GROWING
VALUE
TOGETHER

eabl

From grain...

...to glass

2018 Integrated Report and Financial Statements


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TUSKER
TOGETHER FOREVER
TUSKER
QUALITY LAGER
BREWED BY US
WITH PRIDE
SINCE 1961
MONDE SELECTION
2017
GOLD AWARD
WINNER, 2017 MONDE SELECTION, GOLD AWARD

EABL in 2018

East African Breweries Limited (EABL) is a regional leader in beverage alcohol with an exceptional collection of brands across beer and spirits. Although our business is concentrated in three core markets of Kenya, Uganda and Tanzania, our products are sold in more than 10 countries across Africa and beyond.

Our brands are an outstanding combination of local jewels and international premium spirits. These include: Tusker, Guinness, Bell Lager, Serengeti Lager, Kenya Cane, Uganda Waragi, Smirnoff XI and Johnnie Walker.

Our performance ambition is to be the best performing, most trusted and respected consumer products companies in Africa. We are proud of the brands we make and the positive impact they have on society. We are passionate about alcohol playing a positive role in society as part of a balanced lifestyle.

Cover image: *A graphic representation of EABL's grain-to-glass story, representing our robust socio-economic value chain benefitting millions of people across East Africa.*

This is the EABL Annual Report 2018 for the year ended 30th June 2018. The Annual Report is made available to all shareholders on EABL's website (www.eabl.com). This Report is themed around our Growing Value Together story, through which we continue to transform people's livelihoods through direct and indirect employment and touching millions of lives through our sustainability initiatives in East African communities. As we approach our centenary, this is an enormous opportunity, which we will leverage to safeguard the future of our business in the next 100 years, while helping to address some of the biggest contemporary challenges our society and environment faces today including harmful drinking, climate change, women's empowerment and water scarcity.

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Our business model

EABL is a regional leader in beverage alcohol with iconic brands across beer and spirits. Our heritage since 1922 has enabled us understand consumers across the region, adopting world-class marketing and innovation skills to build powerful brands that play a positive role in society.

EABL is structured into a market-based business model, applying country-specific strategies to meet consumer needs. Our business model enables us to identify and act on consumer trends early. East Africa's vibrant beverage alcohol market has supported delivery of sustainable performance over the years.

Key Highlights

2 million
The number of people positively impacted by EABL

30+
Brands (beer and spirits)

1%
GDP contribution

5
Production sites

1600
No. of employees

Our footprint in East Africa

Our market footprint spans six countries in the larger East Africa region.

EABL provides direct employment to over 1600 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.

Driving EABL's sustainability

60,000
Number of farmers recruited by EABL to supply raw materials

240,000
Number of people employed in EABL's farming community

Kshs 1.5 billion
Amount of money paid to sorghum farmers by EABL in 2018

12 million EUs
Volumes produced by EABL across East Africa

5 million
Number of people benefitting from EABL's water projects

+27,000
Number of retailers trained in responsible drinking practices

Kshs 54 billion
EABL annual contribution to the Exchequer across East Africa

Our strategy

EABL's growth is underpinned by a relatively stable macro-economic growth and changing demographics that continue to support population and income growth across our marketplace. This is further characterised by changing consumer repertoires in segments such as international premium spirits, where we aim to grow our participation.

Our strategic priority is to offer a variety of beers and spirits at different price points to suit the pockets of the different economic levels of our customers. We also seek to shape responsible drinking trends in the market and to position alcohol as playing a positive role in the society.

Our strategy is also anchored on supporting premiumisation and increase our spirits participation through categories that give us access to the growing middle-class consumer and in segments where international premium spirits is an emerging category.

Our broad portfolio means we have leading positions across many of our markets, enabling us to serve consumer occasions with our brands, across price points. In the markets we operate, we do so in a responsible and sustainable way.

eabl

Celebrating Life, Every day, Everywhere

AMBITION

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

STRATEGIC IMPERATIVES

Vibrant Mainstream Beer
Return Guinness and our local power brands to sustainable long term growth.

Explode Mainstream Spirits
Unlock and serve consumer needs through aspirational and affordable portfolio.

Win in Premium
Transform penetration and share by disrupting and shaping the future of premium segment.

Total Beverage Alcohol Value Recruitment
Grow TBA and extend our share through differentiated accessible and viable offering.

KEY ENABLERS

Aspirational and Accessible Innovations.

Route to Consumer
Competitive coverage that drives market share gains across the 4 imperatives.

Stakeholder Relationships
Respected partner in community shaping industry tax and regulation to drive full portfolio growth.

Supply Footprint
Guarantee supply through an advantaged but fit for purpose value chain.

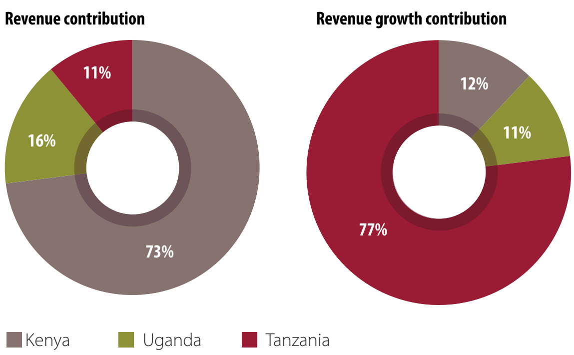
Productivity
Culture of ruthless monitoring and evaluation and investment allocation to drive out cost and make every shilling worth more.

Guaranteed through our people

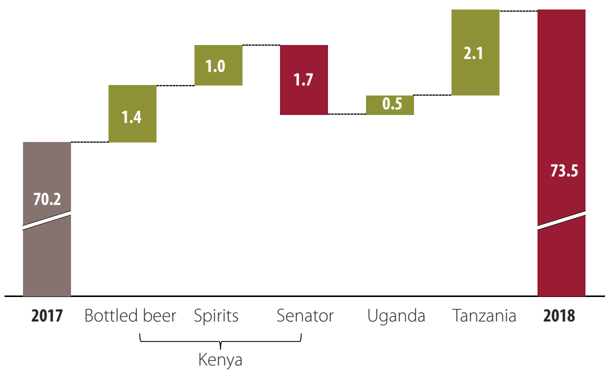
- Strategic imperatives and enablers are swiftly and fully resourced
- Simple, agile and externally oriented organization
- Employer of choice with leading diversity and local talent agenda
- Significantly up-weighted commercial capabilities

Financial highlights

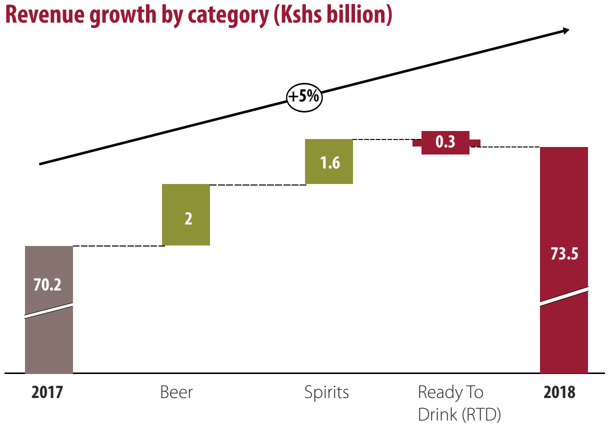
Revenue contribution



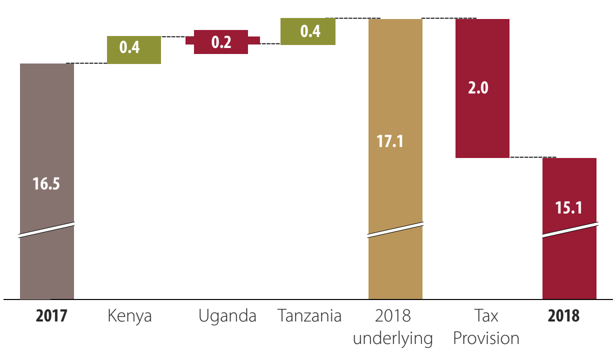
+5% Overall revenue growth by country (Kshs billion)



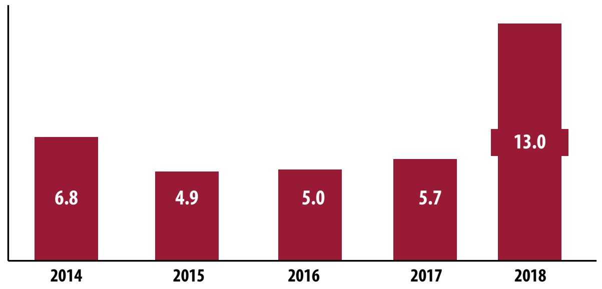
Revenue growth by category (Kshs billion)



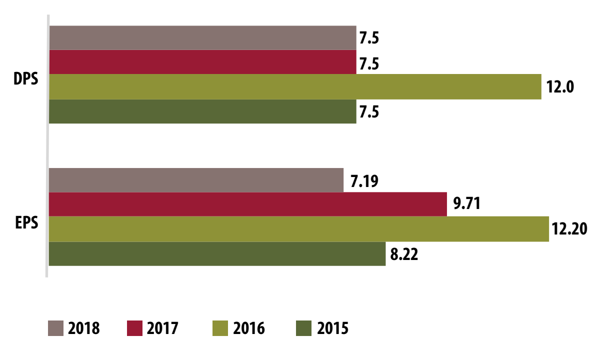
Profit before interest and tax (Kshs billion)



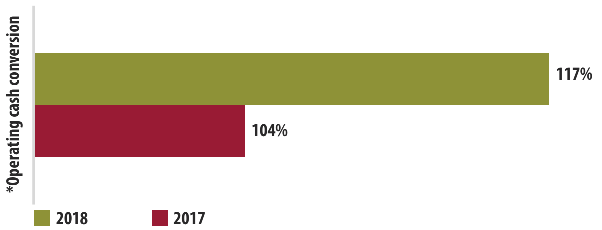
Capital expenditure (Kshs billion)



Earnings Per Share (EPS)/Dividends Per Share (DPS) Kshs



Operating cash conversion



*Operating cash conversion – assesses the efficiency of the company to turn the Earnings before interest, tax and depreciation (EBITDA) into cash

Executive Summary

Walking the talk: Our sustainability journey

As far as corporate sustainability goes, the sobering reality about the critical need to secure our future business and posterity of the societies where we operate has never been more real. With global and regional economies becoming ever more intricate, interconnected and efficient, there are increasing risks to organisations due to the rapid propagation of disruptive events.

East African Breweries Limited (EABL) is increasingly alive to the exigencies of the new world, bringing to the fore the need to adopt fresh ways to operate across our business from sourcing to production and distribution. At the outset, we cannot deliver on our sustainability goals without knowing the size of and impact on our business footprint across East Africa. And we cannot tell the impact if we cannot measure it. That is why in the last decade alone, we have established the EABL Foundation, investing heavily in deliberate sustainability areas and tracking how we are progressing against set goals.

Our clear and robust sustainability agenda is anchored on three key pillars, underpinning the spirit of our existence since 1922 and our determination to drive a sustainable business for the next century.

- Our **Alcohol in Society agenda** has presented a broad, solid platform to create and demonstrate the positive role alcohol plays in the society. With partnerships and programmes such as *Under-18 Asipewe* and *Utado?* in Kenya, the *Red Card* campaign in Uganda and *Don't Drink and Drive* in Tanzania, we have taken leadership in educating and empowering consumers and retailers not only on the dangers of irresponsible drinking but also on how to enjoy alcohol in moderation.

- EABL is **Building Thriving Communities,** equipping people, particularly women and youth, with requisite skills and resources to build a better future for themselves. The more than 60,000 mainly small-scale who have a guaranteed market for their sorghum are part of the estimated 240,000 direct and indirect beneficiaries in our larger ***Grain to Glass*** value chain. This value chain encompasses every aspect of the process that contributes to the end-of-line consumable product, from the time we get the raw material to the bottling and distribution of our products.

- Alongside that are a set of programmes in water and education, complementing government and other peer organisations' efforts to provide basic needs.

EABL Group MD Andrew Cowan joins a farmer as he prepares his farm for the planting of sorghum

- **Reducing Environmental Impact** remains at the core of operational behaviour, relating to both our production processes and the way we source and distribute. This has increasingly made our products and business operations more environmentally sustainable.

Aligning Our sustainability with Sustainable Development Goals (SDGs)

At EABL, we strongly believe in working with communities, recognising the essence of stakeholder engagement and ensuring projects' sustainability.

We can only prosper in an all-inclusive environment, where our stakeholders – farmers, communities, suppliers, employees and customers – walk along the sustainability journey with us.

To achieve this, we have integrated seven UN Sustainable Development Goals (SDGs) into our business model cognisant of the critical role we play in improving the well-being of the society. These are not just a set of goals implemented for conformity: we have incorporated them in our business model because their delivery can only lead

80%

Raw materials sourced locally

Programme designed to ensure all employees go home safe everyday

60,000

Small-scale farmers guaranteed sorghum market

to a better world, guaranteeing our future as a business. Our strategy focuses on the entire value chain, 'From Grain to Glass'.

What does this alignment mean?

At the core of our business operations is the adaptation of seven SDGs. EABL, through a robust Local Raw Material (LRM) agenda, supports SDG 1 on No poverty by providing a ready market to small holder farmers in Arid and Semi-Arid Land (ASAL) areas who grow sorghum and millet.

Local sourcing is a key business priority because of the shared value it brings to local communities and the economy. We are currently working with over 60,000 sorghum farmers across the country, who earn a combined total of over Kshs1.5 billion annually. We are also sourcing 80% of raw materials locally and aim to scale this up to 100% by 2020.

Through the ***Jilishe, Kisha Uuze*** initiative, we support SDG 2, which is aimed at eradicating hunger. Our engagement with small-scale farmers is focused on two important aspects – encouraging them to grow sorghum and millet to meet their household needs and thereafter sell the surplus to increase their income.

EABL supports SDG 3, which seeks to ensure Good Health and Well-Being through our ***Zero Harm*** programme, designed to ensure that all employees go home safe every day, and is based on four pillars – prevention, culture, compliance and capability.

As a business, we have invested heavily in human development, especially along our sorghum and barley value chain. Additionally, to support SDG 4 on Quality Education, EABL Foundation's ***Skills for Life*** has changed the lives of under-privileged yet academically gifted youth in Kenya. So far, we have given over 250 scholarships to bright students, enabling them to get university education. The rural education needs are also augmented by the multi-billion shilling trade created by our sorghum market, especially in arid and semi-arid areas, furthering our support for SDG 4.

As water is the key ingredient in all of our products, SDG 6, on Clean Water and Sanitation, is extremely critical. The growing scarcity of fresh water sources is not just an issue for manufacturers like EABL; it is a major risk to the sustainability of economic, social and environmental systems in areas where we all live and work. We are committed to minimise our water use throughout our value chain. Our water sustainability efforts through the ***Water for Life*** programme have touched over 5 million people.

In line with SDG 8 on Decent Work and Economic Growth, EABL's value chain supports over 2 million people. EABL directly employs over 1,600 East Africans and remains a significant taxpayer in the region, contributing KShs 54 billion in taxes to the countries in the region.

In support of SDG 12 on Responsible Consumption and Production, the World Health Organisation (WHO) has set a target of reducing alcohol-related harm by 10% across the world by the year 2025. EABL supports this goal through promotion of responsible drinking programmes and campaigns, taking an active role in educating and empowering alcohol consumers about drinking in moderation.

"Local sourcing is a key business priority because of the shared value it brings to local communities and the economy."

Environment First

As water and energy are important utilities in any production process, their use in our production sites across thre East African region are keenly measured and aligned to our performance indicators.

EABL has made significant strides in promoting water efficiency, and last year we invested millions of shillings in ultra-modern water treatment systems. Our aim is to return 100% of wastewater from our operations back to the environment safely.

We are finding new and better ways to reduce, reuse, return and recycle. As part of this process, we have introduced an environmental awareness campaign that is geared towards ensuring that our employees are our environment ambassadors.

EABL invests part of its profits in the communities by providing access to safe drinking water. EABL is also involved in programmes on environmetal education and awareness.

Our efforts at reducing environmental impact are also supported by initiatives that promote environmental conservation. So far, we have planted and nurtured over one million tree seedlings, with an 85% success rate.

> "Our aim is to return 100% of waste water from our operations back to the environment safely."

Chairman's Message

"Our business delivered these strong results through dedicated focus which was supported by the Management and Staff."

Overview

Our business at East African Breweries Limited (EABL) has concluded yet another financial year on a positive note. In the year to 30 June 2018, we recorded growth in Net Sales and Gross Profit and introduced more discipline that has ensured greater cost efficiency across our operations. Our innovations agenda delivered new vibrancy to the market and new consumers to the business.

We commissioned the construction of a new brewery in Kisumu and in tandem with that commenced our "Grain to Glass" awareness campaign recruiting thousands of farmers and retailers to support the activities of the new brewery once operational. Our business in Tanzania recorded an impressive trajectory, reporting significant double-digit growth in sales and profitability. All in all, the business has a lot to celebrate about.

The just-ended financial year was not without challenges and the performance for the period should be regarded with the following considerations. During the first half of the financial year, we witnessed protracted electioneering period in Kenya, which not only slowed down economic activity in the country and negatively impacted the affordability of our products, but also had a knock-on impact on both Uganda and Rwanda whose access to sea is through Kenya.

We also experienced the negative effect of drought-related inflation particularly in the first half of the financial year, which increased the costs of our inputs considerably. In addition, the shrinking private-sector lending contributed to restrained consumer purchasing.

After a slow start to the year, the business delivered improved performance in the second half supported by economic fundamentals like investments in infrastructure, construction and recovery in consumer spending ability. The business showed an unwavering focus on driving the long term as we continued to invest in our brands and meeting consumers' ever-changing preferences with the right propositions through our innovations. Some of these innovations included Tusker Cider in Kenya, Serengeti Lite in Tanzania and Uganda Waragi Coconut and Pineapple in Uganda.

In light of the above, I am pleased to report a strong performance in the year delivering a growth of 5% in Net Sales and 4% in Profit from operations excluding the tax provision. These results demonstrate once again the strength of our brands and people; to deliver a resilient performance in the first half of the year and a turnaround in the second half when the economies showed improvement.

"Our business delivered these strong results through dedicated focus which was supported by the Management and Staff and driven towards execution of our strategic imperatives. These imperatives were aimed at addressing our total brand portfolio and were underpinned by our ambition of becoming the best performing, most trusted and respected consumer products Company in Africa, while generating shareholder value."

Strategic focus

EABL has remained unwaveringly on course with its strategy focused on our key imperatives aimed at being the preferred consumer choice for Total Beverage Alcohol (TBA) in a sustainable way while growing shareholder value in line with the changing consumer trends across the region.

We continued to optimise our balance sheet by shedding non-core assets to create headroom for our investment ambitions including the expansion of the Tusker Brewery Nairobi in the beer plant, a new plant in Kisumu and installed new spirits lines in both Kenya and Uganda.

Our investment in the Kisumu production plant this year is supporting our strategic agenda of providing a healthy and accessible alternative to illicit propositions while supporting the community through our 'Grain to Glass' strategy.

Tax Policy and Regulatory Environment

We faced a number of excise increases in the region which required our judgment on whether to absorb them in our margins or to pass them on to consumers. During the year, there was an excise increase in Spirits and reduction in remission on Senator in Kenya which we passed to the consumers, inflationary increase in Tanzania that we absorbed and in Uganda there were changes in excise which we absorbed in part and passed on the rest.

Sustainability

As a business we have sustainability at the core of our operations and the communities we operate in. We have endeavoured to align our business with the UN Sustainable Development Goals (SDG).

Through our 2020 sustainability and responsibility target pillars we have initiatives driven at promoting a positive role of alcohol in society, building thriving communities and reducing our environmental impact.

We are very proud to welcome the new 15,000 farmers contracted to supply our Kisumu brewery into our ever-expanding value chain. These farmers will help us realise our vison: to support in delivering over 100,000 jobs to the communities across the Western Kenya region.

Corporate Governance

East African Breweries Limited is committed to the highest standards of Corporate Governance and ethics. In order to ensure adherence to good governance and best practice, the Company has embedded internal policies and guidelines to guide activities involving our key stakeholders, namely employees, customers, suppliers, competitors, government and the community.

During the year, the Company commissioned a rigorous Governance Audit, in a bid to continue supporting the visibility of our Corporate Governance agenda and to comply with the requirements of the Code of Corporate Governance promulgated by the Capital Market Authority. You will also notice that we have, for the first time, included a Directors' Remuneration Report in compliance with the new requirements under the Companies Act.

Board changes

During the financial year, we bid farewell to Mr. Nehemiah Mchechu, who resigned from the Board to concentrate on other endeavours. After the financial year end, Mr. Jimmy Mugerwa joined the Board as an Independent Non-Executive Director, to replace Dr. Alan Shonubi who retired from the Board after serving for a cumulative period of 9 years.

The Board and I welcome Mr. Jimmy Mugerwa and look forward to his contribution and participation. We also thank Mr. Mchechu and Dr. Shonubi for their commitment to the Company, their invaluable contribution to the Board's deliberations and the Company's success. We wish them all the best in their future endeavours.

Outlook

During the year, EABL delivered performance through our rich portfolio of brands coupled with the concerted effort and dynamism of all the management and staff. Our continued focus on the key principles that have been the solid bedrock of the Company - investing in our brands while securing this with robust talent and keeping our shareholder value at the core of it all.

Looking ahead, there is reason for guarded optimism informed by the improving consumer spending-power and the enhanced political stability in key markets in the region. The private sector hinges its expectations for the next 12 months on the prospects of stable macroeconomic environment, favourable weather conditions, improved business environment and investor confidence, continued public investment in infrastructure and political stability. This bodes well for the coming years.

Appreciation

On behalf of the Board of Directors, I would like to recognise our customers, consumers, business partners and the Government for your continued support. We also wish to thank our management and staff for their commitment to the business and to delivering the strategy.

I would also like to sincerely thank my fellow EABL Board members for their counsel, support and dedication throughout the year and for delivering a strong Corporate Governance environment.

Charles Muchene
Group Chairman

5%
Growth in net sales

15,000
New farmers contracted to supply our Kisumu brewery

+100,000
Potential jobs across the Western Kenya region

Ujumbe wa Mwenyekiti

"Biashara yetu imekuwa na matokeo thabiti kupitia kujitolea kwetu kulikosaidiwa na usimamizi na wafanyikazi."

Maelezo ya jumla

Biashara yetu katika kampuni ya East African Breweries (EABL) imefanya vyema katika mwaka wa kifedha ulioisha. Katika mwaka uliomalizika tarehe 30 Juni, 2018 tulikuwa na ongezeko la mauzo na faida pamoja na ongezeko la nidhamu katika kudhibiti gharama za shughuli zetu. Ajenda yetu ya ubunifu ilileta msisimko mpya katika soko na wateja wapya katika biashara.

Tulianzisha ujenzi wa kiwanda kipya cha bia mjini Kisumu sambamba na kampeini yetu ya 'kutoka kwa nafaka hadi katika glasi au ukipenda kutoka shambani hadi kiwandani' ambayo ilisajili maelfu ya wakulima na wafanyibiashara wa rejareja kusaidia shughuli za kiwanda kipya pindi kitakapoanza shughuli zake. Biashara yetu nchini Tanzania ilikuwa ni ya kuridhisha kwani kumekuwa na ukuaji wa mauzo na faida. Kwa ujumla kuna mengi ya kufurahia kuhusu biashara hii.

Mwaka wa kifedha ulioisha haukukosa changamoto. Katika nusu ya kwanza ya mwaka huo tulishuhudia kipindi kirefu cha uchaguzi nchini Kenya ambacho hakikupunguza tu kasi ya ukuaji wa uchumi wa Kenya bali pia kilikuwa na athari katika nchi za Uganda na Rwanda ambazo shughuli zao baharini ni kupitia Kenya.

Pia tulishuhudia mfumuko wa bei uliohusiana na ukame hasa katika nusu ya kwanza ya mwaka wa kifedha, hali ambayo iliongeza gharama za malighafi zetu. Vile vile kupungua kwa mikopo kuliathiri uwezo wa ununuzi wa mteja.

Katika nusu ya pili ya mwaka wa kifedha, biashara iliimarika. Hali hiyo ilichangiwa na kuwepo kwa misingi ya kiuchumi kama muundomsingi, ujenzi na kuimarika kwa uwezo wa mteja katika ununuzi. Kupitia ubunifu wetu kuhusu bidhaa tofauti, tuliendelea kuwekeza na kuafikia matakwa ya wateja yanayobadilika mara kwa mara. Baadhi ya bidhaa tulizoshughulikia ni Tusker Cider nchini Kenya, Serengeti Lite huko Tanzania na Uganda, Waragi Coconut na Pineapple nchini Uganda.

Kufuatia hayo nina furaha ya kutangaza ukuaji wa 5% katika mauzo na ukuaji wa 4% katika faida kabla ya matozo ya ushuru. Matokeo hayo yanadhihirisha uimara wa bidhaa zetu na uwezo wa watu (wafanyikazi) wetu.

"Biashara yetu imekuwa na matokeo thabiti kupitia kujitolea kwetu kulikosaidiwa na usimamizi na wafanyikazi pamoja na utekelezaji wa mikakati yetu. Mikakati hiyo inalenga azimio letu la kuwa kampuni yenye utendaji bora, inayoaminika na kuheshimiwa kuhusiana na bidhaa zake kwa wateja barani Afrika huku ikiongeza thamani ya mwenyehisa."

Mtazamo wa kimkakati

EABL imeendelea kutoyumba katika mkakati wetu unaolenga kuwa chaguo la mteja kuhusiana na kinywaji cha pombe(TBA) katika hali endelevu huku ikiongeza thamani ya mwenyehisa sambamba na mabadiliko ya mienendo ya mteja katika kanda hii.

Tuliendelea kuimarisha waraka mizania yetu kwa kuachana na mali tunazomiliki zisizokuwa za kimsingi ili kutoa fursa ya kuimarisha uwekezaji wetu ukiwemo upanuzi wa kiwanda cha bia cha Nairobi, kuanzisha kiwanda kipya Kisumu na kuanzisha uzalishaji upya wa mivinyo Kenya na Uganda.

Uwekezaji wetu katika kiwanda cha uzalishaji cha Kisumu mwaka huu unaunga mkono ajenda yetu ya kimkakati ya kuwa mbadala wa uzalishaji wa pombe haramu kupitia kampeini ya kuijali jamii ya " kutoka kwa nafaka hadi kwa glasi" au ukipenda kutoka kwa shamba hadi kiwandani.

Sera ya ushuru na mazingira ya udhibiti

Kumekuwa na ongezeko la kodi tofauti katika kanda hii ambazo zilihitajia tuamue kama mzigo huo tuuchukue au tumsukumie mteja. Katika mwaka huo wa kifedha kulikuwa na ongezeko la ushuru wa mivinyo na kupungua kwa malipo ya Senator nchini Kenya ambapo mzigo tulimuachia mteja, mfumuko wa bei Tanzania tulibeba athari zake na nchini Uganda kulikuwa na mabadiliko ya kodi ambayo baadhi tulibeba mzigo lakini mengine tulisukuma kwa mteja.

Uhimili

Kama biashara tuna uhimili katika msingi wa shughuli zetu na katika jamii tunazohudumu. Tumeazimia kuifanya biashara yetu iendane na malengo ya maendeleo endelevu ya Umoja wa Mataifa (SDG).

Kupitia nguzo za uhimili na uwajibikaji tunazolenga kufikia mwaka wa 2020 tumeanzisha harakati ambazo zitaangazia faida ya pombe katika jamii, kujenga jamii bora na kupunguza athari zetu katika mazingira.

Tuna furaha sana kuwakaribisha wakulima wapya elfu 15 waliopewa kandarasi ya kuwasilisha mazao yao katika kiwanda cha Kisumu . Wakulima hao watatusaidia kutimiza dira yetu: kusaidia katika kutoa zaidi ya nafasi 100,000 za ajira kwa jamii zilizoko eneo la magharibi mwa Kenya.

Usimamizi wa Shirika

Kampuni ya East African Breweries imejitolea katika kuhakikisha inadumisha viwango vya juu vya maadili ya usimamizi wa shirika. Katika kufanikisha hilo, kampuni imetoa sera na miongozo ya utekelezaji wa shughuli zinazohusisha wadau wetu muhimu wakiwemo wafanyikazi, wateja,wawasilishaji wa bidhaa, washindani, serikali na jamii.

Katika mwaka huo wa kifedha tulifanya ukaguzi wa usimamizi wa kampuni katika kutimiza matakwa ya sheria kuhusu usimamizi wa shirika iliyoanzishwa na mamlaka ya masoko ya mtaji. Pia utaona kwamba tumejumuisha ripoti ya malipo ya wakurugenzi katika kutimiza matakwa mapya ya sheria kuhusu kampuni.

Mabadiliko katika Bodi

Katika mwaka huo wa kifedha, tulimuaga Bwana Nehemiah Mchechu ambaye alijiuzulu kutoka kwa Bodi ili aendelee na shughuli zake binafsi. Baada ya mwaka huo kuisha Bwana Jimmy Mugerwa alijiunga na Bodi kama mkurugenzi huru asiyekuwa na utendaji na alichukua nafasi ya Dkt. Alan Shonubi ambaye alistaafu kutoka kwa Bodi baada ya kuhudumu kwa miaka 9 mfululizo.

Bodi pamoja na mimi tunamkaribisha Jimmy Mugerwa na tunasubiri mchango na ushirikiano wake. Pia tunawashukuru mabwana Mchechu na Shonubi kwa kujitolea kwao katika kampuni hii, mchango wao wenye thamani kubwa kwa utenda kazi wa bodi na ufanisi wa kampuni. Tunawatakia kila la heri katika shughuli zao za usoni.

Mtazamo

Katika mwaka huo wa kifedha, EABL imekuwa na matokeo bora na tukisonga mbele kuna matumaini ya ufanisi zaidi kufuatia kuimarika kwa uwezo wa mteja wa kununua bidhaa tofauti na utulivu wa kisiasa katika masoko makuu ya kanda hii.

Shukrani

Kwa niaba ya Bodi ya Wakurugenzi, ningependa kuwatambua wateja wetu, watumizi wa bidhaa zetu, wabia wa kibiashara na serikali kwa kuendelea kutuunga mkono.

Pia tungependa kushukuru wasimamizi na wafanyikazi wetu kwa kujitolea katika biashara hii na kutimiza malengo ya mkakati wetu.

Vile vile ningependa kutoa shukrani zangu za dhati kwa wanachama wenzangu wa Bodi ya EABL kwa nasaha yao, usaidizi wao na kujitolea kwao katika kipindi chote cha mwaka mzima na kuweka mazingira thabiti ya usimamizi wa kampuni.

Charles Muchene
Mwenyekiti wa Kampuni

5%
ongezeko la uuzaji

15,000
Wakulima wanaokuza mtama wa kutumika katika kiwanda cha Kisumu

+100,000
Kazi zinazotarajiwa kubuniwa katika magharibi mwa Kenya

Group Managing Director's Message

"Our momentum in innovations has fueled further growth and reaffirmed our ability to tap into existing and emerging trends to delight our consumers."

Overview

At EABL, we have a performance ambition to create the best performing, most trusted and respected consumer company in Africa. This year we have pursued this ambition with even greater commitment to deliver solid growth despite a challenging operating environment, mainly occasioned by the political uncertainty in Kenya and a competitive trading environment in Uganda and Tanzania.

EABL's category and geographical spread allowed us to leverage opportunities across our operations to offset decline in segments facing significant headwinds. Our momentum in innovation has fueled further growth and reaffirmed our ability to tap into existing and emerging trends to delight our consumers. In turn, we took advantage of our topline growth to scale up investment behind our local jewels, amplify consumers' reach of our international brands and stimulate momentum of our innovations.

Performance

To sustain future growth momentum, we deliberately underwrote our performance ambition through a step change in investment, growing our revenues by 5%. Our capital-expenditure efforts have supported the results with Kenya, Uganda and Tanzania growing at 1%, 4% and 41% respectively and established a solid foundation to harness our growth agenda in the future.

EABL's gross margin improved by 4% as productivity savings and positive mix more than offset inflation on cost of sales. We continued to invest behind our brands with marketing spend up 19%, ahead of net sales growth to rejuvenate bottled beer, drive innovation and improve Senator keg's performance.

Full-year profit from operations was up 4% excluding the impact of provisions; while profit after tax declined 15%. Overall strong underlying performance with robust cash flow delivery ensured the necessary funding for the higher investment in the period.

A combination of strategic and operational initiatives have enabled the business deliver strong year-on-year standout performance mainly driven by the positive turnaround of bottled beer at 9% and a resilient Scotch whisky performance registering 4% growth. At EABL, we are keen to leverage this performance momentum in bottled beer (whose growth was mainly driven by Serengeti Premium Lager and new Serengeti Lite in Tanzania, Balozi in Kenya and Guinness across the region). Marketing and innovations across the region should help extend Scotch and other spirits categories' growth this year.

Mainstream spirits maintained the 5-year growth trajectory, with sales expanding by 23%, mainly driven by Kane Extra and Chrome Vodka in Kenya as well as Uganda Waragi and Bond 7 in Uganda.

During the year, Senator was negatively impacted by the 20% excise-led price increase, and performance was aggravated by a partial production shutdown to expand capacity coupled with political instability which depressed demand. Despite Senator's subdued first-half performance, improved capacity and relative political calm in the second half of the year have helped boost the brand's performance which stood at -13% on the financial year.

Strategic and operational highlights

To drive our EABL 2022 Strategy, we have continued to make robust investment across all areas of our business. During the year, we spent Kshs 13 billion in capital expenditure, and besides the Kshs 7.8 billion being spent in the Kisumu brewery, we also invested in new keg rackers, returnable bottles, as well as two spirits lines in Kenya (where we doubled our spirits capacity) and Uganda.

We have also refreshed our focus around marketing with impact, and expanded our route to consumer to broaden the reach of our products across markets while innovating at scale. These efforts are yielding results in brands such as Serengeti Lite in Tanzania and Tusker Lite in Kenya and Uganda.

Our innovation agenda also continued to motor growth with Tusker Cider, Serengeti Lite and Uganda Waragi Coconut contributing strongly to our revenues. To recruit from illicits, our plan to fully commercialise the Kisumu brewery is on course, potentially helping us achieve our ambition to grow our Total Beverage Alcohol (TBA).

Taken together, these capital and marketing investments, should help power our growth agenda across East Africa, marshalled by a growing EABL talent pool.

And, in line with our business focus on efficiency, we delivered Kshs 1.9 billion in savings across the various initiatives enabling us to invest further behind the brands to extend growth momentum while mitigating production costs.

Sustainability

EABL has been in East Africa for nearly a century now. To secure our growth in the next 100 years and to earn respect across our stakeholder audiences, we recognise the need to leverage our success in establishing elaborate links with the environment and the communities where we source, make and sell our brands. We know that for our business to thrive, these communities and the environment must thrive, too.

We have lived true to this commitment; this year we are proud to have contracted 15,000 new farmers to supply sorghum in our new Kshs 15 billion brewery in Kisumu, adding to the 45,000 we already have across East Africa. Guaranteeing a market for these farmers will not only provide employment, but also boost their incomes and grow agriculture and our economy.

Further, responsibly managing our environmental impact continues to be a high priority for us. This year we have reduced our waste to landfill by 30%, cut down energy use by 4% and made investments to reduce greenhouse emissions. We have also reduced our water use in packaging by 4% and our ambition to return 100% of waste water from our operations back to the environment safely is also on course.

Finally, besides our continued investment in our Water of Life programme that has helped quench thirst of about 5 million people across East Africa, this year we partnered players in the alcoholic-beverages sector to sign a code of conduct to drive responsible marketing of our products.

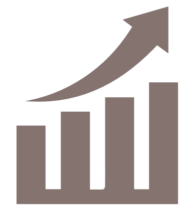
Business outlook

Looking forward, the business is on a sound footing driven by the key strategic imperatives that are fundamental in driving our business forward. We are encouraged by the relative political calm in East Africa which has renewed optimism in the private sector. This has stabilised the macro-economic environment, improved business environment and boosted investor confidence coupled with continued public investment in infrastructure.

The second half of our financial year has reaffirmed our confidence and reinforced our mantra: to drive excellent execution of our strategic imperatives with ever greater focus. This approach will continue to leverage existing and emerging opportunities, fuel EABL's growth and hedges our business against potential headwinds in the current financial year.

I want to take this opportunity to thank my team, who worked tirelessly and with energy and enthusiasm for our shareholders to deliver this solid performance across diverse geographies and segments and for their increasing agility and unwavering determination to steer the business in spite of a relatively turbulent year.

Andrew Cowan
Group Managing Director



4%
improvement in EABL's gross margins

Kshs 13 billion
EABL capital expenditure in 2018

5 million
beneficiaries of Water of Life programme

Taarifa ya Meneja Mkurugenzi wa Kampuni

"Kasi yetu katika ubunifu imechangia ukuaji zaidi na imethibitisha uwezo wetu katika kushughulikia mienendo iliyoko na inayoibuka katika kuwasisimua wateja wetu."

Maelezo ya jumla

Katika EABL tunalenga kuwa kampuni ya mteja yenye utendaji bora, inayoaminika zaidi na inayoheshimiwa zaidi barani Afrika. Mwaka huu tumefuatilia lengo hilo kwa kujitolea zaidi katika kupata ukuaji thabiti licha ya changamoto ya mazingira tunayohudumu , hasa Misukosuko ya kisiasa nchini Kenya na ushindani wa kibiashara Uganda na Tanzania.

Ukubwa wa EABL umewezesha kukabiliana na hali tofauti za kibiashara. "Kasi yetu katika ubunifu imechangia ukuaji zaidi na imethibitisha uwezo wetu katika kushughulikia mienendo iliyoko na inayoibuka katika kuwasisimua wateja wetu". Na tulitumia ukuaji wetu kuimarisha uwekezaji wa bidhaa zetu tunu, kurahisisha wateja kupata bidhaa zetu za kimataifa na kuongeza kasi ya ubunifu wetu.

Matokeo

Ili kudumisha kasi ya ukuaji katika siku za usoni tulichukua dhamana ya kugharamia kutimia kwa lengu letu kupitia mabadiliko ya uwekezaji, kulikokuza mapato yetu kwa 5%.

Juhudi zetu za kutumia mtaji zimechangia matokeo ambapo ukuaji wa Kenya, Uganda na Tanzania ulikuwa 1%,45 na 41% mtawalia na hivyo kuweka msingi thabiti wa ajenda yetu ya ukuaji katika siku za usoni.

Mapato ya jumla ya EABL yalikuwa kwa 4% huku akiba ya uzalishaji na mchanganyiko wa kujenga biashara ukipunguza athari za mfumuko wa bei katika mauzo. Tuliendelea kuwekeza katika bidhaa zetu huku matumizi ya idara ya masoko yakiongezeka kwa 19% zaidi ya ukuaji wa mauzo katika kupigia debe bia ya katika chupa, kuendeleza ubunifu na kuboresha matokeo ya Senator Keg. Faida ya mwaka mzima ya shughuli zetu ilikuwa kwa 4% huku faida baada ya kutozwa ushuru ikipungua kwa 15%.

Ukuaji wa 4% wa Scotch Whisky na wa 9% wa bia katika chupa uliwezesha kampuni kuwa na matokeo bora ya kila mwaka kupitia mchanganyiko wa utendaji na utekelezaji wa mkakati.

Katika EABL tunapanga kunufaika na kasi ya matokeo ya bia ya katika chupa (ukuaji wake ulitokana na Serengeti premium Lager na Serengeti Lite nchini Tanzania, balozi nchini Kenya na Guiness katika kanda yote). Upigiaji debe naubunifu katika kanda yote unapaswa kuimarisha ukuaji wa soko la Scotch na mivinyo mingine.

Mivinyo mikuu maarufu ilidumisha mpango wa ukuaji wa miaka mitano ambapo mauzo yaliongezeka kwa 23%. Mauzo hayo yalikuwa zaidi ni ya Kane Extra na Chrome Vodka nchini Kenya pamoja na Uganda Waragi na Bond 7 nchini Uganda.

Katika mwaka huo wa kifedha, mauzo ya Senator yaliathiriwa na ongezeko la bei lililotokana na ushuru wa 20%, na matokeo yaliathiriwa na kufungwa kwa sehemu ya kiwanda kwa ajili ya kuimarisha uwezo wa uzalishaji pamoja na hali ya kigeugeu ya kisiasa ambayo ilipunguza utashi. Ingawa mauzo ya Senator yalipungua katika nusu ya kwanza, utulivu wa kisiasa na uimarishaji wa uwezo wa uzalishaji katika nusu ya pili ya mwaka uliimarisha mauzo yake ambayo yalikuwa ni -13% katika mwaka huo wa kifedha.

Maelezo Makuu ya Kimkakati na Utendakazi

Ili kuafikia mkakati wetu wa EABL wa mwaka wa 2022 tumeendelea kufanya uwekezaji mkubwa katika maeneo yote ya biashara yetu. Katika mwaka huo wa kifedha tulitumia shilingi bilioni 13 za matumizi ya mtaji , mbali na shilingi bilioni 7.8 zilizotumika katika ujenzi wa kiwanda cha Kisumu, pia tuliwekeza katika mitungi mipya ya Keg , chupa za kurudishwa pamoja na aina mbili za mivinyo nchini Kenya(ambako tuliimarisha uzalishaji wa mivinyo) na Uganda.

Pia tumeuangalia upya mtazamo wetu kuhusu kupigia debe bidhaa zetu na kuongeza idadi ya wateja tunaowafikia katika masoko yote. Juhudi hizo zinazaa matunda hasa katika uuzaji wa bidhaa kama Serengeti Lite nchini Tanzania na Tusker Lite nchini Kenya na Uganda.

Ajenda yetu ya ubunifu wetu pia imeongeza ukuaji wa mauzo ya Tsuker Cider, Serengeti Lite na Uganda Waragi coconut ambao umeongeza sana mapato yetu.

Ili tuvutie wateja wanaotumia pombe haramu, mpango wetu wa kufanya biashara kamili katika kiwanda cha Kisumu unaendelea, na tunatarajia kuafikia lengo letu la kukuza uzalishaji wa bia.

Uwekezaji wa mtaji na masoko kwa pamoja unapaswa kuimarisha ajenda yetu ya ukuaji Afrika Mashariki utakaoongozwa na vipaji vya EABL vinavyoongezeka.

Sambamba na utendaji bora wetu katika biashara, tuliokoa shilingi bilioni 1.9 ambazo zilituwezesha kuwekeza zaidi katika bidhaa tofauti na kuongeza kasi ya ukuaji huku tukipunguza gharama za uzalishaji.

Uhimili

EABL imekuwa Afrika Mashariki kwa takriban karne moja sasa. Ili tuimarishe ukuaji katika miaka 100 ijayo na kuheshimiwa na wadau wetu wote ipo haja ya ufanisi wetu kufaidi mazingira tunayohudumu na jamii zinazotuzunguka katika maeneo tunayopata mali ghafi, tunakotengeza na kuuza bidhaa zetu. Tunafahamu fika kuwa biashara yetu kukua kutategemea kuimarika kwa jamii pamoja na mazingira.

Tumekuwa tukifanya hayo, na mwaka huu tumesajili wakulima elfu 15 watakaowasilisha mtama kwa kiwanda chetu kipya cha Kisumu ambacho kimegharimu shilingi bilioni 15, hao ni pamoja na wakulima elfu 45 ambao tuko nao kote Afrika Mashariki. Kuwahakikishia wakulima hao soko sio tu kutawapa ajira bali pia kutaongeza mapato yao na kukuza kilimo pamoja na uchumi wetu.

Pamoja na hayo tumeendelea kuupa kipaumbele uwajibikaji wa athari za shughuli zetu kwa mazingira. Mwaka huu tumepunguza uchafuzi wetu kwa 30% na tumepunguza matumizi ya kawi kwa 4% na tumewekeza ili kupunguza gesi chafu. Pia tumepunguza utumizi wa maji kwa 4% na lengo letu ni kurudisha salama kwa mazingira 100% ya maji taka yanayotokana na shughuli zetu.

Hatimaye, mbali na kuendelea kuwekeza katika mpango wetu wa Maji kwa ajili ya uhai yaani Water for Life ambao umekata kiu ya takriban watu milioni 5 Afrika Mashariki, mwaka huu tumeshirikiana na wabia katika sekta ya pombe na vinywaji kutia saini taratibu za maadili zitakazoongoza uwajibikaji katika kupigia debe bidhaa zetu .

Mtazamo wa Biashara

Kwa mtazamo wa siku za usoni, biashara iko imara na inaongozwa na mikakati muhimu ambayo ni msingi wa kuipeleka mbele biashara yetu. Tunafurahia hali ya utulivu wa kisiasa Afrika Mashariki ambayo imeipa matumaini mapya sekta ya kibinafsi. Hiyo imeboresha mazingira ya kibiashara na kupiga jeki imani ya wawekezaji ambayo pia imeimarishwa na kuendelea kwa uwekezaji katika muundomsingi.

Nusu ya pili ya mwaka wetu wa kifedha imethibitisha imani yetu na kuimarisha lengo letu: kuwa na utekelezaji sahihi wa mikakati yetu katika upeo wake. Hii itasaidia kutumia fursa zilizoko na kuchochea ukuaji wa EABL.

Nataka kuchukua fursa hii, kuishukuru timu yangu iliyofanya kazi bila kuchoka na kwa bidii katika kupata matokeo haya mazuri katika idara zote na kanda yote na kuendelea kujitolea bila kuyumba katika kuiendesha biashara katika mwaka uliokuwa na misukosuko kiasi.

Andrew Cowan

Meneja Mkurugenzi wa Kampuni

4%

ongezeko la mapato ya EABL

Kshs 13 bilioni

kuwekeza katika mitambo na miundo mbinu mwaka jana

Watu milioni 5

kunufaika katika mpango wa Maji ya Uhai kote Afrika Mashariki

Our commitments towards achieving the UN's SUSTAINABLE DEVELOPMENT GOALS

Since 1922, we have been committed to changing people's lives, an objective that has been achieved through our broad sustainability objectives, encompassing the growth and development of the community across East Africa. Together, we have built a sustainable business that has provided a source of livelihood to close to two million people. To secure the future of our business and protect livelihoods, we have aligned our business to the United Nations' Sustainable Development Goals (SDGs). Our sustainable development strategy reflects the interdependence our value chain elements, and how they contribute to communities and to the environment ultimately strengthens our business and lends it longevity.

EABL has categorised these SDG under three main pillars: ***promoting a positive place for alcohol in society, building thriving communities*** and ***reducing our environmental impact***.

We aim to achieve the goals under each of these pillars through industry collaborations, impactful programmes, focusing on people, communities and supply chains and managing water and energy use while reducing carbon emissions.

Below, we describe our involvement in the seven SDGs we have adopted at EABL.

1 NO POVERTY

EABL is committed to local sourcing of raw material, which currently stands at 80%. We ensure that we provide ready market for small holder farmers in ASAL who grow sorghum and millet.

***Impact:** Sustainable revenue and food security to over 60,000 farmers.*

Under this programme, EABL has managed to develop a network of more than 60,000 farmers supplying the company with 80% of raw materials.

In return, EABL provides farmers with free inputs (seeds), fertilisers, extension services and other technical and financial support needed for farming.

With a ready market and the contract farming that guarantees purchase of their harvests, EABL is helping build sustainability.

Through these initiatives, and the direct payment of Shs1.5 billion to the farmers, EABL has played a part in local wealth creation.

We have created value directly to local economies and have built capacity among the communities we work in.

2 ZERO HUNGER

EABL has engaged small-scale farmers and encourages them to satisfy their household needs before they sell the surplus sorghum and millet. The increase in the growth of the crops has boosted food security in the region as they thrive even in arid and semi-arid lands.

3 GOOD HEALTH AND WELL-BEING

EABL's ***Zero Harm*** programme is designed to ensure that all employees are free from harm at work. This is based on four pillars: prevention, culture, compliance and capability.

We have employment engagement drives across East Africa.

Employees have been supported through reward programmes, coaching, mentorship and personal development opportunities.

We have created local wealth creation, programmes that invest in individual skills and empowerment. By setting a leadership standard and professional edge, EABL is able to ignite a unified language with its people, set recognizable rituals and employee mentorship programmes, create walls of fame capturing memorable events and achievements, and share stories that inspire brand passion and attract talent.

In Tanzania, for example, SBL launched ***Just Beat It***, a programme intended to rally staff to actively participate in steering the company to new heights of success.

4 QUALITY EDUCATION

EABL has invested significantly in human development, especially along the sorghum and barley value chains. Through the EABL Foundation's ***Skills for Life*** programme, we have impacted the lives of underprivileged and bright youth in Kenya.

More than 250 scholarships have been provided.

EABL has employed hundreds of students from institutions of higher learning through its Graduate Management Trainee programme and the Sales Graduate Programme.

Graduate students undergo training and upon their completion, successful candidates become part of a talent pool for EABL.

6 CLEAN WATER AND SANI TATION

EABL is committed to minimise water use throughout the value chain and reduced wastage and the water per litre of beer produced by 4%.

In 2015, for example, EABL launched the ***10 by 10*** water access programme, with the aim of providing water to 10 water-stressed counties in Kenya. So far, the water sustainability efforts have touched more than 6 million people.

In Tanzania, the EABL Foundation ***Water of Life*** programme commissioned a Tsh 80 million water project in Kaguhwa Nyamhongolo Village, Mwanza region to provide clean water. The project is benefiting more than 7,560 people, with farmers encouraged to initiate irrigation farming.

8 DECENT WORK AND ECONOMIC GROWTH

EABL remits more than Ksh 54 Billion annually in taxes through our subsidiaries, and is thus a major contributor to the region's economy. EABL employs 1,600 East Africans directly and another two million people indirectly.

Additionally, our new brewery in Kisumu will add more than 100,000 jobs across the value chain in Kenya.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

EABL supports the World Health Organisation's goal to reduce alcohol-related harm by 10% across the world by 2025. We aim to create a responsible drinking culture.

EABL has launched initiatives such as; Under 18 Asipewe and Utado? in Kenya, the Red Card campaign in Uganda and Don't Drink and Drive in Tanzania to promote the responsible consumption of alcohol and to create a more positive alcohol role in society. These efforts are aimed at reaching all stakeholders - consumers, regulators and law enforcers - to help spread the message.

Our responsible drinking campaigns

#utado? MUNCH FOOD BETWEEN DRINKS

HESHIMA

ZERO TOLERANCE TO DRUNK DRIVING RED CARD

UNDER 18 ASIPEWE

A new dawn in Western region as Kisumu brewery is set for reopening

Kisumu's economic fortunes are set to receive a shot in the arm when the Senator Keg Brewery comes into full operation later in the year, following a Ksh15 billion investment.

The refurbishment of Kisumu Brewery started in July 2017 to meet the anticipated demand for an affordable and healthy beverage which would effectively compete, and with time eliminate, illicit brews.

The plant will initially produce Senator Keg made using locally-sourced sorghum.

EABL in Kenya targets to recruit over 15,000 sorghum farmers in the next 5 years, offering a guaranteed market for the crop.

EABL in Kenya is also working with thousands of farmers from Migori, Homa Bay, Kisumu, Siaya and Busia counties who have been contracted to grow white sorghum, the main raw material for the production of Senator Keg.

To ensure enough sorghum supply, KBL will be providing sorghum seeds and donating tractors, with the aim of supporting farmers deliver quality crop.

Ager Kirowo

Sorghum Farmer, Homa Bay

"I have been a farmer all my life but I started farming full time 20 years ago when I retired from public service. Since retiring, I have dedicated all my time to farming. Before our partnership with EABL, we were planting the traditional sorghum. We did not have a ready market and pests would attack our stored produce. We would suffer huge losses. With EABL you are assured that once you plant, come harvest time you will have a ready market. The partnership with EABL is also very encouraging because they send us their field officers to inspect the progress and advise us on how best to take care of our farms."

Joan Achieng

Senator Keg Retailer, Kisumu

"My grandfather was the first person to own a bar in Obunga area, it was known as Awendo bar. This is what motivated me to start my own bar business. I started by selling chang'aa (illicit liquor), which I used to purchase from Busia. However, most of my customers would drink the chang'aa and then refuse to pay up. Other times the police would raid the premises and confiscate everything. Due to this and many other problems, I quit selling chang'aa and opened a wines and spirits bar. Some of the customers I have are from my chang'aa days who have since reformed and are now taking Senator Keg. They also like the experience because they do not have to keep running away from the police. Thanks to this business, I now have the ability to pay rent for my house and I am able to pay school fees for my child."

Vincent Omumbo

Senator Keg Retailer, Kisumu

"I am a bar owner and a professional footballer playing for Tusker FC. Before opening the bar business, I was operating a hotel but I was not making enough money. I wanted a business that would make enough money to sustain me once my football career is over. Other than making money, I also want to save the youth in this area from illicit brew by giving them a safer and cheaper option, Senator Keg. I do not want them to be arrested by police for consuming illegal liquor; I want to provide them with a clean place where they can drink comfortably and enjoy themselves. This is a profitable business and I would recommend it to fellow footballers who are looking to invest as they prepare to retire from the profession."

The Kisumu brewery gets going

President Kenyatta breaks ground for the EABL Kisumu brewery

President Uhuru Kenyatta presided over the official ground-breaking of the Kshs 15 billion EABL brewery in Kisumu last year. The President lauded EABL's commitment to Kenya, saying the investment will spur the economy through creation of over 1,500 direct jobs and over 100,000 jobs, including agri-based jobs from 15,000 new farmers recruited to supply sorghum to the brewery. The climate in Nyanza is one of the most conducive for sorghum production and the location of the plant is set to immensely benefit the local farmers. Senator Keg production is anticipated to increase by 1 million hectoliters in the first 5 years of the Kisumu plant operation, while the number of sorghum farmers contracted by EABL in Kenya has grown from 30,000 during the launch to the current 45,000.

Group MD Andrew Cowan tours Kisumu farmers and brewery ahead of commissioning

EABL has engaged more than 45,000 sorghum farmers from arid and semi-arid areas in Kenya, sourcing the raw material used for the production of Senator Keg and paying over Kshs 1 billion in 2018.

In Kisumu, EABL has recruited over 15,000 farmers in anticipation of an increase in demand for sorghum once the Kisumu brewery is fully operational. Group MD Andrew Cowan toured some of the farms in Kisumu County and met farmers, who form an integral part of our value chain. He assisted in farm preparation and visited a number of our Keg outlets in Ahero, interacting with retailers and customers.

EABL and Kisumu County Government collaboration has yielded great impact for residents

As part of the stakeholder efforts to drive the Kisumu brewery investment, Group MD, Andrew Cowan conducted the Kisumu County Governor Prof. Anyang' Nyong'o on a tour to check on the progress of the plant earlier this year. The brewery is one of the largest projects East Africa and is already proving to be a catalyst for economic development and growth in Kisumu and Western Kenya region. Since the commissioning of the plant in July 2017, EABL has collaborated to create more value for the people with residents playing a great role in supporting EABL set up base in the town.

UK High Commissioner visits Kisumu brewery ahead of Commissioning

The UK High Commissioner to Kenya, Nic Hailey, visited the Kisumu brewery during his tour of Western Kenya. He reassured EABL of his government's support and commitment in continuing their trade partnership. Britain is a key development and trade partner and the continued partnership has been a great contributor to job creation in the country.

Sorghum for Senator: Making an impact for farmers

EABL started using sorghum as a raw material in 2009. It opened up a new source of income for hundreds of farmers in Siaya, Homa Bay, Migori, Kisumu and Tharaka Nithi and has spurred economic growth as well.

The company has over time supported the increasing number of farmers growing the drought-tolerant crop. Because it does well with less water than maize, Kenya's staple food, the government has also been encouraging farmers to grow sorghum as an alternative. Small-scale farmers are encouraged to grow sorghum and millet to meet their household needs and sell the surplus to increase their income.

The company provides farmers with seeds and in July 2017 introduced a variety that delivers up to 15 % higher yields. KBL also trains farmers on good agricultural practices, post-harvest handling and value addition.

This way, the company developed a value chain that enables it to sustain its supply of raw materials and at the same time generate an income for the farmers.

Beatrice Nkatha

Sorghum farmer and businessperson, Tharaka Nithi

"Ever since we introduced sorghum, it has created the need for many other services. After the first couple of seasons, I realised farmers needed chemicals, tractors to plough their land, threshers after harvesting and vehicles to get their produce to the brewery. I saw this opportunity and seized it. I approached several financiers and got loans to purchase tractors and a thresher. Sorghum has been beneficial to my family and me. When I started out, I did not have a house of my own but now I have a place to call home. Looking back where I started, I am proud of what I have achieved. Today, I am more than a farmer; I have become a businessperson because of this grain."

John Kubai

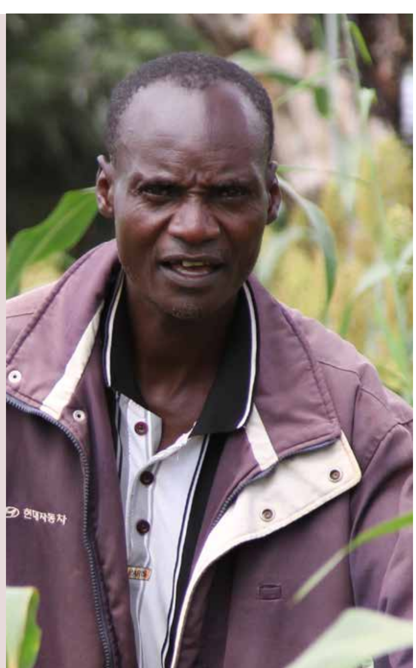
Sorghum Farmer and Aggregator, Meru

"I am a businessperson; I sell insecticides, and seeds. I am also a sorghum farmer and an EABL agent; I buy sorghum from fellow farmers and sell it to EABL. For the longest time, we had been planting maize, groundnuts, vegetables, black beans and green grams until recently, when 300 of us were introduced to a new cash crop, sorghum. Currently, sorghum is our most dependable crop and earns us more money than the other crops. For us, sorghum farming has become the best form of employment."

Julius Njeru

Sorghum Farmer, Meru

"We were encouraged to grow sorghum because it would be beneficial to us. I started with one hectare of land and was able to harvest 18 bags of sorghum. That is when I realized that sorghum is more profitable and the price, unlike that of maize, does not fluctuate. On my second attempt, I decided to expand and invested three hectares of land out of which I harvested 45 bags of sorghum. The money I make from sorghum farming has enabled me to pay school fees for my five children; one is in college, two are in secondary school and the last two are in primary school. Once I realized the benefits that came with sorghum farming, I started recruiting my neighbours informing them that it was more profitable compared to maize. If it was not for sorghum farming, I do not know how I would have educated my children, especially the one in college."



EABL continues to lead the way in manufacturing excellence and economic contribution

EABL is one of the biggest contributors to the success of the manufacturing sector in Kenya, accounting for nearly 1% of Kenya's GDP. At the annual Kenya Association of Manufacturers Expo at the KICC in 2017, we took visitors through the process of manufacturing Senator Keg beer. Our exhibition highlighted our Growing Value Together model and was visited by the then Industrialisation CS, Adan Mohamed (in spectacles).

A conducive tax environment is critical for growth in manufacturing

EABL remains a significant taxpayer across the region, contributing over Kshs 54 billion annually to the Exchequer in respective economies. EABL was invited to participate in last year's Tax Summit hosted by the Kenya Revenue Authority. The platform gave us an opportunity to highlight the important role we play in the country's economic growth. EABL's Corporate Relations Director, Eric Kiniti, was part of the panel discussion on Harnessing Domestic Revenue for Sustainable County Development. He emphasised the need for the private sector and the County governments to work hand in hand to ensure the investment environment is conducive for business to thrive.

The KEBS board tours the Nairobi Tusker Brewery

EABL and Kenya Bureau of Standards (KEBS) have been working together for decades to ensure brands produced and distributed in Kenya are of the highest standards.

This year, both teams committed to work ever more closely to support the government's broader agenda to eradicate the sale of illicit alcohol, which continues to endanger the health and safety of consumers while denying the country billions of shillings in revenue.

The KEBS Board of Directors toured the Nairobi Tusker Brewery to familiarise themselves with the process of making beer. They emphasised the need for information-sharing and cooperation, which is critical in informing the strategy to combat sub-standard products in Kenya.

Kicking off the commercial drive ahead of the opening of the Kisumu Brewery

Head of Sustainability at EABL, Jean Kiarie (second left), was joined by Kisumu County Executive for trade, Alice Moraa, EABL's Head of Sustainable Agriculture Sourcing, Kasidhi Omondi (left) and EABL's Trade Marketing Representative, Vincent Okuto, as she received a consignment of Senator Keg pumps.

The Kisumu brewery project team has been busy driving the commercial end of the Kshs15 billion investment. The team was already distributing keg pumps to more than 5,000 Senator Keg retailers in the area as part of EABL's plan to provide safe and affordable alcohol to consumers. The drive has also converted a number of illicit brew dealers to Senator retailers providing a new, legitimate business opportunity.

Project Heshima converts illegal brewers to entrepreneurs in Kisumu

EABL launched an entrepreneurship and vocational training programme in Kenya for youth and women in an initiative targeting 2000 women and youth countrywide at risk of falling prey to illicit brew consumption and production.The project has been rolled out across ten counties: Nairobi, Kwale, Kiambu, Murang'a, Nakuru, Makueni, Machakos, Homa Bay, Migori and Kisumu. The project is aimed at equipping women and youth with practical skills that will enable them earn a decent living, improving lives and creating livelihoods across the country. Over 89 youth recently graduated in Kisumu, acquiring skills in dress-making, hair and beauty, catering, mechanical engineering, plumbing and electrical installation.

EABL joins ABAK in launch of industry Code of Conduct

EABL recognises the positive role that alcohol plays in Kenya and recently partnered with the Alcohol Beverages Association of Kenya (ABAK) to launch a thought-leading Responsible Marketing Code. ABAK is an umbrella body that brings together Kenya's leading manufacturers and distributors. One of ABAK's critical roles is to support self-regulation by providing information, training and technical expertise to the alcohol industry in Kenya.

In launching an industry-driven Responsible Marketing Code, members are committed to reducing harmful consumption of alcohol in Kenya. EABL fully supports the code because we recognise the potential danger excessive alcohol consumption can cause to the sustainability of our business.

Nairobi Liquor Licensing Board tour

As part of stakeholder relations and education, we hosted the Nairobi Liquor Licensing Board on an awareness tour, as the team responsible for the licensing of EABL's most expansive trade division in East Africa.

Our team, led by KBL Supply Chain Director Patrick Kamugi (centre) and KBL Regulatory Affairs Manager, Alligator Makori, (right) took Kenneth Odhiambo, Chairman, Nairobi County Liquor Licensing Board and his team through some points during a visit to the KBL Brewery in Ruaraka by the Board.

The visit entailed a tour of all the production lines and random inspection of the various EABL products.

Engaging media for insightful industry reportage

Media remain a critical part of EABL's growth agenda as they help educate and inform our stakeholders and consumers about what we do. This year, we took journalists on a tour of the brewery and distillery and shared our strategy and vision for 2018 and beyond.

To wrap up the event, the journalists were also treated to a mixology class where they got an opportunity to learn more about the history and enjoyment of a broad range of our Scotch whiskies.

EABL's efforts in taking care of the environment

Water is the key ingredient in all of our products. The growing scarcity of fresh water is not just an issue for our company. It is a global risk to the economic, social and environmental well-being of the communities where we all live and work.

As a result, we are committed to minimise our water use throughout our value chain.

We have made commendable progress towards environmental goals, with some substantial gains in the management of our water, energy and waste materials.

Water and energy are important utilities in any production process.

With targets of 136 megajoules per hectolitre and 4.4 megajoules per hectolitre for energy and water respectively, the Energy and Water teams have delivered exemplary numbers.

Efficient Water Usage

100% Waste water return

We have invested in an efficient water treatment plant. Our aim is to return 100% of waste water from our operations back to the environment safely.

5 million

People benefitting from EABL's Water of Life programme across East Africa

50% reduction

We have set ambitious production targets to reduce water use by 50% by 2020, reduce greenhouse carbon emissions, and return 100% of water used in the final product in water stressed areas.

4% reduction

in Water usage per liter packaged

Prudent Energy Consumption

25% reduction

In Biochemical Oxygen Demand (BOD) Load to the environment (BOD is the amount of dissolved oxygen demanded by aerobic biological organisms to break down organic material present in a given water sample at certain temperature over a specific time period)

30%

improvement in Waste to landfill

20% CO_2 reduction

We aim to reduce energy consumption by 20%, reduce CO_2 emissions in production by 10% and procure 100% of our electricity from renewable sources by 2030.

↓114 mj/hl

We have managed to reduce energy consumption from 118 mega joules in 2015 to 114 mega joules in 2016 for every hectolitre of beer produced at EABL.

4% kWh

Improvement in production

15% reduction

We are re-insulating hot pipes which will lead to a 15% reduction in energy costs. This will, in turn, automatically translate to a 15% reduction in greenhouse emissions.

Increasing income opportunities for sorghum farmers in East Africa: a case study from Kenya

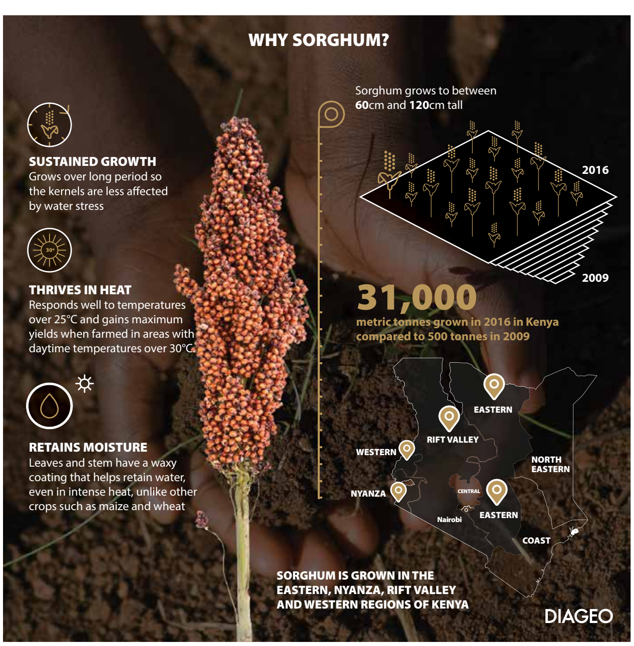
In 2004, East African Breweries Ltd. (EABL) introduced Senator Keg, a beer brewed from a robust, low-cost grain called sorghum.

Using sorghum supports the livelihoods of smallholder farmers across Kenya who grow the crop. It also means the beer is more affordable for consumers which helps to tackle the problems caused by illicit alcohol.

Kenya Breweries Limited Managing Director Jane Karuku (Left) Nyando Holdings Limited Managing Director Clifford Biko (right) and Ondisore Women Group Chairperson Rolly Achieng (Centre) take a look at a sample of freshly harvested sorghum from one of the farmers in Homabay.

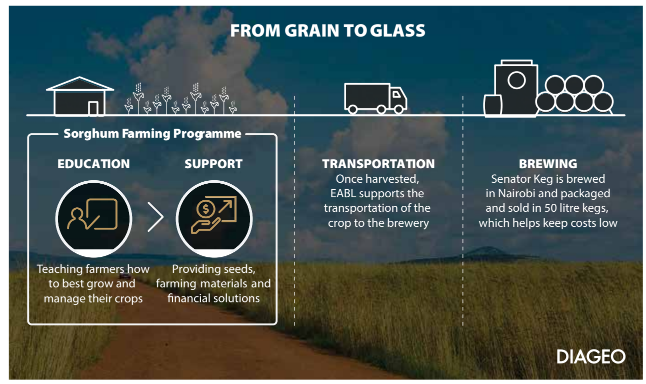
Why sorghum?

Sorghum is usually used in home cooking, but the success of Senator Keg has created a demand for increased sorghum production. This means farmers can grow sorghum as a commercial crop and receive a stable income. Consumption of dangerous illicit alcohol is a public health issue across the region. It is often cheaper than legitimate branded alcohol and the quality is poor. Consumption can lead to chronic health problems and even death. Senator is sold at an affordable price which competes with the illicit brews and consumers know they are buying a safe, quality product.



From Grain to Glass

Thousands of farmers across Kenya are part of the EABL Sorghum Farming Programme which helps them to grow and transport their sorghum harvest.

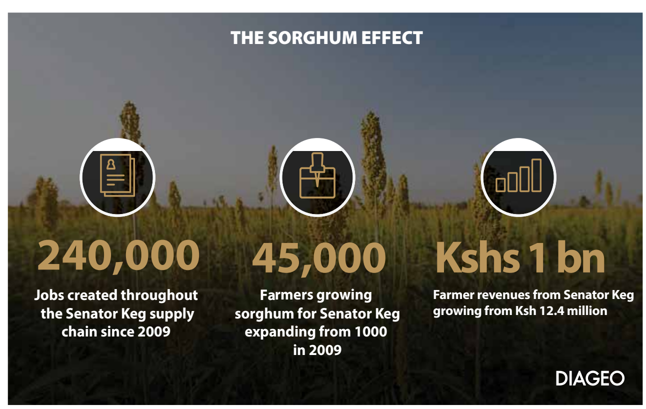


The sorghum effect

The increase in sorghum production has benefitted both farmers and the wider regional economy.

As well as providing a stable income for smallholder farmers, it also increases the food supply and contributes to food security. For example, 'Jillishe Uuze' or 'feed yourself, then sell' is a programme supported by EABL that encourages farmers to first cater for their domestic food needs before selling the sorghum they produce.

EABL has also committed to sourcing 80% of its ingredients locally, ensuring continued investment in the local economy.



Continued support for sorghum farmers

As the largest brewer in Kenya and largest single buyer of sorghum, EABL is committed to combating the issue of illicit brews and will continue to support local sorghum farmers and their communities. The Sorghum Farming Programme is set to expand, with a target to collect 25,000 metric tonnes of sorghum.


abak
Alcoholic Beverages Association of Kenya
Responsibility & Self Regulation
TAXI
WATER
KUTIA MA-BLUNDER AMA KUJIPANGA
UKIWA MADRINKS
#utado?
MUNCH FOOD - SIP WATER - VUTIA TAXI

Engaging Stakeholders for impact in Uganda

UBL Partners with Rotary Uganda to restore 200 hectares of forest reserves

Uganda Breweries Limited (UBL) through its Water of Life initiative signed a 5-year partnership with Rotary Uganda worth UGSh 250 million to jointly restore 200 hectares of forest reserves within Lake Victoria water catchment areas.

The partnership was signed on behalf of UBL by the Managing Director, Mark Ocitti, and on behalf of Rotary Uganda by the Country Chairperson Rebecca Mutawe and District Governor for Uganda and Tanzania Kenneth Wycliffe Mugisha at the UBL head office in Luzira, Kampala.

The initiative will help boost the conservation of Lake Victoria, an important ecosystem for UBl and the communities around the water body.

UK Minister for Environment visits Uganda Breweries Limited

UBL hosted Thérèse Coffey, UK Minister for Environment and Peter West the British High Commissioner to Uganda at the factory premises.

The dignitaries paid a courtesy visit to appreciate Diageo's footprint in Uganda as well as to appreciate the environmental protection practices. Accompanied by the Managing Director, Mark Ocitti, the team toured UBL's production site and the state of the art effluent treatment plant that allows UBL to dispose of water cleaner than taken out of the lake.

Restoring Gangu forest, one tree at a time

In April 2018, under the Water of Life initiative, UBL planted over 2,000 indigenous trees on 40 hectares of land at Gangu Central Forest Reserve in Butambala District. This was to kick-start the partnership between UBL and Rotary Uganda to restore over 200 hectares of forest cover in forest reserves that have been threatened by deforestation.

The planting of trees to restore Gangu Forest Reserve was led by the UBL E-Green team, a group of staff volunteers led by the MD, Mr. Mark Ocitti, together with a team from Rotary Uganda and officials from National Forestry Authority.

The State Minister for Environment, Hon. Mary Goretti Kitutu, who was the chief guest, applauded UBL for its participation.

UBL launches women's campaign against drunk driving

Under the company's responsible drinking Red Card initiative, UBL rolled out a campaign spearheaded by Ugandan female celebrities aimed at reducing drunk-driving traffic incidents and general alcohol abuse in society.

The campaign, dubbed Girls Against Drunk Driving seeks to leverage the proverbial "soft power" or "feminine strength" that women wield over men to encourage them to adopt responsible behaviour when interacting with alcohol and to choose an alternate means of transport afterwards.

Showcasing production to the UBL sorghum farming community in Uganda

UBL hosted sorghum and cassava farmers from Northern Uganda to a plant tour in April 2018. The aim of the visit was to engage and interact with the farmers who provide raw materials for our production.

UBL through its local raw material (LRM) programme, injects UGsh 20 billion annually into farming communities and value chains to source locally-grown raw materials for brewing. UBL has also invested over USD 10 million into the local grain sector promotion including large sorghum trials in Ngenge/Kapchorwa and Nwoya in the last seven years.

Besides offering a ready market for sorghum and cassava, UBL supports farmers with quality seeds, modern farming equipment and trainings. The farmers were taken on a guided tour enlightening them on beer-making process. They were also given training on how to achieve the right quality products and taught how to identify good grain.

UBL hosts the Kampala Capital City Authority (KCCA) in a tour of its effluent treatment plant

Upon completion of the expanded effluent treatment plan in 2018, UBL hosted a team from KCCA, the Kampala Pollution Taskforce and other key stakeholders in the water sector to showcase UBL best practice in waste management and and to gain an understanding of our business, the environment in which we work and UBL's sustainability agenda.

Making an impact in Tanzania

SBL gets President's Manufacturer of the Year recognition

In April 2018, SBL was awarded a President's Manufacturer of the Year Award (PMAYA) under the Energy Efficiency category. The PMAYA competition is an annual event organised by the Confederation of Tanzania Industries (CTI) to award outstanding industries. It aims to recognise the industrial sector for its contribution to the national economy, to encourage and motivate investors in the industrial sector, to publicize the importance of the industrial sector in the country, raising the standard of business practices and promoting sound corporate governance in the country. SBL was recognized for promoting energy management and efficiency.

SBL announces major plan to support local farmers

In March 2018, Serengeti Breweries Limited (SBL) announced an ambitious agribusiness project at a meeting with Parliament's Budget Committee at its Mwanza plant. The project currently supports a network of 300 farmers across the country, which will expand to 450 in the coming two years. SBL provides farmers with free inputs (seeds) and other technical and financial support and extension services critical for farming. Every year, the farmers supply up to 400,000 kgs of seeds worth TZSh 550 million and those contracted to supply SBL are guaranteed market for their raw materials.

For the programme to remain sustainable and enable recruitment of more farmers, SBL called for a favourable tax on beer made from local raw materials, stating that any increase would trigger an increase in prices, risk the benefit to farmers and potentially lead to growth of the illicit alcohol market.

Serengeti Lite sponsors Women's Premier League

Serengeti Breweries Limited (SBL) this year signed a three-year agreement to support the Tanzania national women Premier League through the Serengeti Premium Lite brand. As the official sponsor, Serengeti Premium Lite is backing the eight-team women competition. The league's winner becomes the country's flag bearer to international tournaments at regional and continental levels.

SBL is the first official sponsor of the women's premier league through the popular Serengeti Lite, demonstrating the company's determination to nurture sporting talent across the country. SBL MD Helene Weesie said the company is certain the sponsorship would inspire fans to support the women league and take it to another level.

SBL extends responsible drinking agenda

In November 2017, SBL launched a campaign to sensitise consumers on responsible alcohol consumption, as the brewer's contribution towards curbing high incidents of road accidents during the festive season. Dubbed, 'Don't Drink and Drive', the campaign was launched to educate motorists, passengers, pedestrians and the general public on the importance of road safety during the festive season. The campaign lasted two months.

The nationwide campaign featured Taifa Stars players on various media channels including online platforms. Serengeti Premium Lager is the official sponsor of Tanzania's national soccer team, Taifa Stars.

In addition, SBL conducted DRINKiQ sessions to its stakeholders such as traffic officers, students and staff of the National Institute of Transport (NIT), joining cabin crews of Air Tanzania Limited, bar owners and retailers. Some 71 contractors also received DRINKiQ training at the annual SBL Supplier Conference in September 2017.

SBL drives water access in Tanzanian communities

Under the EABL Foundation Water of Life programme this year, SBL commissioned a Tsh 80 million water project in Kaguhwa Nyamhongolo Village, Ilemela, Mwanza region to provide clean water to the area residents. The project is benefiting more than 7,560 people who include local farmers who were encouraged to initiate irrigation farming.

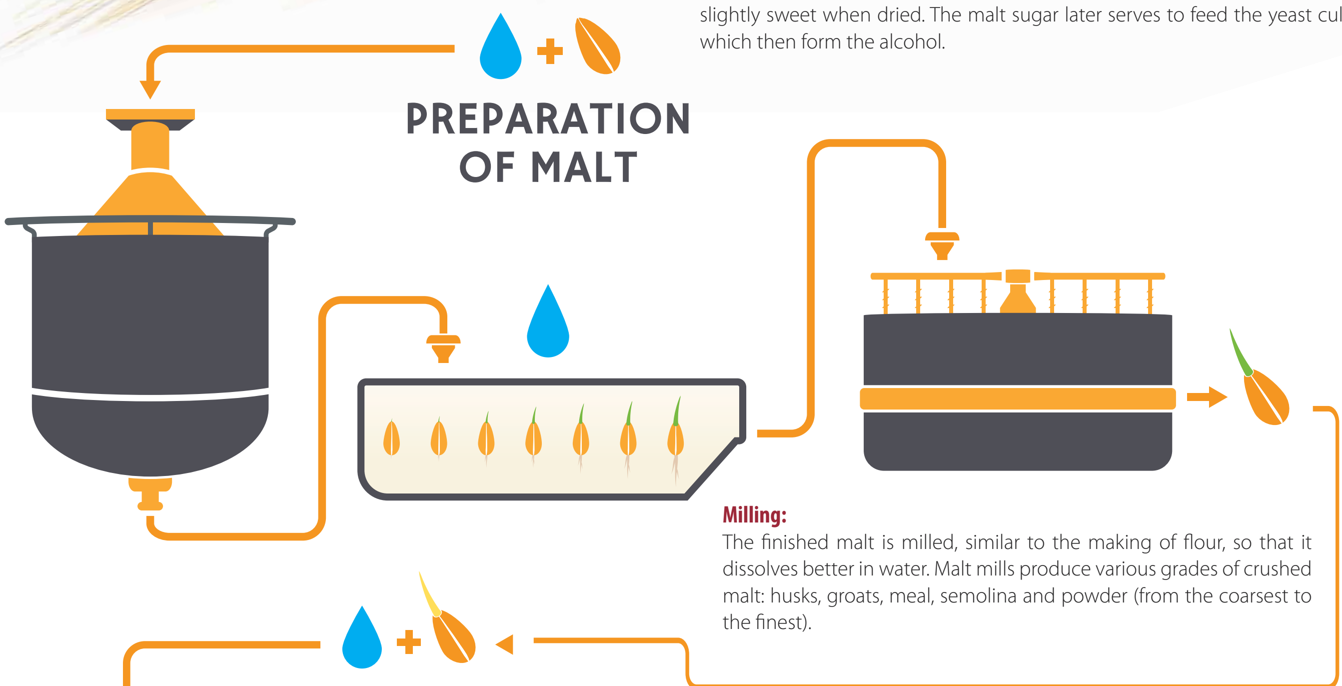
SBL extends talent growth agenda with fresh graduate recruitment

As part of its elaborate corporate talent programme, SBL enrolled 17 graduate students in its 2018 Sales Graduate Programme. Graduate students (10 women, 7 men) from higher learning institutions have been undergoing a two-year programme that includes a one and a half month training and field attachment. Upon their completion, successful candidates become part talent pool for SBL resourcing.

From grain...

Malting
The fresh barley gets soaked in water and put in germinating boxes to germinate. In this phase the enzymes (amylase) are formed which are needed for the starch separation. The germinating process is then interrupted at the optimal stage by the drying (kilning). The green malt is dried carefully at 80° celsius and tastes slightly sweet when dried. The malt sugar later serves to feed the yeast cultures, which then form the alcohol.

PREPARATION OF MALT

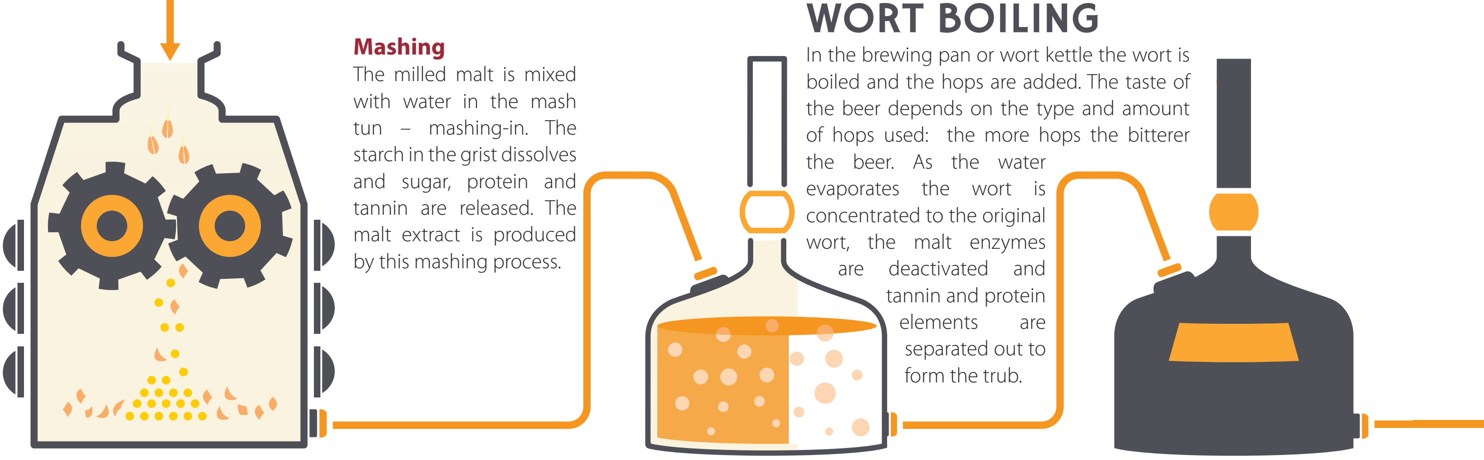


Milling:
The finished malt is milled, similar to the making of flour, so that it dissolves better in water. Malt mills produce various grades of crushed malt: husks, groats, meal, semolina and powder (from the coarsest to the finest).

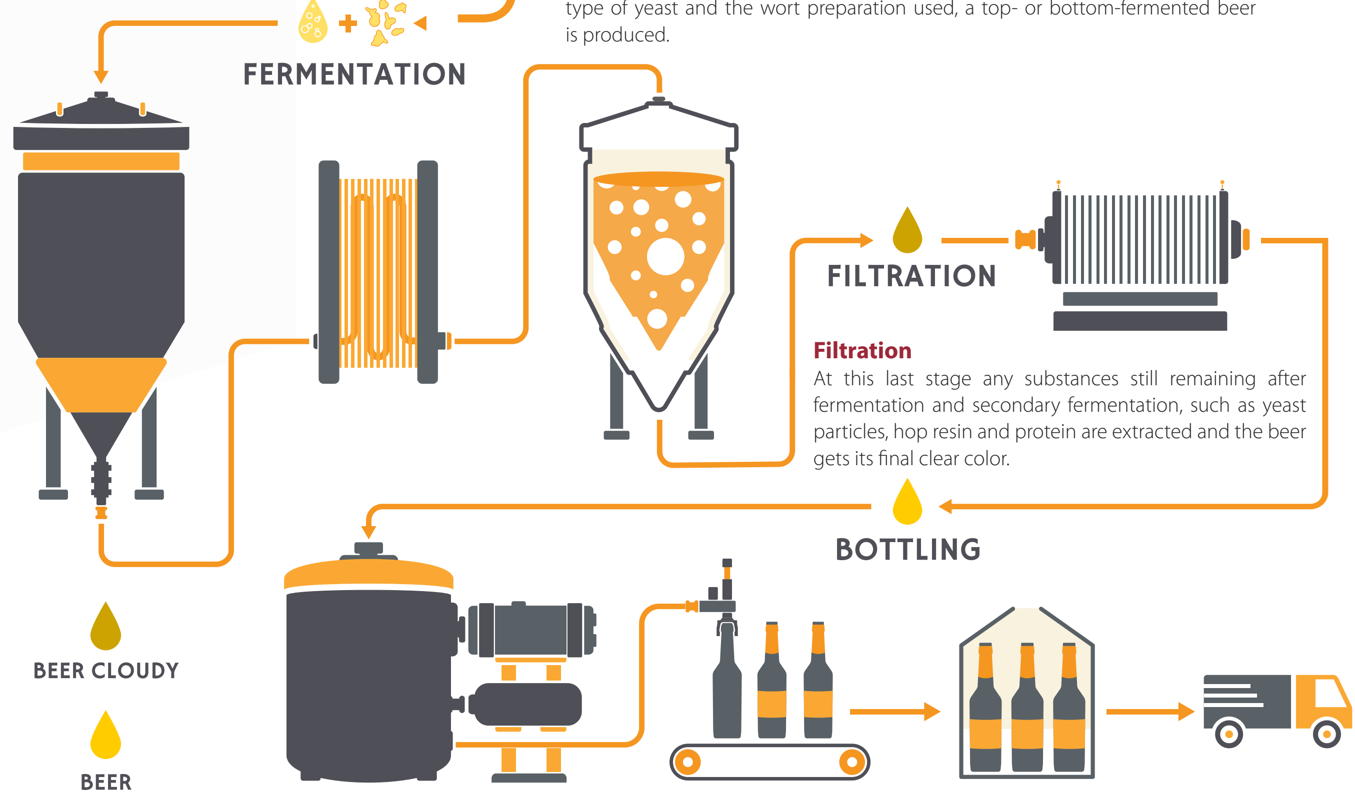
Mashing
The milled malt is mixed with water in the mash tun – mashing-in. The starch in the grist dissolves and sugar, protein and tannin are released. The malt extract is produced by this mashing process.

WORT BOILING

In the brewing pan or wort kettle the wort is boiled and the hops are added. The taste of the beer depends on the type and amount of hops used: the more hops the bitterer the beer. As the water evaporates the wort is concentrated to the original wort, the malt enzymes are deactivated and tannin and protein elements are separated out to form the trub.



Fermentation
This takes place in a fermentation tank where special brewing yeast is added. The yeast turns the malt sugar into alcohol and carbon dioxide. As soon as the malt sugar has fermented the yeast sinks and is collected. Depending on the type of yeast and the wort preparation used, a top- or bottom-fermented beer is produced.



Filtration
At this last stage any substances still remaining after fermentation and secondary fermentation, such as yeast particles, hop resin and protein are extracted and the beer gets its final clear color.

Filling
Bottled beer is filled in the filling station. The beer is filled using counter pressure to prevent any carbon dioxide from escaping.

Returnable Glass
We use returnable glass to ensure that we do not pollute the environment.

...to glass

Brands

Strengthening and accelerating our beer brands

Kenya beer brands

Tusker Lager

Tusker exists to inspire Kenyans of all ages and backgrounds to unite to achieve new possibilities. Tusker has been at the heart of social occasions in Kenya Since 1922 and is now a world-renown brand. Recently, the iconic brand launched 'Here's to Us in Every Tusker' campaign, furthering its connection, built around the premise of Kenyans drawing strength from each other to achieve extra-ordinary feats. Tusker was recognised in the global Monde Selection awards in 2018.

Tusker Cider

Tusker Premium Cider is the first locally-produced cider in East Africa. It is a deliciously crisp and refreshing drink, crafted from premium apples, perfectly balanced for a drinking experience. Tusker Cider comes in a unique, clear glass bottle and is also packaged in a can. Best served chilled, it is one of EABL's most successful innovations.

The Tusker trade mark 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.

Tusker Lite

Tusker Lite is premium party beer brand targeting high energy occasions, and is synonymous with the nightlife in Kenya. EABL launched Tusker Lite's "This Is My Night", which tells the story of the Kenyan millennial and how they prepare for a night out. The campaign has received a great reception and is supported by a host of marketing activities, including in-bar activations and parties across Kenya.

Guinness

Guinness boasts the highest equity scores of any brand across the alcohol beverage category in Kenya. Football remains a powerful and proven growth driver as the brand continues to enjoy the highest conversion rates during the English Premier League football-watching occasion. Through a best in class national consumer promotion execution (dubbed Front Row Fan), the brand scooped a Diageo pan-African award for brilliant campaign execution in 2018.

WhiteCap

White Cap has grown to become a beer of true distinction and exclusivity with a brand connection to the iconic, snow-capped Mt. Kenya. The new neck label prominently showcases the 'No Added Sugar' position thus reinforcing WhiteCap's natural ingredients of the finest barley, hops and Kenyan sunshine. The recently launched 'Beer of True Distinction' brand purpose campaign has worked to further strengthen the brand's unique position, promise and appeal.

Senator

Senator continues to be a key recruitment brand from illicit brews market. The iconic, quality beer has provided value for money for its targeted price-sensitive consumers. Expanding our route to market and enhancing its efficiency has driven Senator's availability; this will be further augmented by the Kisumu plant. The new brewery is set to extend the socio-economic impact so far brought about by Senator, through improved utilisation of local raw materials like sorghum, supplied by over 60,000 farmers contracted by EABL.

www.eabl.com
A beer of true distinction
Just the finest barley, hops and Kenyan sunshine.
No Added Sugar.
White Cap
White Cap
LAGER
A BEER OF DISTINCTION · EST'D 1950
KBL
KENYA BREWERIES LIMITED
EXCESSIVE ALCOHOL CONSUMPTION IS HARMFUL TO YOUR HEALTH.
NOT FOR SALE TO PERSONS UNDER THE AGE OF 18 YEARS.
White Cap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BOLD NEW LOOK
SAME EXTRAORDINARY TASTE
GUINNESS
GUINNESS
FOREIGN EXTRA
STOUT
GUINNESS
MADE OF MORE
EXCESSIVE ALCOHOL CONSUMPTION IS HARMFUL TO YOUR HEALTH.
NOT FOR SALE TO PERSONS UNDER 18 YEARS.

Brands

Strengthening and accelerating our beer brands

Uganda beer brands

Bell Lager

Brewed at Port Bell in Kampala along the shores of Lake Victoria since 1950, Bell Lager is the first truly Ugandan beer and UBL's flagship brand. Its history is interwoven with that of the nation, making it a true icon that has stood the test of time. The Monde Selection-winning Bell Lager provides an easy drinking experience and has over the decades undergone renovation to retain its appeal to the target market. This has elicited positive feedback particularly by older 35+ year old consumers who still hold on to the nostalgia of a past in which Bell was at the center of Ugandan social life.

Thus, Bell Lager is on a journey to reinvent itself without losing its sense of purpose and provenance in order to meaningfully recruit new consumers, and live to see many more decades.

Ngule

Launched in 2016, Ngule (meaning "Crown") remains the most disruptive innovation to-date from UBL. Borne out of a partnership with the Kingdom of Buganda, one of many indigenous royal houses, the 6.5% ABV beer was introduced with much fanfare and positioned as a socio-economic lever for the people of Buganda; named for the crown to be enjoyed by the king's subjects during their pastimes and celebrations, and yet also a beer that would contribute to the sustenance of the kingdom through royalties paid by UBL off every sale of Ngule, as well as from the income Buganda's farmers enjoyed by supplying raw materials to produce it. This year Ngule is at the heart of celebrations to mark the 25th coronation anniversary of the reigning King of Buganda, Ronald Mutebi. And throughout the annual calendar it is involved in other activities such as Inter-clan football, Royal birthday and end year events among others.

Senator

Half the beer sold in Uganda is within the value beer category of which the Senator trademark enjoys impressive volume share. Senator was launched in 2004 and today is available in two variants, Senator Extra and Senator Stout in 500ml bottles. Over the last two years, the brand has been boosted by commercially driven incentives that helped deliver on growth. In order to cement its presence, the Senator "WELL DONE" campaign was launched in August 2017 to highlight the well done quality of Senator as a product made from fresh, locally-sourced ingredients. The drive was also seen as one aimed at saluting the hardwork of Senator's target consumers, the mid to lower social economic class male who deserve a great quality beer after a hard day's work.

Tanzania Beers

Serengeti Premium Lager

Serengeti Premium Lager continued leveraging its sponsorship of the Tanzania National Football Team "Taifa Stars" to grow awareness and equity of the brand. During the last Festive Season Serengeti Premium Lager mobilized the fame and credibility of the Taifa Stars players to launch a joint responsible drinking campaign. Product availability was boosted by the launch of a returnable small pack at affordable price point, expanding distribution and the creation of Landmark Outlets. Serengeti Premium Lager's double digit growth demonstrates that the brand is well underway towards achieving its brand ambition of becoming one of the top 3 mainstream beer brands in Tanzania. The National Pride platform, summarized in the slogan 'Our Nation, Our Pride, Our Beer' is clearly resonating with Tanzanian consumers.

Serengeti Premium Lite

Building on quality cues of the Mother Brand, Serengeti Premium Lite was introduced successfully as the "First Truly Tanzanian Lite Beer" demonstrating strong market performance and lifting the Serengeti trademark to its highest volume ever.

According to consumers, 3 key factors are behind this success: a fuller taste than other lite beers; great looking pack and humorous campaign which is frequently refreshed.

Pilsner King

Young Tanzanian men want to be recognized for their masculinity. The real Tanzanian man is confident and bold in his choices and he is proud of his masculinity and strength in a calm way. Pilsner King is inspired by the original Pilsner brewing process practiced in the city of Pilsen, Czech Republic since 1842. Pilsner KING reflects the real man in you brewed with local ingredient.

Pilsner offers consumers a value for money brand with mainstream aspiration (packaging). These attributes have seen the brand gain single digit growth and is among the top 10 brands in the Lake region where it was initially launched in September 2017.


AFYA YAKO.
SENATOR
IBAMBE


PUT THE EXTRA INTO THE ORDINARY.
#SHINEON
CHROME
VODKA
#ShineOn

Brands

Growing our spirits portfolio in Kenya

Kenya spirits brands

Kenya Cane

Kenya Cane delivered double digit growth for the third consecutive year, thereby continuing to cement its number one spirits market share in Kenya. We continue to invest in building brand strength through the new thematic campaign 'Wakilisha Hustle'. This is an innovative campaign that ensures a big brand feel while generating excitement and pride in the brand, further establishing our position as the brand that Kenyans reach for when celebrating. In addition, the full roll out of the new bespoke bottle delivers on Kenya Cane as the industry leader for a very aspirational consumer.

Chrome Vodka

Chrome Vodka continues to be an icon of contemporary values for the Kenyan millennial. Through its endorsement partnership with Sauti Sol, a popular Kenyan brand, Chrome has used Music as a platform to not only elevate its brand position within repertoire, but more importantly to provide an emotional connection of the Chrome brand purpose. Since the launch of Chrome Vodka in December 2014, it has continued to grow in double digits. Chrome Vodka's growth drivers have included participation in the national consumer promotion 'Jijenge na Kaquarter' and a major distribution drive with the millennials.

Johnnie Walker Black Label

Johnnie Walker has leveraged its leadership position as the No. 1 premium whisky in the market to transform category participation, revolutionize the 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 trademark 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 marketing, focusing on digital and social media. Johnnie Walker Black Label remains the leading brand for gifting as well as mentorships, which continues to effectively deliver consumer knowledge on whisky.

Smirnoff Vodka

Smirnoff vodka is one most-loved spirits brand in Kenya. Created using a unique process involving three distillations and ten stages of filtration to deliver smoothness and clarity, Smirnoff has evolved over the years. In Kenya we have responded to consumer demands by offering it at accessible price points supported by local sourcing and production. In 2018, we re-introduced the 'Win A Ride' to drive growth and reward our consumers. A new communication themed 'We Are Open', has also responded to new trends especially among millennials and extended the brand's growth.

Baileys

Baileys Original Irish Cream is a unique marriage of fresh, dairy cream, Irish whiskey, finest spirits and natural flavours. The brand has successfully made its mark in the market as well as generating excitement during special occasions such as the Valentine's Day where consumers got to enjoy the brand at competitive prices.

RESERVE

Singleton

Singleton is a perfect entry into single malts due to its distinct taste profile and accessible price point. In 2018 we executed the Singleton experience through 5 world class partnerships with Koroga Festival to bag the coveted 'Best Experiential Award' at MSK Gala 2017. This campaign has grown brand awareness focusing on digital as the key communication channel.


TURN UP.
THEN TURN IT UP!
INTRODUCING THE NEW
SMIRNOFF ICE
GREEN APPLE BITE
SMIRNOFF
-ICE
GREEN
APPLE BITE
FLAVOR
SPIRIT MIXED DRINK

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

Brands

Growing our spirits portfolio in Uganda

Uganda Waragi

Uganda Waragi is the most loved spirits brand in Uganda. Known as "The Spirit of Uganda" it's a bold vibrant Gin that has over the years taken a leading role in bringing people together. Uganda Waragi continues its premiumisation strategy to build aspiration and recruit new consumers with the national roll out of flavors led by Uganda Waragi Coconut that has since taken the market by storm.

The brand also launched the UG Mix Maestro campaign to extend its partnership with DJs that has helped position it as a vibrant brand and bring its brand purpose to life in the bar. Kampala Cocktail Week is another key activity driving trial for the amazing Uganda Waragi cocktails. Penetration and brand love has since grown over the years, cementing its position as the leading spirits brand in Uganda.

BOND 7

Bond 7 is a very aromatic whisky with hints of peat and fruit. The whisky scent combines rich, balanced notes of both holiday spice and dark caramel. Bond 7 has over the years continued to maintain leadership in the Ugandan market.

Gilbey's

Founded in London in 1857, Gilbey's Gin, which has been described as one of the classic juniper-led London Dry Gin, has continued to become one of the popular gins throughout the world. An exceptionally balanced, traditional and bold London Dry Gin, Gilbey's has continued to make inroads in Uganda, especially with the various innovative campaigns run by UBL. One such activity is a series of cocktail editions that have helped accelerate its growth in the market.

Growing our spirits portfolio in Tanzania

Smirnoff Ice Black

Smirnoff Ice Black is the only true ready-to-drink in Tanzania within a category that is geared to recruit new consumers based on changing consumer occasions. Positioned as the No.1 brand of choice among Legal Drinking Age - 24yr old consumers within the ready-to-drink / Cider category, this brand's unique and highly sessionable liquid provides great value for money across all those seeking an alternative to beer.

The Smirnoff Ice Black DJ competition, now in its second year running is a huge success across its target consumer group across the country and was instrumental in its growth.

Johnnie Walker ™ Red label ®

Johnnie Walker Red Label, the no.1 selling Scotch whisky in the world, is an incredibly aspirational brand within Tanzania.

With the brand's highly mixable liquid, sampling consumers with the signature serve of Johnnie Walker Red Label & Gingerale has proven incredibly successful in overcoming many taste barriers within the whisky category. This 'Liquid to Lip's' approach through scalable sampling activations in both the On-Trade and Off-Trade, along with focusing smaller serving sizes, has been the key growth driver within 2018, resulting in the brand's double digit growth.

Gordon's Gin

Gordon's Gin, the second largest spirit brand within our portfolio, continues to grow from strength to strength and is uniquely positioned to capture share within the Premium gin category. With white spirits contributing to >80% of the Tanzanian spirits market, Gordon's remains highly aspirational and iconic through its consistent availability and visibility.


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 WARAGI

Innovation

Accelerating growth of our innovation brands

Kenya

Captain Morgan Gold

EABL is leading the revolution in the spirits segment with a launch into new sub categories.

Captain Morgan Gold was launched in December with a huge buzz and excitement amongst millennial consumers. Captain Morgan is a hugely successful global brand that is among the top 5 for Diageo. It has grown rapidly in the recent past and is now making an entry into mainstream segment with the introduction of this locally produced variant.

Captain Morgan Gold is available in 250ml and 750ml and is priced to recruit mainstream consumers. Captain Morgan is a fun brand, with a unique brand character that will also drive recruitment of new millennial consumers and tap into the high energy/release occasion.

Captain Morgan Gold is a golden spirit that is easy to drink and is best enjoyed with cola. It introduces a new and adventurous choice into mainstream spirits which fits well with the millennials' lifestyle.

Black and White Whisky

Since the beginning of 2018, EABL has been transforming consumer access to Scotch in Kenya with the introduction of Black & White Scotch Whisky which is recruiting a new generation of mainstream consumers into the category. Black & White has been blended to deliver an exceptionally smooth and accessible liquid profile that has won multiple awards globally. The brand has been received well by consumers in Kenya driven by its affordability, smooth taste and unique packaging.

Triple Ace Vodka

In line with our strategy of winning in all segments and all price points, the lower mainstream segment is one that we continue to strengthen. In December 2017, UDV introduced Triple Ace Vodka, its most affordable.

Triple Ace Vodka delivers a distinct smooth tasting vodka in a striking pack, which has high appeal among the target consumers. The brand is packaged in 250ml and 750ml packs.

Consumers want brands that are aspirational and offer great value i.e. good quality at an affordable price. Triple Ace Vodka will grow the market share by offering segment consumers a low priced brand that still delivers the high quality cues and is aspirational.

Triple Ace Vodka is the perfect choice for consumers in the low end market. It is a perfect trade up for these consumers who want a quality brand from a reputable manufacturer compared to what they would otherwise be consuming.

Kenya Cane Citrus Fusion

Kenya Cane is the number 1 spirits brand in Kenya and has led the way in developing new and exciting flavors for mainstream consumers. This plays into the mainstream spirits category that we have purposed to grow, leveraging our strengths in RTC and EABL's heritage of making high quality spirits.

Following a successful Kenya Cane Coconut launch in 2016, we launched a new Kenya Cane Citrus Fusion in December 2017. Kenya Cane Citrus Fusion is a fresh and fruity flavored variant launched in 250ml and 750ml packs and priced competitively. Its objective is to drive further appeal for Kenya Cane and to give consumers wider choice.

The introduction of Kenya Cane Citrus Fusion has helped us to continue shaping and extending offerings to mainstream consumers and leading the way for local brands in bringing exciting flavors to consumers. These innovations continue to make Kenya Cane the fastest growing spirits brand in Kenya.

Smirnoff Ice Green Apple Bite

Smirnoff Ice Green Apple is the new variant from the Smirnoff Ice ready-to-drink family with a clear and crisp taste. The bold flavour of Green Apple mixes with the refreshing taste of lime.

Smirnoff Green Apple is the party before the party drink seeking to create tasteful experiential moments for the target market. With it, you are able to have a good time with friends as you warm up for the ultimate party. Smirnoff Ice Green Apple urges consumers to dare to be bold to discover new things. Smirnoff Ice Green Apple is packaged in a 300ml bottle.

Smirnoff is the number one vodka brand in the world.

Innovation

Accelerating growth of our innovation brands

Uganda

Uganda Waragi Coconut

2018 focus for UBL Innovation was to nurture existing Innovation with the potential to grow. So far, Uganda Waragi Coconut has seen phenomenal growth in 2018, delivering double digit growth vs last year. The growth is attributed to a massive product awareness drive through the '#Go loco for coco' campaign and consistent distribution.

Pilsner Renovation

Pilsner renovation is aimed at refreshing and breathing new life into the brand through mild liquid optimization and a refreshed pack. The aim is to recruit new consumers in the UBL mainstream beer category. The brand delivers on value for money both on ABV and price. This presents a great value proposition that can recruit consumers from value beer and defend UBL's mainstream tuff at the same time. The results so far have been good; Pilsner has realized exponential growth, delivering double digit growth on NSV ahead of target. Performance is driven by a sustained distribution drive in the South and West Uganda using dedicated trucks and trade development representatives. Furthermore, investment has been injected into the through the-line communication and sampling campaign which is delivering awareness and brand reappraisal.

Tanzania

Smirnoff X1

Leveraging the scale of our global brand portfolio, SBL launched Smirnoff X1, Xtra Pure vodka in December 2017.

Smirnoff X1 was launched to compete within the mainstream spirits category and build a differentiated consumer proposition, that is accessible to consumers who aspire International spirits. Available in 2 pack sizes, a 200ml PET and 750ml glass bottle, Smirnoff X1 aims to meet the evolving dynamics of convenience and changing consumption occasions.

Smirnoff X1, imported from South Africa, is a high quality vodka that is triple distilled, and perfectly blended to create the smoothest tasting vodka that can be consumed neat, or with a mixer. The brand aims to grow the vodka category through its International appeal capture share within the white spirits market.

Pilsner King

Pilsner King, brewed using local ingredients, is inspired by the original Pilsner brewing process practiced in the city of Pilsen, Czech Republic since 1842.

Pilsner King offers consumers a value for money brand with mainstream aspiration (packaging). These attributes have seen the brand gain single digit growth and become among the top 10 brands in the Lake region where it was initially launched in 2018.


Black&White

EABL Scaled up Consumer Focus in 2018 to drive our Brands' Availability

We make a 'quality promise' to consumers of our products every time they buy and enjoy our brands. To keep this promise, we are keen to maintain global standards right through the value chain, while always aiming to meet or exceed our consumers' expectations.

To keep this long-held promise, lasting nearly a century in East Africa, we take time to study the market trends, understand the dynamic marketplace we operate in and understand consumer needs, constantly investing on how to address them. This means that we have to focus on how to best deliver our consumers, continuously innovating brands to keep pace with emerging trends and realities. In line with this, we have in financial year 2018, focussed on the following areas;

Enhancing our Route to Market

In 2018, we set out to recruit new distributors for Emerging Business (driving our iconic Senator brand and affordable spirits) to deliver fresh growth and enable us recruit further from illicits. Aware of the continued Business growth across East Africa, we continued to enlist new distributors for our low-priced beer and spirits, aligned to our ambition aimed at growing Total Beverage Alcohol. We intend to complete the recruitment process for all the new distributors before the start of 2019.

Entrenching Gold Standard

To drive development of our distributors, we have in the last couple of years introduced the Gold Standard. This is a growth-enhancing model that targets at delivery of a professional outlook through training and recruitment as well as effective use of automated sales tools. The Gold Standard ensures distributors make right business decisions, ultimately moving from passive to active selling.

In Kenya, our Gold Standard achievers rose by 157% in 2018, meaning that the distributors are more solid businesses, growing alongside EABL's strategy. The Emerging Business Distributors began their Gold Journey in March 2018, and will be evaluated for the first time in 2019.

Boosting Route to Consumer Financial Services

We have been working with about five financial firms as partners to boosting our distributors' financial capability to leverage latent growth across our marketplace.

In 2018, in collaboration with our financial partners we offered financial services to 1,500 retailers, meaning they they are now focussed on implementing their strategic plans to grow their businesses.

Kisumu Brewery

The new Kisumu Brewery aims at increasing our geographic footprint in retail and distribution, with a focus to recruit from illicit in the Western Kenya region. We aim to enlist by 5,000 new outlets which, combined with our existing outlets, will significantly expand our emerging business universe, setting the stage for growth in future. Our consumer plan to commercialise the brewery is elaborate, given the scale of illicit trade across the Kenyan border.


PEOPLE
AND CULTURE
GROWING VALUE TOGETHER

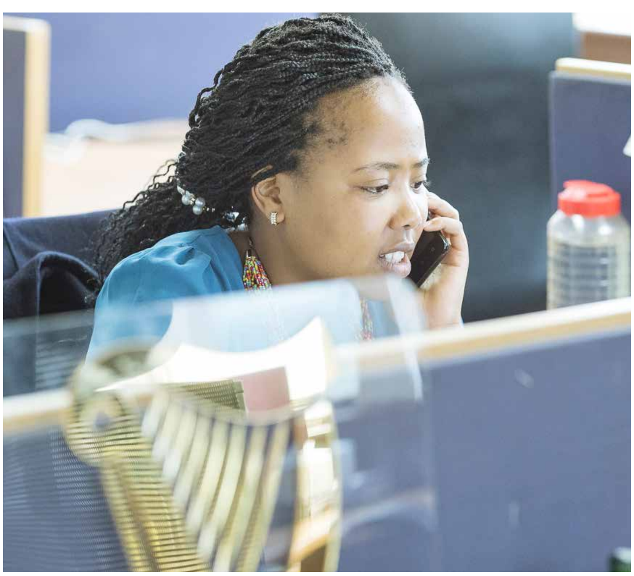
Our people and culture

For nearly a century now, EABL's purpose has been 'Celebrating life every day, everywhere'. Ensuring that we have the best talent – now and in the future – is both one of our biggest challenges and opportunities. EABL has been a top attraction for the best talent. It has also actively driven talent development and has been building talent capability across East Africa. We believe that our performance ambition as a business can only be achieved by having the people and capabilities in place across our business to deliver our plans. The continuous growth and development of our people is central to this, and we are committed to unleashing the full potential of all our people through great partnerships with leaders, line managers, teams and individuals.

The EABL Way

Our people are our biggest asset - our reputation for professionalism, commitment and integrity is something that we deeply desire to harness and build upon. Ultimately, this is how we will achieve our ambition to create the best performing, most trusted and respected consumer goods company in Africa.

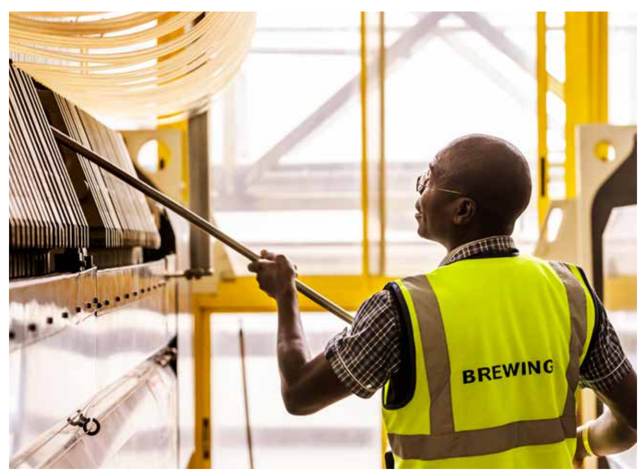
To extend our success, we have continually integrated talent development with our broader strategy, ensuring that we are more than the sum of our parts of our business across East Africa. Our long-term, deliberate and elaborate growth agenda for our people outlines how we will achieve success through a host of programmes sharpening and developing skills in EABL to deliver on our strategy.



Talent development as the bedrock for people's growth

We have developed a robust, multi-year talent planning (MYTP) approach to strategically forecast human resource needs to drive growth. In this flagship programme, we have outlined four priority areas to guarantee our plans with the right people and capabilities as we believe in creating an environment for our people that will stretch, challenge and enable them to grow themselves and the business. These areas include talent, capability, organisational effectiveness and culture, ensuring that:

- We have put in place an assurance process that focuses on how we plan, assess and develop talent, underpinned by sound hiring practices, retention of talent and succession cover that enables us win in the marketplace;
- Our organizational effectiveness agenda seeks to transform and enable the delivery of our performance ambition while our organization is known for the consistency, transparency and pace of its performance in an empowering and winning culture;
- Our recruitment and selection policy ensures fair access to job opportunities and diversity (50:50). We are constantly tracking the ratios on a quarterly basis to ensure a balanced approach on internal moves versus external recruitment.



EABL talent programmes

We have made a conscious effort to boost our people's skills, embedded by our firm commitment to help our people realise and reach their full potential. To achieve this we have numerous training and development programs, but we also strongly believe that our leaders are key in creating the conditions for our people to succeed. Some of these are:

> "We have made a conscious effort to boost our people's skills, embedded by our firm commitment to help our people realise and reach their full potential."

Alvin Mbugua, former CFO, Uganda Breweries, recieves his awards

- **Partners for Growth (P4G) –** Our performance management system that 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. It supports individuals in identifying career aspirations with development actions as a priority. 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. Our reward system encourages equal pay for equal work while it also recognises and rewards exceptional individual performance in alignment with real business outcomes.

- **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. To fast-track development of our line managers, we have developed "Amazing People Manager". This programme equips managers with tools and resources while offering support as they seek to inspire others and drive results. Currently, over 70% of our people managers have gone through the programme, which has now been adopted globally by Diageo.

- **Graduate Programme –** A process that assesses entry-level talent with high potential to join a 3-year rotational programme in Sales, Marketing, Supply, Finance or Enabler functions such as Legal, Human Resources, Corporate Relations and others.

- **Future Leaders Programme –** Mobile junior leadership talent who have shown the potential to be future leaders of the business. Upon nomination, they join a 2-year programme that includes a global rotation to stretch their leadership and functional breadth.

- **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.

- **International Directors Programme –** A styled Diageo Leadership Performance Programme (DLPP) aimed at accelerating development of newly-appointed individuals to executive levels.

People welfare and rewards

The welfare of our people remains a critical part of our growth agenda, cognizant of the fact that our performance as a company will remain robust only if they consider EABL a great place to work in.

To remain truly transformative to our employees, we have in place a robust end-to-end welfare and rewards programme including:

- A host of annual rewards including annual salary reviews, performance rewards and long-service awards.
- A mortgage benefit scheme, partly funded by EABL, in consideration that one of the highest priorities for our employees is the ability to own a home and this aspiration is an integral part of their financial plans.
- An employees' medical scheme and wellness programme to ensure a healthy workface across our business.
- A clinic fully resourced to provide general and specialist medical care to employees and their families.
- Collective Bargaining Agreement that spells out all the working conditions and applicable labour relations with the union as mutually agreed. This has reduced our overall attrition rate curently trending at less than 5%.
- An Employee Share Ownership Plan (ESOP) connecting employment to the long-term success of our business. The plan forms a crucial part of employee engagement and commitment to creating sustainable value for both our people and our business.

KBL Supply Chain Director Nderitu Kamugi holds the Monde Selection Award

Employer Brand

Our EABL culture is rooted in a set of values, standards and behaviours at the heart of our culture. These underpin all of our work, every day, everywhere. We are **passionate about customers and consumers** – our curiosity and consumer insights drive our growth. We **cherish our brands** and we are **creative and courageous** in pursuing their full potential, **doing all we can to be the best**. Our investment and work has enabled us earn recognition across East Africa as:

- Best Employer in Uganda – Federation of Uganda Employers
- KBL Supply Team (Tusker Brewery and UDV) – 11 Gold Awards in the Monde Selection.
- UBL's Finance Director Scoops 2017 CFO Award – Association of Chartered and Certified Accountants (ACCA) and Deloitte Uganda.
- EABL is a net exporter of talent in Diageo. There are three employees working as Managing Directors: Peter Ndegwa (General Manager, Continental Europe and Russia), Baker Magunda (Managing Director, Nigeria) and Kimani Mwaura (Managing Director, Cameroon) and 11 East Africans in roles across Diageo.

"We approach our diversity goals with the same attitude and drive that we approach our financial goals."

Diversity is in our DNA

As a signatory of the UN Global Compact and the UN Women Empowerment Principles, we exercise and align to a set of codes internally to secure diversity in our workplace. Our approach to gender diversity is driven by the core belief that winners in global business must embrace diverse leadership teams.

EABL is a diverse business and we believe it is important for our future success that our workforce reflects the parts of the world in which we operate. This clearly includes having women in leadership positions. Today at EABL, we have **7 women out of 19 in Board and Senior Management positions,** representing about **36%** of the total, with backgrounds spanning food science, finance, technology, legal, and so on. A decade ago, we had 2 women out of 12 board members (or 16%).

There has been a marked progress in this agenda, a deliberate journey intrinsic in our culture of diversity. In fact, EABL's intention is to ensure diversity is sustained in the leadership roles: before hiring at senior management level, we ask that there is a female candidate on all our shortlists– and if there isn't we ask questions to find out why.

Overall, we approach our diversity goals with the same attitude and drive that we approach our financial goals. All members of our Executive Committee are individually responsible for helping EABL realise its diversity ambitions and as a group we are committed to tackling any unconscious bias that might exist within the business.

Building an inclusive and diverse culture

"We continue to promote equality of opportunity in recruitment, selection, training and career development."

Diversity and inclusion is crucial for growth and prosperity within an organization. It not only gives a company a competitive edge but also breeds success. This is why we have invested heavily in promoting diversity within EABL to cultivate a distinct talent pool and build our capabilities.

Achieving gender equality and empowerment is a key focus area for us and ties in with SDG number 5 on empowering women and girls. To this end, we have put in place measures and frameworks to ensure that we align our business to meet this target.

One of the outstanding initiatives that fuel our drive is the UN Women Empowerment Principles, a joint initiative of the UN Global Compact and UN Women, providing a blue print for business in supporting men and women in both the work and market place.

We believe that every one of our employees needs to feel part of a great place to work irrespective of the background, gender or religion. Recognizing how critical this agenda is, the business has devised strategies that promotes diversity and inclusion.

At EABL, we remain committed to supporting education, training and professional development for women. Through our 'Spirited Women' program, we focus on celebrating the value of women to an organization by sponsoring middle and senior managers to participate in leadership courses.

We continue to promote equality of opportunity in recruitment, selection, training and career development. With this framework in place, we have been able to push boundaries. Today, 36% senior management positions are held by women.

We also understand the responsibilities that women have away from work, taking care of their families and building homes. This is why we strive to provide them with world class facilities and benefits to be able to do this comfortably. We provide our female employees best-in-class maternity covers, allow new mothers flexible working hours and have also set up nursing rooms for them.

These achievements have been made possible through deliberate efforts from staff and senior management. As a company, we understand the benefits we stand to gain from an inclusive and diverse workplace.

We have also promoted staff participation in various initiatives that support diversity. Holding our leaders accountable for inclusion has similarly resulted to ownership from top to bottom.

Beyond our internal operations, we are also working to empower and uplift women throughout our value chain. We believe they are the center of economic development especially in the rural areas. Of the 30,000 smallholder farmers we have contracted, 50% are women. These women are able to support themselves, their families and the community at large creating a domino effect on the economy.

7 women
out of 19 in Board and Senior Management positions

36% women
in senior management positions

50%
of the farmers are women

"EABL is a diverse business and our belief is that our workforce is all inclusive. Our approach to gender diversity is driven by the core belief that winners in global business must embrace diverse leadership teams."

Our new EABL leadership standard

No matter where we are across East Africa, the dynamics of our marketplace are continuously shifting. Against a backdrop of this constant change and volatility across East Africa, it has become more critical now than ever before that we at EABL remain laser-sharp in our performance focus and clear on how we will enable this through our leadership. In addition, we increasingly hear about a lack of inspirational leadership in the external world and can see daily first-hand the turmoil that this can create. While we cannot control the macroeconomic environment around us, each of us at EABL has the ability to inspire others and to shape the environment in which we live and work.

Our Performance Ambition, to be the "best performing, most trusted and respected, consumer products company in Africa", remains unchanged. Our strong results in 2018 exemplify the power of this ambition and the progress we are making. How we go about further strengthening and accelerating our performance delivery will set us apart from our competitors and peers, we know that our leaders play a disproportionate role in creating this success.

> "Our Performance Ambition, for EABL to be the best performing, most trusted and respected, consumer products' company in Africa, remains unchanged."

Against a volatile external environment and an audacious set of goals, it was time to review our Leadership Standard, which was introduced over 10 years ago, against the context that was present at that time. Our new Leadership Standard is expected to support the delivery of our Performance Ambition and amplification of our Purpose by setting the expectation of the behaviours and standards that leaders need to demonstrate at EABL.

The Leadership Standard is expected to:

- Be engaging and aspirational for the whole organisation.
- Inform recruitment, assessment, development and evaluation of leaders and their future potential.
- Be distinctive and relevant to EABL's culture and values.
- Be simple to follow and articulate; clear, memorable and compelling.
- Be instructive now and of enduring relevance (3-5 year view of leadership).

This Leadership Standard is the upshot of a thorough exercise that included interviews and conversations with a cross-section of current and future leaders to hear their ideas and thoughts on the stretch in leadership required today at EABL versus requirements of the past as well as their input on what they expect of leaders and line managers.

What became apparent through this review and through the work we have undertaken on shaping the culture that will guarantee EABL wins is that there is a need for more entrepreneurial spirit, more pace, urgency and ownership at EABL. We also know we want to continue to build a culture that is inspiring, that is full of passion and one where our leaders shape the future, while creating meaning and pride through our Purpose.

We want to unlock the capacity and potential of our people and processes so that we always execute boldly and win at the point of purchase. At EABL, our teams should be free to learn quickly, disrupt and dare to fail. And we will only do this by creating a trusting, respectful, open, honest and inclusive environment where we invest in talent and harness the full extent of our capabilities.

Anchored on four key areas, our Leadership Standard is expected to support the delivery of our Performance Ambition to be the "best performing, most trusted and respected, consumer products' company in Africa" and amplification of our Purpose by setting the expectation of the behaviours and standards that leaders need to demonstrate.

Our new focus will ensure that everyone at EABL is able to help the Company:

Win through Execution

This new Leadership Standard amplifies our previous focus on consistently delivering great performance, reflecting the fast-changing world we live in. We have incorporated the must-do behaviours, describing the need for leaders to personally role-model and instil across their teams bold execution that ensures we are winning at the point of purchase. This dimension demands that we apply an owner's mind-set, taking accountability for the highest standards and demanding brilliant execution in all that we do. It brings new focus on scanning the environment to be able to continuously adapt plans, at pace. It also asks of leaders to inject restlessness, and to unlock capacity to decide and act quickly – to simplify our business and release the energy of our people to prioritise executing plans that make the biggest difference to achieving our ambition.

Inspire through Purpose

EABL's enduring commitment to celebrating life, every day, everywhere is the source of inspiration for what we do and why. In the new Standard, we call for leaders to amplify our purpose internally and externally.

In the past our focus on purpose has centred on individuals' discovery of their own personal purpose connected to EABL's purpose. We will continue to leverage this driven by a belief that personal motivators and personal purpose are powerful in helping people to be their best at work and in life. The key shift we need to create is a richer and more consistent connection with EABL's purpose, enabling our employees and those who engage with us to experience and own its various manifestations - from shaping and supporting the communities in which we operate, to ownership of inclusion and diversity, and our commitment to the responsible role of alcohol in society. Through leaders amplifying our purpose, we can generate the kind of personal pride and meaning that releases growth for our people and business. It ensures our teams are brand ambassadors for EABL. Critical to inspiring through purpose continues to be the quality of relationships that leaders build – open, honest and candid relationships that are based on mutual respect, trust and understanding.

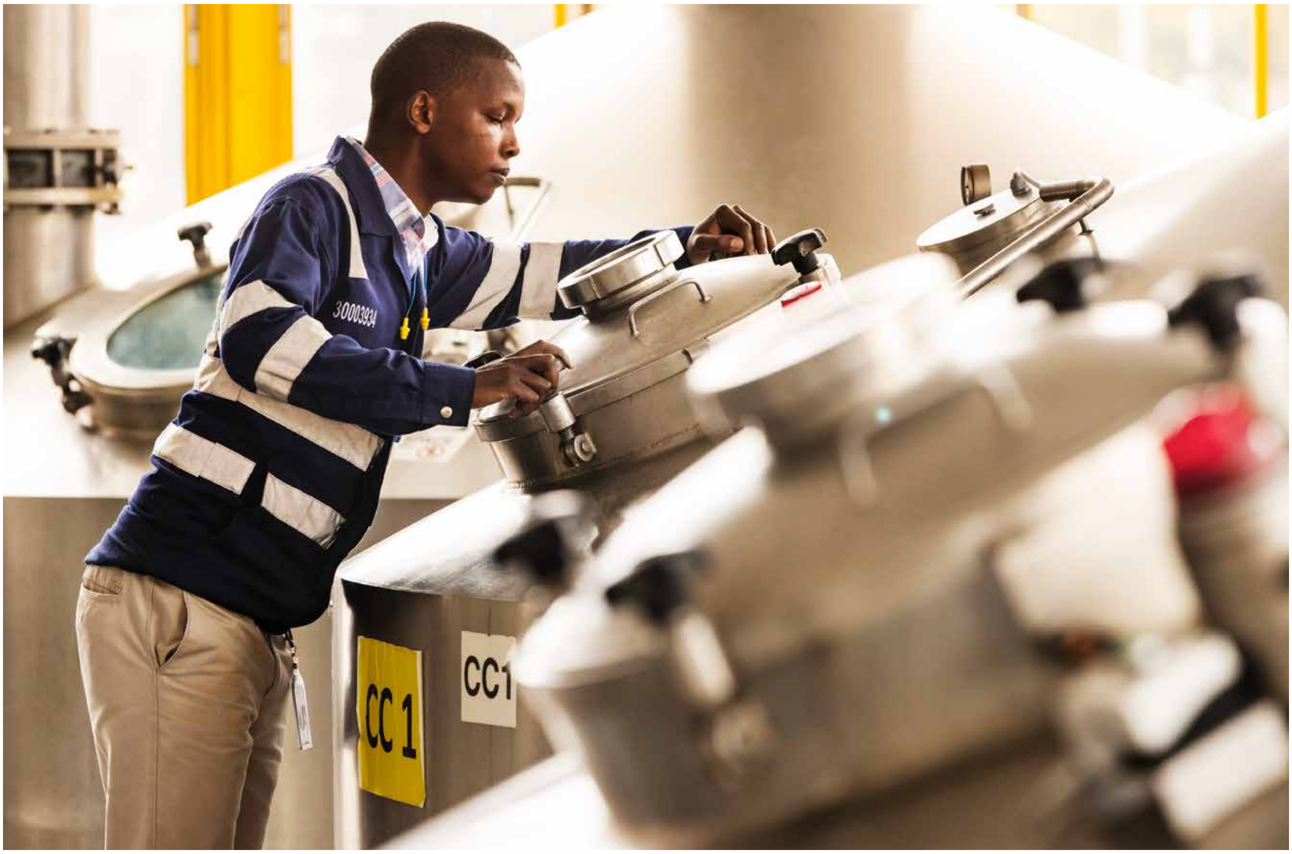
Shape the Future

Given that the environment we operate in is changing constantly, we need to be ahead of, and shaping the market, to continue winning. We need our leaders to go beyond creating possibilities to being able to envisage the future and translate that for others to act boldly in the present. By imagining the future, our leaders can set the context and vision for people, encouraging experimentation that can unlock new growth areas. Our new ask of leaders is to bring the outside in, looking across diverse consumers, channels and industries to generate data and insights that propel us to be leaders of trends, rather than followers. Our leaders will use these data and insights to make informed decisions, shape our execution plans, enable teams to be ready for change and take ownership for pursuing EABL's ambition.

Invest in Talent

This new dimension increases our expectations of leaders from creating the conditions for people to succeed, to fully harnessing the extent of EABL's talent and diversity in order to achieve our performance ambition. We are asking leaders to take bolder bets on talent using rigorous evaluation of individuals' strengths and development areas so that they actively build a ready pipeline of succession. Our leaders have long been focused on building and coaching diverse teams, yet this Standard demands even greater focus on creating inclusive environments where everyone can be at their best and to harness this for performance and innovation outcomes. Finally, the Standard calls for leaders to build sustainable engagement and performance in their teams by increasing the organisations' agility and resilience to succeed in the context of increasing external expectations and volatility.

Compliance and Ethics



Running a compliant, sustainable business

EABL has an ambition to only being the best performing consumer products company, but also 'most trusted and respected' business in Africa. The Controls, Compliance and Ethics (CCE) function drive this EABL agenda to embed broad ownership of the company'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. Where breaches are suspected to have occurred, CCE also 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 organisation that can be relied upon to deliver on its promises to its people, its customers, its consumers and its communities.

Risk Management and Controls Assurance

EABL's elaborate 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. Thereafter, the top internal and external risks are ranked based on their likelihood of occurrence and their impact to the business. Action owners are then tasked with ensuring that robust risk-mitigation plans are in place. These risks are reviewed every quarter by Business Units at the Risk Management Committee (RMC). The GMs of our respective businesses in Kenya, Uganda and Tanzania as well as East Africa Maltings each chair the RMC in their business.

In addition, EABL has a Control Assurance and Risk Management (CARM) framework in place covering 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 2018, with an assessment of key controls that are scoped for design and then tested.

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.

- The number of cases at the close in 2018 continued to fall year-on-year, in line with the 3-year trend. We had 58 cases at the end of during the financial year compared to 89 in 2017, a 53% drop.
- We are committed to driving transparency with our people following proven breaches by sharing appropriate communications. As at end 2018 we dismissed 17 employees across EABL for for CoBC breaches, compared to 15 in 2017.

Whistle Blowing (SpeakUp) Policy

We wish to be an open and transparent business, providing our people with various avenues to raise concerns. One way of raising a concern is through our whistle blowing policy which is embedded in our "SpeakUp" facility. 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.

One way of raising a concerns is through our whistle blowing policy which is embedded in our "SpeakUp" facility.

Compliance and Responsible Market Place Practices

a) *Responsible competition*

EABL is committed to fair business practices and upholding the highest standards of commercial integrity. We are governed by policies, standards and guidelines such as the Anti-Corruption and Bribery Policy (which includes Gifting and Entertainment guidelines), Politics in the Workplace Policy, Competition and Anti-Trust and the Diageo Marketing Code. We require that all our people (including third parties and contractor staff) undergo mandatory periodic training on these policies and guidelines to embed awareness. We also have various platforms such as Pathway of Pride and our annual Master the Code (Code of Business Conduct refresher) that give our people an opportunity to engage on various areas within our Code and policies including responsible competition and confirm their knowledge/awareness of this content. We also continue to use various other platforms to evaluate the level of our peoples' knowledge and understanding of these policies, including organization-wide quizzes, engagement of contractors during sales cycle briefs and various supply chain site sessions.

b) *Responsible marketing and advertisement*

EABL has put in place various measures to ensure responsible marketing and advertising. As a business we are guided by our Diageo Marketing Code as well as the Competition and Anti-Trust policy that ensure our people remain conscious of their personal responsibilities when advertising, marketing and selling our products. These policies guide our daily commercial activities, including how we engage our competitors and our customers. It also guides activities such as market research, brand innovation, brand names and packaging, trade advertising, consumer advertising, public relations, relationship marketing, digital media, mobile media, social media, brand sponsorship, promotional activities on and off trade and experiential marketing and events. We also ensure that there is frequent training on the requirements of the policies. Our people also spend time in trade through various initiatives and market storms which help in driving sales while ensuring responsible business practices.

Recognising the positive role that alcohol plays, EABL was also part of the launch of a thought-leading, industry-wide Responsible Marketing Code by Alcohol Beverages Association of Kenya (ABAK) which we are a part of. One of ABAK's critical roles is to support self-regulation by providing information, training and technical expertise to the alcohol industry in Kenya. In launching an industry-driven Responsible Marketing Code members are committed to reducing of harmful consumption of alcohol in Kenya. EABL fully supports the code because we recognise the potential danger excessive alcohol consumption can cause to the sustainability of our business.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OUR LEADERSHIP

Board of Directors

Mr. Charles Muchene (Age 61)
Independent Non- Executive Director and Group Chairman
Kenyan

Appointed to the Board as a Non-Executive Director of the Company in February 2011 and as Chairman in February 2012.

Mr. Charles Muchene is a board-level advisor focusing primarily on Corporate Governance, Strategy and Ethics.

Since leaving PwC (where he was a practising accountant and Country Senior Partner) in 2010, he has served as a Non-Executive Director on the boards of leading public interest entities. He currently serves on the boards of Barclays Bank of Kenya Limited and AIG Kenya Limited in addition to East African Breweries Limited.

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 and a Member of the Institute of Directors.

Mr. John O'Keeffe (Age 46)
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 and Marketing) Degree from University College Cork, Ireland.

Mr. Andrew Cowan (Age 51)
Executive Director and Group Managing Director
British

Appointed Group Managing Director in July 2016.

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 56)
Executive Director and Kenya Breweries Limited Managing Director
Kenyan

Appointed to the Board in September 2013.

Mrs. Jane Karuku is currently the Managing Director of Kenya Breweries Limited (KBL).

Before her 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 and Secretary General, Telkom Kenya and Managing Director, Cadbury East and 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.

Dr. György Geiszl (Age 50)
Executive Director and Group Finance and Strategy Director
Hungarian

Appointed Group Finance and Strategy 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 46)
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.

Dr. Martin Oduor-Otieno, CBS (Age 61)
Independent Non-Executive Director
Kenyan

Appointed to the Board in May 2016.

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 in Kenya.

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, Institute of Certified Secretaries and a Member of the Institute of Directors of Kenya.

He holds Directorships in Standard Bank Group, Standard Bank of South Africa, British American Tobacco Kenya plc, Kenya Airways plc and GA Life Assurance Limited. He is also a Trustee of SOS Children's Villages Kenya and a member of the International Senate of SOS KDI.

Mr. Paul Gallagher (Age 50)
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.

Mr. Japheth Katto (Age 67)
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 first CEO of Uganda's Capital Markets Authority from 1998 until 2013.

He has a wealth of experience in both the private and public sector having held various accounting, auditing, insolvency, companies investigation and financial services regulation roles in East Africa and the UK.

Mr. Katto is the Board Chairman of Stanbic Bank Uganda, a Board member of Uganda Breweries Limited 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, is a Fellow of ACCA and a member of the Institute of Certified Public Accountants of Uganda.

Dr. Alan Shonubi (Age 59)
Independent Non-Executive Director
Ugandan

Appointed to the Board in July 2009 and retired on 26 July 2018.

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. 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. Nehemiah Mchechu (Age 45)
Independent Non-Executive Director
Tanzanian

Appointed to the board in February 2014 and resigned on 6 June, 2018.

Nehemiah is a transformational business leader. He has led various large organizations such as National Housing Corporation, Tanzania and Commercial Bank of Africa (CBA) Tanzania Limited. Prior to CBA, Nehemiah worked for Standard Chartered Bank Tanzania Limited, Citibank and Barclays Bank Tanzania Limited. Nehemiah chairs several Boards and is the Director & Founding member of the CEO Roundtable. He is a B-Com Finance Graduate from the University of Dar Es Salaam, a member of ACI-Dealers Association and a fellow of Henry Crown Fellows and Arch. Bishop Tutu Fellows.

Mr. Jimmy D. Mugerwa (Age 54)
Independent Non-Executive Director
Ugandan

Appointed to the Board on 27 July 2018.

Mr. Mugerwa has a distinguished 25-year career in the oil and gas industry and is currently the Managing Director, Tullow Uganda Operations. He is also the chairman of the DFCU Bank Board and serves in various leadership roles on several Boards, including non-profit organisations.

Prior to joining Tullow, he served in various positions at Shell including the Senior Regional Advisor for Sub-Saharan Africa, Kenya Country Chair and General Manager, Shell East Africa. He brings to EABL a proven track record in diverse industries across the region.

Mr. Mugerwa holds a Master of Sciences Degree in Agricultural Chemicals from the University of Wales and also attended the Executive Business Leadership Programme at IMD in Lausanne, Switzerland and the Financial Times Non-Executive Director Diploma.

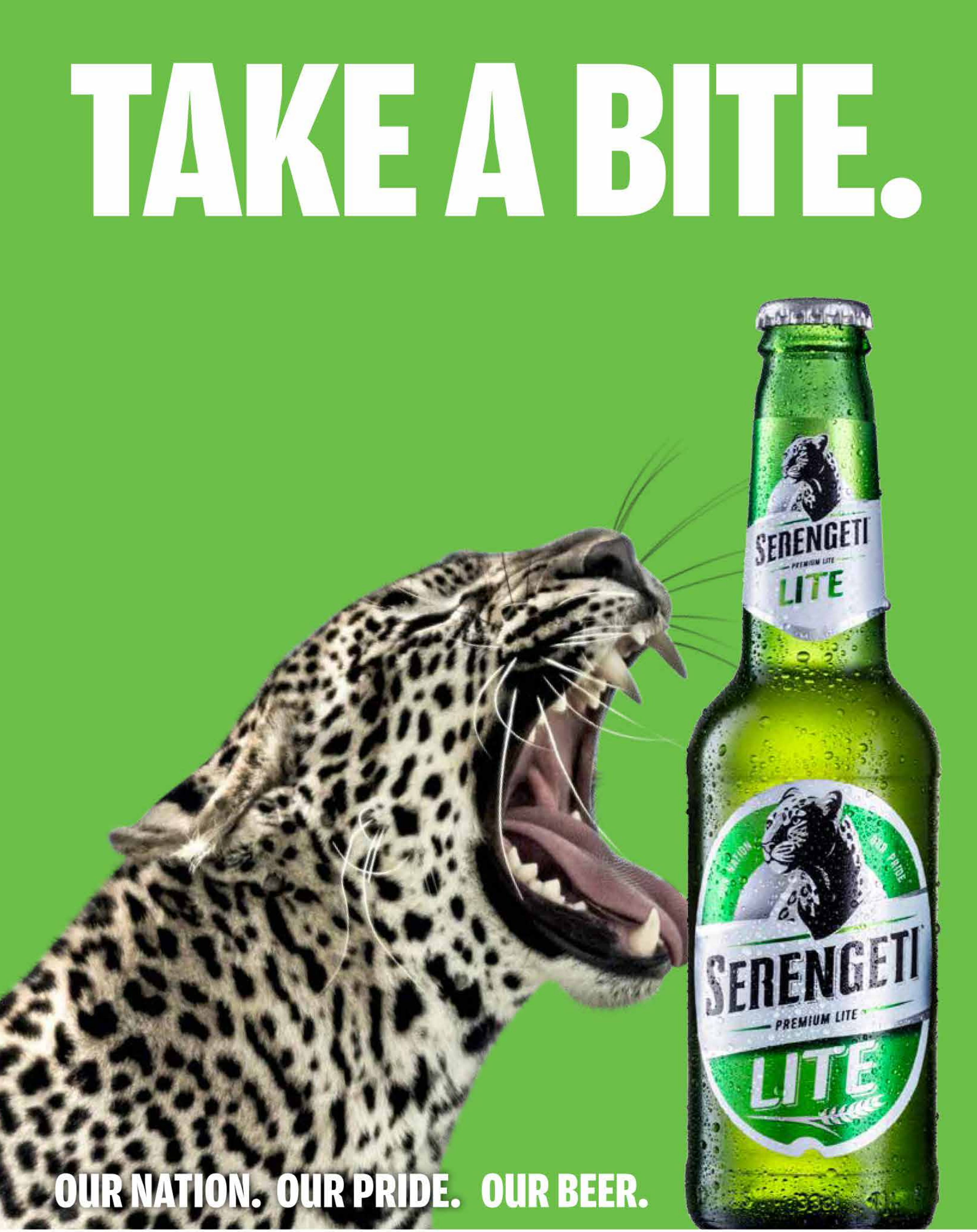
Ms. Joyce Munene (Age 44)
Group Company Secretary
Kenyan

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 and 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 and 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.



18+ DRINK RESPONSIBLY.

EABL SENIOR MANAGEMENT

Andrew Cowan
Group Managing Director

György 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

Ednah Otieno
Group Human Resources Director

Pat Rich
Group Controls, Compliance and Ethics Director

Stephen O'Kelly
Group Marketing and Innovations Director

*Resigned on 31st July 2018

Notice of Annual General Meeting

Notice is hereby given that the Ninety-Sixth Annual General Meeting (AGM) of East African Breweries Limited will be held on **Wednesday, 19th September, 2018** at **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 2018 together with the Directors' Report and Auditors' Reports thereon.
2. To confirm the interim dividend of Kshs 2/- per ordinary share paid on 20th April 2018, and declare a final dividend of Kshs 5.50/- per ordinary share payable net of withholding tax on or about 30th October 2018, to shareholders on the register at the close of business on 24th August 2018.
3. Election of Directors:
   a. Mr. Jimmy Mugerwa retires in accordance with Article 105 of the Articles of Association and being eligible, offers himself for re-election.
   b. Dr. Martin Oduor-Otieno 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. Mr. Paul Gallagher 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.
   d. In accordance to the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit and Risk Committee be elected to continue serving as members of the said committee:
      i. Dr. Martin Oduor-Otieno;
      ii. Mr. Japheth Katto;
      iii. Mr. Paul Gallagher;
      iv. Mr. Jimmy Mugerwa.
4. To receive, consider and if thought fit approve the Directors' Remuneration Report for the year ended 30th June 2018 and to authorize the Board to fix the remuneration of Directors.
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 Board to fix their remuneration.

Special business:

6. To consider and, if thought fit, pass the following resolution as a Special Resolution:-

   Adoption of certain amendments to the Articles of Association:

   THAT the existing Articles of Association of the Company be amended as per the draft text of the Articles of Association (in which the proposed amendments are highlighted and which is available on the Company's website www.eabl.com, and available for inspection at the Company's registered office at the Corporate Centre, P.O. Box 30161-00100, Ruaraka, Nairobi from the date hereof until the date of the Annual General Meeting), the changes being made in order to align certain provisions of the Articles of Association to the Companies Act, 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.
7. To consider any other business of which notice will have been duly received.

By order of the Board

Joyce Munene (Ms)
Group Company Secretary
P.O. Box 30161-00100
NAIROBI.

27 August, 2018

Notes

1) A shareholder 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 shareholder which is a body corporate, the proxy form must be completed by an officer or attorney of the body corporate duly authorised in writing.
3) Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the proxy 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 17th September 2018, being not less than 48 hours before the time appointed for the meeting.
4) Duly signed and dated proxy forms may also be emailed to proxy@candrgroup.co.ke in PDF format.
5) 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).

Ilani ya Mkutano Mkuu wa Kila Mwaka

Ilani inatolewa hapa kwamba Mkutano Mkuu wa Kila Mwaka (AGM) wa Tisini ya Sita wa East African Breweries Limited utafanyika Jumatano, **tarehe 19 Septemba, 2018** katika **Hoteli ya Safari Park, Ruaraka, NAIROBI, 11:00 a.m**. (saa tano asubuhi) kwa madhumuni ya kutekeleza shughuli zifuatazo:

Shughuli ya kawaida:

1. Kupokea, kutathmini na kama itakubalika, kuidhinisha Ripoti ya Mwaka na Taarifa za Kifedha zilizokaguliwa kwa mwaka uliomalizika 30 Juni 2018 pamoja na Ripoti ya Wakurugenzi na Ripoti ya Wakaguzi wa Hesabu ambazo zimeambatishwa.

2. Kuthibitisha mgawo wa faida wa muda wa Kshs 2/- kwa kila hisa ya kawaida uliolipwa 20 Aprili 2018, na kutangaza mgawo wa faida wa mwisho wa Kshs 5.50/- kwa kila hisa ya kawaida, mgawo ambao utalipwa baada ya kutozwa ushuru mnamo au karibu na 30 Oktoba 2018, kwa wenyehisa ambao watakuwa kwenye sajili ya wenyehisa kufikia wakati wa kufungwa kwa shughuli za kibiashara 24 Agosti 2018.

3. Kuchaguliwa kwa Wakurugenzi:
    a. Bw. Jimmy Mugerwa anastaafu kwa mujibu wa Kifungu 105 cha Mkataba wa Ushirikiano na Kanuni za Kampuni na kwa kuwa anahitimu, anajiwasilisha achaguliwe tena.
    b. Dkt. Martin Oduor-Otieno anastaafu kwa mzunguko kwa mujibu wa Kifungu 106 cha Mkataba wa Ushirikiano na Kanuni za Kampuni na kwa kuwa anahitimu, anajiwasilisha achaguliwe tena kwa mujibu wa Kifungu 108 cha Mkataba wa Ushirikiano na Kanuni za Kampuni.
    c. Bw. Paul Gallagher anastaafu kwa mzunguko kwa mujibu wa Kifungu 106 cha Mkataba wa Ushirikiano na Kanuni za Kampuni na kwa kuwa anahitimu, anajiwasilisha achaguliwe tena kwa mujibu wa Kifungu 108 cha Mkataba wa Ushirikiano na Kanuni za Kampuni.
    d. Kwa mujibu wa maelezo kwenye Kifungu 769 cha Sheria ya Kampuni ya mwaka 2015, wakurugenzi wafuatao ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu na Utathmini wa Hatari katika Bodi wachaguliwe kuendelea kuhudumu kama wanachama katika kamati hiyo:
        i. Dkt. Martin Oduor-Otieno;
        ii. Bw. Japheth Katto;
        iii. Bw. Paul Gallagher;
        iv. Bw. Jimmy Mugerwa.

4. Kupokea, kutathmini na ikikubalika, kuidhinisha Ripoti ya Malipo na Marupurupu ya Wakurugenzi ya mwaka uliomalizika 30 Juni 2018 na kuipa Bodi idhini ya kuamua malipo na marupurupu ya Wakurugenzi.

5. Kufahamu kwamba wakaguzi wa hesabu wa PricewaterhouseCoopers (PwC) wanaendelea kuhudumu kama wakaguzi kwa mujibu wa Kifungu 721(2) cha Sheria ya Kampuni 2015 na kuipa idhini Bodi kuamua malipo yao.

Shughuli maalum:

6. Kutathmini na, ikionekana kwamba inafaa, kuidhinisha azimio lifuatalo kama Azimio Maalum:-
    Kuidhinishwa kwa marekebisho kadha kwenye Mkataba wa Ushirikiano na Kanuni za Kampuni:
    i. KWAMBA Mkataba wa Ushirikiano na Kanuni za Kampuni wa sasa ufanyiwe marekebisho kwa mujibu wa maelezo kwenye rasimu ya Mkataba wa Ushirikiano na Kanuni za Kampuni (ambayo ikiwa na marekebisho yaliyopendekezwa yakiwa yametiliwa mkazo inapatikana katika tovuti ya Kampuni www.eabl.com, na inapatikana pia katika afisi za Kampuni zilizosajiliwa katika jumba la Corporate Centre, S.L.P. 30161-00100, Ruaraka, Nairobi kwa ajili ya ukaguzi kuanzia tarehe ya ilani hii hadi tarehe ya Mkutano Mkuu wa Kila Mwaka), marekebisho yanayofanywa yakiwa na lengo la kuhakikisha baadhi ya vifungu vya Mkataba wa Ushirikiano na Kanuni za Kampuni zinawiana na Sheria ya Kampuni ya mwaka 2015 na Mwongozo wa Usimamizi wa Kampuni kwa Watoaji wa Hisa na Hati za Dhamana kwa Umma wa CMA wa mwaka 2015.

7. Kujadili shughuli nyingine yoyote ambayo ilani kuihusu itakuwa imepokelewa kwa utaratibu ufaao.

Kwa agizo la Bodi

Joyce N. Munene
Katibu wa Kampuni
S.L.P. 30161-00100
NAIROBI.

27 Agosti, 2018

Kumbuka:

1) Mwenyehisa aliye na haki ya kuhudhuria na kupiga kura katika mkutano huu ambaye atashindwa kuhudhuria, ana haki ya kumteua mwakilishi ambaye atahudhuria na kupiga kura kwa niaba yake. Mwakilishi huyo si lazima awe mwenyehisa katika Kampuni.

2) Iwapo Mwenyehisa anayetaka kuwakilishwa ni Shirika au Kampuni, ni lazima fomu ya uwakilishi ijazwe na afisa au wakili ambaye ameidhinishwa na Kampuni hiyo kwa maandishi.

3) Wenyehisa ambao hawapangi kuhudhuria Mkutano Mkuu wa Kila Mwaka wanaombwa kujaza na kuwasilisha fomu ya kumteua mwakilishi kwa Katibu wa Kampuni au kwa Msajili wa Hisa - Custody & Registrar Services Limited, Ghorofa ya 6, Bruce House, Standard Street, S.L.P. 8484-00100, Nairobi ili ipokelewe kabla ya saa nane unusu audhuhuri (2.30pm) 17 Septemba 2018, ambapo itakuwa si chini ya saa 48 kabla ya saa ya mkutano. Fomu iliyojazwa na kutiwa saini na kuandikwa tarehe inaweza kufanywa dijitali na kutumwa kupitia barua pepe kwa proxy@candrgroup.co.ke ikiwa muundo wa PDF.

4) Kwa mujibu wa Kifungu 166 cha Mkataba wa Ushirikiano na Kanuni za Kampuni, nakala kamilifu ya Ripoti ya Kila Mwaka na Taarifa za Kifedha inaweza kusomwa na/au kupakuliwa kutoka kwenye tovuti ya Kampuni (www.eabl.com).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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 CMA Code) as well as the equivalent guidelines for listed companies in Tanzania and Uganda.

Besides complying with the CMA 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 Board of Directors

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 and one ad hoc Committee of the Board. The standing committees were the Board Corporate Governance Committee, the Board Audit and Risk Management Committee and the Board Nominations and Remuneration Committee. The Board Investment Committee is an ad hoc committee. The committees are all chaired by Independent Non-Executive Directors who also form the majority of the committee's membership.

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.

Independence of Directors and Conflict of Interest

The Board recognizes the importance of independent judgement and constructive engagement on all matters brought before the Board for deliberation. Directors views should have regard to the best interest of the organization and its stakeholders.

In accordance with the CMA code, the Board undertakes an annual assessment of Director's independence based on the independence criteria outlined in the code.

The Board also 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 an actual or potential conflict of interest with their roles as Directors.

Directors Training and 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. This year, the April 2018 board meeting was held in Dar es Salaam, Tanzania where Directors had an opportunity to undertake a deep dive on the Tanzania subsidiary, visit distributors, retailers and engaged them 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 stakeholders as a whole. In so doing, the Board has regard to matters such 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 72, 73 and 74.

Attendance at Board and Annual General Meetings during the financial year

Name	Meetings Attended	Meetings Eligible to Attend
Mr. C. Muchene (Group Chairman)	6	6
Mr. A. Cowan (Group Managing Director)	6	6
Dr. G. Geiszl	6	6
Dr. A. Shonubi	6	6
Mr. J. O'Keeffe	6	6
Mrs. J. Karuku	6	6
Mr. J. Katto	6	6
Mr. N. Mchechu	2	6
Ms. C. Musyoka	6	6
Dr. M. Oduor-Otieno	6	6
Mr. P. Gallagher	6	6

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 commissioned a Governance Audit as required by the CMA Code, to check whether the Company had adopted sound governance practices and to further check compliance with relevant laws and regulations. After completion of the Governance Audit, the Committee received and reviewed in detail the audit report. The report revealed that the Board had put in place a sound governance framework that complied with the legal and regulatory framework.

Additionally, the Committee provided oversight over the implementation of the changes brought about by the Companies Act, 2015 together with the subsequent amendments thereto.

The Committee monitored implementation of the requirements under the CMA code and in that regard reviewed various plans and policies presented by management such as the stakeholder engagement plan and sustainability goals. The Committee also reviewed the compliance report to CMA, detailing the measures taken to ensure compliance with the CMA code. The Committee further 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 included in its annual work plan, a 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	2	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 Committee comprised of three independent Non-Executive Directors and one Non-Executive Director.

The Mandate of the Committee also includes:

- 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 financial statements.
- 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.

During the year, the Audit and Risk Management 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 auditors from their review of the interim results and hard close as at 30 April 2018 and their 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 2018 financial statements was reviewed by the Committee with the following being deliberated upon:

- Impairment testing for investment in Serengeti Breweries Limited (SBL) – An asset is impaired when its carrying amount exceeds its recoverable amount. According to IAS 36 'Impairment of assets', an entity is required to test an asset for impairment whenever there is any indication that the asset may be impaired. The conversion of debt to equity at SBL was a trigger for impairment testing for EABL's restructured equity investment in SBL. Management carried out a detailed impairment review of the restructured equity investment and based on the results, there were no impairment losses required.
- Impairment testing for goodwill attributable to SBL - Goodwill impairment testing is performed annually for SBL. The impairment testing 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 2018, management maintained the same approach as in the financial year 2017 and based on the results of impairment testing there were no impairment losses noted. In 2017, impairment charge on goodwill of Kshs 285 million was recognised. The goodwill attributable to SBL stood at Kshs 2.12 billion as at 30 June 2018 (2017: Kshs 2.23 billion). The reduction in goodwill in 2018 is attributable to translation differences.
- Impairment testing for capital assets (Kisumu Brewery) – An asset is impaired when its carrying amount exceeds its recoverable amount. According to IAS 36 'Impairment of assets', an entity is required to test an asset for impairment whenever there is any indication that the asset may be impaired. The current regulatory environment and challenging value beer environment in the first half of the year was a trigger for impairment testing for the capital investment in the brewery. Management carried out a detailed impairment testing of the plant and based on the results, there were no impairment losses required.
- Recoverability of deferred income tax assets (SBL) - SBL had deferred income taxes of TZS 10.72 billion as at 30 June 2018 (2017: TZS 6.53 billion). The deferred income tax asset was mainly attributable to tax losses. According IAS 12 ' Income taxes', deferred income tax assets should only be recognised to the extent that they are deemed recoverable. Management assessed the recoverability of the deferred income tax asset and determined that the asset is recoverable based on the positive growth trajectory in SBL. The tax losses that give rise to the deferred income tax asset are expected to be utilised by the end of financial year 2023. SBL will therefore continue to recognise the deferred income tax asset.
- Provisions and material contingent liabilities in the Group.

In addition, the Committee reviewed various detailed reports from;

- The Control, Compliance and Ethics team (CCE) and the Global Audit and 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 2018.
- Regular legal updates from the Group Legal Director.

The Audit and Risk Management Committee reviews annually the appointment of the auditors taking into account the auditors' effectiveness and independence and all appropriate guidelines, and makes a recommendation to the Board accordingly. The Group has a policy on auditors' 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 and Risk Management Committee. There are no contractual obligations that restrict the Company's current choice of external auditors.

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) - resigned on 6th June 2018

Mr. J. Katto*- (Acting Chairman)

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	2	5
Dr. M. Oduor-Otieno	5	5
Mr. J. Katto	5	5
Mr. P. Gallagher	5	5

Board Nominations and Remuneration Committee

The Board Nominations and Remuneration Committee (BNRC) is responsible for three key business processes as listed below:

i. Identifying and nominating for the approval of the Board, and EABL Subsidiary Boards candidates to fill Board vacancies as and when they arise.

ii. Implementation of the annual Board performance evaluation process.

iii. Approving key policies and principles driving remuneration decisions for management and non-management employees.

The mandate of the Committee is executed through the processes indicated below:

- Succession planning and external talent pipelining for potential vacancies within the Board. This is done through nomination, selection and vetting from a pool of suitable candidates to fill vacancies that may arise from the Board and Board Committees.
- Evaluation of the performance of the Board, Board Committees, Board Members and the Company Secretary against a set of parameters for effective delivery of each role.
- Assessing and recommending to the Board, the remuneration of management and Non-Executive Directors including approval of staff incentive schemes, pension plans, and other remuneration related terms and conditions of employment.

The Committee had 4 meetings during the year and dealt with the following business:

- Assessment of the effectiveness and adequacy of the Board succession pipeline and succession plans, with particular consideration for actual and potential vacancies in the longer term horizon.
- Approval of a recruitment and selection policy setting out the criteria and focussing on diversity and inclusion in the Board composition.
- Review and adoption of changes to reward pay principles, management pay structures, pension plans and other cash and non-cash benefits pursuant to the talent strategy.
- Review and adoption of revision to the Board development principles and structures pursuant to the Board development strategy with focus on training programs to strengthen the Board effectiveness and performance.
- Establishment of a framework for evaluation of effectiveness of the Board and each of the individual Board members.
- Review and approval of benefits associated with long term incentive plans related to the Employee Share Ownership Plan (ESOP) including the relevant governance framework and structures.

In the year ended 30 June 2018, EABL was recognized in Uganda as the gold winner of the Employer of Choice awarded by the Federation of Uganda Employers. Internally, EABL was recognized as the winning team for having made an important contribution in terms of Employee Engagement in Diageo Globally.

Three out of the four members of the Committee were Independent Non-Executive Directors as at 30 June 2018.

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 and Remuneration Committee meetings during the financial year

Name	Meetings Attended	Meetings Eligible to Attend
Dr. M. Oduor-Otieno	4	4
Mr. J. O'Keeffe	4	4
Dr. A. Shonubi	4	4
Ms. C. Musyoka	3	4

Board Investment Committee

The Board Investment Committee is responsible for reviewing and interrogating any investments or divestments that would have a significant impact on the Company's balance sheet.

The mandate of the Committee includes:

- Ensuring new investments made by the Company and its subsidiaries comply with the Company strategy and with all applicable laws and regulations.
- Ensuring the necessary due diligence is conducted before any investments or divestments are made by the Company or its subsidiaries.
- Ensuring investments made by the Company take into consideration all the stakeholders of the Company.

During the year, the Committee met twice and reviewed the funding proposals for the construction of Kisumu Brewery and the foreign currency risk management framework on the foreign currency denominated debt funding.

Members:

Ms. C. Musyoka* (Chairperson)

Mr. J. Katto*

Mr. A. Cowan

Dr. G. Geiszl

Ms. J. Munene (Secretary)

**Independent Non-Executive Directors*

Attendance at Board Investment Committee meetings during the financial year

Name	Meetings Attended	Meetings Eligible to Attend
Ms. C. Musyoka	2	2
Mr. J. Katto	2	2
Mr. A. Cowan	1	2
Dr. G. Geiszl	2	2

Board Evaluation

The effectiveness of the Board, its Committees, the Executive and Non-Executive Directors, the Chairman, and the Company Secretary is reviewed annually. During the year, a Board evaluation was conducted by an external consultant. Each Director completed a detailed questionnaire designed to obtain feedback on the following areas:

- Board composition and skills.
- Board diversity.
- Board interaction and support.
- Board work plan and agenda.
- Board meetings and procedure.
- Implementation of Strategy.
- Risk oversight.
- Internal control systems.

The Board obtained a very good rating on all areas of assessment. The overall results revealed that the Board continued to operate effectively.

Governance Audit

In line with the requirements of the CMA code, a governance audit was conducted during the financial year. The audit opinion is outlined on page 86 of this 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 the 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, 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. Board Committees Terms of Reference.
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.

Statement of the Responsibilities of the Directors

The Board of Directors is central to corporate governance, and is appointed for the sole purpose of governing the Company on behalf of stakeholders, thus creating a fiduciary relationship. This requires that the Board works with the Chief Executive, staff and other stakeholders to ensure the organization is properly run to meet the needs for which it was set up.

The Board of Directors of East African Breweries Limited ("the Company") is committed to adhering to the requirements of applicable laws and regulations and in particular matters of Corporate Governance as set out under the Companies Act, 2015 ("the Act") and the Code of Corporate Governance for Issuers of Securities in Kenya ("the Code"). The Board is guided by the tenets of Corporate Governance being, accountability, transparency, fairness, probity and integrity, ethical leadership and efficiency and effectiveness.

While the Board recognizes that the Act has now codified the fiduciary duties of the Board, and the Code provides the minimum standards required from Shareholders, Directors, Chief Executive Officers and Management of listed companies so as to promote high standards of conduct as well as to ensure that they exercise their duties and responsibilities with clarity, assurance and effectiveness, the Board strives for continuous improvement, recognizing that there are now greater demands on Boards for transparency, accountability, independence and more structured engagements with the shareholders and stakeholders.

It is on this premise that the Board commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code and has adopted best practices in corporate governance.

The Directors therefore have adopted the Governance Audit report for the year ended 30 June 2018, which discloses the state of governance within the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on 26 July 2018.

Mr. Charles Muchene
Group Chairman

Mr. Andrew Cowan
Group Managing Director

Date: 26 July 2018

Governance Audit Overview

Regulatory requirements on good corporate governance have become more stringent in Kenya following the corporate failures seen in the recent past. Boards are now required to adhere to corporate governance principles that are appropriate for the nature and scope of their Company's business; establish policies and strategies for achieving them; and annually assess the extent to which the Company has observed the set policies and strategies. The Code specifically requires listed companies to engage the services of an independent and accredited governance auditor to establish the extent to which the Board has applied corporate governance principles.

The annual Governance Audit should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Public Secretaries of Kenya (ICPSK). The Board, in compliance with the Act and Code, appointed Ms. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in corporate governance; and that the Company has adopted best practices in corporate governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICPSK Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework, and in this regard we issue an unqualified opinion.

FCS. Catherine Musakali, ICPSK GA. No 006
Dorion Associates

Date: 26 July 2018

For more information about this report, please contact:
Catherine Musakali – cmusakali@dorion.co.ke

FINANCIAL STATEMENTS

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Corporate Information

Directors

Mr. C. Muchene	*Group Chairman*	
Mr. A. Cowan*	*Group Managing Director*	
Dr. G. Geiszl**	*Group Finance and Strategy Director*	
Mr. J. O'Keeffe***		
Dr. A. Shonubi ****		*Retired on 26 July 2018*
Mr. J. Katto****		
Mrs. J. Karuku		
Mr. N. Mchechu*****		*Resigned on 6 June 2018*
Ms. C. Musyoka		
Dr. M. Odour-Otieno		
Mr. P. Gallagher***		

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

Audit and Risk Management Committee

Mr. N. Mchechu*	*(Chairman) – Resigned on 6th June 2018*
Mr. J. Katto*	*(Acting Chairman)*
Dr. M. Oduor-Otieno*	
Mr. P. Gallagher	
Mr. A. Cowan	*(Permanent Invitee)*
Dr. G. Geiszl	*(Permanent Invitee)*
Mr. P. Ndungu	*(Permanent Invitee)*
Mr. P. Rich	*(Permanent Invitee)*
Mrs. W. Kosgey	*(Permanent Invitee)*
Ms. J. Munene	*(Secretary)*

Corporate Governace Committee

Mr. J. Katto *	*(Chairman)*
Dr. A. Shonubi*	
Ms. C. Musyoka*	
Mrs. W. Kosgey	*(Permanent Invitee)*
Ms. J. Munene	*(Secretary)*

Independent Non-Executive Directors

Nominations and Remuneration Committee

Dr. M. Oduor-Otieno* *(Chairman)*	
Mr. J. O'keeffe	
Dr. A. Shonubi*	
Ms. C. Musyoka*	
Mr. A. Cowan	*(Permanent Invitee)*
Ms. E. Otieno	*(Permanent Invitee)*
Ms. J. Munene	*(Secretary)*

Investment Committee (Ad hoc)

Ms. C. Musyoka*	*(Chairperson)*
Mr. J. Katto*	
Mr. A. Cowan	
Dr. G. Geiszl	
Mr. P. Vogtlander	*(Permanent Invitee)*
Mrs. W. Kosgey	*(Permanent Invitee)*
Ms. J. Munene	*(Secretary)*

Secretary

Ms. Joyce 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

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

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

Share Registrars

Custody and 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 Center
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 2018, 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 104 and page 106 respectively.

3. Business review

a) Business performance

EABL achieved a solid year on year performance driven by continued strong mainstream spirits performance, improved bottled beer growth and a resilient Scotch delivery. However, the performance was muted by decline of Senator keg and electoral uncertainty in Kenya in the first half coupled with a challenging and competitive trading environment in Uganda and Tanzania.

Significant business resilience throughout the year and growth across most of our categories delivered Kshs 73.5 billion in revenue, a 5% growth compared to the prior year.

Selling and distribution costs grew by 20% as we invested in rejuvenating bottled beer and accelerating momentum in innovation during the year in line with our strategy and commitment.

Administrative expenses increased by 3% in line with inflation and securing our growth plans with the right resources.

The business delivered a gross profit margin and operating margin of 44% and 19% respectively with the latter excluding the impact of a one-off tax provision. Profit for the year decreased 15% driven by the one-off provision excluding which there would have been a 3% growth.

EABL's continued investment into the future growth through increased capacity and operational efficiency saw capital expenditure of Kshs 13 billion in the year. The new brewery in Kisumu, a Kshs 15 billion investment is scheduled to commence its operations in the first half of the new financial year.

b) Operating environment

EABL's overall operating environment improved significantly in the second half, especially in Kenya. A protracted period during the general elections impacted our largest market, leading to economic uncertainty and softening demand across the region in the first half of the year. During the second half there was improvement supported by resumption of economic fundamentals like investments in infrastructure, construction and recovery in consumer spending ability.

This was exacerbated by the macroeconomic pressures with rising inflation and drought impacting consumer spending power in the first half of the year. In spite of this, our brands weathered the headwinds throughout the year to deliver a strong performance. In Tanzania, the trading environment was characterized by price adjustments in response to changing consumer spending patterns.

c) Policy and regulation

The policy and regulatory environment remains quite dynamic. In Kenya there have been a number of key regulatory developments as set out below:-

i. The Finance Bill, 2018 which formulates the proposals announced in the budget for 2018/2019 was presented on 14 June 2018. The Bill seeks to amend various laws, key being, the Income Tax Act, the Value Added Tax Act, the Excise Act, the Betting, Lotteries and Gaming Act, the Kenya Revenue Authority Act and the Tax Appeals Tribunal Act. The proposals under the Income Tax Bill, 2018 will have far reaching implications.

ii. On 6 July 2018, the Minister adjusted the rate of excise duty on beer, spirits and ready to drink products by applying an inflation factor of 5.2% with effect from 1 August 2018. This will necessitate appropriate price adjustments by the business.

iii. The Kenya Data Protection Bill, 2018 was published on 30 May 2018 and it is due for first reading in the Senate. This comes hot on the heels of the Kenya Computer Misuse and Cybercrimes Act, 2018, and the European General Data Protection Regulation which seek to promote protection of personal data and penalties for breach. These laws will generally change the way our business collects and handles data and we have a compliance plan in place.

d) Sustainability

EABL is increasingly alive to the exigencies of the new world bringing to the fore the need to adopt fresh ways to operate across our business from sourcing to production and distribution. We can only prosper in an all-inclusive environment, where our stakeholders – farmers, communities, suppliers, employees or customers – walk along the sustainability journey with us. Our strategy focuses on the entire value chain, 'From Grain to Glass'.

Our clear and robust sustainability agenda is anchored on three key pillars, underpinning the spirit of our existence since 1922 and our determination to drive a sustainable business for the next century.

Our leadership agenda in Alcohol in Society has presented a broad, solid platform to create and demonstrate the positive role for alcohol in society with partnerships and programmes delivering impact.

EABL is *Building Thriving Communities,* equipping people, particularly women and youth, with requisite skills and resources to build a better future for themselves. More than

60,000 mainly small-scale farmers have a guaranteed market for their sorghum and are part of the estimated 180,000 direct and indirect beneficiaries in our larger Grain to Glass value chain.

Reducing Environmental Impact relating to both our production processes and the way we source and distribute has increasingly made our products and business operations more environmentally sustainable.

To achieve this, we have integrated several UN Sustainable Development Goals (SDGs) into our business model cognizant of the critical role we play in improving the well-being of the society.

e) Employees

We recognize that people are integral part of the business and as such are investing in their growth and we have continually been acknowledged in the area. During the year, our investment and work has enabled us earn recognition across East Africa as:

- Best Employer in Uganda – Federation of Uganda Employers.
- EABL is a net exporter of talent in Diageo world including 3 General Managers and Managing Directors in Europe and across Africa.

f) Internal policy framework

EABL endeavors 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 and there were no insider dealings for the year ended 30 June 2018.

4. Dividends

The Directors recommend a final dividend of Kshs 5.50 (2017: Kshs 5.50) per share amounting to a total of Kshs 4,349,259,000 (2017: Kshs 4,349,259,000) to be paid on or before 30 October 2018 to those members on the register at the close of business on 24 August 2018. During the year an interim dividend of Kshs 2.00 (2017: Kshs 2.00) per share, amounting to a total of Kshs 1,581,548,000 (2017: Kshs 1,581,548,000) was paid.

The total dividend for the year is therefore Kshs 7.50 per share (2017: Kshs 7.50 per share), amounting to a total of Kshs 5,930,807,000 (2017: Kshs 5,930,807,000).

5. Directors

The Directors who held office during the year and to the date of this report are set out on page 88.

6. Auditor

Disclosures to Auditor

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 continue in office in accordance with the Company's Articles of Association and Section 719 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. Employees

The Directors are pleased once again to record their appreciation to all the employees of the Group for the untiring effort, energy and dedication during the year.

8. Approval of financial statements

The financial statements were approved by the Board of Directors on 26 July 2018.

By Order of the Board

Joyce Munene (Ms)

Group Company Secretary

26 July 2018

Ripoti ya Wakurugenzi

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za matokeo ya kifedha zilizokaguliwa za mwaka uliomalizika 30 Juni 2018, ambazo zinaonesha hali halisi ya East African Breweries Limited ("EABL" au "Kampuni") pamoja na kampuni zake tanzu (kwa pamoja zikifahamika kama "Shirika"). Ripoti ya kila mwaka na taarifa za kifedha huandaliwa kwa kufuata Sheria ya Kampuni Kenya ya mwaka 2015.

1. Shughuli kuu

Kampuni hii na Shirika hili hujihusisha na mauzo, uzalishaji na usambazaji wa mkusanyiko wa bidhaa mbalimbali ambazo ni pamoja na bia na pombe kali hadi kwa vinywaji vya watu wazima visivyo na kileo.

2. Matokeo

Matokeo ya Shirika na Kampuni kwa mwaka huo uliomalizika yamechapishwa katika ukurasa 104 na ukurasa 106 mtawalia.

3. Utathmini wa biashara

a)Matokeo ya kifedha

EABL ilipata matokeo mema kwa mwaka mwingine yakichangiwa na kuendelea kufanya vyema sokoni kwa pombe kali, kuongezeka kwa mauzo ya bia za chupa na kuimarika pia kwa mauzo ya Scotch. Hata hivyo, matokeo yaliathiriwa na kushuka kwa mauzo ya Senator Keg na wasiwasi kuhusu uchaguzi mkuu Kenya nusu ya kwanza ya mwaka, pamoja na ushindani mkali Uganda na Tanzania.

Kuwa imara kwa biashara yetu mwaka huo pamoja na ukuaji katika vitengo vingi vya biashara vilichangia mapato ya jumla ya Kshs 73.5 bilioni, ambalo ni ongezeko la 5% ukilinganisha na mwaka uliotangulia.

Gharama za uuzaji na usambazaji zilipanda kwa 20% kutokana na kuwekeza katika bia za chupa huku tukiongeza kasi katika ubunifu na uvumbuzi mwaka huo kuambatana na mkakati wetu na ahadi yetu kuu.

Gharama za usimamizi nazo ziliongezeka 3% kutokana na mfumko wa bei na mipango yetu ya kuhakikisha tuna rasilimali na watu wafaao kuhakikisha ukuaji siku zijazo.

Biashara iliandikisha ukuaji wa faida kabla ya ushuru wa 44% na ongezeko la gharama kwa 19% (ukiondoa gharama ya mara moja tu ya kutenga pesa za kulipa kodi) kuambatana na mwaka uliotangulia. Faida halisi ya mwaka huo uliomalizika ilishuka kwa 15% na lakini iliongezeka kwa 3% (ukiondoa gharama ya mara moja tu ya kutenga pesa za kulipa kodi), bila kuzingatia uwekezaji mkubwa tulioufanya katika biashara yetu mwaka huo.

EABL iliendelea kuwekeza katika msingi wa ukuaji siku za baadaye kupitia kuongeza uwezo wa viwanda na utendaji kazi bora ambapo kwa jumla tulitumia Kshs 13 bilioni mwaka huo. Kiwanda chetu kipya cha Kisumu kilichogharimu Kshs 15 bilioni kinatarajiwa kuanza kufanya kazi nusu ya kwanza ya mwaka ujao wa kifedha.

b) Mazingira ya kibiashara

Kwa jumla, mazingira ya kufanyia biashara ya EABL yaliimarika kiasi nusu ya pili ya mwaka, hasa Kenya. Kipindi kirefu cha uchaguzi kilikuwa kimeathiri soko hilo letu kuu, na kuchangia kutotabirika kwa hali ya kiuchumi na kupungua kwa hitaji la bidhaa zetu kadha nusu ya kwanza ya mwaka. Nusu ya pili ya mwaka hali iliimarika kutokana na mambo kadha ya kiuchumi kama vile uwekezaji kwenye miundo mbinu, ujenzi na kuimarika kwa uwezo wa wateja kununua bidhaa na huduma.

Hali ilifanywa kuwa mbaya zaidi na shinikizo za jumla za kiuchumi huku mfumko wa bei na ukame vikiathiri uwezo wa kifedha wa wateja. Licha ya hayo, nembo zetu zilihimili changamoto hizi na kuandikisha matokeo mazuri. Nchini Tanzania, mazingira ya kibiashara yalilazimisha kubadilishwa kwa bei kutokana na kubadilika kwa mitindo ya ununuzi miongoni mwa wateja.

c) Sera na sheria

Mazingira ya kisera na kisheria yalibaki kuwa ya kutotabirika na ya kubadilika mara kwa mara. Nchini Kenya, kulitokea mabadiliko kadha ya kisheria kama ifuatavyo:

i. Mswada wa Fedha, 2018 ambao hujumuisha mapendekezo yaliyotangazwa kwenye bajeti ya mwaka 2018/2019 uliwasilishwa 14 Juni 2018. Mswada huo unataka kufanyia marekebisho sheria kadha, muhimu zikiwa Sheria ya Ushuru wa Mapato, Sheria ya Ushuru wa Ongezeko la Thamani (VAT), Sheria ya Ushuru wa Bidhaa zinazotengenezewa au kupakiwa ndani ya nchi, Sheria ya Michezo na Mashindano ya Bahati Nasibu, Sheria ya Mamlaka ya Mapato Kenya na Sheria ya Jopo la Rufaa kuhusu Ushuru. Mapendekezo ambayo yametolewa chini ya Mswada wa Sheria ya Ushuru wa Mapato 2018, pia yatakuwa na athari kubwa.

ii. Mnamo 6 Julai 2018, Waziri alifanyia mabadiliko ushuru wa bidhaa zinazotengenezewa au kupakiwa ndani ya nchi unaotozwa bia, pombe kali na vinywaji vingine kwa kuongeza kipimo cha mfumko wa bei cha 5.2% cha kuanza kutekelezwa 1 Agosti 2018. Hili litailazimisha kampuni kubadilisha bei ya bidhaa zake.

iii. Mswada wa Kulinda Data wa 2018 ulichapishwa mnamo 30 Mei 2018 na unatarajiwa kusomwa mara ya kwanza karibuni katika bunge la Seneti. Hii inajiri baada ya kuidhinishwa kwa Sheria ya Matumizi Mabaya ya Kompyuta na Uhalifu wa Kimitandao ya 2018 na Sheria ya Kulinda Data Ulaya ambazo lengo lake ni kulinda taarifa na maelezo kuhusu watu binafsi na kutoa adhabu kwa wanaokiuka sheria hizo. Sheria hizi zitabadilisha pakubwa jinsi kampuni yetu inavyopokea na kutumia data na tayari tumeweka mpango kutii sheria hizo.

d) Uendelevu

EABL inafahamu na kutambua haja kuu ya kubadilika kadiri ulimwengu unavyobadilika, kubadilisha biashara yetu kuanzia kutafuta malighafi, uzalishaji viwandani na katika uuzaji. Tunaweza tu kunawiri katika mazingira yanayowajumuisha wote, katika hali ambapo wadau wetu – wakulima, jamii, wanaosambaza bidhaa zetu, wafanyakazi na wateja – wanasonga pamoja katika safari hii ya kuwa endelevu. Mkakati wetu unaangazia mfumo wote wa uzalishaji, 'kuanzia kwa Nafaka hadi kwa Gilasi.'

Ajenda yetu ya uendelevu ambayo iko wazi na madhubuti ina msingi wake katika nguzo tatu kuu, ambazo zinaakisi moyo ambao umetuwezesha kuwepo tangu 1922 na kujitolea kwetu kuhakikisha biashara endelevu itakayodumu kwa karne nyingine.

Uongozi wetu katika ajenda ya Pombe katika Jamii umetupa jukwaa pana na imara la kujenga na kudhihirisha mchango mwema ambao pombe inaweza kuwa nao katika jamii kupitia ushirikiano na miradi ambayo ina matokeo mema.

EABL Inajenga Jamii Zinazonawiri, kuwawezesha watu, hasa wanawake na vijana, kwa kuwapa ujuzi muhimu na rasilimali za kuwawezesha kujijengea maisha mazuri ya siku za usoni wenyewe. Wakulima wadogo wadogo zaidi ya 30,000 wamepewa hakikisho la soko kwa mtama wao na ni sehemu ya watu takriban 180,000 wanaonufaika kwa njia moja au nyingine katika mfumo wetu mkubwa wa uzalishaji wa Nafaka hadi kwenye Gilasi.

Hatua ya Kupunguza Athari kwa Mazingira katika shughuli zetu za uzalishaji na jinsi tunavyopata malighafi na kusambaza bidhaa zetu imesaidia kuzifanya shughuli za kampuni yetu kuwa endelevu kimazingira. Ili kutimiza hili, tumekumbatia Malengo ya Maendeleo Endelevu (SDG) ya Umoja wa Mataifa katika mpangilio wa biashara zetu tukitambua mchango muhimu ambao huwa tunatekeleza katika kuboresha hali ya maisha ya watu katika jamii.

e) Wafanyakazi

Tunatambua kwamba watu ni kiungo muhimu sana katika biashara yetu na kwa hivyo, tunawekeza katika kuwakuza na kuwaendeleza. Tumetambuliwa mara kadha kwa kufanya vyema katika hilo. Katika mwaka huo uliomalizika, uwekezaji wetu na juhudi zetu, vilituwezesha kutambuliwa Afrika Mashariki kama:

- Mwajiri Bora Zaidi Uganda – Shirikisho la Waajiri Uganda.
- EABL imewatuma watu kufanya kazi Diageo ambapo kuna Wakurugenzi Wakuu 3 na Mameneja Wakurugenzi Ulaya na kwingineko Afrika.

f) Mfumo wa sera za ndani

EABL EABL inajizatiti kuhakikisha kwamba ina sera bora zaidi katika kanda hii. EABL ingependa kugusia zaidi sera ya kuhakikisha kujumuishwa kwa makundi mbalimbali, sera ya ununuzi wa bidhaa na huduma za kutumiwa na kampuni na sera ya Teknolojia ya Habari na Mawasiliano (ICT). Sera hizi zipo na zimekuwa zikiboreshwa kila wakati kujumuisha matukio na mitindo mipya katika kanda hii na mabadiliko katika teknolojia.

g) Biashara na washirika

Wakurugenzi wanatoa hakikisho kwamba wameweka bayana shughuli za kibiashara zinazohusisha Shirika na Kampuni na mashirika au watu wenye maslahi katika Shirika au Kampuni yenyewe katika taarifa hizi za kifedha na kwamba hakukuwa na shughuli za kibiashara zilizowahusisha wahusika wa ndani katika mwaka uliomalizika 30 Juni 2018.

4. Mgawo wa faida

Wakurugenzi wanapendekeza mgawo wa faida wa mwisho wa Kshs 5.50 (2017: 5.50) kwa kila hisa ambazo ni jumla ya Kshs 4,349,259,000 (2017: Kshs 4,349,259,000) ambazo zitalipwa mnamo au kabla ya 31 Oktoba 2018 kwa wenyehisa ambao majina yao yatakuwa kwenye sajili kufikia wakati wa kufungwa kwa biashara 31 Agosti 2018. Katika mwaka huo, kulikuwa kumetolewa mgawo wa faida wa muda wa Kshs 2.00 (2017: Kshs 2.00) kwa kila hisa, ambazo ni jumla ya Kshs 1,581,548,000 (2017: Kshs 1,581,548,000).

MMgawo wa hisa wa jumla kwa mwaka huo kwa hivyo ni Kshs 7.50 kwa kila hisa (2017: Kshs 7.50 kwa kila hisa), ambazo ni jumla ya Kshs 5,930,807,000 (2017 Kshs 5,930,807,000).

5. Wakurugenzi

Wakurugenzi ambao walihudumu mwaka huo, na kufikia sasa, wameorodheshwa katika ukurasa 88.

6. Wafanyakazi

Wakurugenzi wana furaha kutoa shukrani kwa mara nyingine kwa wafanyakazi wa Shirika hili kwa juhudi zao na kujitolea kwao katika mwaka huo.

7. Wakaguzi wa Hesabu

Kuweka bayana mambo kwa Wakaguzi wa Hesabu

Wakurugenzi wanathibitisha kwamba kuhusiana na na kila Mkurugenzi wakati wa kuidhinishwa kwa ripoti hii:

a) Hakukuwepo, kwa uelewa wa kila Mkurugenzi, taarifa zozote muhimu kwa ukaguzi wa hesabu za Kampuni ambazo mkaguzi wa hesabu hakuwa nazo; na
b) Kila Mkurugenzi alikuwa amechukua hatua zote zilizofaa kuchukuliwa kama Mkurugenzi ili kufahamu taarifa zozote muhimu kwa ukaguzi wa hesabu na kuhakikisha kwamba mkaguzi wa hesabu za Kampuni anafahamu taarifa hizo.

Masharti ya uteuzi wa Mkaguzi wa hesabu

PricewaterhouseCoopers wanaendelea kuhudumu kwa mujibu wa Mkataba wa Ushirikiano na Kanuni za Kampuni na Kifungu 719 cha Sheria ya Kampuni za Kenya ya mwaka 2015.

Wakurugenzi wanafuatilia utendaji kazi, kutopendelea upande wowote, na uhuru wa mkaguzi wa hesabu. Wajibu huu ni pamoja na uidhinishaji wa mkataba wa kuhudumu kama mkaguzi wa hesabu na malipo yanayohusiana na hilo kwa niaba ya wenyehisa.

8. Wafanyakazi

Wakurugenzi wana furaha kutoa shukrani kwa mara nyingine kwa wafanyakazi wa Shirika hili kwa juhudi zao na kujitolea kwao katika mwaka huo

9. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa na Bodi ya Wakurugenzi mnamo 26 Julai 2018.

Kwa Agizo la Bodi

Joyce Munene (Bi)
Katibu wa Kampuni

26 Julai 2018

Directors' Remuneration Report

East African Breweries Limited ("EABL" or "Company") ambition is to be the best performing, most trusted and respected consumer products Company in Africa. Achieving this will require significant leadership focus and investment behind an ambitious growth strategy. Reward is a key enabler to this strategy – impacting our ability to not only attract, but to motivate and retain talent with the capability to deliver EABL's strategy and performance goals.

EABL is pleased to present the Directors' remuneration report for the year ended 30 June 2018. This report is compiled pursuant to EABL's reward policy, the Capital Market Authority Code of Corporate Governance (CMA Code), and the Companies Act 2015 Regulations on Directors' remuneration. A key provision of the Company's principles is that reward directly support the business strategy with clear and measurable linkage to business performance.

The EABL reward system seeks to recognize the contribution its employees make towards the success of the Company, while reflecting not only the value of the roles they perform, but also the level to which they perform them. Our approach to recognizing our Directors' contribution to the business is based on our reward principles, which are summarized as below:

- ***Competitiveness:*** Our total reward levels are reflective of the competitive market, and compare favourably with our peers for such skills. Our reward structure is reviewed regularly and is subject to external benchmarking to ensure that we continually offer our Directors a competitive total reward package.
- ***Transparency:*** Our reward programme is simple and globally aligned in terms of core offerings and mechanism. We strive to explain to all stakeholders the component value of the total reward package and the criteria which may affect it.
- ***Performance based:*** Our reward programmes are linked to our performance ambition. They are simple and clearly communicated recognizing individual and business performance.

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

- 3 Executive Directors: Mr. Andrew Cowan, Dr. György 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.

For the financial year ended 30 June 2018, the consolidated Directors' remuneration was Kshs 219,373,000 (2017: Kshs 256,255,000). The next section outlines the details of these remuneration.

1. Executive Directors

The reward of the Executive Directors is therefore guided by the principles set out above. It comprises guaranteed elements (base pay and fixed allowances), benefits and variable elements (bonus pay and stock option or awards).

The elements of the Executive Directors' remuneration are as detailed out on the table below:

Reward Element	Description
Base pay	**Purpose and link to Group Strategy** The base pay supports the attraction and retention of the best global talent with the capability to deliver EABL's strategy and performance goals. **Operation** • It is paid monthly (12 equal instalments) during the year, and is pensionable. • The base pay is reviewed annually in October, to reflect changes in market pay levels and individual performance. • The Board Nominations and Remuneration Committee "BNRC") approves the budgets that form the basis for the annual base salary increments on an annual basis. **Performance measure –** It is based on individual's level of responsibility.
Fixed allowances and benefits	**Purpose and link to Group Strategy** These allowances and benefits provide market competitive and cost effective benefits. **Operation** • Fixed allowances are provided in line with the Company's pay structure and may include a car allowance (unless in cases where an actual car is provided). Further, Executive Directors on international assignee contracts receive mobility related allowances to compensate for cost of living and location differentials. • Market competitive benefits that are in line with the Company's pay structure include pension, medical, accident and life insurance and club membership. • International assignees receive additonal benefits that include: home leave travel, housing support, dependants' education support and tax support through tax equalisation. **Performance measure** – It is based on individual's level of responsibility.

<table>
<tr><th>Reward Element</th><th>Description</th></tr>
<tr><td>Bonus</td><td>Purpose and link to Group Strategy
This incentivises delivery of EABL's annual strategic financial and non-financial targets. It provides focus on the key financial metrics and the individual's contribution to the Company's performance.

Operation
• Bonus pay is discretionary and is paid out in line with the Company's bonus scheme referred to as the Annual Incentive Plan ("AIP"). AIP seeks to reward an employee's contribution as part of a 'winning team'.
• Bonuses are awarded during the EABL Annual Review Cycle and paid out in cash in October of every year.
• The elements used to calculate the bonus are:
» Annual base salary - Bonus is usually expressed in terms of one's annual base salary.
» The business multiple – This is a reflection of the performance of the business against its annual operating plan. It could be between 0.0 and 3.0 ; and
» The bonus factor - is the proposed recommendation by the Line Manager. It is a reflection of one's individual performance in the performance year and is between 0% - 200%.

Performance measure – This is based on individual and Company performance.</td></tr>
<tr><td>Shares / stock options</td><td>Purpose and link to Group Strategy
This incentivises delivery of EABL's annual strategic financial and non-financial targets. It provides focus on the key financial metrics and the individual's contribution to the Company's performance.

Operation
• Diageo Executive Long Term Investment Plan (DELTIP) – This is a plan whereby awards/options are discretionary and normally granted in September every year. They create an opportunity for executives of the business to act like owners linking reward to Diageo's share price performance. Under the Plan, the shares or share options granted have a vesting period of three years after which an employee can exercise the award/option within the third year to the tenth year.
• The Performance Share Plan (PSP) – This is a long-term incentive that offers the executive the opportunity to receive conditional awards of shares in Diageo plc, subject to the achievement of performance conditions: organic Profit Before Exceptional Items and Tax (PBET), organic Net Sales Value (NSV) growth and cummulative cashflow. The vesting period for PSP is three years but is also subject to meeting the relevant performance conditions. The number of shares a person receives depends on the extent to which the performance condition is met.
• Diageo Performance Incentive (DPI) – This was a single one time incentive award that offered an executive the opportunity to receive shares in Diageo, in order to lead and deliver productivity and growth across the business. The incentive award commenced on 1 July 2016 and the vesting period was three years. The number of shares awarded depended on both the grade and salary. The performance conditions were pegged on Diageo productivity savings and NSV growth. Additionally, the overall performance was also pegged on achieving a Line Manager net promoter score of at least +20 for two of the three years in the period to vesting.

Performance measure – The awarding and vesting of the awards are linked to a range of measures which may include but are not limited to a growth measure (e.g. net sales), a measure of efficiency (e.g. return on invested capital) and the business' relative performance in relation to peers (e.g. total shareholder value).</td></tr>
<tr><td>Product allowance</td><td>All employees are eligible to receive a discretionary choice from a select product range to enable them experience the Company brands first hand. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit.</td></tr>
<tr><td>Notice period</td><td>The notice period is defined in the individual contracts. Local contracts provide for 3 months notice period. Notice period for international assignees is defined by their home contracts terms of service.</td></tr>
<tr><td>Termination payments</td><td>These are defined by Company policy, which provides for severance payment, payment in lieu of notice and payment of any accrued fixed pay and leave.</td></tr>
<tr><td>Compensation for past Directors</td><td>This report includes payments made in the relevant financial year to any person who was not a Director of the Company at the time the award was made but had previously been a Director of the Company. The details of the payments include accrued bonus and other allowances paid after the close of the year in line with the Company policy of settling these payments based on the previous year's performance.</td></tr>
</table>

Independent non-executive Directors' remuneration policy and framework (continued)

Remuneration - Audited

For the year ended 30 June 2018

	Salary	Bonuses	Allowances	Benefits	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Andrew Cowan	34,973	10,019	26,291	23,770	**95,053**
Jane Karuku	27,251	5,057	2,818	999	**36,125**
György Geiszl	19,650	5,984	19,711	5,095	**50,440**
Total	**81,874**	**21,060**	**48,820**	**29,864**	**181,618**

For the year ended 30 June 2017

	Salary	Bonuses	Allowances	Benefits	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Andrew Cowan	24,964	-	34,356	14,283	**73,603**
Jane Karuku	25,800	25,092	3,818	993	**55,703**
György Geiszl	17,489	10,229	17,561	5,396	**50,675**
Charles Ireland	2,937	38,109	7,472	11,622	**60,140**
Total	**71,190**	**73,430**	**63,207**	**32,294**	**240,121**

Stock options

The movement in the Executive Directors' share options awards is as follows:

For the year ended 30 June 2018

	At start of year	Shares awarded	Shares exercised	Leaver	Total (vested and unvested)
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Andrew Cowan	65,287	12,797	(1,973)	-	**76,111**
Jane Karuku	20,709	7,863	-	-	**28,572**
György Geiszl	11,492	2,929	(3,456)	-	**10,965**
Charles Ireland	79,790	-	-	(79,790)	**-**
Total	**177,278**	**23,589**	**(5,429)**	**(79,790)**	**115,648**

For the year ended 30 June 2017

	At start of year	Shares awarded	Shares exercised	Leaver	Total (vested and unvested)
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Andrew Cowan	54,674	14,835	(4,222)	-	**65,287**
Jane Karuku	8,433	12,276	-	-	**20,709**
György Geiszl	7,859	4,781	(1,148)	-	**11,492**
Charles Ireland	58,040	24,515	(2,765)	-	**79,790**
Total	**129,006**	**56,407**	**(8,135)**	**-**	**177,278**

The charge through profit or loss relating to the share options and awards was Kshs 39,459,000 (2017: Kshs 29,385,000).

2. Non-Executive Directors

The Non-Executive Directors (Mr. John O'Keeffe and Mr. Paul Gallagher) are full time employees of the majority shareholder; Diageo plc, and consequently do not earn any fees for sitting on the Board of EABL.

3. Independent Non-Executive Directors (INEDS)

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 is competitive taking into account market rates of pay. Fees are reviewed every two years after a survey of prevailing market rates. 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 / sitting allowance***
   Independent Non-Executive Directors are 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 provides 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. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit.
5. ***Travel and accommodation when on company business***
   EABL provides for travel and accommodation costs in line with its Travel and Entertainment policy. Independent Non-Executive Directors travel on business class when going for Company related meetings.

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

INEDS Remuneration - Audited

For the financial year ended 30 June 2018, the consolidated INEDs fees was Kshs 37,755,000 compared to Kshs 16,134,000 paid during the financial year ended 30 June 2017. This increase is attributable to changes to the Board governance structure in a bid to enhance Corporate Governance, which led to the constitution of EABL subsidiary boards. The subsidiary boards held scheduled meetings on a quarterly basis. It also takes account of the fact that Directors fees had been constant for a number of years. There was, therefore a revision of Directors' fees effective 1 July 2017 aimed at benchmarking with the market. The increase in Directors' fees was approved by shareholders on 21 September 2017.

Independent non-executive Directors' remuneration policy and framework (continued)

For the year ended 30 June 2018

	Retainer	Sitting allowances	Total
	Kshs '000	Kshs '000	Kshs '000
Charles Muchene*	8,000	1,589	**9,589**
Carol Musyoka*	5,250	1,778	**7,028**
Martin Oduor-Otieno*	5,250	2,008	**7,258**
Japheth Katto**	3,500	1,416	**4,916**
Alan Shonubi**	3,500	1,259	**4,759**
Nehemiah Mchechu**	3,500	705	**4,205**
Total	**29,000**	**8,755**	**37,755**

For the year ended 30 June 2017

	Retainer	Sitting allowances	Total
	Kshs '000	Kshs '000	Kshs '000
Charles Muchene	3,000	1,495	**4,495**
Carol Musyoka	1,000	990	**1,990**
Martin Oduor-Otieno	1,000	1,155	**2,155**
Japheth Katto	1,861	920	**2,781**
Alan Shonubi	1,861	863	**2,724**
Nehemiah Mchechu	1,182	807	**1,989**
Total	**9,904**	**6,230**	**16,134**

*Consolidated retainer for sitting in 3 boards

**Consolidated retainer for sitting in 2 boards

By Order of the Board

Joyce Munene (Ms)
Company Secretary

Date: 26 July 2018

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 Group and 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 Group and Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and 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 Group and 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 Group'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 liabilities position of Kshs 4,257,806,000 (2017: net current assets of Kshs 150,886,000). As Directors, we are satisfied that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until 2020. The Group had undrawn funding available as at 30 June 2018 of Kshs 13.4 billion as disclosed in Note 34.

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 26 July 2018 and signed on its behalf by:

Mr. Andrew Cowan

Group Managing Director

Dr. György Geiszl

Group Finance and Strategy Director

pwc

Independent auditor's report to the shareholders of East African Breweries Limited

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of East African Breweries Limited (the Company) and its subsidiaries (together, the Group) set out on pages 104 to 157, which comprise the consolidated statement of financial position at 30 June 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of profit or loss and other comprehensive income, Company statement of financial position at 30 June 2018, the statement of changes in equity and statement of cash flows for 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 2018 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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 company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Carrying value of intangible assets (goodwill and brands) and investment in subsidiary (Group and Company) The Group had goodwill of Kshs 2.7 billion and indefinite-lived brand intangibles of Kshs 459 million as at 30 June 2018 arising from business acquisitions in prior years. The company's carrying value of investments in subsidiaries at the year end was Kshs 40.1 billion. As explained in the accounting policies Note 2 (h) and 2 (s) in the financial statements, management perform an impairment assessment on intangible assets on an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, 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. Variations in management estimates and judgements could result in material differences in the outcomes of the assessment.	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 by benchmarking the 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 We tested the mathematical accuracy and performing sensitivity analyses of the models. We assessed the adequacy and appropriateness of the related disclosures in Notes 23 and 25 of the Group financial statements.
Provisions and contingent liabilities (Group) As explained in Note 30 in the Group financial statements, the Group faces challenges by tax authorities on a range of tax compliance matters in the normal course of business. The Directors use the best available information to make significant judgements at the year end as to the likely outcome of these matters for purposes of calculating any potential liabilities and/or determining the level of disclosures in the financial statements. The future outcome of these claims could be materially different from the Directors' judgement.	Our audit focused on assessing the reasonableness of the Directors' judgements in relation to unresolved 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 30 in 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 in the financial statements appropriately reflect any significant uncertainties that exist around the unresolved tax matters.

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Independent auditor's report to the shareholders of East African Breweries Limited (continued)

Other information

The other information comprises the Company information, the Directors' report, the Directors' remuneration report and the Statement of Directors' responsibilities which we obtained prior to the date of this auditor's report and other sections of the Integrated Report a draft of which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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 the Directors for the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 the Directors.
- Conclude on the appropriateness of the Directors' 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the Directors 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 the directors, we determine those matters that were of most significance in the audit of the Group's 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

Report of the Directors

In our opinion, the information given in the Directors' report on pages 90 to 91 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the Directors' remuneration report on pages 94 to 98 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner on the audit resulting in this independent auditor's report is FCPA Michael Mugasa – Practising Certificate Number 1478.

Certified Public Accountants

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Consolidated statement of profit or loss

		Year ended 30 June	
	Note	2018	2017
		Kshs '000	Kshs '000
Revenue	6(a)	73,456,832	70,247,065
Cost of sales	7(a)	(41,052,409)	(39,116,742)
Gross profit		**32,404,423**	**31,130,323**
Selling and distribution costs	7(a)	(6,423,767)	(5,375,078)
Administrative expenses	8(a)	(8,534,844)	(8,249,140)
Other (expenses)/income, net	9(a)	(2,344,884)	(1,025,056)
Finance income	12(a)	81,949	81,686
Finance costs	12(a)	(3,441,067)	(3,255,402)
Profit before income tax	**10**	**11,741,810**	**13,307,333**
Income tax expense	13(a)	(4,486,255)	(4,792,765)
Profit for the year		**7,255,555**	**8,514,568**
Profit attributable to:			
Equity holders of the Company		5,683,764	7,677,032
Non-controlling interests	18	1,571,791	837,536
Profit for the year		**7,255,555**	**8,514,568**
Earnings per share			
Basic and diluted (Kshs per share)	15	7.19	9.71

Consolidated statement of comprehensive income

	Year ended 30 June	
	2018	**2017**
	Kshs '000	**Kshs '000**
Profit for the year	**7,255,555**	**8,514,568**
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Exchange differences from translation of net foreign operations	(865,067)	(788,612)
Total comprehensive income for the year	**6,390,488**	**7,725,956**
Total comprehensive income for the year attributable to:		
Equity holders of the Company	4,873,315	7,032,965
Non-controlling interests	1,517,173	692,991
Total comprehensive income for the year	**6,390,488**	**7,725,956**

Company statement of profit or loss and other comprehensive income

		Year ended 30 June	
	Note	**2018**	**2017**
		Kshs '000	**Kshs '000**
Revenue	6(b)	8,005,621	7,549,884
Cost of sales	7(b)	(2,662,550)	(2,595,378)
Gross profit		**5,343,071**	**4,954,506**
Selling and distribution costs	8(b)	-	(15,395)
Administrative expenses	8(b)	(1,656,329)	(1,893,385)
Other (expenses)/income, net	9(b)	(6,728,019)	(904,767)
Finance income	12(b)	1,584,653	1,619,077
Finance costs	12(b)	(3,881,863)	(4,019,349)
Dividend income		7,798,813	9,723,594
Profit before income tax	**10**	**2,460,326**	**9,464,281**
Income tax (expense)/credit	13(b)	(400,973)	557,722
Profit for the year		**2,059,353**	**10,022,003**
Other comprehensive income, net of tax:			
Profit for the year		2,059,353	10,022,003
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**2,059,353**	**10,022,003**

Consolidated statement of financial position

		At 30 June	
	Note	2018	2017
		Kshs '000	Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Treasury shares reserve	17(a)	(507,275)	-
Share based payment reserve	17(a)	14,584	-
Translation reserve	17(b)	(3,381,533)	(2,571,084)
Proposed dividends		4,349,259	4,349,259
Retained earnings		1,933,212	7,334,700
		5,680,945	**12,385,573**
Non-controlling interests	18	5,971,091	(397,403)
Total equity		**11,652,036**	**11,988,170**
Non-current liabilities			
Deferred income tax liabilities	20(a)	3,264,233	5,095,988
Borrowings	34(a)	30,546,789	27,488,274
Finance lease liabilities	19	-	110,166
		33,811,022	**32,694,428**
Total equity and non-current liabilities		**45,463,058**	**44,682,598**
Non-current assets			
Property, plant and equipment	21(a)	45,363,844	37,317,446
Intangible assets – Software	22(a)	441,597	562,815
Intangible assets – Goodwill	23(a)	2,712,564	2,839,319
Intangible assets – Brand	23(b)	459,394	482,562
Prepaid operating lease rentals	24(a)	7,351	14,992
Other investments	26	10,000	10,000
Deferred income tax assets	20(a)	726,114	3,304,578
		49,720,864	**44,531,712**
Current assets			
Inventories	27	7,882,606	7,473,094
Trade and other receivables	28(a)	7,946,481	9,928,000
Current income tax		2,108,505	826,033
Cash and bank balances	32(c)	3,588,370	3,907,473
		21,525,962	**22,134,600**

Continued on Page 108

Consolidated statement of financial position (continued)

		At 30 June	
	Note	**2018**	**2017**
		Kshs '000	**Kshs '000**
Current liabilities			
Trade and other payables	29(a)	24,629,299	20,814,011
Dividends payable	14	562,611	487,109
Borrowings	34(a)	118,667	-
Finance lease liabilities	19	-	93,228
Derivative financial liabilities	33	71,946	-
Bank overdraft	32(c)	401,245	589,366
		25,783,768	**21,983,714**
Net current (liabilities) / assets		**(4,257,806)**	**150,886**
		45,463,058	**44,682,598**

The financial statements on pages 104 to 157 were approved for issue by the Board of Directors on 26 July 2018 and signed on its behalf by:

Mr. Andrew Cowan
Group Managing Director

Dr. György Geiszl
Group Finance and Strategy Director

Company statement of financial position

		At 30 June	
	Note	2018	2017
		Kshs '000	Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Proposed dividends		4,349,259	4,349,259
Share based payment reserve	17(a)	14,584	-
Retained earnings		8,645,297	12,516,751
Total equity		**16,281,838**	**20,138,708**
Non-current liabilities			
Borrowings	34(b)	30,337,698	26,969,236
Total equity and non-current liabilities		**46,619,536**	**47,107,944**
Non-current assets			
Property and equipment	21(b)	382,388	384,424
Prepaid operating lease rentals	24(b)	644	1,124
Intangible assets – software	22(b)	206,427	282,544
Investment in subsidiaries	25	40,105,207	29,053,977
Other investments	26	10,000	10,000
Long-term receivables from Group companies	35(b)	18,502,436	20,436,978
Deferred income tax assets	20(b)	726,114	1,424,232
		59,933,216	**51,593,279**
Current assets			
Inventories		38,906	33,958
Trade and other receivables	28(b)	3,825,755	5,862,696
Current income tax		1,391,212	1,203,598
Cash and bank balances	32(c)	1,685,800	1,927,851
		6,941,673	**9,028,103**
Current liabilities			
Trade and other payables	29(b)	19,613,621	13,025,960
Dividends payable	14	562,611	487,109
Derivative financial liabilities	33	71,946	-
Bank overdraft	32(c)	7,175	369
		20,255,353	**13,513,438**
Net current liabilities		**(13,313,680)**	**(4,485,335)**
		46,619,536	**47,107,944**

The financial statements on pages 104 to 157 were approved for issue by the Board of Directors on 26 July 2018 and signed on its behalf by:

Mr. Andrew Cowan
Group Managing Director

Dr. György Geiszl
Group Finance and Strategy Director

Consolidated statement of changes in equity

Year ended 30 June 2018	Share capital	Share premium	Treasury shares	Share based payment reserve	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	Kshs '000	Kshs '000
At 1 July 2017	**1,581,547**	**1,691,151**	**-**	**-**	**(2,571,084)**	**4,349,259**	**7,334,700**	**12,385,573**	**(397,403)**	**11,988,170**
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	5,683,764	**5,683,764**	1,571,791	**7,255,555**
Other comprehensive income	-	-	-	-	(810,449)	-	-	**(810,449)**	(54,618)	**(865,067)**
Total comprehensive income for the year	**-**	**-**		**-**	**(810,449)**	**-**	**5,683,764**	**4,873,315**	**1,517,173**	**6,390,488**
Transactions with owners of the Company										
Transactions with non-controlling interests (Note 18(b))	-	-	-	-	-	-	(5,694,139)	**(5,694,139)**	5,694,139	**-**
Share based payment reserve (Note 17(a))	-	-	-	14,584	-	-	-	**14,584**	-	**14,584**
Employees Share Ownership Plan (Note 17(a))	-	-	(507,275)	-	-	-	539,694	**32,419**	-	**32,419**
Dividends:										
- Proposed final for 2018	-	-	-	-	-	4,349,259	(4,349,259)	**-**	-	**-**
- Interim for 2018	-	-	-	-	-		(1,581,548)	**(1,581,548)**	-	**(1,581,548)**
- Final for 2017	-	-	-	-	-	(4,349,259)	-	**(4,349,259)**	(842,818)	**(5,192,007)**
Total transactions with owners of the Company	**-**	**-**	**(507,275**	**14,584**	**-**	**-**	**(11,085,252)**	**(11,577,943)**	**4,851,321**	**(6,726,622)**
At 30 June 2018	**1,581,547**	**1,691,151**	**(507,275)**	**14,584**	**(3,381,533)**	**4,349,259**	**1,933,212**	**5,680,945**	**5,971,091**	**11,652,036**

Consolidated statement of changes in equity (continued)

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
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)**	**(6,605,032)**
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**

Company statement of changes in equity

	Share capital	Share premium	Share based payment reserve	Proposed dividends	Retained earnings	Total equity
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2018						
At 1 July 2017	**1,581,547**	**1,691,151**	**-**	**4,349,259**	**12,516,751**	**20,138,708**
Total comprehensive income for the year	-	-	-	-	2,059,353	**2,059,353**
Transactions with owners of the Company:						
Share based payment reserve (Note 17(a))	-	-	14,584	-	-	**14,584**
Dividends:						
- Proposed final for 2018	-	-	-	4,349,259	(4,349,259)	**-**
- Interim for 2018	-	-	-	-	(1,581,548)	**(1,581,548)**
- Final for 2017	-	-	-	(4,349,259)	-	**(4,349,259)**
Total transactions with owners of the Company	**-**	**-**	**14,584**	**-**	**(5,930,807)**	**(5,916,223)**
At 30 June 2018	**1,581,547**	**1,691,151**	**14,584**	**4,349,259**	**8,645,297**	**16,281,838**
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 of the Company	-	-	-	-	(5,930,807)	**(5,930,807)**
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**(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**

Consolidated statement of cash flows

		At 30 June	
	Notes	2018	2017
		Kshs '000	Kshs '000
Operating activities			
Cash generated from operations	32(a)	21,717,296	21,523,606
Interest received	12(a)	81,949	81,686
Interest paid		(3,429,018)	(3,255,402)
Income tax paid		(4,810,885)	(4,435,419)
Net cash generated from operating activities		**13,559,342**	**13,914,471**
Investing activities			
Purchase of property, plant and equipment	21(a)	(13,028,734)	(5,662,510)
Purchase of prepaid lease rentals	24(a)	-	(5,066)
Purchase of intangible assets - software	22(a)	(2,627)	(31,388)
Proceeds from disposal of property, plant and equipment		2,539,228	1,031,397
Net cash used in investing activities		**(10,492,133)**	**(4,667,567)**
Financing activities			
Dividends paid to Company's shareholders	14	(5,855,305)	(6,317,286)
Dividends paid to non-controlling interests		(842,818)	(674,255)
Proceeds from borrowings - Long term bank loan	34(a)	4,907,194	-
- Medium term note	34(a)	-	6,000,000
- Short term bank loan	34(a)	3,800,000	2,500,000
Repayment of borrowings	34(a)	(5,492,942)	(2,500,000)
Purchase of treasury shares		(9,272)	-
Net cash used in financing activities		**(3,493,143)**	**(991,541)**
Net (decrease) / increase in cash and cash equivalents		**(425,934)**	**8,255,363**
Movement in cash and cash equivalents			
At start of year		3,318,107	(3,954,090)
Foreign exchange impact on translation		294,952	(983,166)
Net (decrease)/increase during the year		(425,934)	8,255,363
Cash and cash equivalents at end of year	**32(b)**	**3,187,125**	**3,318,107**

Company statement of cash flows

		At 30 June	
	Notes	2018	2017
		Kshs '000	Kshs '000
Operating activities			
Cash generated from/ (used in) operations	32(a)	10,232,649	(235,712)
Interest received	12(b)	1,584,653	1,619,077
Interest paid		(3,871,045)	(4,019,349)
Income tax paid		(220,162)	(118,663)
Net cash generated from/ (used in) operating activities		**7,726,095**	**(2,754,647)**
Investing activities			
Purchase of property and equipment	21(b)	(71,659)	(377,026)
Purchase of intangible assets	22(b)	(2,627)	(7,607)
Proceeds from disposal of property and equipment		1,786,943	1,271,650
Proceeds on disposal of prepaid operating lease rentals		421	-
Movement in intercompany funding		(15,000,000)	(591,634)
Dividends received from subsidiaries		7,798,813	9,723,594
Net cash generated from/ (used in) investing activities		**(5,488,109)**	**10,018,977**
Financing activities			
Dividends paid to Company's shareholders	14	(5,855,305)	(6,317,286)
Proceeds from borrowings - Long term bank loan	34(b)	4,907,194	-
- Medium term note	34(b)	-	6,000,000
- Short term bank loan	34(b)	3,800,000	2,500,000
Loan repayments	34(b)	(5,338,732)	(2,500,000)
Net cash used in financing activities		**(2,486,843)**	**(317,286)**
(Decrease) / increase in cash and cash equivalents		**(248,857)**	**6,947,044**
Movement in cash and cash equivalents			
At start of year		1,927,482	(5,019,562)
(Decrease) / increase during the year		(248,857)	6,947,044
At end of year	**32(b)**	**1,678,625**	**1,927,482**

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 2018 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 liabilities position of Kshs 4,257,806,000 (2017: net current assets of Kshs 150,886,000). As Directors, we are satisfied that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until 2020. The Group had undrawn funding available as at 30 June 2018 of Kshs 13.4 billion as disclosed in 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.

(iii) Functional and presentation currency

The financial statements are presented in Kenya Shillings (Kshs) which is the Company's functional currency. All financial information presented in Kenya 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 2017:

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 Group's financial statements.

Amendments to IAS 7 - Disclosure Initiative: Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment to IAS 7 is effective 1 January 2017. The adoption of this amendment did not have a material impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle: Makes amendments to IFRS 12 by clarifying the scope of the standard by specifying that the disclosure requirements in the standard,

Notes (Continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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

(vi) New standards and interpretations early adopted

IFRS 15: Revenue from Contracts with Customers: The standard 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 has early adopted the standard. An extensive assessment was carried out by the Group to determine the impact of IFRS 15. From the exercise carried out, the only area that management determined may have an impact to the Group was with respect to the associated value of goods in transit to the distributors. Details were obtained about sales that had been recognised but the goods had not yet been delivered to the distributor premises as at 30 June 2018. The amounts were determined not to be material to warrant any adjustment or restatement. Therefore, the adoption of IFRS 15 did not have a material impact on the Group's financial statements.

(vii) Relevant new standards and interpretations not yet adopted by the Company

IFRS 9: Financial Instruments: The standard 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. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

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. By the nature of financial instruments held by the Group, the relevant financial instruments are financial assets measured at amortised cost. Financial assets measured at amortised cost, primarily trade receivables will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 15. In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will not result in a material impact on the financial statements of the Group.

IFRS 16: Leases: The standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions: The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendment to the standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Directors of the Group do not anticipate that the application of the amendments in future will have a significant impact on the financial statements as the Group does not have any cash-settled share-based payment arrangements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration: IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. (e.g. a non-refundable deposit or deferred revenue). The interpretation specifies that the date of transactions is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the financial statements as the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

IFRIC 23: Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively.
- Assumptions for taxation authorities' examinations.
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- The effect of changes in facts and circumstances.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(vii) Relevant new standards and interpretations not yet adopted by the Company (continued)

The Group is assessing the potential impact on the financial statements resulting from the application of these changes.

(b) Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiairies. 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 interests ('NCI')

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

(iii) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair values of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(iv) 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) 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.

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. Revenue is recognised as follows:

i. 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.
ii. Dividend income is recognised as income in the period in which the right to receive payment is established.
iii. Royalty income is recognised based on agreed rates applied on net sales value of the related products.
iv. Management fee is recognised based on actual costs plus an agreed mark up.

(d) 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 also presented in profit or loss.

(e) 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).

Notes (Continued)

2. Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

Consolidation of Group entities (continued)

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.

(f) 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.

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).

(g) 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	5 – 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.

(h) 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 carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. 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.

(i) 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

2. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Classification (continued)

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.

Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives are intended to acquire, increase, reduce or alter exposure to market risks. The Group uses derivatives, primarily foreign exchange forward contracts, to manage exposure to currency risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

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. These include trade and other payables, loans and borrowings and intercompany balances. Other financial liabilities are initially recognised at fair value less any directly attributable transaction costs.

Loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. The EIR amortisation is included in finance costs in profit or loss.

(ii) Recognition

The Group recognises 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. Derivative financial instruments are measured at fair value. 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.

(j) 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) Treasury shares

Treasury shares are shares in East African Breweries Limited that are held by the East African Breweries Limited Employee Share. Ownership Plan for the purpose of issuing shares under the

Notes (Continued)

2. Summary of significant accounting policies (continued)
(m) Treasury shares (continued)

Group's share ownership scheme. Treasury shares are recognized at cost where cost is determined to be the purchase price of the shares in an open market (Nairobi Securities Exchange). Shares issued to employees are recognised on a first-in-first-out basis.

The Group operates equity-settled share-based compensation plans for its employees and executives. Equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity share based payment reserve.

(o) 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.

(p) Income tax expense

The tax expense for the year comprises current and deferred income 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 income 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 income 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.

(q) Dividends

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

(r) 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.

(s) 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

2. Summary of significant accounting policies (continued)

(s) Impairment (continued)

Impairment of financial assets (continued)

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 income 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 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.

(t) 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.

(u) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) 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.

(w) 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.

(x) Comparatives

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

(y) 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(s). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations as stated in Note 23.

Notes (Continued)

3. Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and judgements (continued)

(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 income tax provisions in the period in which such determination is made. Disclosures on contingent liabilities with respect to tax are included in Note 30.

(iii) Property, plant and equipment

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

(iv) Non-controlling interests ("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, liquidity risk and market risks which mainly comprise effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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 the financial risks. 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. These policies 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. These risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has also established a 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. Management's policy to manage foreign exchange risk is to actively manage the foreign currency denominated procurement contracts. In addition, the Group enters into short term cash flow hedge contracts using available cash balance.

In addition, the Group manages the foreign currency exposure on foreign denominated borrowings through foreign exchange forward contracts.

A 5 percent strengthening of the Kenya shilling against the following currencies at 30 June 2018 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 2017.

Group:

		Profit or loss/equity	
	At 30 June	**2018**	**2017**
		Kshs'000	**Kshs'000**
EUR	Euro	252,563	99,865
GBP	Sterling Pound	1,490,481	1,509,924
TZS	Tanzania Shillings	1,049	1,147
UGX	Uganda Shillings	97,853	100,632
USD	US Dollar	876,921	890,380
ZAR	South African Rand	1,945	1,939
		2,720,810	**2,603,887**

Company:

		Profit or loss/equity	
	At 30 June	**2018**	**2017**
		Kshs'000	**Kshs'000**
EUR	Euro	229,280	114,390
GBP	Pound Sterling	1,450,230	1,527,954
SSP	South Sudanese Pound	520	1,209
UGX	Ugandan Shilling	98,317	99,673
USD	US Dollar	850,000	895,970
		2,628,347	**2,639,196**

ii. Price risk

The Group 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 2018, an increase/decrease of 1 percentage point would have resulted in a decrease/increase in profit for the year of Kshs 37,410,000 (2017: Kshs 31,737,000), mainly as a result of higher/lower interest charges on variable rate borrowings.

4. Financial risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash balances (including deposits with banks and financial institutions), derivative financial instruments, as well as credit exposures to customers, including outstanding loans, trade and other receivables, financial guarantees and committed transactions. The carrying amount of the financial assets represents the Group's maximum exposure to credit risk at the end of the reporting period excluding the impact of any collateral held or other credit enhancements.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Loans, trade and other receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The operating units analyse credit risk for each new customer before standard payment and delivery terms are offered, taking into account its financial position, past experience and other factors. 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. In addition, the Group manages credit risk by requiring the customers to provide financial guarantees.

The Group does not have any significant concentrations of credit risk with respect to loans, trade and other receivables as the Group has a large number of customers which are geographically dispersed. The credit risk associated with receivables is minimal and the allowance for uncollectible amounts that the Group has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. 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 trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is analysed in the table below:

Group:

	2018	2017
	Kshs'000	**Kshs'000**
Not due,	4,392,766	4,775,144
Past due but not impaired:		
-by up to 30 days	1,768,847	2,607,949
-by 31 to 120 days	1,056,325	1,872,054
-over 121 days	305,041	327,210
Trade and other receivables	**7,522,979**	**9,582,357**
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	856,495	956,840
Provision for impairment loss	(856,495)	(956,840)
Net carrying amount	**7,522,979**	**9,582,357**

Company:

	2018	2017
	Kshs'000	**Kshs'000**
Past due but not impaired:		
-by upto 30 days	900,336	2,016,411
-by 31 to 120 days	219,879	175,486
Trade and other receivables	**3,821,318**	**5,862,696**
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	-	-
Provision for impairment loss	-	-
Net carrying amount	**3,821,318**	**5,862,696**

Notes (Continued)

4. Financial risk management objectives and policies (continued)

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.

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 2018:

	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
- borrowings	118,667	-	5,000,000	10,209,091	3,868,462	19,196,220
- related party borrowings	-	-	-	-	11,469,236	11,469,236
- derivative financial liability	71,946	-	-	-	-	71,946
- bank overdrafts	-	401,245	-	-	-	401,245
- trade and other payables	2,980,139	21,649,160	-	-	-	24,629,299
- dividend payable	562,611	-	-	-	-	562,611
	3,733,363	**22,050,405**	**5,000,000**	**10,209,091**	**15,337,698**	**56,330,557**

	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Company	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
- borrowings	-	-	5,000,000	6,000,000	7,868,462	18,868,462
- related party borrowings	-	-	-	-	11,469,236	11,469,236
- derivative financial liability	71,946	-	-	-	-	71,946
- bank overdrafts	-	7,175	-	-	-	7,175
- trade and other payables	16,926,026	2,687,595	-	-	-	19,613,621
- dividend payable	562,611	-	-	-	-	562,611
	21,429,045	**2,694,770**	**5,000,000**	**6,000,000**	**19,337,698**	**50,593,051**

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**	**-**	**49,582,155**

4. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2017:	**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**

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:

	2018	2017
	Kshs'000	**Kshs'000**
Total borrowings (Note 34)	31,066,701	28,077,640
Less: cash and bank balances (Note 32(c))	(3,588,370)	(3,907,473)
Net debt	**27,478,331**	**24,170,167**
Total equity	11,652,036	11,988,170
Total capital	**39,130,367**	**36,158,337**
Gearing ratio	**70.22%**	**66.85%**

Company:

	2018	2017
	Kshs'000	**Kshs'000**
Total borrowings (Note 34)	30,344,873	26,969,605
Less: cash and bank balances (Note 32(c))	(1,685,800)	(1,927,851)
Net debt	**28,659,073**	**25,041,754**
Total equity	16,281,838	20,138,708
Total capital	**44,940,911**	**45,180,462**
Gearing ratio	**63.77%**	**55.43%**

Fair value measurement

Fair value measurements of financial instruments are presented through the use of a three-level fair value hierarchy that prioritises the valuation techniques used in fair value calculations. The Group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

The different levels in the fair value hierarchy have been defined as follows:

i. Level 1 fair value measurements - are those derived from quoted prices (unadjusted) in active trading markets for identical assets or liabilities. This level includes listed debt and equity instruments traded mainly on the Nairobi Securities Exchange ("NSE").

ii. Level 2 fair value measurements - are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices).

iii. Level 3 fair value measurements - are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Notes (Continued)

4. Financial risk management objectives and policies (continued)

Fair value measurement (continued)

The Group maintains policies and procedures to value instruments using the most relevant data available. If multiple inputs that fall into different levels of the hierarchy are used in the valuation of an instrument, the instrument is categorised on the basis of the most subjective input.

Foreign currency forwards are valued using discounted techniques that incorporate the prevailing market rates. In determining the market rates, inputs at levels 1 and 2, such as foreign exchange rates are used. These market inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, these instruments are categorised as level 2 in the hierarchy. Other investments are carried at cost as there is no suitable basis for its valuation and are therefore categorised as level 3 in the hierarchy.

The following table presents the Group and Company's financial assets and liabilities that are measured at fair value at 30 June 2018.

	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
Financial liabilities at fair value through profit or loss:				
-Derivative financial liabilities (Foreign exchange forward contracts)	-	(71,946)	-	(71,946)
Net (liabilities)/assets at fair value through profit or loss	**-**	**(71,946)**	**10,000**	**(61,946)**

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

	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 at fair value through profit or loss	**-**	**-**	**10,000**	**10,000**

There were no transfers between levels during the two years ended 30 June 2018 and 30 June 2017.

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 and Strategy Director.

The Group Executive Committee considers the business from a geographical perspective. Geographically, the Group Executive Committee considers the performance of the business in Kenya, Uganda and Tanzania. Exports to South Sudan, 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 Group Executive Committee assesses the performance of the operating segments based on a measure of net sales value.

The segmental information provided to the Group Executive Committee is as follows:

	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
External sales	53,371,231	52,502,022	11,912,213	11,563,786	8,173,388	6,181,257	-	-	73,456,832	70,247,065
Inter segment sales	6,903,578	9,212,093	28,277	131,803	16,556	45,448	(6,948,411)	(9,389,344)	-	-
Total sales	**60,274,809**	**61,714,115**	**11,940,490**	**11,695,589**	**8,189,944**	**7,167,143**	**(6,948,411)**	**(9,389,344)**	**73,456,832**	**70,247,065**

5. Segmental reporting (continued)

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

	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Segment non-current assets	74,995,854	73,652,321	5,465,994	5,280,202	8,093,008	8,500,521	(38,833,992)	(42,901,332)	49,720,864	44,531,712
Total segment assets	93,802,019	91,653,521	8,848,544	11,050,051	10,999,432	10,978,352	(42,403,169)	(47,015,612)	71,246,826	66,666,312
Segment liabilities	57,152,310	47,532,845	6,760,049	8,888,928	2,926,524	13,993,490	(7,244,093)	(15,737,121)	59,594,790	54,678,142
Capital expenditure	10,942,093	4,437,421	1,290,964	743,206	798,304	518,338	-	-	13,031,361	5,698,965
Depreciation expense and amortisation	2,402,142	2,241,656	461,271	402,873	782,067	785,792	-	-	3,645,480	3,430,321

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 year. Segment revenue is based on the geographical location of both customers and assets. The revenue from external parties reported to the Group 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 Group Executive Committee in respect to total assets and total liabilities are measured in a manner consistent with that of the financial state.

6. Revenue

	2018	2017
	Kshs '000	Kshs '000
(a) Group		
Gross sales	135,037,775	124,066,748
Indirect taxes	(61,580,943)	(53,819,683)
	73,456,832	**70,247,065**
(b) Company		
Net sales	5,667,981	5,457,700
Management fees	1,445,643	1,766,691
Royalties	891,997	325,493
	8,005,621	**7,549,884**

Notes (Continued)

7. Cost of sales

	2018	2017
	Kshs '000	**Kshs '000**
(a) Group		
Raw materials and consumables	21,639,676	20,412,467
Distribution and warehousing	5,251,900	3,851,777
Maintenance and other costs	7,288,566	7,605,545
Staff costs	3,711,495	4,204,872
Depreciation and amortisation	3,160,772	3,042,081
	41,052,409	**39,116,742**
(b) Company		
Cost of goods sold	2,379,412	2,378,534
Distribution and warehousing	23,993	27,938
Staff costs	259,021	188,864
Maintenance and other costs	124	42
	2,662,550	**2,595,378**

8. Administrative expenses

	2018	2017
	Kshs '000	**Kshs '000**
(a) Group		
Staff costs	5,694,930	5,145,984
Office supplies and other costs	2,139,538	2,502,216
Depreciation and amortisation	419,184	388,239
Travelling and entertainment	281,192	212,701
	8,534,844	**8,249,140**
(b) Company		
Staff costs	1,391,396	1,611,197
Office supplies and other costs	50,390	45,811
Depreciation and amortisation	128,053	148,826
Travelling and entertainment	86,490	87,551
	1,656,329	**1,893,385**

9. Other income/(expenses), net

(a) Group

	2018	2017
	Kshs '000	**Kshs '000**
Other income		
Profit on disposal of property, plant and equipment (Note 32(a))	699,098	-
Sundry other income	467,191	381,721
Transactional foreign exchange gains	-	1,205,986
	1,166,289	**1,587,707**
Other expenses		
Indirect tax expenses (*)	2,604,670	593,161
Transactional foreign exchange losses	391,260	-
Impairment charge on trade receivables (Note 28)	137,650	210,505
Write down of inventories	89,846	225,274
Impairment of goodwill (Note 23)	-	284,687
Loss on disposal of property, plant and equipment	-	212,965
Write-off of returnable packaging	-	67,755
Impairment of investments	-	33,195
Sundry expenses	287,747	985,221
	3,511,173	**2,612,763**
	(2,344,884)	**(1,025,056)**

(*) Indirect tax expenses are expenses associated with irrecoverable VAT, irrecoverable withholding tax and other indirect tax provisions.

(b) Company

	2018	2017
	Kshs '000	**Kshs '000**
Other expenses		
Write-off of loan receivable from subsidiary (SBL) (Note 18)	4,256,283	-
Write-off of loan receivable from subsidiary (EABSS)	1,751,000	-
Net transactional foreign exchange losses	345,060	51,130
Irrecoverable withholding tax	189,807	580,942
Sundry expenses	185,869	272,695
	(6,728,019)	**(904,767)**

10. Profit before income tax

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

(a) Group

	2018	2017
	Kshs '000	**Kshs '000**
Employee benefits expense (Note 11(a))	9,406,425	9,350,856
Depreciation on property, plant and equipment (Note 21(a))	3,495,415	3,328,169
Amortisation of intangible assets - software (Note 22(a))	149,249	101,788
Impairment of goodwill (Note 23)	-	284,687
Amortisation of prepaid operating lease (Note 24(a))	816	363
Auditor's remuneration	39,599	39,599

Notes (Continued)

10. Profit before income tax (continued)

(b) Company

	2018	2017
	Kshs '000	Kshs '000
Employee benefits expense (Note 11 (b))	1,650,417	1,800,061
Write-off of loan receivable from subsidiary (SBL) (Note 18)	4,256,283	-
Write-off of loan receivable from subsidiary (EABSS)	1,751,000	-
Depreciation on property and equipment (Note 21 (b))	47,393	90,223
Amortisation of intangible assets - software (Note 22(b))	80,602	58,532
Amortisation of prepaid operating lease (Note 24 (b))	59	71
Auditor's remuneration	11,307	11,307

11. Employee benefits expense

(a) Group

The following items are included within employee benefits expense:

	2018	2017
	Kshs '000	Kshs '000
Salaries and wages	6,280,515	6,887,648
Defined contribution scheme	449,661	436,303
National Social Security Fund	118,475	164,145
Share based payments	14,584	-
Employee share ownership plan of the parent company(*)	79,444	31,294
Other staff costs	2,463,746	1,831,466
	9,406,425	**9,350,856**

The average number of employees during the year was as follows:

	30 June 2018	30 June 2017
Production	823	797
Sales and distribution	351	353
Management and administration	417	459
	1,591	**1,609**

(b) Company

The following items are included within employee benefits expense:

	2018	201
	Kshs '000	Kshs '000
Salaries and wages	880,374	1,046,021
Defined contribution scheme	72,623	78,143
National Social Security Fund	23,588	45,752
Share based payments	14,584	-
Employee share ownership plan of the parent Company(*)	47,343	22,709
Other staff costs	611,905	607,436
	1,650,417	**1,800,061**

11. Employee benefits expense (continued)

(b) Company (continued)

The average number of employees during the year was as follows:

	30 June 2018	30 June 2017
Management and administration	217	248
	217	**248**

(*) Some of the senior executives of the Group participate in the share ownership schemes linked to the share price of Diageo plc shares and administered by Diageo plc. The schemes are of various categories. The costs associated with these schemes are recharged to the Company and accounted for as part of staff costs.

12. Finance income/(expenses)

	2018	2017
	Kshs '000	**Kshs '000**
(a) Group		
Finance income		
Interest income	81,949	81,686
	81,949	**81,686**
Finance costs		
Interest expense	(3,284,208)	(3,255,402)
Other finance costs	(156,859)	-
	(3,441,067)	**(3,255,402)**
(b) Company		
Finance income		
Interest income	1,584,653	1,619,077
	1,584,653	**1,619,077**
Finance costs		
Interest expense	(3,749,012)	(4,019,349)
Other finance costs	(132,851)	-
	(3,881,863)	**(4,019,349)**

13. Income tax expense

(a) Group

	2018	2017
	Kshs '000	**Kshs '000**
Income tax expense		
Current income tax		
Current year charge	3,423,241	4,725,556
Under / (over) provision of tax in prior years	125,196	(484,345)
Current income tax charge	**3,548,437**	**4,241,211**
Deferred income tax (Note 20)		
Current year charge	901,377	439,340
Under provision of tax in prior years	36,441	112,214
Deferred income tax charge	**937,818**	**551,554**
Total income tax expense	**4,486,255**	**4,792,765**

Notes (Continued)

13. Income tax expense (continued)

(a) Group (continued)

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:

	2018	2017
	Kshs '000	**Kshs '000**
Profit before income tax	11,741,810	13,307,333
Tax calculated at the statutory income tax rate of 30% (2017 - 30%)	3,522,543	3,992,200
Tax effects of:		
Expenses not deductible for tax purposes	802,075	580,802
Deferred income tax asset not recognised	-	591,894
Under/(over) provision of current income tax in prior year	125,196	(484,345)
Under provision of deferred income tax in prior year	36,441	112,214
Income tax expense	**4,486,255**	**4,792,765**

(b) Company

	2018	2017
	Kshs '000	**Kshs '000**
Income tax expense		
Current income tax		
Current year charge	-	-
Over provision of income tax in prior years	(297,145)	(786,122)
Current income tax charge	**(297,145)**	**(786,122)**
Deferred income tax		
Current year charge	672,313	144,984
Under provision of deferred income tax in prior years	25,805	83,416
Deferred income tax charge (Note 20 (b))	**698,118**	**228,400**
Total tax charge/(credit)	**400,973**	**(557,722)**

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:

	2018	2017
	Kshs '000	**Kshs '000**
Profit before income tax	2,460,326	9,464,281
Tax calculated at the statutory income tax rate of 30%	738,098	2,839,284
Tax effects of:		
Non-taxable income	(2,339,644)	(2,917,077)
Expenses not deductible for tax purposes	2,273,859	222,777
Under/(over) provision of deferred income tax in prior year	25,805	(786,122)
(Over)/under provision of current income tax in prior year	(297,145)	83,416
Income tax charge / (credit)	**400,973**	**(557,722)**

14. Dividends

A final dividend in respect of the year ended 30 June 2018 of Kshs 5.50 (2017: Kshs 5.50 per share) amounting to a total of Kshs 4,349,259,000 (2017: 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 1,581,548,000 (2017: 1,581,548,000) was paid. The total dividend for the year is therefore Kshs 7.50 per share (2017: Kshs 7.50) amounting to a total of Kshs (2017: 5,930,807,000 Kshs 5,930,807,000).

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		Company	
Group and Company	**2018**	**2017**	**2018**	**2017**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
At 1 July	487,109	562,611	487,109	873,588
Dividend declared during the year	6,773,625	6,241,784	5,930,807	5,930,807
Dividends paid	(6,698,123)	(6,317,286)	(5,855,305)	(6,317,286)
At 30 June	**562,611**	**487,109**	**562,611**	**487,109**

15. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2018 was based on profit attributable to ordinary shareholders of Kshs 5,683,764,000 (2017: Kshs 7,677,032,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2018 of 790,774,356 (2017– 790,774,356). The basic and diluted earnings per share are the same as there is no dilutive effect on earnings.

	2018	2017
	Kshs '000	**Kshs '000**
Profit attributable to ordinary shareholders	5,683,764	7,677,032
Weighted average number of ordinary shares		
Issued and paid shares (Note 16)	790,774,356	790,774,356
Basic and diluted earnings per share (Kshs per share)	7.19	9.71

16. Share capital

	Number of shares	Ordinary shares	Share premium
		Kshs'000	**Kshs'000**
Issued and fully paid			
Balance as at 1 July 2016, 30 June 2017 and 30 June 2018	**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.

17. Reserves

(a) Employee share based payment reserves

The Company operates two equity settled employee share ownership plans (ESOPs) as follows:

a. Executive Share Option Plan (ESOP) –Under the plan, an employee is given an option to buy units at a future date but at a grant price, which is set at the time that the option is granted. The vesting period for the shares is three years after which an employee can exercise the option within the third year to the tenth year. There are no performance conditions attached to this share plan.

b. Employees Share Save Scheme (ESSS) – This plan enables the eligible employee to save a fixed amount of money over a three-year period. If an employee joins the plan, he or she is given an option to buy units at a future date at a fixed grant price set at the grant date. The grant price is fixed at 80% of the market price at grant date. The vesting period for the shares is three years after which an employee can exercise the option within the third year to the tenth year. There are no performance conditions attached to this share plan.

Notes (Continued)

17. Reserves (continued)

(a) Employee share based payment reserve (continued)

The reserves that arise from employee share based payments are as listed below:

i. Treasury shares

Treasury shares represent the cost of the shares held by the Company's Employee Share Ownership Trust at the end of the year as follows:

	Number of shares	Kshs'000
Shares held by the Trust	2,478,146	507,275
	2,478,146	**507,275**

Share options of Kshs 2,501,000 were exercised by the employees during the year.

ii. Share based payment reserve

The share based payment reserve represents the charge for the profit or loss account in respect of share options granted to individual employees. The allocated shares for the employee share based payments are held by the East African Breweries Employee Share Ownership Trust.

Share based payments are measured at fair value at the grant date, which is expensed over the period of vesting. The fair value of each option granted is estimated at the date of grant using black scholes option pricing model.

The assumptions supporting inputs into the model for options granted during the period are as follows:

	2017 series	2016 series	2015 series
Grant date share price	250	277	274
Exercise price			
-ESOP	250	277	100
-ESSS	196	224	-
Expected volatility	13.1%	13.1%	13.1%
Dividend yield	3%	3%	3%
Forfeiture rate	3%	3%	3%
Option life	5 years	5 years	5 years

The assumptions above were determined based on the historical trends.

Share based payment reserves are not distributable.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (Kenya shillings) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal or partial disposal of a foreign operation. Translation reserves are not distributable.

18. Non-controlling interests

(a) Subsidiaries with material non-controlling interests

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

At 30 June 2018

	UDV (Kenya) Limited	Serengeti Breweries Limited	Other Subsidiaries	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Non-controlling interests percentage	**53.68%**	**27.5%**	**1% - 1.8%**	
Non-current assets	2,230,063	8,550,389	5,458,464	
Currents assets	9,226,109	3,280,227	3,681,980	
Non-current liabilities	(340,000)	-	(4,025,699)	
Current liabilities	(4,463,747)	(3,166,775)	(4,833,729)	
Net assets	**6,652,425**	**8,663,841**	**281,016**	
Carrying amount of non-controlling interests	**3,571,022**	**2,380,824**	**19,245**	**5,971,091**
Revenue	15,637,384	8,189,944	11,919,899	
Profit	2,857,183	112,314	2,592	
Total comprehensive income	2,857,183	112,314	2,592	
In respect of non-controlling interests	**1,533,736**	**30,864**	**7,191**	**1,571,791**
Cash generated from operating activities	3,509,850	2,215,280	2,775,094	
Cash used in investment activities	(525,874)	(789,774)	(1,287,210)	
Cash used in financing activities	(1,570,079)	(927,708)	(24,451)	
Net increase in cash and cash equivalents	**1,413,897**	**497,798**	**1,463,433**	

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 interests	**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 interests	**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 (used in) / generated 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**	

Notes (Continued)

18. Non-controlling interests (continued)

(b) Transactions with non- controlling interests

On 1 July 2017, the Company entered into an agreement with the non-controlling shareholders of its subsidiary, Serengeti Breweries Limited (SBL), to convert all its outstanding loans receivable to the subsidiary into equity shares, without proportionate capital contribution by the non-controlling shareholders. The transaction resulted in an increase in the effective control of the subsidiary from 51% to 72.5%. The original effective control will be restored in the future through the non-controlling shareholders ceding to the company 50% of any dividends received from the subsidiary. A summary of the transaction with the non-controlling interests in SBL is as follows:

	Kshs '000
Loans receivable converted to equity (Note 25)	11,049,893
Loans receivable written off (Note 9)	4,256,283
	15,306,176
Change in share of net assets of subsidiary:	
Share of net liabilities pre-conversion	(3,395,842)
Share of net assets post conversion	6,216,196
	9,612,038
Difference arising on transaction with non-controlling interests	**5,694,139**

The difference, which has been charged to equity, relates to an increase in the non-controlling interests balance in the subsidiary as a result of the transaction.

19. Finance lease liabilities

In 2017, the Group had an open lease agreement for purchase motor vehicles. The vehicles under the lease agreement were recognised as the Group's assets at their fair value at the inception of the lease. The corresponding liabilities to the lessor were disclosed as finance lease liabilities. During the year, the Group settled all its outstanding finance lease liabilities.

20. Deferred income tax

Deferred income tax is calculated using the enacted domestic tax rate of 30% (2017 - 30%). The movement on the deferred income tax account is as follows:

	2018	2017
(a) Group	**Kshs'000**	**Kshs'000**
At the beginning of the year	1,791,410	1,303,190
Charge to profit or loss	901,377	439,340
Under provision of deferred income tax in prior year	36,441	112,214
Effect of change in exchange rates	(191,109)	(63,334)
Total deferred income tax movement	746,709	488,220
At the end of the year	**2,538,119**	**1,791,410**
Analysed as follows:		
Deferred income tax liabilities	3,264,233	5,095,988
Deferred income tax assets	(726,114)	(3,304,578)
At the end of the year	**2,538,119**	**1,791,410**
(b) Company		
At the beginning of the year	(1,424,232)	(1,652,632)
Charge to profit or loss	672,313	144,984
Under provision of deferred income tax in prior year	25,805	83,416
Total deferred income tax movement	698,118	228,400
At the end of the year	**(726,114)**	**(1,424,232)**

20. Deferred income tax (continued)

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

(a) Group

Year ended 30 June 2018:	At 1 July 2017	Prior year (over)/under provision	Charged/ (credited) to income statement	Effects of exchange rate changes	At 30 June 2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities					
Property, plant and equipment on historical basis	4,869,229	102,798	868,696	(179,369)	5,661,354
Unrealised exchange gain/losses	226,759	80,412	(81,475)	2,864	228,560
Deferred income tax liabilities	**5,095,988**	**183,210**	**787,221**	**(176,505)**	**5,889,914**
Deferred income tax assets					
Property, plant and equipment on historical basis	(78,520)	(168,574)	(36,003)	1,692	(281,405)
Unrealised exchange gain/losses	(93,398)	(55,366)	(36,420)	400	(184,784)
Tax losses carried forward	(2,803,396)	88,741	802,294	(31,451)	(1,943,812)
Provisions	(329,264)	(11,570)	(615,715)	14,755	(941,794)
Deferred income tax assets	**(3,304,578)**	**(146,769)**	**114,156**	**(14,604)**	**(3,351,795)**
Net deferred income tax	**1,791,410**	**36,441**	**901,377**	**(191,109)**	**2,538,119**

Year ended 30 June 2017:	At 1 July 2016	Prior year (over)/under provision	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 gain/losses	193,151	(5,697)	40,630	(1,325)	226,759
Deferred income tax liabilities	**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 gain/losses	(731,013)	52,355	300,994	(38,018)	(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)
Derecognized deferred tax	-	-	322,322	(38)	322,284
Deferred income tax assets	**(3,937,403)**	**184,031**	**489,702**	**40,908**	**(3,304,578)**
Net deferred income tax	**1,303,190**	**112,214**	**439,340**	**(63,444)**	**1,791,410**

Notes (Continued)

20. Deferred income tax (continued)

(b) Company

Year ended 30 June 2018:	At 1 July 2017	Prior year (over)/ under provision	Charged/ (credited) to income statement	At 30 June 2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities				
Property, plant and equipment	16,287	(53,485)	(499)	(37,697)
Unrealised exchange gains	12,060	2,120	45,654	59,834
Deferred income tax liabilities	**28,347**	**(51,365)**	**45,155**	**22,137**
Deferred income tax assets				
Unrealised exchange losses	(664)	-	(60,585)	(61,249)
Provisions	(291,631)	(11,571)	7,523	(295,679)
Tax losses	(1,160,284)	88,741	680,220	(391,323)
Deferred income tax assets	**(1,452,579)**	**77,170**	**627,158**	**(748,251)**
Net deferred income tax	**(1,424,232)**	**25,805**	**672,313**	**(726,114)**

Year ended 30 June 2017:	At 1 July 2016	Prior year (over)/ under 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
Deferred income tax liabilities	**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)
Deferred income tax assets	**(1,713,690)**	**134,629**	**126,482**	**(1,452,579)**
Net deferred income tax	**(1,652,632)**	**83,416**	**144,984**	**(1,424,232)**

21. Property, plant and equipment

(a) Group

Year ended 30 June 2018

	Freehold property	Leasehold buildings	Plant and equipment	Motor vehicles	Returnable packaging	Capital work in progress	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost							
1 July 2017	4,611,690	3,047,596	38,358,297	81,626	13,829,816	4,553,792	64,482,817
Additions	177,011	37,509	2,075,654	-	1,370,384	9,368,176	13,028,734
Transfers from work in progress	258,557	41,103	1,011,850	-	684,444	(1,995,954)	-
Disposals	(50,188)	-	(40,128)	-	(153,786)	-	(244,102)
Transfer to intangible assets (Note 22)	-	-	-	-	-	(41,013)	(41,013)
Assets written off	-	-	-	-	(1,807,349)	-	(1,807,349)
Effect of exchange rate changes	(9,859)	(150,598)	(1,092,421)	(114)	(293,200)	(53,204)	(1,599,396)
At 30 June 2018	**4,987,211**	**2,975,610**	**40,313,252**	**81,512**	**13,630,309**	**11,831,797**	**73,819,691**
Depreciation							
At 1 July 2017	1,003,217	894,389	17,595,049	54,145	7,618,571	-	27,165,371
Charge for the year	88,707	67,579	1,844,879	195	1,494,055	-	3,495,415
On assets disposed	(18,130)	-	(24,419)	-	(130,676)	-	(173,225)
On assets written off	-	-	-	-	(1,402,943)	-	(1,402,943)
Effect of exchange rate changes	(5,763)	(36,757)	(407,134)	(84)	(179,033)	-	(628,771)
At 30 June 2018	**1,068,031**	**925,211**	**19,008,375**	**54,256**	**7,399,974**	**-**	**28,455,847**
Carrying amount at 30 June 2018	**3,919,180**	**2,050,399**	**21,304,877**	**27,256**	**6,230,335**	**11,831,797**	**45,363,844**

There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 34. The capital work in progress mainly relates to construction of a brewery in Kisumu, Kenya.

Included under additions to capital work in progress are borrowing costs of Kshs 299,944,000 incurred on the long term loan that was received during the year to finance the construction of the new brewery in Kisumu. The weighted average capitalization rate on funds borrowed is 10%.

Year ended 30 June 2017

	Freehold property	Leasehold buildings	Plant and equipment	Motor vehicles	Returnable packaging	Capital work in progress	Total
	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 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							
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**

Notes (Continued)

21. Property, plant and equipment (continued)

(a) Group (continued)

Year ended 30 June 2018 (continued)

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.

(b) Company

Year ended 30 June 2018

	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 2017	132,228	41,490	318,158	104,146	596,022
Additions	-	-	9,132	62,527	71,659
Transfers from work in progress	-	25,577	3,427	(29,004)	-
Transfers to intangible assets (Note 22 (b))	-	-	-	(1,858)	(1,858)
Assets written off	-	-	-	-	-
Transfers to Group companies	-	(34,940)	-	-	(34,940)
At 30 June	**132,228**	**32,127**	**330,717**	**135,811**	**630,883**
Depreciation					
1 July 2017	3,647	15,213	192,738	-	211,598
Transfers to Group companies	-	(10,496)	-	-	(10,496)
Charge for the year	711	1,240	45,442	-	47,393
At 30 June	**4,358**	**5,957**	**238,180**	**-**	**248,495**
Carrying amount at 30 June 2018	**127,870**	**26,170**	**92,537**	**135,811**	**382,388**

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

Year ended 30 June 2017

	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 Group Companies	126,946	-	(87,201)	(235,715)	(195,970)
At 30 June 2017	**132,228**	**41,490**	**318,158**	**104,146**	**596,022**
Depreciation					
At 1 July 2016	11,845	20,853	221,129	-	253,827
On assets disposed	(149,345)	(5,640)	(102,700)	-	(257,685)
Transfers from/to Group Companies	126,946	-	(1,713)	-	125,233
Charge for the year	14,201	-	76,022	-	90,223
At 30 June 2017	**3,647**	**15,213**	**192,738**	**-**	**211,598**
Carrying amount at 30 June 2017	**128,581**	**26,277**	**125,420**	**104,146**	**384,424**

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

22. Intangible assets - software

	2018	2017
(a) Group	**Kshs'000**	**Kshs'000**
Cost		
At 1 July	1,927,111	1,650,241
Additions	2,627	31,388
Disposals	-	(69,275)
Transfer from property, plant and equipment (Note 21(a))	41,013	315,268
Effect of exchange rate changes	(26,752)	(511)
At end of the year	**1,943,999**	**1,927,111**
Amortisation		
At 1 July	1,364,296	1,227,630
Charge for the year	149,249	101,788
Effect of exchange rate changes	(11,143)	34,878
At end of the year	**1,502,402**	**1,364,296**
Net book value	**441,597**	**562,815**
(b) Company		
Cost		
At 1 July	1,480,923	1,412,475
Additions	2,627	7,607
Disposals	-	(69,275)
Transfer from property and equipment (Note 21(b))	1,858	130,116
At end of the year	**1,485,408**	**1,480,923**
Amortisation		
At 1 July	1,198,379	1,139,847
Charge for the year	80,602	58,532
At end of the year	**1,278,981**	**1,198,379**
Net book value	**206,427**	**282,544**

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

Notes (Continued)

23. Intangible assets - goodwill and brand

(a) Goodwill

	Carrying amount at 1 July	Impairment charge	Effect of exchange rate changes	Carrying amount at 30 June
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Year ended 30 June 2018				
Serengeti Breweries Limited (SBL)	2,225,442	-	(106,882)	2,118,560
UDV (Kenya) Limited (UDV)	415,496	-	-	415,496
International Distillers (Uganda) Limited (IDU)	198,381	-	(19,873)	178,508
Total	**2,839,319**	**-**	**(126,755)**	**2,712,564**
Year ended 30 June 2017				
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**

Goodwill represents the excess of cost of acquisitions over the fair value of identifiable assets and liabilities of the respective Companies at acquisition date.

(b) Brand

	2018	2017
	Kshs'000	**Kshs'000**
At start of year	482,562	563,005
Effect of exchange rate changes	(23,168)	(80,443)
At end of year	**459,394**	**482,562**

The balance represents the purchase price allocation to the "Premium Serengeti Lager" brand at acquisition of Serengeti Breweries Limited.

(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.

(ii) Key assumptions used for fair value calculations

	Tanzania		Kenya		Uganda	
	2018	2017	2018	2017	2018	2017
EBITDA margin[1]	18%	12%	11%	11%	12%	12%
Terminal growth rate[2]	6%	5%	5%	5%	5%	5%
WACC rate[3]	15%	18%	12%	13%	12%	14%

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.

23. Intangible assets - goodwill and brand (continued)

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

(ii) Key assumptions used for fair value calculations (continued)

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 segments.

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

Serengeti Breweries Limited (SBL)

Based on the above assumptions, the recoverable value of the CGU exceeded the carrying net asset amount (including the goodwill) for SBL at 30 June 2018. As a result, the Group has not recognised an impairment charge 2017: impairment charge of Kshs 285 million).

UDV (Kenya) Limited (UDV) and International Distillers (Uganda) Limited (IDU)

Based on the above assumptions, the recoverable value of the CGU exceeded the carrying net asset amount (including the goodwill) for SBL, UDV and IDU at 30 June 2018. As a result, the Group has not recognised an impairment charge (2017: Nil).

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

Serengeti Breweries Limited (SBL)

Goodwill

There were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment charge in the SBL, UDV and IDU CGUs.

Brand

Based on the above assumptions, the recoverable value of the brand exceeded the carrying net asset amount for the brand at 30 June 2018. As a result, the Group has not recognised an impairment charge (2017: Nil).

24. Prepaid operating lease rentals

Leases of land have been classified as operating leases.

(a) Group

	2018	2017
	Kshs'000	**Kshs'000**
Cost		
At 1 July	21,743	16,698
Additions	-	5,066
Disposals	(11,328)	-
Effect of exchange rate changes	(74)	(21)
Carrying amount as at year ended	**10,341**	**21,743**
Amortisation		
At 1 July	6,751	6,389
Charge for the year	816	363
On disposals	(4,575)	-
Effect of exchange rate changes	(2)	(1)
Carrying amount as at year ended	**2,990**	**6,751**
Net book value	**7,351**	**14,992**

Notes (Continued)

24. Prepaid operating lease rentals (continued)

(b) Company

	2018	2017
	Kshs'000	Kshs'000
Cost:		
At 1 July	2,250	2,250
Transfers to intercompany	(870)	-
At end of year	**1,380**	**2,250**
Amortisation:		
At 1 July	1,126	1,055
Charge for the year	59	71
On assets transferred	(449)	-
At end of year	**736**	**1,126**
Net book value	**644**	**1,124**

25. Investments in subsidiaries

			Book value	
		Effective ownership interest	30-Jun-18	30-Jun-17
	Country of incorporation		Kshs'000	Kshs'000
Kenya Breweries Limited	Kenya	100%	22,377,809	22,377,809
Serengeti Breweries Limited	Tanzania	72.5%	15,992,891	4,942,998
Uganda Breweries Limited	Uganda	98%	687,648	687,648
UDV (Kenya) Limited	Kenya	46%	589,410	589,410
International Distillers Uganda Limited	Uganda	100%	300,000	300,000
EABL International Limited	Kenya	100%	150,000	150,000
EABL Tanzania Limited	Tanzania	100%	5,610	5,610
East African Breweries (Rwanda) Limited	Rwanda	100%	1,337	-
East African Beverages (South Sudan) Limited	South Sudan	99%	299	299
Salopia Limited	Kenya	100%	200	200
Allsopps (EA) Sales Limited	Kenya	100%	3	3
East African Breweries (Mauritius) Limited	Mauritius	100%	-	-
East African Maltings Limited	Kenya	100%	-	-
East African Maltings (Uganda) Limited	Uganda	100%	-	-
Kenya Liquor Distributors Limited	Kenya	100%	-	-
Harp Distributors Limited	Kenya	100%	-	-
International Distillers Kenya Limited	Kenya	100%	-	-
Kenya Distillers Limited	Kenya	100%	-	-
Gilbeys East Africa Limited	Kenya	100%	-	-
Net book amount			**40,105,207**	**29,053,977**

During the year, the Company made the following additional investments in subsidiaries:

25. Investments in subsidiaries (continued)

(a) Serengeti Breweries Limited (SBL)

As disclosed in Note 18, the Company increased its shareholding in SBL by conversion of loans receivable amounting to Shs 15,306,176,000 into equity shares. The conversion increased its effective shareholding in the subsidiary from 51% to 72.5%.

An impairment assessment of the carrying amount of the investment in SBL at Company level was performed at the year-end using the value in use model. The key assumptions used in the value in use model are as shown in Note 23. Based on the assumptions, the carrying amount of the investment was equivalent to the recoverable amount.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted cash flows used in the value-in-use calculation for the cash generating unit (CGU) had been 10% lower than management's estimates at 30 June 2018, the Group would have had to recognise an impairment against the carrying amount of the investment in subsidiary of Kshs 86,659,000.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (16.2% instead of 15.2%), the Group would have had to recognise an impairment against the carrying value of the investment in subsidiary of Kshs 318,001,000.

If the terminal growth rate applied to the cash flow projections of this CGU had been 1.5% lower than management's estimates (5.0% instead of 6.5%), the Group would have had to recognise an impairment against the carrying value of the investment in subsidiary of Kshs 514,637,000.

(b) East African Breweries (Rwanda) Limited

The Company has recognised its investment in East African Breweries (Rwanda) Limited, a Company that was incorporated to run marketing activities in Rwanda.

Movement in investment in subsidiaries:

The movement in the carrying amount of the total investment in subsidiaries figure is as reflected below:

	2018	2017
	Kshs'000	Kshs'000
At 1 July	29,053,977	29,053,977
Acquisition of additional interest in subsidiary (Note 18(b)		
- Investment loan converted to equity investment	15,306,176	-
- Capital contribution on behalf of NCI	(4,256,283)	-
Investment in East African Breweries (Rwanda) Limited	1,337	-
At 30 June	**40,105,207**	**29,053,977**

26. Other investments (Group and Company)

	2018	2017
	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**

27. Inventories

Group	2018	2017
	Kshs'000	Kshs'000
Raw materials and consumables	4,835,788	5,096,867
Work in progress	721,933	483,618
Finished goods	1,930,324	1,672,653
Goods in transit	394,561	219,956
	7,882,606	**7,473,094**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Kshs 21,639,676,000 (2017: Kshs 20,412,467,000).

Notes (Continued)

28. Trade and other receivables

(a) Group

	2018	2017
	Kshs'000	**Kshs'000**
Trade receivables	5,371,289	6,815,831
Less: provision for impairment losses	(685,942)	(822,526)
	4,685,347	**5,993,305**
Other receivables	2,657,087	3,024,375
Less: provision for impairment losses	(170,421)	(134,314)
Prepayments	423,502	325,642
Receivables from related companies (Note 35(a)(iii))	350,966	718,992
	7,946,481	**9,928,000**
Movement in provision for impairment losses:		
At 1 July	956,840	784,055
Impairment charge on trade receivables (Note 9(a))	137,650	210,505
Write offs	(238,127)	(37,720)
At 30 June	**856,363**	**956,840**

(b) Company

	2018	2017
	Kshs'000	**Kshs'000**
Trade receivables	512,080	590,159
Receivables from related companies (Note 35(b)(ii))	2,925,420	3,198,367
Other receivables	383,818	2,074,170
Prepayments	4,437	-
	3,825,755	**5,862,696**

29. Trade and other payables

	2018	2017
(a) Group	**Kshs'000**	**Kshs'000**
Trade payables	5,781,983	4,393,197
Other payables and accrued expenses	17,694,450	15,891,910
Payables to related parties (Note 35(a)(iii))	1,152,866	528,904
	24,629,299	**20,814,011**
(b) Company		
Trade payables	114,640	149,708
Payables to related parties (Note 35(b)(ii))	16,943,244	10,155,305
Other payables and accrued expenses	2,555,737	2,720,947
	19,613,621	**13,025,960**

30. Contingent liabilities

The Group has operations in several countries and is subject to a number of legal, customs duty, excise duty 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.

31. Commitments – Group

(i) Capital commitments

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

	2018	2017
	Kshs'000	**Kshs'000**
Contracted but not provided for	5,626,927	642,325
Authorised but not contracted for	4,573,991	798,067
	10,200,918	**1,440,392**

Capital commitments primarily relates to construction of a brewery in Kisumu.

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

	2018	2017
	Kshs'000	**Kshs'000**
Not later than 1 year	540,785	1,248,186
Later than 1 year and not later than 5 years	94,157	377,300
	634,942	**1,625,486**

(b) Group leases as lessor

The Group had entered into operating lease agreements for leasing part of its properties.The property under the operating lease agreement was sold of during the year. Future minimum lease receipts under operating leases are as follows:

	2018	2017
	Kshs'000	**Kshs'000**
Not later than 1 year	-	49,396
Later than 1 year and not later than 5 years	-	67,169
	-	**116,565**

Notes (Continued)

31. Commitments – Group (continued)

ii) Operating lease commitments (continued)

(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:

	2018	2017
	Kshs'000	**Kshs'000**
Not later than 1 year	70,875	121,940
Later than 1 year and not later than 5 years	55,056	277,156
	125,931	**399,096**

32. Cash generated from operations

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

Group

	2018	2017
	Kshs'000	**Kshs'000**
Profit before income tax	11,741,810	13,307,333
Adjusted for:		
Interest income (Note 12)	(81,949)	(81,686)
Interest expense (Note 12)	3,441,067	3,255,402
Depreciation (Note 21 (a))	3,495,415	3,328,169
Share based payments	14,584	-
(Profit) / loss on disposal of property, plant and equipment	(699,098)	212,965
Write off of property, plant and equipment	404,406	67,753
Impairment of goodwill (Note 23)	-	284,687
Fair value movement on derivative financial instruments	71,946	-
Amortisation of intangible asset - software (Note 22 (a))	149,249	101,788
Amortisation of prepaid operating lease rentals (Note 24 (a))	816	363
Cash generated from operations before working capital adjustments	**18,538,246**	**20,476,774**
Changes in working capital:		
-Trade and other receivables	15,015	608,209
-Inventories	(568,417)	563,305
-Trade and other payables	3,732,452	(124,682)
Cash generated from operations	**21,717,296**	**21,523,606**

32. Cash generated from operations (continued)

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

Company

	2018	2017
	Kshs'000	**Kshs'000**
Profit before income tax	2,460,326	9,464,281
Adjustments for:		
Interest income (Note 12(b))	(1,584,653)	(1,619,077)
Interest expense (Note 12(b))	3,881,863	4,019,349
Depreciation (Note 21 (b))	47,393	90,223
Share based payments	14,584	-
Write off of intangible assets	-	69,275
Amortisation of intangible asset - software (Note 22(b))	80,602	58,532
Amortisation of prepaid operating lease rentals (Note 24(b))	59	71
Dividend income	(7,798,813)	(9,723,594)
Fair value movement on derivative financial instruments	71,946	-
Loss on disposal of property and equipment	-	156,839
Release of prior year overprovision of current tax	329,693	786,122
Write off of loan receivable from subsidiary (Note 25)	4,256,282	-
Write off of investment loan	1,751,000	-
Cash generated from operations before working capital adjustments	**3,510,282**	**3,302,021**
Changes in working capital:		
-Trade and other receivables	150,470	(1,364,307)
-Inventory	(4,947)	(31,364)
-Trade and other payables	6,576,844	(2,142,062)
Cash generated from /(used in) operations	**10,232,649**	**(235,712)**

(b) Cash and cash equivalents

	2018	2017
	Kshs'000	**Kshs'000**
Group		
Cash and bank balances	3,588,370	3,907,473
Bank overdraft (Note 34(a))	(401,245)	(589,366)
	3,187,125	**3,318,107**
Company		
Cash and bank balances	1,685,800	1,927,851
Bank overdraft (Note 34(b))	(7,175)	(369)
	1,678,625	**1,927,482**

Notes (Continued)

32. Cash generated from operations (continued)

(c) Non-cash transactions

Group

	2018	2017
	Kshs'000	Kshs'000
Movement in trade and other receivables		
Movement per statement of financial position	1,981,519	1,644,146
Proceeds from sale of leasehold property	(1,762,500)	(994,500)
Foreign currency translation differences	(204,004)	(41,437)
Net movement in receivables as per cash flow	**15,015**	**608,209**
Movement in trade and other payables		
Movement per statement of financial position	3,815,288	(1,033,749)
Foreign currency translation differences	(82,837)	909,067
Net movement in payables as per cash flow	**3,732,451**	**(124,682)**

Company

	2018	2017
	Kshs'000	Kshs'000
Movement in trade and other receivables		
Movement per statement of financial position	3,971,483	(369,807)
Proceeds from sale of leasehold property	(1,762,500)	(994,500)
Write off of investment loan (EABSS)	(1,751,000)	-
Conversion of investment loan to equity investment (SBL)	(15,306,176)	-
Investment in long term loan (KBL)	15,000,000	-
Investment in subsidiaries (EABL Rwanda)	(1,337)	-
Net movement in receivables as per cash flow	**150,470**	**(1,364,307)**
Movement in non cash items in current tax		
Release of prior year overprovision	329,693	786,122
Net movement in receivables as per cash flow	**329,693**	**786,122**

33. Derivative financial instruments

The amount represents the fair value of forward foreign exchange contracts held to manage foreign currency risk on the Euro denominated borrowings (see Note 34). These derivative financial instruments are measured at fair value through profit or loss.

	2018	2017
	Kshs'000	Kshs'000
Derivative financial liabilities		
Foreign exchange forward contracts	71,946	-
	71,946	**-**

34. Borrowings

a) Group

	2018	2017
	Kshs'000	**Kshs'000**
The borrowings are made up as follows:		
Non-current		
Related party loan	11,469,236	11,469,236
Medium term note	11,000,000	11,000,000
Bank loans	8,077,553	5,019,038
	30,546,789	**27,488,274**
Current		
Borrowings	118,667	-
Bank overdraft	401,245	589,366
	519,912	**589,366**
	31,066,701	**28,077,640**

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

		2018	2017
		Kshs'000	**Kshs'000**
The movement in borrowings is as follows:			
At start of year		28,077,640	26,648,750
Advanced in the year	- Long term bank loan	4,907,194	-
	- Medium term note	-	6,000,000
	-Short term bank loan	3,800,000	2,500,000
Repayments in the year		(5,492,942)	(2,500,000)
Movement in bank overdrafts		(188,121)	(4,585,790)
Effect of exchange rate changes		(37,070)	14,680
At end of the year		**31,066,701**	**28,077,640**

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) (2017: 2%). This loan is unsecured.

ii. Bank loans comprise:
   - Long term loan from Stanbic Bank Kenya Limited of Kshs 4,520,000,000 at a weighted average interest rate of 6%. The loan is unsecured and matures 7 years from March 2018.
   - Medium term loan from Barclays Bank of Kenya Kshs 3,156,250,000 (2017:Kshs 4,500,000,000) at average annual interest rates of (CBR+300bps) which currently comes to12.50% (2017: 13.62%). 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 3,250,000 (2017: USD 3,250,000) at an effective interest rate of (3 months LIBOR+4.85%) which currently comes to 6% (2017: 6%). This facility is unsecured and matures on 30 April 2021.

iii. Medium term note of Kshs 11,000,000,000 (2017: Kshs 11,000,000,000) in two tranches. The first tranche (Kshs 5,000,000,000) is unsecured, has an annual interest rate of 12.95% (2017:12.95%) and matures in March 2020. The second tranche (Kshs 6,000,000,000), also unsecured has an annual interest rate of 14.17% (2017: 14.17%) and matures in March 2022.

iv. The bank overdraft has an effective interest rate of 10% (2017: 15.29%) and is sourced from Barclays Bank of Kenya, Barclays Bank of Uganda, Citibank Uganda, Citibank Tanzania and Citibank Kenya.

The Group is not in breach of any financial covenants for facilities issued by its bankers as at 30 June 2018. For the medium term note, the Capital Markets Authority has exempted the Group from maintaining a current assets ratio of 1 until 2020. The Group had available undrawn facilities of Kshs 13.4 billion as at 30 June 2018 (2017: Kshs 11 billion).

Notes (Continued)

34. Borrowings (continued)

(b) Company

The borrowings are made up as follows:

	2018	2017
	Kshs'000	Kshs'000
Non-current		
Related party loan	11,469,236	11,469,236
Medium term note	11,000,000	11,000,000
Bank loans	7,868,462	4,500,000
	30,337,698	**26,969,236**
Current		
Bank overdraft	7,175	369
Total borrowings	**30,344,873**	**26,969,605**

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:

	2018	2017
	Kshs'000	Kshs'000
At start of year	26,969,605	26,024,236
Advanced in the year - Long term bank loan	4,907,194	-
- Medium term note	-	6,000,000
-Short term bank loan	3,800,000	2,500,000
Repayments	(5,338,732)	(2,500,000)
Movement in bank overdrafts	6,806	(5,054,631)
At end of the year	**30,344,873**	**26,969,605**

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) (2017: 2%). This loan is unsecured.

ii. Bank loans comprise:

- Long term loan from Stanbic Bank Kenya Limited of Kshs 4,520,000,000 at annual interest rates of 6% drawn down during the year. This is part of a loan facility for EUR 60,000,000 and Kshs 5,000,000,000 loan. The loan is unsecured and matures 7 years from March 2018.
- Medium term loan from Barclays Bank of Kenya Kshs 3,156,250,000 (2017:Kshs 4,500,000,000) at average annual interest rates of (CBR+300bps) which currently comes to 12.50% (2017: 13.62%). 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 (2017: Kshs 11,000,000,000) in two tranches. The first tranche (Kshs 5,000,000,000) is unsecured, has an annual interest rate of 12.95% (2017:12.95%) and matures in March 2020. The second tranche (Kshs 6,000,000,000), also unsecured has an annual interest rate of 14.17% (2017: 14.17%) and matures in March 2022.

iv. The Company has a bank overdraft sourced from Barclays Bank of Kenya, Citibank Kenya and Standard Chartered Bank of Kenya at a rate of 10% (2017: 13.37%).

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

	2018	2017
	Kshs'000	Kshs'000
Diageo Great Britain Limited	1,554,262	843,508
Diageo North America, Inc	591,465	327,244
Diageo Ireland	273,040	265,571
Diageo Business Services Limited	155,614	68,517
Diageo Brands B.V.	111,386	39,168
Diageo Scotland Limited	109,718	-
Guinness Ghana Breweries Limited	29,050	-
Guinness Nigeria plc	12,844	15,343
Diageo plc	11,651	11,584
Other related parties	7,108	5,408
	2,856,138	**1,576,343**

(ii) Purchase of goods and services

	2018	2017
	Kshs'000	Kshs'000
Diageo Ireland	1,498,684	2,000,289
Diageo Brands B.V.	420,040	831,586
Diageo North America, Inc	354,455	284,266
Diageo Great Britain Limited	132,906	119,300
Guinness Cameroun S A	46,081	782
Diageo Scotland Limited	35,806	105,180
Diageo South Africa (Pty) Limited	33,387	30,860
United Spirits Singapore Pte. Limited	-	12,912
Other related parties	8,111	5,313
	2,529,470	**3,390,488**

Notes (Continued)

35. Related party transactions (continued)

(a) Group (continued)

(iii) Outstanding balances arising from sale and purchase of goods/services

	2018	2017
	Kshs'000	Kshs'000
Receivables from related parties		
Diageo Southern Africa Markets (Pty) Limited	105,639	73,760
Guinness Cameroun S.A.	51,971	8,129
Guinness Nigeria plc	23,838	21,490
Diageo Great Britain Limited	23,104	11,320
Diageo Supply Marracuene Limitada	9,482	23,224
Meta Abo Brewery Share Company	7,529	180,646
Diageo South Africa (Pty) Limited	5,031	18,690
Diageo Ireland	4,702	176,767
Diageo Mozambique Limitada	-	10,517
Diageo North America, Inc	-	42,317
Diageo Brands B.V.	-	10,840
Other related parties	21,676	40,954
	350,966	**718,992**
Payables to related parties		
Diageo Ireland	444,579	84,156
Diageo Great Britain Limited	397,215	118,528
Diageo Finance plc	102,752	123,302
Diageo Brands B.V.	108,191	84,902
Diageo North America, Inc	66,312	74,049
Diageo Business Services Hungary	12,943	21,062
Diageo Business Services India	-	16,060
Guinness Nigeria plc	-	2,602
Other related parties	20,874	4,243
	1,152,866	**528,904**
Long term debt		
Loan from Diageo Finance Plc	**11,469,236**	**11,469,236**

35. Related party transactions (continued)

(b) Company

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

	2018	2017
	Kshs'000	Kshs'000
Sale of goods and services		
Kenya Breweries Limited	1,501,955	1,539,268
UDV (Kenya) Limited	696,065	411,109
Uganda Breweries Limited	135,187	127,138
East African Maltings Limited	4,433	7,441
Other related parties	-	7,228
	2,337,640	**2,092,184**
Purchase of goods and services		
Kenya Breweries Limited	2,742,801	2,946,932
Diageo Great Britain Limited	540,766	577,322
Diageo Scotland Limited	93,243	164,670
Uganda Breweries Limited	68,890	60,474
Diageo Business Services India	62,774	102,659
Diageo South Africa (Pty) Limited	39,890	32,623
Diageo Brands B.V.	33,372	45,490
Guinness Ghana Breweries Limited	28,796	11,208
Diageo North America, Inc	27,338	40,006
Diageo Americas Supply Inc	15,653	20,679
Guiness Nigeria plc	12,844	16,835
Other related parties	19,292	31,225
	3,774,490	**4,171,045**

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

Non current assets:

	2018	2017
	Kshs'000	Kshs'000
Loans receivable from related parties		
Kenya Breweries Limited	15,000,000	-
Uganda Breweries Limited	1,759,774	1,954,853
East African Maltings Limited	1,742,662	1,742,662
East African Beverages (South Sudan) Limited	-	1,433,287
Serengeti Breweries Limited	-	15,306,176
	18,502,436	**20,436,978**

The company advanced loans to the subsidiaries to finance their capital expenditure and working capital requirements as part of the Group's centralized treasure management process. The loans are repayable on demand depending on the cash flows of the subsidiaries. At the year end, the company had committed not to recall the loans for at least twelve months from the date of approval of the financial statements. The loans receivable are unsecured. They attract interest based on the Central Bank of Kenya Rate (CBR) plus 2.5% p.a.

Notes (Continued)

35. Related party transactions (continued)

(b) Company (continued)

Current assets:

	2018	2017
	Kshs'000	Kshs'000
Receivables from subsidiaries		
Kenya Breweries Limited	1,933,792	1,562,673
East African Maltings Limited	629,090	914,880
UDV (Kenya) Limited	96,321	55,628
Uganda Breweries Limited	46,338	7,287
East African Beverages (South Sudan) Limited	-	163,711
Serengeti Breweries Limited	-	8,296
	2,705,541	**2,712,475**
Receivables from related parties		
Diageo Southern Africa Markets (Pty) Limited	100,608	73,760
Diageo Supply Marracuene Limitada	51,376	51,376
Diageo Great Britain Limited	23,104	11,302
Meta Abo Brewery Share Company	11,679	7,796
Diageo North America, Inc	9,482	23,224
Diageo Scotland Limited	5,031	18,690
Seychelles Breweries Limited	800	82,274
Guinness Nigeria plc	-	10,517
Diageo Mozambique Limitada	-	2,873
Other related parties	11,649	11,369
	219,879	**485,892**
Total current assets	**2,925,420**	**3,198,367**

Current liabilities:

	2018	2017
	Kshs'000	Kshs'000
Payables to subsidiaries		
Kenya Breweries Limited	9,577,351	3,064,349
UDV (Kenya) Limited	4,558,847	4,422,995
EABL international limited	2,659,896	2,514,026
East African Maltings Limited	8,796	-
Employee Share Ownership Plan (ESOP)	5,343	-
East African Breweries (Rwanda) Limited	1,152	-
	16,811,385	**10,001,370**
Payables to related parties		
Diageo Great Britain Limited	102,752	123,302
Diageo Americas Supply	12,943	15,125
Diageo Finance plc	-	14,089
Other related parties	16,164	1,419
	131,859	**153,935**
Total current liabilities	**16,943,244**	**10,155,305**

35. Related party transactions (continued)

(b) Company (continued)

Non-current liabilities:

	2018	2017
	Kshs'000	**Kshs'000**
Long term debt		
Loan from Diageo Finance Plc	11,469,236	11,469,236
	11,469,236	**11,469,236**

(c) Other related party disclosures

(i) Directors' remuneration

	2018	2017
	Kshs'000	**Kshs'000**
Group		
Fees for services as a Director	37,754	16,134
Share based payments	39,459	29,384
Other emoluments (included in key management compensation in (ii) below)	181,618	240,121
	258,831	**285,639**

Directors' remuneration include fees in relation to Non-Executive Directors and compensation to Executive Directors in the Company and its subsidiaries.

	2018	2017
	Kshs'000	**Kshs'000**
Company		
Fees for services as a Director	37,754	16,134
Share based payments	32,469	25,784
Other emoluments (included in key management compensation in (ii) below)	145,493	184,418
	215,716	**226,336**

(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:

	2018	2017
	Kshs'000	**Kshs'000**
Salaries and other shorter term employment benefits	952,511	854,722
Share based payments	79,444	31,294
Post-employment benefits	49,420	49,416
	1,081,375	**935,432**

36. Events after the reporting period

There were no material events after the reporting period requiring adjustment to, or disclosure in the financial statements.

Principal shareholders and share distribution

The ten largest shareholdings in the Company and the respective number of shares held at 30 June 2018 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%
Guiness Overseas Limited	20,628,804	2.61%
	395,608,434	**50.03%**
Standard Chartered Nominees Non-Resd. A/C KE10085	16,880,000	2.13%
Standard Chartered Nominees Non-Resd. A/C 9069	16,305,847	2.06%
Kenya Commercial Bank Nominees Limited A/C 915B	10,834,544	1.37%
Standard Chartered Kenya Nominees Ltd A/C KE003315	8,327,449	1.05%
Standard Chartered Nominees Non-Resd. A/C KE8723	6,599,600	0.83%
Kenya Commercial Bank Nominees Limited A/C 915A	6,541,117	0.83%
Standard Chartered Nominee Account KE17682	5,635,240	0.71%
Total number of shares	**466,732,231**	**59.02%**

Distribution of shareholders	Number of shares	Number of shareholders	%
1 – 500 shares	2,365,592	12,461	0.30%
501 – 5,000 shares	15,473,601	9,687	1.96%
5,001 – 10,000 shares	6,753,226	953	0.85%
10,001 – 100,000 shares	39,001,889	1,371	4.93%
100,001 – 1,000,000 shares	116,962,032	373	14.79%
Over 1,000,000 shares	610,218,016	78	77.17%
Total	**790,774,356**	**24,923**	**100.00%**

EABL Directors' shareholding as at 30 June 2018:

Director's names	Number of shares
Alan Shonubi	2,800
Jane Karuku	1,296
Carol Musyoka	1,882

Information to Shareholders

EABL is pleased to inform you that its share registrar – CandR 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 CandR shareholder services department for further assistance.

2. Send a Query - here a shareholder can raise a query online and have CandR 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.


TUSKER

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 96th Annual General Meeting of the Company to be held on the 19th of September 2018 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 and 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 96th Annual General Meeting of East African Breweries Limited which will be held at **Safari Park Hotel, Ruaraka, Nairobi on 19th September 2018 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 96 wa Kampuni kufanyika Septemba xx, 2018 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.
   Mibadala lazima yawe yamekamilika na kurudishwa kwa Ofisi ya Kampuni iliyosajiliwa ama Huduma ya Usimamizi na Usajili yaani Custody and 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.
3. 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 96 wa East African Breweries Limited utakaofanyika katika Safari Park Hotel, Ruaraka, Nairobi,

Septemba 19, 2018 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

Notes


KBL
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