods in transit	219,956	16,816
	7,473,094	**8,131,242**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Kshs 20,412,467,000 (2016: Kshs 18,521,804,000).

29. Trade and other receivables

	2017	2016
(a) Group	**Kshs'000**	**Kshs'000**
Trade receivables	6,815,831	6,543,762
Less: provision for impairment losses	(822,526)	(723,524)
	5,993,305	**5,820,238**
Other receivables	3,024,375	4,600,085
Less: provision for impairment losses	(134,314)	(60,531)
Prepayments	325,642	349,314
Receivables from related companies (Note 35(a))	718,992	863,040
	9,928,000	**11,572,146**
Movement in provisions for impairments		
At 1 July	784,055	742,075
Impairment on receivables	210,505	113,636
Writeoffs	(37,720)	(71,656)
At 30 June	**956,840**	**784,055**
(b) Company		
Trade receivables	590,159	40,868
Receivables from related companies (Note 35(b))	3,198,367	5,247,164
Other receivables	2,074,170	3,372,091
Prepayments	-	2,546
	5,862,696	**8,662,669**

Notes (continued)

30. Trade and other payables

	2017	2016
(a) Group	**Kshs'000**	**Kshs'000**
Trade payables	4,393,197	5,218,577
Other payables and accrued expenses	15,891,910	14,710,785
Payables to related parties (Note 35)	528,904	2,131,028
	20,814,011	**22,060,390**
(b) Company		
Trade payables	149,708	357,714
Payables to related parties (Note 35)	10,155,305	12,038,440
Other payables and accrued expenses	2,720,947	2,771,868
	13,025,960	**15,168,022**

31. Contingent liabilities

The Group has operations in several countries and is subject to a number of legal, customs, duty, excise and other tax claims incidental to these operations, the outcome of which cannot at present be foreseen and the possible loss or range of loss of which cannot at present be meaningfully quantified. In particular, the Group is subject to claims in Kenya that challenge its interpretation of various tax regulations and the application thereof.

Based on their own judgement and professional advice received from legal, tax and other advisors, the directors believe that the provision made for all these claims sufficiently covers the expected loss arising from them. For most of these cases, the likelihood that the Group will suffer significant charges or payments is remote; however in a few cases the directors consider it possible but not probable that such charges will be incurred.

The Group continues to vigorously defend its position. The directors continue to monitor the development of these matters and to the extent those developments may have a major impact on its financial position, or may significantly affect its ability to meet its commitments, the Group shall disclose those developments in line with its listing obligations as required by relevant regulations.

32. Commitments – Group

(i) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	2017	2016
	Kshs'000	**Kshs'000**
Contracted but not provided for	642,325	1,879,149
Authorised but not contracted for	798,067	-
	1,440,392	**1,879,149**

32. Commitments – Group (continued)

ii) Operating lease commitments

(a) Group leases as lessee

The Group has entered into operating lease agreements for leasing of commercial and non-commercial vehicles and point-of-sale refrigerators. Lease payments cover principal rentals, maintenance fees, fleet management costs and insurance costs.

During the financial year ended 30 June 2016, the Company sold its head office building to Tembo Sacco and leased it back for a period of 3 years, with a renewable option.

Future minimum lease payments under these operating leases are as follows:

	2017	2016
	Kshs'000	Kshs'000
Not later than 1 year	1,248,186	775,129
Later than 1 year and not later than 5 years	377,300	1,098,172
	1,625,486	**1,873,301**

(b) Group leases as lessor

The Group has entered into operating lease agreements for leasing part of its properties. Future minimum lease receipts under these operating leases are as follows:

	2017	2016
	Kshs'000	Kshs'000
Not later than 1 year	49,396	49,396
Later than 1 year and not later than 5 years	67,169	116,565
	116,565	**165,961**

(c) Company leases as lessee

The Company has entered into operating lease agreements for leasing of printers and motor vehicles. Future minimum lease payments under these operating leases are as follows:

	2017	2016
	Kshs'000	Kshs'000
Not later than 1 year	121,940	144,347
Later than 1 year and not later than 5 years	277,156	355,262
	399,096	**499,609**

Notes (continued)

33. Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations:

Group

	2017	2016
	Kshs'000	Kshs'000
Profit before income tax	13,307,333	13,618,940
Adjustments for:		
Interest income (Note 13)	(81,686)	(280,738)
Interest expense (Note 13)	3,255,402	3,545,979
Depreciation (Note 22 (a))	3,328,169	3,375,152
Loss on disposal of property, plant and equipment	212,965	95,674
Impairment of tangible assets	67,753	84,444
Impairment of goodwill (Note 24)	284,687	-
Amortisation of intangible asset - software (Note 23 (a))	101,788	74,693
Amortisation of prepaid operating lease rentals (Note 25 (a))	363	235
Gain on disposal of land	-	(1,077,587)
Cash generated from operations before working capital adjustments	**20,476,774**	**19,436,792**
Changes in working capital:		
-Trade and other receivables	608,209	(1,211,333)
-Inventories	563,305	2,543,164
-Trade and other payables	(124,682)	7,165,779
Cash generated from operations	**21,523,606**	**27,934,402**

Company

	2017	2016
	Kshs'000	Kshs'000
Profit before income tax	9,464,281	10,343,368
Adjustments for:		
Interest income (Note 13(b))	(1,619,077)	(1,862,705)
Interest expense (Note 13(b))	4,019,349	4,778,835
Depreciation (Note 23 (b))	90,223	54,222
Amortisation of intangible asset - software (Note 23(b))	58,532	(103,800)
Amortisation of prepaid operating lease rentals (Note 25(b))	71	70
Write off of intangible assets	69,275	-
Dividend income	(9,723,594)	(10,103,583)
Profit on disposal of subsidiary	-	(2,249,428)
Release of prior year overprovision of current tax	786,122	-
Loss/(gain) on disposal of property, plant and equipment	156,839	(1,077,587)
Cash generated from/(used in) operations before working capital adjustments	**3,302,021**	**(220,608)**
Changes in working capital:		
-Trade and other receivables	(1,364,307)	1,748,155
-Inventory	(31,364)	(2,594)
-Trade and other payables	(2,142,062)	8,803,550
Cash (used in)/generated from operations	**(235,712)**	**10,328,503**

33. Cash generated from operations (continued)

(b) Cash and cash equivalents

	2017	2016
	Kshs'000	Kshs'000
Group		
Cash and bank balances	3,907,473	1,221,066
Bank overdraft (Note 34(a))	(589,366)	(5,175,156)
	3,318,107	**(3,954,090)**
Company		
Cash and bank balances	1,927,851	35,437
Bank overdraft (Note 34(b))	(369)	(5,054,999)
	1,927,482	**(5,019,562)**

(c) Non cash transactions

	2017	2016
	Kshs'000	Kshs'000
Group		
Movement in trade and other receivables		
Movement per statement of financial position	1,644,146	(2,458,333)
Non cash transactions (receivable on sale of leasehold land)	-	1,247,000
Proceeds received from sale of leasehold land	(994,500)	-
Foreign currency translation differences	(41,437)	-
Net movement in receivables as per cash flow	**608,209**	**(1,211,333)**
Movement in trade and other payables		
Movement per statement of financial position	(1,033,749)	7,778,478
Non cash transactions (tax provisions)	-	(1,064,000)
Movement in net assets of disposal of business		451,301
Foreign currency translation differences	909,067	-
Net movement in payables as per cash flow	**(124,682)**	**7,165,779**
Company		
Movement in receivables and prepayments		
Movement per statement of financial position	(961,441)	679,183
Adjusted for:		
Non cash transactions (receivable on sale of leasehold land)	-	1,277,000
Proceeds received from disposal of property	(994,500)	-
Movement in intercompany funding	591,634	-
Net movement in receivables as per cash flow	**(1,364,307)**	**1,956,183**
Movement in non cash items in current tax		
Release of prior year overprovision	786,122	-
Net movement in receivables as per cash flow	**786,122**	**-**

Notes (continued)

34. Borrowings

(a) Group

The borrowings are made up as follows:

	2017	2016
	Kshs'000	Kshs'000
Non-current		
Long-term debt (related party) - refer to (i) below	11,469,236	11,469,236
Long-term debt (third party) - refer to (ii) below	5,019,038	5,004,358
Medium term note - refer to (iii) below	11,000,000	5,000,000
	27,488,274	**21,473,594**
Current		
Bank overdraft - refer to (iv) below	589,366	5,175,156
	589,366	**5,175,156**
	28,077,640	**26,648,750**

The carrying amounts of current borrowings approximate their fair value, as the impact of discounting is not material.
The movement in borrowings is as follows:

	2017	2016
	Kshs'000	Kshs'000
At start of year	26,648,750	33,764,890
Advanced in the year - Medium term note	6,000,000	4,994,446
Advanced in the year - Short term loan	2,500,000	-
Repayments in the year	(2,500,000)	(12,898,623)
Movement in bank overdrafts	(4,585,790)	778,125
Effect of exchange rate changes	14,680	9,912
At end of the year	**28,077,640**	**26,648,750**

(i) Related party loan from Diageo Finance Plc of Kshs 11,469,236,000. The related party loan issued in 2012 attracts variable interest rates at 2% above Kenya Bankers' Reference Rate (KBRR) (2016 : 1.5% above the 364 day Treasury Bill rate) . This loan is unsecured.

(ii) Bank loans comprise:

- Medium term loan from Barclays Bank of Kenya Kshs. 4,500,000,000 at average annual interest rates of 13.62% (2016 : 11.54%). This facility is secured by a letter of comfort from Diageo Plc for Kshs. 7.8 billion and matures in 5 years from June 2017.

- Medium term loan from Stanbic Bank of Uganda USD 5,000,000 at an effective interest rate of 6% (2016 : 13.62%). This facility is unsecured and matures on 30 April 2021.

(iii) Medium term note of Kshs 11,000,000,000 (2016: Kshs. 5,000,000,000) in two tranches. The first tranche (Kshs 5,000,000,000) is unsecured, has an annual interest rate of 12.95% and matures in March 2020. The second tranche (Kshs 6,000,000,000), also unsecured has an annual interest rate of 14.17% and matures in March 2022.

(iv) The bank overdraft has an effective interest rate of 15.29% (2016 : 9.03%) and is sourced from Barclays Bank of Kenya, Standard Chartered Bank and Citibank. The Group has a finance lease of Kshs 203,386,906 (2016: Kshs 132,505,000) with Equity Bank Tanzania for assets financing.

34. Borrowings (continued)

(a) Group (continued)

The Group is not in breach of any financial covenants for facilities issued by its bankers as at 30 June 2017. For the medium term note, the Capital Markets Authority requires the Group to maintain a current assests ratio of 1. The Group has reported a current ratio of 1 as at 30 June 2017. The Group had available undrawn facilities of Kshs. 11 billion as at 30 June 2017.

(b) Company

The borrowings are made up as follows:

	2017	2016
	Kshs'000	**Kshs'000**
Non-current		
Long-term debt (related party) - refer to (i) below	11,469,236	11,469,236
Medium term note - refer to (ii) below	11,000,000	5,000,000
Long-term debt (third party) - refer to (iii) below	4,500,000	4,500,000
	26,969,236	**20,969,236**
Current		
Bank overdraft	369	5,054,999
	369	**5,054,999**
Total borrowings	**26,969,605**	**26,024,235**

The carrying amounts of current borrowings approximate their fair value, as the impact of discounting is not material.

The movement in borrowings is as follows:

	2017	2016
	Kshs'000	**Kshs'000**
At start of year	26,024,236	31,710,173
Advanced in the year - Medium Term Note	6,000,000	4,500,000
Advanced in the year - Short Term Loan	2,500,000	-
Repayments	(2,500,000)	(11,715,760)
Movement in bank overdrafts	(5,054,631)	1,529,823
At end of the year	**26,969,605**	**26,024,236**

(i) Related party loan from Diageo Finance Plc of Kshs 11,469,236,000. The related party loan issued in 2012 attracts variable interest rates at 2% above Kenya Bankers' Reference Rate (KBRR) (2016: 1.5% above the 364 day Treasury Bill rate). This loan is unsecured.

(ii) Medium term loan is from Barclays Bank of Kenya Kshs. 4,500,000,000 (2016: Kshs. 4,500,000,000) and is at average annual interest rates of 13.60% (2016: 11.54%). This facility is secured by a letter of comfort from Diageo Plc for Kshs. 7.8 billion and matures in 5 years from June 2017.

(iii) Medium term note of Kshs 11,000,000,000 (2016: Kshs. 5,000,000,000) in two tranches. The first tranche (Kshs. 5,000,000,000) is unsecured, has an annual intrest rate of 12.95% and matures in March 2020. The second tranche (Kshs. 6,000,000,000), also unsecured, has an annual interest rate of 14.17% and matures in March 2022.

(iv) The company has a bank overdraft sourced from Barclays Bank of Kenya at a rate of 13.37%.

Notes (continued)

35. Related party transactions

The ultimate parent of the group is Diageo Plc, incorporated in the United Kingdom. The Company is controlled by Diageo Kenya Limited incorporated in Kenya and other subsidiaries of Diageo Plc. There are other companies that are related to East African Breweries Limited through common shareholdings.

The following are transactions and balances with related parties:

(a) Group

(i) Management and manufacturing fees payable/receivable to/from companies and royalties paid

	2017	2016
	Kshs'000	Kshs'000
Diageo North America, Inc	327,244	146,698
Diageo Ireland	265,571	410,327
Diageo Great Britain	44,566	319,541
Diageo Brands B.V.	39,168	35,445
Diageo Business Services Limited	1,500	3,219
Other related parties	5,422	5,247
	683,471	**920,477**

(ii) Purchase of goods and services

	2017	2016
	Kshs'000	Kshs'000
Diageo Ireland	2,000,289	2,668,348
Diageo Great Britain	918,242	368,996
Diageo Brands B.V.	831,586	170,081
Diageo North America, Inc	284,266	13,398
Diageo Scotland Limited	105,180	160,100
Diageo Business Services Limited	67,017	12,353
Diageo South Africa (Pty) Limited	30,860	-
Guinness Nigeria Plc	15,343	15,914
United Spirits Singapore Pty. Limited	12,912	-
Diageo Plc	11,584	457,953
Guinness Cameroun S A	-	36,542
Namibia Breweries Limited	-	8,341
Other related parties	6,094	5,371
	4,283,373	**3,917,397**

35. Related party transactions (continued)

(a) Group (continued)

(iii) Outstanding balances arising from sale and purchases of good/services

	2017	2016
Receivables from related parties	**Kshs'000**	**Kshs'000**
Meta Abo Breweries	180,646	121,741
Diageo Ireland	176,767	119
Sumagro Limited	100,338	-
Diageo Southern Africa	92,450	26,009
Diageo North America, Inc	42,317	-
Diageo Supply Marracuene	23,224	23,083
Guinness Nigeria Plc	21,490	311,697
Diageo South Africa (Pty) Limited	18,690	-
Diageo Great Britain Limited	11,320	307,229
Diageo Brands B.V.	10,840	-
Diageo Mozambique Limitada	10,517	10,454
Guinness Ghana Breweries Limited	9,841	7,518
Guinness Cameroun S.A.	8,129	8,525
Other related parties	12,423	46,665
	718,992	**863,040**
Payables to related parties		
Diageo Finance plc	123,302	-
Diageo Great Britain Limited	118,528	1,214,078
Diageo Ireland	84,156	565,581
Diageo North America, Inc	74,049	40,197
Diageo Brands B.V.	84,902	203,723
Diageo Business Services Hungary	21,062	9,195
Diageo Business Services India	16,060	-
Guinness Nigeria Plc	2,602	10,512
Other related parties	4,243	87,742
	528,904	**2,131,028**

Notes (continued)

35. Related party transactions (continued)

(b) Company

(i) Management and manufacturing fees payable/receivable to/from companies and royalties paid

	2017	2016
Management fees and royalties charged	**Kshs'000**	**Kshs'000**
Kenya Breweries Limited	1,539,268	1,596,324
UDV (Kenya) Limited	411,109	384,386
Uganda Breweries Limited	127,138	298,735
East African Maltings Limited	7,441	13,934
EABL International Limited	-	292,407
East African Beverages (South Sudan) Limited	-	**21,579**
Other related parties	7,228	130,515
	2,092,184	**2,737,880**
Purchase of goods and services		
Kenya Breweries Limited	3,838,006	923,130
EABL International Limited	771,152	-
UDV Kenya Limited	58,910	17,525
Diageo Great Britain	42,272	318,911
Diageo North America, Inc.	8,892	19,995
East African Maltings Limited	5,023	-
Diageo Ireland Limited	4,471	-
Uganda Breweries Limited	4,349	51,874
Diageo Finance plc	-	1,066,470
Serengeti Breweries Limited	-	233,680
Other related parties	5,408	5,247
	4,738,483	**2,636,832**

35. Related party transactions (continued)

(b) Company (continued)

(ii) Outstanding balances arising from sale and purchases of good/services

	2017	2016
	Kshs'000	**Kshs'000**
Non-current assets - Due from related parties		
Serengeti Breweries Limited	15,306,176	12,117,748
Uganda Breweries Limited	1,954,853	1,381,868
East Africa Maltings Limited	1,742,662	1,742,662
East African Beverages South Sudan Limited	1,433,287	1,433,287
	20,436,978	**16,675,565**
Current assets		
Receivables from subsidiaries		
Kenya Breweries Limited	1,562,673	467,486
East Africa Maltings (K) Limited	914,880	1,019,426
East African Beverages South Sudan Limited	163,711	1,606
UDV (Kenya) Limited	55,628	88,276
Serengeti Breweries Limited	8,296	2,916,939
Uganda Breweries Limited	7,287	110,828
	2,712,475	**4,604,561**
Receivables from related parties		
Diageo Great Britain Limited	158,616	87
Diageo North America, Inc	82,274	93,024
Diageo Reunion SA	73,760	26,009
Diageo Scotland Limited	51,376	-
Diageo Southern Africa	23,224	23,083
Diageo Supply Marracuene	18,690	-
Guinness Cameroun S.A.	11,302	133,301
Guinness Nigeria Plc	10,840	-
Meta Abo Breweries	10,517	10,454
Seychelles Breweries Limited	9,359	7,518
Guinness Ghana Breweries Limited	7,796	311,697
Diageo Ireland	7,244	-
Diageo plc	6,238	8,138
Diageo Business Services Hungary	6,065	5,443
Diageo Angola Limitada	3,708	188
Diageo Mozambique Limitada	2,873	15,600
Other related parties	2,010	8,061
	485,892	**642,603**
Total current assets	**3,198,368**	**5,247,164**

Notes (continued)

35. Related party transactions (continued)

(b) Company (continued)

(ii) Outstanding balances arising from sale and purchases of good/services (continued)

	2017	2016
Current liabilities	**Kshs'000**	**Kshs'000**
Payables to subsidiaries		
UDV (Kenya) Limited	4,422,995	2,274,513
Kenya Breweries Limited	3,064,349	2,861,856
East African Breweries Limited International	2,514,026	6,709,963
East Africa Maltings (Kenya) Limited	-	3,131
Serengeti Breweries Limited	-	67,677
	10,001,370	**11,917,140**
Payables to related parties		
Diageo Great Britain Ltd	123,302	-
Diageo Finance plc	15,125	6,161
Diageo North America, Inc	14,089	-
Diageo Scotland Limited	1,049	2,815
Guinness Ghana Breweries	204	369
Diageo Uzeltiveti Szolgal	162	1,813
Diageo Brands B.V.	4	4
Guinness Cameroun S.A.	-	42,094
Guinness Nigeria Plc	-	17,843
Diageo Americas Supply	-	11,103
Diageo plc	-	6,575
Diageo Ireland	-	4,688
Other related parties	-	9,186
	153,935	**102,651**
Total current liabilities	**10,155,305**	**12,019,791**
Long term debt		
Loan from Diageo Finance Plc	**11,469,236**	**11,469,236**

35. Related party transactions (continued)

(c) Other related party disclosures

(i) Directors' remuneration

	2017	2016
	Kshs'000	Kshs'000
Group		
Fees for services as a director	16,680	13,506
Other emoluments (included in key management) compensation in (ii) below	205,890	159,152
	222,570	**172,658**

Directors' remuneration include fees in relation to non-executive directors and compensation to executive directors in the company and its subsidiaries.

	2017	2016
	Kshs'000	Kshs'000
Company		
Fees for services as a director	8,640	5,221
Other emoluments (included in key management compensation in (d) below)	149,598	**133,612**
	158,238	**138,833**

(ii) Key management compensation (Group)

Key management includes executive directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017	2016
	Kshs'000	Kshs'000
Salaries and other shorter term employment benefits	854,722	938,796
Post-employment benefits	49,614	25,303
Termination benefits	-	37,470
	904,336	**1,001,569**

36. Events after the reporting period

East African Breweries Limited (EABL) had an outstanding long term investment loan with Serengeti Breweries Limited (SBL) of Kshs 15,306,176,000 as at 30 June 2017. As at the date of authorization of these financial statements, EABL had entered into a commitment to restructure the business of SBL through conversion of this intercompany long term investment loan and interest to equity. The conversion is scheduled for the financial year ending 30 June 2018.

Principal Shareholders and Share Distribution

The ten largest shareholdings in the Company and the respective number of shares held at 30 June 2017 are as follows:

Name(s) and Address	Number of shares	%
Diageo Kenya Limited	338,618,340	42.82%
Diageo Holdings Netherlands B.V.	36,361,290	4.60%
Guinness Overseas Limited	20,628,804	2.61%
Standard Chartered Nomunees Non-Resd. A/C 9069	16,978,396	2.15%
Standard Chartered Kenya Nominees Ltd A/C Ke003250	13,772,849	1.74%
Standard Chartered Nominees Non-Resd. A/C Ke10085	13,000,000	1.64%
Kenya Commercial Bank Nominees Limited A/C 915b	10,834,544	1.37%
Standard Chartered Nominee Account Ke17682	10,366,040	1.31%
Standard Chartered Nominees Non-Resd. A/C Ke8723	8,567,500	1.08%
Standard Chartered Nominees Non Res A/C Ke9273	7,762,500	0.98%
Total number of shares	**476,890,263**	**60.31%**

Distribution of shareholders	Number of shares	Number of shareholders	%
1 – 500 shares	2,373,942	12,438	0.30%
501 – 5,000 shares	15,635,348	9,779	1.98%
5,001 – 10,000 shares	6,787,378	957	0.86%
10,001 – 100,000 shares	39,834,579	1,392	5.04%
100,001 – 1,000,000 shares	111,917,614	334	14.15%
Over 1,000,000 shares	614,225,495	71	77.67%
Total	**790,774,356**	**24,971**	**100.00%**

EABL Directors' shareholding as at 30 June 2017:	
Director's names	**Number of shares**
Alan Shonubi	2,800
Jane Karuku	9,689
Carol Musyoka	1,682

EABL is pleased to inform you that its share registrar – C&R Group has set up an online link called SHAREHUB – www.sharehub.co.ke through which our shareholders can access or query information relating to their shares, dividends and any other corporate information such as Annual General Meetings and / or accessing statutory information. To access or use the portal, please follow the steps below:

1. **Dividend status query –** a shareholder can query his / her past dividends and confirm their status.

Benefits:

a. Fast and hassle free dividend query, and information for follow up for shareholder;
b. Security is maintained as only minimal information is provided through a generic response and query logging to track and stop potential abuse.

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke
b. Click on 'Dividend Query' and Select Company, Account Type and enter your Account Number.
c. Click on the 'Send' button and the system will generate an appropriate message depending on the shareholders dividend status.
d. If needed the shareholder can then raise a query or contact C&R shareholder services department for further assistance.

2. **Send a Query -** here a shareholder can raise a query online and have C&R shareholder services department follow up and resolve the issue.

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke.
b. Click on 'Send a Query' and fill in the form and 'Captcha'.
c. Click on the 'Send' button and the query will be submitted to the shareholder services department for resolution and the shareholder contacted through the contact details provided.

3. **A central source of information for corporate events calendar such as historical dividends, bonus issues and IPO's.**

Benefits:

a. One stop information source for Kenyan market.
b. Allows shareholders to plan their corporate and financial.
c. Calendar (for AGM attendance, dividend payments, bonus and rights issue activities).

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke
b. Click on 'Corporate Events Calendar' or 'Reports/ Notices'
    i. Under 'Corporate Events Calendar' browse the calendar and view all the added corporate action events.
    ii. Under 'Reports/Notices' filter by 'Event type', 'Security' or 'Year' to get the events of interest.
c. Click on the event name to download the associated event notice.

4. **Quick and hassle free AGM registration online followed by express access at the AGM venue and Online access to follow the AGM proceedings.**

Benefits:

a. Efficient AGM registration process and proxy nomination.
b. Access to the express counter for AGM attendance.

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke.
b. Register by clicking on 'Not yet registered? Click here to register as a user' and fill in the forms and click on the 'Register' button to submit the form to the shareholder services department for verification and approval.
c. Once the newly created account has been approved by the shareholder services department the shareholder will receive a notification with his/ her login credentials.
d. He / she can then login and register for any upcoming AGMs for listed companies that he / she is a shareholder of.

PROXY FORM

I/We _________________________ _________________________ _________________________

Of (address) _________________________ _________________________ _____________

Being a member/members of East African Breweries Limited, hereby appoint

_________________________ of ______________________________, or failing him

_________________________ of ______________________________ as my / our proxy to vote for me/us on my/our behalf at the 95th Annual General Meeting of the Company to be held on the 21st of September 2017 at 11.00 a.m. and at any adjournment thereof.

Number of shares held________________ (if available)

Account Number...

Signature (s)...

Signed this_____________ day of ___________20___.

Note:

1. A member may appoint the chairman of the meeting as his proxy.
2. If the appointer is a corporation, this Form of Proxy must be completed under the hand of the officer or attorney duly authorized on that behalf.
3. Proxies must be completed and returned to the Company's Registered Office or to Custody & Registrar Services Limited, Bruce House, 6th Floor, Standard Street and P. O. Box 8484 – 00100, Nairobi. Alternatively, duly signed proxy forms can be scanned and emailed to: **proxy@candrgroup.co.ke** in PDF format, no later than 2:30pm on 19th September 2017.
4. Please note the proxy should also avail a copy of the shareholder's ID/Passport when returning the Form.

ADMISSION CARD

Please Admit

____

To the 95th Annual General Meeting of East African Breweries Limited which will be held at Safari Park Hotel, Ruaraka, Nairobi on 21 September 2017 at 11.00 a.m.

This admission card must be produced by the Shareholder or proxy in order to obtain entrance to the Annual General Meeting.

Joyce N. Munene

Group Company Secretary

FOMU YA UWAKILISHI

Mimi/Sisi ___________________________ ___________________________ ___________________________

Wa (anwani) ___________________________ ___________________________ ______________

Kama mwanachama / wanachama wa East African Breweries Limited, namteua / twamteua___________________________ wa ________________________________, na akikosekana

___________________________ wa ________________________________ kama mwakilishi wangu / wetu kupiga kura kwa ajili yangu/ yetu katika Mkutano Mkuu wa 95 wa Kampuni kufanyika Septemba 21, 2017 saa tano asubuhi na wakati kuahirishwa kwake kukiweko.

Idadi ya hisa zilizoshikiliwa_________________ (kama ipo)

Nambari ya akaunti…………………………………………………………

Sahihi……………………………………………………………………..

Siku ya______________ Mwezi ____________20___.

Kumbuka:

1. Mwanachama anaweza kuteua mwenyekiti wa mkutano kama wakala wake.
2. Ikiwa mteuzi ni shirika, fomu hii ya wakala lazima ijiazwe na afisa au wakili aliyeteuliwa na shirika.
3. Mibadala lazima yawe yamekamilika na kurudishwa kwa Ofisi ya Kampuni iliyosajiliwa ama Huduma ya Usimamizi na Usajili yaani Custody & Registrar Services Limited, Bruce House, 6th Floor, Standard Street na S.L.P 8484 – 00100, Nairobi. Kama sivyo, fomu za uwakilishi zikitiwa saini zaweza kutumwa kama barua pepe kwa: **proxy@candrgroup.co.ke**, katika muundo wa pdf kabla saa nane unusu tarehe 19 Septemba 2017.
4. Lazima fomu hii iambatanishwe na nakala ya cheti cha kitambulisho (ID) / pasipoti ya mwenyehisa wakati inaporejeshwa.

KADI YA KIINGILIO

Tafadhali mruhusu

____

Kwa Mkutano Mkuu wa 95 wa East African Breweries Limited utakaofanyika katika Safari Park Hotel, Ruaraka, Nairobi, Septemba 21, 2017 saa tano asubuhi.

Kadi hii ya kiingilio lazima ionyeshwe na Mwanahisa au wakala wake ili aruhusiwe kuingia kwenye Mkutano wa Mwaka.

Joyce N. Munene

Katibu Mkuu wa Kampuni


NEW SMIRNOFF ICE
ELECTRIC GINSENG
THE DANCE FLOOR
IS CALLING
#KEEP
ITMOVING
ELECTRIC GINSENG
SMIRNOFF
-ICE-
ELECTRIC GINSENG

NOTES

NOTES

EXCESSIVE ALCOHOL CONSUMPTION IS HARMFUL TO YOUR HEALTH.
STRICTLY NOT FOR SALE TO PERSONS UNDER 18 YEARS.

eabl

East African Breweries Limited
Corporate Centre, Ruaraka
P.O. Box 30161 - 00100 Nairobi, Kenya
www.eabl.com

Premium Quality