



## 2013 Annual Report

East African Breweries Limited

Building East Africa's  
Most Celebrated  
Business...



# Contents

<b>Financial Highlights</b>	<b>5</b>
<b>Chairman's Statement</b>	<b>6</b>
<b>Brands</b>	<b>10</b>
Investing behind our Iconic Beer Brands	12
Growing Faster with Spirits	16
Innovation to meet new Consumer Needs	18
<b>Supply Chain</b>	<b>22</b>
Production	24
Agriculture	24
<b>People</b>	<b>28</b>
Building our Talent	31
Building our Culture, Celebrating our Legacy	32
Building our Staff Welfare	32
<b>Reputation</b>	<b>34</b>
Community Engagement	36
Responsible Drinking	38
Compliance and Ethics	39
<b>Performance</b>	<b>42</b>
Board of Directors	44
Notice of the Annual General Meeting	46
Corporate Governance	50
Shareholding Structure	55
Financial Section	58

# Quick Overview

Building East Africa's most celebrated business through our...

## Brands



Five Gold & Six Silver Awards - Monde 2013

Tusker, Tusker Malt, Tusker Lite, Serengeti Premium Lager and Uganda Waragi scooped gold awards from the prestigious Monde Selection.

## Supply Chain



We firmly adhere to world-class standards in order to produce only the best. Recognition of our seamless supply chain is proof of our meticulous, quality raw material sourcing and manufacturing processes keen to deliver superior products consistently.

## People



EABL declared 'Best Company to Work For' in Kenya

Our commitment to creating the best working environment for our staff has taken us to greater heights.

## Reputation



By positively contributing to the development of the communities around us, we promote overall growth for all.

# Financial Highlights

**Net Sales Value** Kshs('000,000)

**59,061,875m** in 2013

55,522,166m in 2012



**Profit Before Tax** Kshs('000,000)

**11,114,919m** in 2013

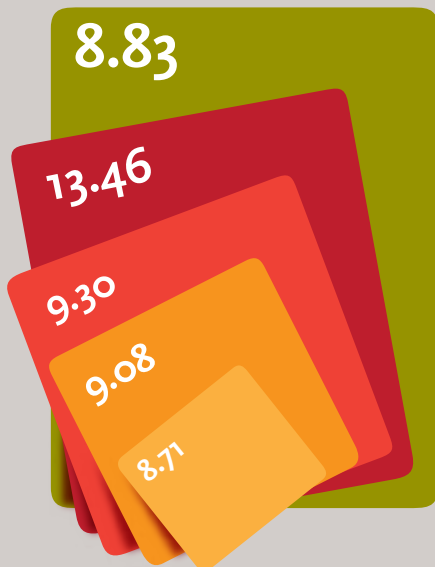
15,253,049m in 2012



**Earnings per Share** Kshs

**8.83** in 2013

13.46 in 2012



**Dividend per Share** Kshs

**5.50** in 2013

8.75 in 2012



■ 2013 
 ■ 2012 
 ■ 2011 
 ■ 2010 
 ■ 2009



# Chairman's Statement

We have completed another exciting year for EABL, as we move closer to our goal of building Eastern Africa's most celebrated business.

East African Breweries Limited (EABL) is the leading beverage alcohol company in Eastern Africa. We have strong brands and a proven business model which spans seven countries in the region. This geographic diversity presents us with an attractive long-term growth opportunity given the forecast high growth rates of the consumer economies where we operate.

We are encouraged by the increasing stability we are seeing in the region both economically and politically. Interest rates and inflation are broadly stable, prospects for oil and gas exploitation are improving, and infrastructure development is accelerating. Peaceful elections held in Kenya in 2013 should act as a springboard for further investment in the region. These are positive indicators that bolster our confidence in the continued growth of the consumer economies in our region.

However, the geographic diversity that EABL enjoys can also expose us to any areas of volatility across the region. This was demonstrated during the last financial year where we saw strong market growth in Kenya but experienced some market softness in Uganda, Tanzania and South Sudan. In Uganda, there was an economic slowdown which affected consumer purchasing power; in Tanzania, the beverage alcohol sector contracted following a 25% rise in excise duty; and in South Sudan, there was a scarcity of hard currency which impacted the consumer economy.

In spite of this, EABL delivered a robust performance in the financial year, with net sales growth of 6% and growth of 0.2% in operating profit before financing and exceptional items. We believe that this growth demonstrates the strength of EABL's business model and its resilience in the face of some tough market conditions.

We also made significant progress on our strategic agenda in the year. We have made deliberate choices to build a legacy that will stand the test of time through the investments we make.

In the financial year, EABL invested Kshs 6 billion in net capital expenditure. Our latest investments include a new and expanded warehouse at the Kenya Breweries Limited plant, a new packaging line in Uganda, a new spirits line and a yeast recovery plant in Kenya. We are procuring new dual purpose vessel tanks and bright beer tanks to enhance our brewing efficiency. We have also completed the construction of effluent treatment plants in all our sites.

As part of our manufacturing excellence programmes, we achieved key milestones in having our key beer brands being produced at all brewing sites, eliminating the need to export the brands across the markets. As a result, we now have Tusker Lager, Tusker Lite, Tusker Malt Lager, Guinness, Pilsner and Senator being brewed in Uganda and Tanzania.

We are committed to strengthening the consumer equity of our brands. Our investment in advertising and promotion rose by 11% in the year, and I am proud

# Taarifa Ya Mwenyekiti

Tumekamilisha mwaka mwingine wa kulisimua EABL, huku tukizidi kukaribia lengo letu la kujenga biashara iliyosifika zaidi katika kanda la Afrika Mashariki.

Kampuni ya East African Breweries Limited (EABL) inaongoza katika utengenezaji wa vinywaji vya pombe katika eneo la Afrika Mashariki. Tuna bidhaa bora pamoja na mpangilio wa biashara iliyothibitika, katika nchi saba eneo hili. Umahiri wetu wa kijiografia unatupa nafasi murwa ya kujiendeleza kwa kipindi cha muda mrefu, hasa kufuatia utabiri wa uchumi unaoendelea kuimarika kwa kasi eneo hili letu.

Tunahamasishwa na utulivu unaoboreka wa kiuchumi pamoja na wa kisiasa katika eneo la Afrika Mashariki. Viwango vya riba pamoja na mifumuko ya bei viliweza kubaki imara, matarajio ya ugunduzi wa mafuta na gesi ya kuchimba yanaimarika, na pia maendeleo ya miundombinu inazidi kwa kasi. Uchaguzi nchini Kenya ulioendelezwa kwa amani mwaka wa 2013 utaweza kustawisha uwekezaji wa kibiashara katika kanda hili la Afrika Mashariki. Hivi ni viashiria muhimu vinavyoimarisha imani yetu katika ukuaji wa uchumi wa matumizi katika kanda letu la Afrika Mashariki.

Hata hivyo, umahiri wetu wa kijiografia unaoendeleza kampuni ya EABL pia huenda ukaweza kutuambulia hali tete zilizo kwenye eneo hili letu. Hali hii ilidhihirika wazi mwaka jana tulipoweza kuimarisha uthabiti wetu wa kisoko nchini Kenya, ilhali soko katika nchi zinginezo za Uganda, Tanzania na Kusini mwa Sudan zikionyesha udhaifu. Nchini Uganda kutoimarika kwa uchumi ulipunguza uwezo wa ununuzi kwa wateja; nchini Tanzania, sekta ya utengenezaji wa pombe iliadhiriwa kutokana na nyongeza ya ushuru wa bidhaa kwa asili mia 25; na pia Kusini mwa Sudan, ukosefu wa pesa za kigeni ulidhuru uchumi wa ununuzi.

Licha ya hayo, kampuni ya EABL iliimarika katika mwaka wa kifedha, tukinakili ukuaji wa mauzo ya asilimia 6, na ukuaji wa faida ya uendeshaji ya asilimia 0.2 kabla ya kutoa athari za shughuli za kipekee na za kifedha. Tunaamini ya kwamba ukuaji huu unathibitisha umaarufu wa mpangilio wa biashara ya EABL pamoja na ujasiri wake dhidi ya hali ngumu ya soko.

Pia, tumeweza kupiga hatua kubwa kimkakati katika mwaka jana. Tumetekeleza uamuzi makusudi wa kukuza urithi utakaodumu kupitia uwekezaji wetu.

Katika mwaka huo wa kifedha, kampuni ya EABL iliwekeza mtaji halisi wa shilingi bilioni 6. Maongezo ya mtaji hivi karibuni ni pamoja na upanuzi wa ghala mpya katika kiwanda cha Kenya Breweries, kiwanda cha ufungaji bidhaa nchini Uganda, kiwanda cha mvinyo pamoja na cha chachu nchini Kenya. Tulileta bomba mpya ili kuendeleza ufanisi wetu wa utengenezaji wa pombe. Pia, tumekamilisha ujenzi wa zana za usafishaji wa maji taka katika maeneo yetu yote.

Kwa upande wa mipango yetu ya kuboresha utengenezaji, tulifikia hatua kubwa ya kuhakikisha bidhaa zetu muhimu zinatengenezwa katika viwanda vyetu vyote, hii ikituondolea changamoto ya kusafirisha nje bidhaa hizi kwa soko mbalimbali. Hivyo basi, bidhaa za Tusker Lager, Tusker Lite, Tusker Malt Lager, Guinness, Pilsner na Senator sasa zinatengenezwa nchini Uganda na Tanzania.

Tumejitolea kuimarisha umaarufu wa bidhaa zetu kwa wateja wetu. Uwekezaji wetu katika matangazo na ukuzaji wa mauzo uliongezeka kwa asili mia 11 katika mwaka, na najivunia juhudi za timu zetu kwenye nyanja hii, zikiwemo;

of the work that our teams have delivered in this area: Tusker's "It's Our Time", the new "Bell Nation", the Serengeti Fiesta, the relaunch of Pilsner lager being just a few of the highlights. Our commitment to quality was demonstrated by the award of five Gold and six Silver medals at the global Monde Selection annual awards for product excellence.

We strengthened our spirits portfolio with the introduction of the Reserve portfolio of super-premium spirits. Johnnie Walker celebrated the progress of Paul Tergat in its "Walking with Giants" campaign; Smirnoff brought a new twist to nights out with its Nightlife events and Baileys was relaunched in a sleek new bottle.

We continued to accelerate our Innovation agenda. Tusker Lite and SNAPP, a premium apple-flavoured alcoholic drink launched in the previous year, both continue to perform well. Balozi, Kibo Gold and Jebel Special were all launched by EABL during the 2013 financial year.

livelihoods for an estimated 26,000 partners across the agricultural value chain.

Over the past years, EABL has made significant investments in line with its growth strategy: in particular the purchase of 51% of Serengeti Breweries Limited in Tanzania and the purchase of the 20% shareholding in Kenya Breweries Limited that we did not already own. The structural and financing changes that this brought – including a one-off financial benefit seen in the previous financial year when we sold our shareholding in Tanzania Breweries Limited and the impact of interest payments on a Kshs 19.5bn loan – can be seen in this year's financial statements. As a result of these financing and exceptional items, our profit attributable to shareholders declined by 38% to Kshs 7bn. The Board remains confident that these investments were made in the long-term interests of our shareholders.

***"We are committed to creating a winning environment that supports the attraction, growth and retention of great talent in the business."***

Our people continue to be our greatest asset at EABL. We are committed to creating a winning environment that supports the attraction, growth and retention of great talent in the business. EABL Kenya was awarded the 'Best Company to Work For' in a survey undertaken by Deloitte. EABL also delivered the highest super engagement scores in Diageo Africa, in an annual staff Values Survey. Super engagement is the measure of the extent to which employees are committed to EABL's goals, believe in our values and want to give their best effort to our business.

Reputation is a key pillar that drives the way we do business and relate to the communities where we operate. EABL is committed to investing in programmes that benefit our local communities: our Water of Life initiatives will positively impact a million people in the region, our involvement in responsible drinking and road safety programmes will help ensure that our industry has a positive impact on its consumers. During the year, our commitment to local sourcing of raw materials achieved the milestone of sourcing 10,000 metric tonnes of locally-grown sorghum from farmers in Kenya alone. We have rolled out programmes to recruit even more farmers to grow sorghum, an exercise that continues to support improved

At the Executive level, Devlin Hainsworth left the business at the end of the third quarter to pursue other interests outside Diageo and we thank him for the contribution he made during his time as the Group CEO and Managing Director of EABL. Consequently Charles Ireland joined our business as the CEO and Managing Director from 1st April 2013. Charles has a long history with Diageo and was, before this appointment, the Managing Director of Guinness Anchor Berhad, a publically-listed drinks business in Malaysia. We welcome Charles to our business. The Board has full confidence that Charles will steer our great business to new heights in service of achieving our growth ambition.

Let me thank all stakeholders who made this financial year a success. It is my strong belief that we are on the right track by making conscious investment decisions now to build the most celebrated business in Eastern Africa.

## **Charles Muchene**

Chairman

“Ni Wakati Wetu” ya Tusker, kampeni za “Bell Nation”, na “Serengeti Fiesta” na pia uzinduzi upya wa bidhaa ya Pilsner Lager. Hali ya juu ya ubora wa bidhaa zetu ilidhihirishwa tulipotuzwa medali tano za dhahabu na sita za fedha katika tuzo kuu duniani ya Monde Selection, inayoendelezwa kila mwaka.

Tuliimarisha kitengo cha vinywaji kali kwa kuzindua bidhaa za hifadhi ya juu. Johnnie Walker ilishangilia mwanariadha maarufu Paul Tergat katika kampeni yake ya “Walking with Giants” (Tembea na Mabingwa); bidhaa ya Smirnoff ilichangamsha tamasha za burudani usiku ilhali Baileys ilizindua chupa mpya ya kuvutia.

Tuliendelea kuchapuzwa mipangilio yetu ya uvumbuzi wa bidhaa mpya. Bidhaa za Tusker Lite na SNAPP ambayo ni mvinyo wa hali ya juu ulio na ladha ya tofaa zilizunduliwa mwaka uliopita. Bidhaa hizo zinazidi kuimarika. Bidhaa za Balozi, Kibo Gold na Jebel Special zilizunduliwa katika mwaka wa kifedha, 2013.

Watu wetu ndio mali yetu kuu ya kujivunia katika EABL. Tunazidi kujitolea kuboresha mazingira ya kazi yenye uwezo wa kuvutia, kukuza na kuhifadhi walio na vipaji kuu katika biashara letu. Kampuni ya EABL ilituzwa tuzo ya ‘Best Company to Work For’ ama kampuni bora zaidi ya kuajiriwa nchini Kenya; kufuatia utafiti uliofanywa na shirika la Deloitte. Kampuni ya EABL ilikuwa na alama za juu; haswa kwa kuzingatia motisha ya wafanyakazi (super-engagement). Kiwango cha motisha hupima bidii ya wafanyakazi inayohitajika kuafikia malengo ya EABL, imani yao kwa maadili yetu na pia juhudi zao katika biashara yetu.

Sifa ni nguzo muhimu inayoongoza jinsi tunavyotekeleza biashara letu na pia tunavyohusiana na jamii katika mazingira yetu. Kampuni ya EABL imejitolea kuwekeza katika miradi tofauti ya kunufaisha jamii zetu: Mradi wa Maji, yaani ‘Water of Life’ umenufaisha watu milioni moja katika eneo la Afrika Mashariki, ilhali ule wa kuhusika kwetu katika mipango ya kuimarisha uwajibikaji wa kunywa, pamoja na mpango wa kuimarisha usalama barabarani yote yatachangia kuhakikisha sekta yetu inanufaisha wateja wetu. Mipangilio yetu mwakani ya kupata malighafi humu nchini ilituwezesha kufikia hatua muhimu ya kununua tani 10,000 za mtama yanayozalishwa na wakulima wetu humu nchini. Tumeanzisha miradi ya kusajili wakulima zaidi wa kukuza mtama, juhudi inayoendelea kuimarisha maisha ya wakulima takriban 26,000 katika sekta ya ukulima.

Kwa miaka iliyopita, kampuni ya EABL imewekeza vilivyo kwenye mipango ya ukuzi: haswa ununuzi wa asili mia 51 ya Serengeti Breweries nchini Tanzania pamoja na ununuzi wa asili mia 20 wa umiliki uliokuwa si wetu, wa kampuni ya Kenya Breweries Limited. Mabadiliko ya muundo na ya kifedha – ikiwemo faida ya kifedha ya kipekee ya mwaka jana tulipouza umiliki wetu katika kampuni ya Tanzania Breweries Limited pamoja na athari za malipo ya riba kwa mkopo wa shilingi bilioni 19.5 – yamebainika katika taarifa za kifedha za mwaka huu. Haya yamesababisha faida ya wamiliki kupunguka kwa asili mia 38 hadi shilingi bilioni 7. Halmashauri ina matumaini makubwa ya kuwa uwekezaji huu ulitekelezwa kwa manufaa ya wamiliki wetu kwa siku zijazo.

Katika ngazi ya utendaji, Devlin Hainsworth aliondoka katika robo ya tatu ya mwaka ili kufuatilia maslahi yake ya kibinafsi nje ya EABL na tunamshukuru kwa changio lake kama Afisa Mkuu Mtendaji na pia Mkurugenzi Mkuu wa Kampuni ya EABL. Hivyo basi, Charles Ireland alijiunga nasi kwenye wadhifa huu mnamo tarehe mosi Aprili 2013. Charles amekuwa na Diageo kwa muda mrefu na kabla ya kujiunga nasi, alikuwa Mkurugenzi Mkuu wa Guinness Anchor Berhad, biashara ya Vinywaji ya umma iliyosajilishwa nchini Malaysia. Tunamkaribisha Charles. Halmashauri ina imani tosha ya kwamba Charles ataelekeza biashara yetu hadi ngazi mpya zitakochangia lengo letu kuu la ukuaji.

Ninachukua nafasi hii kuwashukuru wadau wetu waliochangia na kuwezesha mwaka huu wa kifedha kuwa wa mafanikio. Nina imani thabiti ya kwamba tuko kwenye njia mwafaka kwa uamuzi wetu wa uwekezaji utakaojenga biashara inayosifika zaidi kote Afrika Mashariki.

## Charles Muchene

Mwenyekiti

# Brands





# Brands

## Investing behind our Iconic Beer Brands

### TUSKER LAGER

Tusker Lager continued to build a strong base across East Africa through its innovative and compelling consumer engagements throughout the year. Besides unveiling a fresh thematic campaign in Kenya; 'It's Our Time', in December the brand's equity building platforms included the 5th edition of Tusker Project Fame which is televised across Africa attracting up to ten million viewers. Tusker Lager has also cemented its strong sporting credentials through its sponsorship of the Tusker Premier League in Kenya and the legendary CECAFA regional championship. The football calendar also brought home crowd pulling contests between Kenya's Harambee Stars, sponsored by Tusker, and Nigeria's Super Eagles as well as South Africa's Bafana Bafana. We also managed to reach about 40,000 rugby fans through our sponsorship of the Kenya Rugby Union.



TUSKER FC players celebrate after clinching the 2012 Tusker Premier League Cup

## BELL LAGER



Bell Lager, our flagship brand in Uganda brewed since 1950, was recognized as one of Uganda's Super Brands in 2012. Bell Lager was also voted best quality beer brand in Uganda for the 2nd year in row in the annual Kampala City Traders Association awards that recognise innovative products that enforce standards and deliver customer satisfaction as verified by the Uganda National Bureau of Standards. The year also saw Bell Lager drive a number of consumer activations, including the sponsorship of the first ever Kampala City Council Carnival that attracted over 50,000 people. The Bell Soccer Fiesta that has introduced a new form of entertainment mixed with the traditional sports was another notable sponsorship. The 'Bell Nation' thematic campaign has also reinforced Bell Lager's status as part of Uganda's national heritage.

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## SERENGETI PREMIUM LAGER

Our flagship brand in Tanzania, Serengeti Premium Lager, was again recognized by Superbrands East Africa this year and its continued high quality resulted in another Gold Award in the Monde Selection in May 2013. The brand's connection with consumers was enhanced through the 'Tupo Pamoja' promotion campaign launched in March 2013 as well as through continued support of the Serengeti Fiesta, a festival which runs throughout Tanzania each year culminating in a musical extravaganza in Dar es Salaam.

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## GUINNESS

The iconic Guinness brand has seen strong growth in East Africa during the year, being very active in targeted consumer initiatives and campaigns across the region. The exciting 'Ticket to Greatness' campaign saw hundreds of Guinness consumers rewarded for their ambitions and drive to success. 'Guinness VIP', a unique mobile social community site for Guinness consumers, also allowed consumers to demonstrate their passion for life and football. The year also saw the brand engage consumers across East Africa in the 3rd edition of the pan-African 'Guinness Football Challenge' that saw a Kenyan duo take home the prize. Other inspiring campaigns during the year included 'At the Table of Men' and 'Made of More'.

## TUSKER MALT LAGER

Tusker Malt Lager, EABL's first premium beer brand, launched the exclusive TML 100 Club; bringing together loyal consumers who enjoy benefits such as discounts in partner outlets and exclusive invitations to inspiring 'African Soul Music' concerts across East Africa. This initiative promotes the discovery of local African musical talent that has not had an opportunity to perform on a wider stage. Other TML sponsored activities included the '2013 Kenya Open Golf Championship', the 'Marketers Night Out' and the quarterly 'All that Jazz' concerts. We were delighted when Tusker Malt Lager received a Gold Award at the prestigious Monde Selection in 2013, recognising its superior quality.



# LEADERS IN QUALITY, ONCE AGAIN!

## Five Gold & Six Silver Awards - Monde 2013



Tusker, Tusker Malt, Tusker Lite, Serengeti Premium Lager and Uganda Waragi scooped gold awards from the prestigious Monde Selection at its 52nd Annual Awards Ceremony in Stockholm, Sweden, held in May 2013.

Founded in 1961, Monde Selection's mission is to test consumer products and grant them a bronze, silver, gold or grand gold quality. Monde Selection; International Institute for Quality Selections, has been developing a unique expertise to test and analyse consumer goods from all over the world and grant them an internationally renowned quality award.

This form of recognition is held in high regard and means an indisputable guarantee of quality for our consumers. White Cap, Kibo Gold, Bell, Senator and Pilsner Lager were not left behind; each scooping a Silver award.



## TUSKER LITE

Tusker Lite has continued to expand across East Africa during the year, being launched in Tanzania in November 2012. The 'Tusker Lite Experience' events continue to reinforce the easy-going lifestyle inspired by the brand's attributes through high-profile concerts featuring international music icons among them R&B icon, Johnny Gill, in September 2012 and queen of neo soul and four-time Grammy award winner, Erykah Badu, in December 2012. Tusker Lite's quality was also recognised by a Gold Award at the Monde Selection in 2013.

## PILSNER

A major highlight of the year in Kenya was the unveiling of the new Pilsner Lager pack in a move meant to re-ignite the brand essence amongst its consumers, through a rejuvenated consumer campaign dubbed the 'King of Bold'. Pilsner Lager also championed a three-month national pool tournament dubbed 'League of Kings Pool Challenge' in the hunt for a Kenyan representative to the 2013 World Eightball Pool Championships in the UK. Pilsner Lager is one of East Africa's largest regional beer brands, with presence in Kenya, Uganda, Tanzania, Southern Sudan and Rwanda.

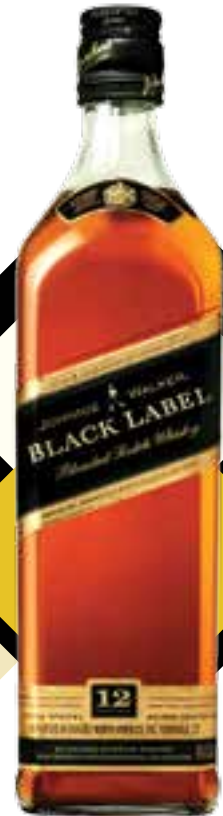


# ◆ Growing Faster with Spirits

## JOHNNIE WALKER

The world's leading Scotch Whisky brand, Johnnie Walker, unveiled the global 'Walk With Giants' campaign across East Africa that saw multiple Olympic medallist and world record holder Paul Tergat inducted as one of the world's most inspirational men, making him the first East African to be included in the global campaign. His inspiring tale of perseverance against all odds truly demonstrates the tenets of 'inspiring personal progress' in an emotional and compelling way for East Africans everywhere to keep walking. This was followed by the 'Where Flavour is King' campaign which focused on an array of rich and intense flavours found in each blend. The brand also offered premium gifting throughout the December 2012 festive season and notable occasions all through the year. The full range of Johnnie Walker is now available in East Africa, with the launch of Johnnie Walker Platinum Label in Uganda and Tanzania during the year. Johnnie Walker Blue Label sponsored the All Africa Business Leaders Awards Lifetime Achievement accolade, awarded to an individual who has contributed to business growth, innovation, technology and development of the highest quality product and services.

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## BAILEYS

Our leading cream liqueur brand, Baileys, unveiled a new-look pack in the Kenyan market that boasts a truly feminine form. Baileys is an Irish whiskey and cream-based liqueur, a favourite of the sassy, sophisticated, African woman and the world's number one selling liqueur. Other events sponsored by the brand include the 'Baileys VIP Experience', 'Baileys Day' and the 'Emporium of Desire'.

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## SMIRNOFF

Smirnoff vodka, the world's bestselling premium distilled spirit, is known for extraordinary drinks and extraordinary nights. To bring this to life, we launched the signature Smirnoff events dubbed 'The Night - Smirnoff Night Life Experience' during the year. These experiential events brought to life the brand through delivery of an original drinking experience, original entertainment, original environment and original social interactions launched across major towns in Kenya and Uganda.

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## RESERVE BRANDS PORTFOLIO

Our Reserve Brands Portfolio, which was launched in Kenya and Uganda during the year, represents our luxury range of spirits and includes the multi-award winning portfolio of Johnnie Walker Blue Label, Gold Label Reserve, and Platinum Label Blended Scotch Whiskies, Ketel One vodka, Zacapa rum, Don Julio tequila, Cîroc vodka and Tanqueray No. Ten gin. Also included in this portfolio are our 'Classic Malts' collection of Single Malt Scotch Whisky brands, such as Talisker, Caol ila, Singleton of Dufftown, and Cardhu. These super-premium and ultra-premium brands have been launched alongside activations at luxury hotels, clubs and restaurants which include bar tendering and mixology mentorship, whisky tasting events, cabinet displays and tailored cocktail and food menus.



## SNAPP

SNAPP, a sparkling alcoholic drink, was launched last year and continues to be a world class innovation on its own scale as a sophisticated product targeted at modern women. This year the brand was once again the title sponsor of the annual Miss World Kenya pageant which is hugely aspirational for the brand's target consumers.

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# Innovation to meet new Consumer Needs



## BALOZI LAGER

Balozhi Lager is the newest addition to our beer brands portfolio. Launched into the Kenyan market in December 2012, Balozhi Lager is a rich natural tasting beer made from pure water originating from the Aberdares and the finest malted barley with no added sugar.

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## JEBEL SPECIAL

Our youngest spirit brand 'Jebel Special' is an expertly blended spirit for the Kenyan lower-income consumer segment which was launched in December 2012, providing consumers with a high quality and affordable product. Jebel Special has been an immediate success; only four days after its launch the brand recorded a record 12,700 cases sold and after three months had sold 140,000 cases achieving a 6% volume share of spirits in Kenya. Eight months down, the brand continues to grow.

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## KIBO GOLD LAGER

Kibo Gold Lager was re-introduced into the northern part of Tanzania in June 2012, as a regional mainstream lager. Kibo Gold Lager is produced in SBL's Moshi brewery and widely distributed throughout the northern part of Tanzania in key regions including Kilimanjaro, Arusha, Tanga and Manyara.

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## SENATOR SPECIAL AND SENATOR EXTRA

Barely eight years into its existence, Senator is currently Kenya's largest selling beer by volume, and is available in different formats across East Africa. As one of our most innovative brands, Senator continues to win popularity amongst consumers seeking an affordable high quality alternative to illicit and traditional brews. Examples of how sustained innovation of the original Senator brand continue to offer more value for money to consumers include the launch of Senator Extra in Rwanda during this year and the introduction of Senator Special, already available in Tanzania, into South Western Uganda in December 2012.

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# A GOOD PARTY NEVER RUNS OUT OF ICE.

**SERVE SMIRNOFF ICE. NOW AVAILABLE IN CANS.**

**Available in all leading supermarkets.**



EXCESSIVE CONSUMPTION OF ALCOHOL  
STRICTLY NOT FOR SALE TO PERSONS UNDER 21



ALCOHOL IS HARMFUL TO YOUR HEALTH.  
MINOR 18 YEARS. PLEASE DRINK RESPONSIBLY.

# Supply Chain





# Supply Chain

We firmly adhere to world-class standards in order to produce only the best. Recognition of our seamless supply chain is proof of our meticulous, quality raw material sourcing and manufacturing processes keen to deliver superior products consistently.

## Production

### Significant CAPEX Investments

In the last year, we sustained our focus on capital expenditure and investments in our Supply Chain and Route to Market operations across East Africa. Our net capital expenditure stood at Ksh.6bn covering new projects across the region including efficiency and expansion projects in Kenya, increased packaging in Uganda and environmental efficiency improvements in Tanzania.

Investment in new markets saw our efficiencies streamlined and international business grow by 20% occasioned by introduction of cans and further strengthening of our distributor network in South Sudan and the Great Lakes region. In Kenya, we launched the brew house capacity expansion project at the Tusker Ruaraka plant to increase the brewery's efficiency. To further revamp our warehouse and distribution capability, we embarked on construction of a warehouse and logistics handling plant set to go live in the second half of F14. In Uganda, we commissioned the mash filter in October 2012 increasing the Port Bell plant's brewing capacity. We have since embarked on expansion of the packaging capacity at the plant to match the increased capacity brought on stream by the mash filter. Tanzania's effluent treatment plant (ETP) at the SBL Mwanza brewery also went live last year, significantly boosting the plant's capacity in treating wastewater from the production line.

## Agriculture

### Introducing new Barley Varieties

This year, in collaboration with Syngenta (EA) Ltd and the Moi University - Eldoret, we availed new superior barley varieties to farmers. The new varieties which include Quench, Cocktail, HKBL-13 and HKBL-5, have superior agronomic characteristics and better brewing qualities, compared to the established cultivated varieties. Such technological advancement resulted in increased yields for many farmers during the year's harvests. EABL is committed to continuously developing enduring relationships with farmers, injecting additional value to our agricultural supply chain process.



## Building on Farmers' Best Practice



One of the mandates of our agriculture department is to provide extension services to barley farmers and create forums for knowledge and information exchange. In this regard, in Kenya we organized an exchange tour from Mau to Mount Kenya region where barley farmers were able to discuss pertinent issues and share best practice ideas. Over 17,000 farmers have benefited from Uganda Breweries' sorghum and barley initiatives which commenced in 2001, providing farmers access to high quality seeds, fertilisers, equipment and financial support. As a result of our involvement in farming initiatives, in November 2012 EABL was invited to participate at the third East African Roundtable Forum on the Kenyan agricultural sector to discuss private/public sector partnership in sustainable farming.

## Accelerating our Sorghum Agenda

The development of the sorghum value chain in Kenya began in 2008 and now includes sourcing from farmers in Uganda and Tanzania. For example, most of the sorghum previously grown by small scale farmers in the Eastern Province of Kenya has now expanded to include the Western region of Kenya and parts of the Rift Valley. During the year, EABL which previously sourced sorghum from 60,000 Kenyan farmers, targeted recruiting a further 25,000 new households to produce sorghum to meet rising demand. Similarly Uganda Breweries Limited undertook a recruitment drive focussed on the Kapchorwa commercial farmers in Eastern Uganda to increase the amount of locally sourced sorghum used in production.

## A SUSTAINABLE GROWTH STORY as narrated by one of our farmers



Local ingredients can make the best beer and the best sense for the environment, for farmers, for communities and for our business. Sourcing and producing sorghum locally goes a long way in strengthening our supply chain and improving the livelihoods of our farmers. John's story is a true testament of this. John Mwenda became a sorghum farmer three years ago. His first crop was planted on five acres of land and has since expanded to ten acres with ten employees at the farm. Mr. Mwenda is one of the beneficiaries of our local raw material sourcing project; run by our subsidiary East African Maltings Limited in partnership with the European Co-operative for Rural Development, that aims to increase sorghum cultivation across East Africa. Sorghum is more drought-resistant than other crops such as barley, and it offers a sustainable yield from otherwise unproductive land, especially in water-stressed areas. Through this project, we have been able to provide small-scale farmers, particularly in dry regions, with the tools they need to produce more sorghum sustainably. We also continually advise them on new varieties and practices, provide access to seeds and credit as well as access to ready markets for their crops. This project builds on decades of experience with farmers growing barley to contract, and of partnerships with public and private institutions. Combined with innovative ways of making beer, we believe sorghum can strengthen the foundations of a sustainable brewing industry in East Africa for many years to come.



# **CELEBRATING SUPERIOR QUALITY**

**Recipient of 5 Monde Selection Gold Quality awards and 6 Silver Quality awards.  
Our Brands, Our Pride.**

**Recognition of the quality of our brands is not just seen as appreciation of our superior products but as the celebration of a dedicated team comitted to Our brands, Our pride.**

Heavenly Gathu  
Peter Maina  
Nicholus Mwova  
Colman Hanna  
Helen Kiilu  
Willis Alice Kilembe  
Felix Mitula  
Naftaly Ndungu  
Michael Muiruri  
Bernard Oyoo  
Agnes Acom

**THE TEAM**

Doreen Lugaria  
Margaret Gachihi  
Samwel Kariuki  
Frank Mrazek  
Peter Stanley Minja  
Joseph Kibe  
Anthony Njeru

**People**





# Building our People

Our commitment to growing our people and creating the best working environment for our staff is of critical importance to EABL. We continue to attract and retain great talent from reputable companies not just across East Africa but also from further afield.

## EABL declared '*Best Company to Work For*' in Kenya

We clinched the top position in Kenya's inaugural 'Deloitte Best Company to Work for Survey' (BCTWFS) awards in 2012, sealing our position as the leading employer of choice in Kenya. The BCTWFS results, announced in October 2012, pitted us against 16 other top companies, recognizing employers that have successfully adapted their talent retention strategies and developed strong corporate brands during the year.

The survey was carried out using a unique benchmarking process for the first time in Kenya following successful similar surveys conducted by Deloitte in Southern Africa since 2000. The aim of the survey is to identify and celebrate the best companies to work for as rated by their most important stakeholder group, their employees.



**Inset:** Group Human Resource Director Paul Kasimu receives the award trophy and certificate from Deloitte CEO Sammy Onyango.

## Building our Talent

### We continue to grow our offering of exciting talent programmes to accelerate the growth of our next crop of leaders.

The Early Career Programme, focuses on bringing new graduates into the business and growing them through a three year development programme. The programme equips the graduates with the right functional and leadership capabilities needed in their early years in the business to set them up for future success.

Our Growing Leaders Programme, targeted to growing leadership skills for top performers at the senior manager level for senior director roles in the near future, continues to have great returns for us as we promote leaders into critical roles across the business following their graduation from the programme.

This year saw the introduction of a new acceleration programme, the Future Leaders Programme, a Diageo global initiative identifying emerging junior managers who have shown potential to be future leaders of the business and grow their potential as it builds its next set of general managers. We were fortunate enough to have three individuals across the business qualify to the programme and commence their exciting journey with international rotations in New York, London and Singapore. We wish them all the best in their leadership journey.

EABL also operates a programme of internal secondments and assignments for its staff, providing the opportunity for high performing individuals to move across EABL's markets. For example, during this year 11 employees of Uganda Breweries Limited were seconded to Kenya Breweries Limited or Serengeti Breweries Limited, or to other Diageo companies outside East Africa.

Our renowned Diageo Leadership Performance Programme was revamped and rolled out this year. The programme aims to release the full possibility of our senior directors' potential, and individuals in senior leadership roles that have previously not gone through the programme had the opportunity to commence their journey this year. We have nine employees in the programme.

## **Building our culture, celebrating our legacy**

**Each year, we conduct a Values Survey to measure how well we are living and demonstrating our core business values on a daily basis across our businesses.**

Once again we recorded an upswing in employee participation with a 90% response rate and an overall engagement of 93%. Super-engagement is the measure of the extent to which employees are committed to our goals, believe in our values and want to give their best effort to our business. This year we had an average super engagement score of 49%.

## **Building our staff welfare**

**We continue to ensure our workforce stays healthy through our medical benefit scheme and employee wellness programme.**

Our clinic facility in Kenya was enhanced during the year and now provides specialists' services to employees and their families. These services include dental, dermatological, paediatric, gynaecological and nutritional. In-house laboratory services are also available at the clinic making total medical services easily accessible to employees. Similarly, in our brewery at Port Bell in Uganda, a new fully resourced clinic was opened to ensure our people get speedy and highly professional medical attention at the workplace. There are similar clinics at our breweries in Tanzania.

Our wellness programme provides additional health and wellbeing initiatives to employees. This year, a training programme for our employees' domestic staff was introduced in Kenya. This programme is aimed at increasing their knowledge and skills on first aid, baby care, hygiene and nutrition; giving our employees peace of mind when at work. Part of this programme included starting a baby and well-woman clinic, proving to be a very popular channel for sharing knowledge and best practice with professionals.



# IT'S OUR TIME.

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

# Reputation







# Reputation

By positively contributing to the development of the communities around us, we promote overall growth for all.



## Community Engagement

### Water of Life

Our Water of Life programme (WoL) continues to extend its coverage across the region with several projects having been completed during the financial year.

In Uganda, we commissioned the Jinja Hospital rainwater-harvesting project as part of the World Water Day celebrations providing the institution with a water reservoir and overhead tanks with a total capacity of 150,000 litres. The facility, serving over seven districts in Eastern Uganda, is set to positively impact 320,000 people per year. Other completed projects include water and sanitation facilities at the Ggaba landing site and Mbuya Kinawataka. We also supported the construction of a fish cleaning slab in Luzira Port Bell and ablution block facilities in Busia, Eastern Uganda. In addition, we distributed water filters to over 50 health centres in South Western Uganda, ensuring patients have access to clean drinking water.

In Kenya we donated water tanks to one of Nairobi's most heavily populated slums, MuKuru, providing clean and safe water in an area where sanitation facilities are virtually non-existent posing a health and hygiene risk to area residents. Other projects include a borehole facility in Kariobangi constructed in partnership with the Global Peace Festival Foundation, a water facility in the Wagai Health Centre located in Gem District and another at Sauri Millennium Village in Nyanza. The team also funded the drilling of a borehole and installation of water tanks in Mirera, Naivasha that is poised to benefit over 40,000 area residents.

In Tanzania, we commissioned a water project at Sekou Toure, Mwanza graced by Tanzania's first lady Mama Salma Kikwete as the chief guest. The facility, which stands to benefit 160,000 residents, hosts an electric water pump, a 10,000 litre water tank and a 100 metre borehole that can deliver up to 240,000 litres of water per day.

At the end of the year, we successfully provided clean water to over 997,000 people across East Africa through our WoL programme.

## Environment Conservation

The year saw the Save the Mau Trust environmental conservation initiative reach its target of planting one million seedlings since its inception in 2009. The seedlings had an impressive survival rate of up to 85% due to the care that was provided by the trustee organisations during the project.

In Tanzania, Serengeti Breweries Limited continued to intensify its commitment towards strengthening community relations during the year. In May 2013, an eight-member Changombe B Community Development Committee was hosted at the Dar es Salaam brewery in a familiarization tour. The community leaders were briefed on a number of our development projects, including the brewery's effluent treatment plant which boosts the company's capacity in treating wastewater from the production line.

These environmental conservation and social investment-led activities have greatly enhanced our relationship with the larger community; of note was the special focus on projects that will ensure increased water access and security in the community.

## Special Relief Projects

We broadly categorize special projects as national emergency incidents where we can significantly add value to the community. In the past year we responded to an emergency call from Uganda Red Cross and the Government of Uganda to support the flood affected population in Kasese District, by providing UGX 30 Million worth of water treatment and equipment for construction of sanitation facilities.

# A QUESTION OF SUPPLY

## Access to clean water for Tanzania's health services

Approximately two-thirds of health facilities in Tanzania's Songea district of the Ruvuma region lack regular supply to clean water posing a significant health problem. To improve access to clean and safe water for the 50,000 people who use the Mletele public primary health facility and the surrounding Songea residents, we committed Ksh 3.5 Million to construct boreholes and install a hand water pump in partnership with the African Medical and Research Foundation (AMREF) at the facility. We have also committed an additional Ksh 3.8 Million to AMREF for a similar project at the Mkamba public primary health facility located in Dar es Salaam poised to benefit an additional 10,100 people with access to clean. Through these projects we actively strengthen the governance of and community participation in water management in across the region.



## Skills for Life

EABL has continued to support educational initiatives including recruiting new scholars. During the year, a total of 20 scholars were sponsored by the EABL Foundation through their studies at universities including Strathmore University and the University of Nairobi in Kenya, Makerere and Kyambogo Universities in Uganda and the University of Dar es Salaam and Mzume University in Tanzania. To date over 200 students have been sponsored.



# Responsible Drinking

EABL has taken the lead in initiating a number of Responsible Drinking campaigns during the year. In Kenya, EABL partnered with the government and other members of the National Road Safety Trust in the launch of a three year national campaign against road traffic accidents. The initiative named 'Toa Sauti' aims to raise awareness and rally the public into taking action to reduce the number of accidents occurring on Kenyan roads by taking personal responsibility for their actions. EABL also worked with the government to launch the 'Ji-Mind' initiative to address the problem of cheap illicit alcohol through innovative educational road shows held in prime areas across the country.

In December 2012 Uganda Breweries Limited launched a Responsible Drinking campaign dubbed; 'Red Card! Zero Tolerance to Drunk Driving', in partnership with the Uganda police. The objective of the campaign was to influence behaviour change and reduce incidences of drunk driving. The campaign generated excitement, debate and high awareness around responsible drinking and pioneered introduction of the 'Replacement Driver' concept. 300 traffic



Launching the 'Don't Drink and Drive Campaign' in Uganda

police officers, bar owners and accredited taxi cab drivers have since been trained on how to manage patrons who are seen as most likely to drink and drive. The campaign also catalysed the enforcement of an anti-drunk driving legislation by the Uganda Police. Similarly, Serengeti Breweries limited sponsored the annual Tanzania road safety week for the third year in a row.

In Rwanda, EABL International partnered with other drinks industry companies to sign a new Code of Commercial Communication for Alcohol Beverages which led to the formation of the Alcohol Beverage Industry Rwanda in March 2013.



# Compliance and Ethics

To help our employees make the right decisions at the work place, EABL has a comprehensive corporate governance structure and a robust compliance and ethics programme, known as the Code of Business Conduct. Doing business with integrity goes beyond having a good corporate governance framework and compliance with policies, procedures and regulations. It is about creating a culture in which each EABL employee behaves with integrity on behalf of the company, every day, in whatever situation. By establishing a culture that demands the highest integrity from all of us, we believe that we are making EABL one of the most trusted and respected companies in East Africa.

This year all our employees across East Africa again attended our popular 'Pathway of Pride' training programme which has been entrenching an ethical culture in our business since 2010. Pathway of Pride goes beyond basic Code of Business Conduct training to address the particular compliance and ethics issues faced by our employees in East Africa. It provides a forum for sharing experiences and ideas and helps answer employees' questions about the interpretation of our Code and policies. Led by senior management, the workshops bring together employees for an interactive and engaging session designed to foster an environment of accountability and integrity. They focus on creating a culture change in the way EABL works by engaging and inspiring employees to consistently uphold ethics and integrity at work.

As an inaugural signatory to the Code of Ethics for Business in Kenya, sponsored by the Global Compact Network Kenya, the Kenya Association of Manufacturers and the Kenya Private Sector Alliance, EABL has been recognised for taking the lead in demonstrable commitment to ethics in business and good corporate governance during the year. For example, in November 2012 EABL hosted a visit to its offices by representatives of various other Kenyan businesses as part of a benchmarking exercise to enable businesses to learn from the experiences of others in setting up and embedding a culture of compliance and ethics.



Through our Water of Life programme  
We are proud to have  
touched the lives of **997,150**  
people in East Africa  
in the last year



# Performance





# Board of Directors



## **A** Mr. Charles Muchene (56)

Non-Executive Group Chairman  
Kenyan

Mr. Charles Muchene was appointed to the Board as Non-Executive Director of the Company in February 2011 and as Chairman in February 2012.

Mr. Muchene was previously the Country Senior Partner of PricewaterhouseCoopers, a multinational professional firm that provides auditing, tax and advisory services to major businesses in the region. For over a decade, he has actively participated in various forums on issues affecting businesses in the region. He is one of the founders and a past Chairman of the East African Business Summit.

He holds a Bachelor of Commerce degree from the University of Nairobi, is a Fellow of the Institute of Certified Public Accountants of Kenya, a Member of the Institute of Certified Public Secretaries of Kenya as well as the Institute of Directors. Mr Muchene also serves as a Non-Executive Director of Cfc Stanbic Holdings Limited and Cfc Stanbic Bank Limited in addition to other private companies.

## **B** Dr. Nick Blazquez (52)

Non-Executive Group Deputy Chairman  
British

Appointed to the Board as Non-Executive Director in August 2005. He is President of Diageo, Africa, Turkey, Russia Central and Eastern Europe and Global Sales. He

is also a member of the Diageo Executive Committee. He has worked with Diageo for 24 years in a number of senior roles in Asia and Europe. He is a Non-Executive Director of Mercy Corps (UK). He holds a Bachelor of Science from the University of Aberdeen and a Ph.D. from the University of Bristol.

## **C** Mr. Charles Ireland (48)

Group Managing Director  
British

Mr. Charles Ireland was appointed Group Managing Director & CEO in April 2013. Prior to this appointment, he was the Managing Director of Guinness Anchor Berhad, Diageo's premium beer joint venture business in Malaysia, for the previous five years.

Mr. Ireland joined Diageo in 1997 from Nestle, and held a number of senior positions including General Manager of Diageo Philippines, Commercial Director Asia before being appointed to manage Guinness Anchor Berhad in 2008.

## **D** Ms. Tracey Barnes (50)

Group Finance Director  
British

Ms. Tracey Barnes was appointed Group Finance Director in February 2012.

She joined Diageo in 1998 and has held several senior management positions including Operational Finance Director Netherlands, Ireland and North America; working closely with sales and marketing, as well as supply for both spirits and beer business.

Before joining Diageo, she served as a Regional Finance Manager and a Divisional Finance Director in Eastman Kodak, based in the UK.

Ms. Barnes holds a Masters of Arts in Biochemistry from Oxford University, UK. She is an associate member of the Institute of Chartered Accountants of England and Wales and also trained as an auditor and management consultant with PricewaterhouseCoopers.



**E Mr. Evanson Mwaniki (74)**

Non-Executive Director  
Kenyan

Mr. Evanson Mwaniki joined the Board in October 2000.

He has extensive business knowledge, having worked for several local and international blue-chip companies. He is the Non-Executive Chairman of Kenya Airways Limited. In addition, he sits on the Boards of East African Packaging Industries Limited, Lion of Kenya Insurance Company Limited and Zimele Asset Management Company Limited.

Mr. Mwaniki holds a Bachelor of Arts degree from the University of London.

**F Ms. Constance Gakonyo (48)**

Non-Executive Director  
Kenyan

Ms. Constance Gakonyo was appointed to the Board in July 2009. She has held a variety of positions including Legal Consultant for the Performance Management portfolio for the Africa/Asia SABMiller, Strategic Resources Director of Nile Breweries, Director HR and Legal Affairs Castle Brewing Kenya Limited and Group Legal and HR Manager of Standard Newspapers Group Limited.

She holds an LLB, Diploma in Law, MBA (Strategic Management) and is a member of the Law Society of Kenya, Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators.

**G Dr. Alan Shonubi (54)**

Non-Executive Director  
Ugandan

Appointed to the Board in July 2009, Dr. Alan Shonubi is an advocate and Notary Public and the founding partner of the Ugandan law firm Shonubi, Musoke & Co. Advocates.

He is ranked one of 'the World's Leading Lawyers in Uganda by Chambers Global. A former President of the East Africa Law Society and Chairman of the National Library of Uganda, Dr. Shonubi is a reputable business leader in Uganda and a Director of several private companies including Uganda Baati Limited, Cooper Motors Corporation, Golf Course Holdings (Garden City), AAR Health Services and Interswitch Uganda Limited.

**H Mrs. Susan Githuku (53)**

Non-Executive Director  
Kenyan

Joining the Board in February 2012, Mrs Susan Githuku is the Founder and CEO of Human Performance Dynamics Africa, a boutique Organizational Development & Human Resources consulting firm. She previously served as the Coca-Cola Africa Group HR Director. Mrs. Githuku is also the Founder of Footprints Press Limited, a publishing house that seeks to tell positive stories of Africa. She holds a Masters Degree in Development Economics from Strathclyde University, Glasgow, Scotland and a Bachelor's Degree in Economics and Psychology from St. Lawrence University, New York, USA.

**I Ms. Siobhan Moriarty (51)**

Non-Executive Director  
Irish

Appointed to the Board in February 2012, Ms. Siobhan Moriarty is a lawyer and currently holds the position of General Counsel of Diageo plc, a role she was appointed to in July 2013, and sits on the Diageo Executive Committee.

She has served in a number of roles within Diageo including Corporate M&A Counsel and Regional Counsel, Ireland before taking on responsibility for leadership of legal matters in Europe as General Counsel for Diageo Europe.

**J Mr. Mark Bomani (81)**

Non-Executive Director  
Tanzanian

Mr. Mark Bomani, appointed to the Board in May 2011, is an advocate in private practice in Tanzania specialising in the provision of consultancies in corporate law, arbitration, conveyancing, and constitutional law.

He holds a Bachelor of Arts degree from Makerere University, Kampala, in history, economics and political science and a Bachelor of Law from London University.

Mr. Bomani was the first indigenous Attorney General of Tanzania, a position he held for 11 years. He has been a senior legal adviser to the Government of Namibia and was a part time Judge of the Court of Appeal, Tanzania.

**K Mrs. Jane Karuku (51)**

Non-Executive Director  
Kenyan

Mrs. Jane Karuku was appointed as a Director in September 2013. Since April 2012, Mrs. Karuku has been the President of Alliance for a Green Revolution in Africa, an organization committed to fighting food insecurity in Africa and promoting smallholder agriculture transformation. She has held a number of senior positions in various companies including Deputy Chief Executive & Secretary General, Telkom Kenya and Managing Director, Cadbury East & Central Africa.


Mrs. Karuku holds a Bachelor of Science Degree in Food Science and Technology from the University of Nairobi and an MBA in Marketing from the National University of California. She is also a Non-Executive Director of the Barclays Bank of Kenya, a Board Member of the Global Sustainability Index and a Trustee of the United States International University, Kenya.

**L Ms. Ruth Ngobi (52)**

Company Secretary  
Kenyan

Appointed Company Secretary in April 2013, Ms. Ruth Ngobi was educated in both Kenya and the UK and qualified as a lawyer in 1985.

Ms. Ngobi worked with Unilever Kenya Limited for 15 years as Company Secretary before joining British American Tobacco Kenya Ltd in August 2002 as Company Secretary and Area Legal Counsel. In 2010, she founded Cosoc Solutions which provides company secretarial services and corporate governance solutions to various companies. She is a Non-Executive Director on the Boards of CFC Stanbic Bank Limited and CFC Stanbic Holdings Limited and a member of the Public Procurement Oversight Authority Board.



# Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninety-First Annual General Meeting of East African Breweries Limited will be held at Safari Park Hotel, Ruaraka, Nairobi, on 31 October 2013, at 11:00 a.m. for the following purposes:-

## Ordinary Business

1. To receive, consider and if approved, adopt the Company's audited financial statements for the year ended 30 June 2013, together with the reports of the Chairman, Directors and Auditors thereon.
2. To confirm the interim dividend of KShs 1.50 per ordinary share paid on 12 April 2013 and to declare a final dividend of KShs 4.00 per ordinary share payable, net of Withholding Tax, on or about the 1 November 2013 to Shareholders on the Register at the close of business on 30 September 2013.
3. To elect Directors:
  - Mr. C. Ireland retires and being eligible, offers himself for re-election in accordance with Article 108 of the Articles of Association.
  - Mrs. J.W. Karuku retires and being eligible, offers herself for re-election in accordance with Article 108 of the Articles of Association.
  - Mr. C. Muchene retires by rotation and being eligible, offers himself for re-election in accordance with Article 109 of the Articles of Association.
  - Dr. A. Shonubi retires by rotation and being eligible, offers himself for re-election in accordance with Article 109 of the Articles of Association.
  - Mr. E. Mwaniki retires by rotation and being eligible, offers himself for re-election in accordance with Article 109 of the Articles of Association.
4. To approve an increase in the Directors Fees to a total of KShs 10,981,269 for all Non-Executive Directors together.
5. To note that Messrs KPMG continue in office as the auditor under Section 159(2) of the Companies Act and to authorise the Directors to fix their remuneration.

# Ilani ya Mkutano wa Mwaka

ILANI IMETOLEWA kwamba mkutano mkuu wa tisini na moja wa kampuni ya East African Breweries Limited utafanyika katika uga wa hoteli ya Safari Park, Ruaraka, Nairobi tarehe 31 Oktoba mwaka 2013, saa tano asubuhi kwa madhumuni yafuatayo:

## Shughuli za Kawaida

1. Kupokea, kudhukuru na kupitisha taarifa za kifedha za Kampuni zilizokaguliwa baada ya kudhibitishwa kwa mwaka ulioishia 30 Juni 2013, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wakaguzi.
2. Kuidhinisha mgao wa muda wa shilingi 1.50 kwa kila hisa ya kawaida ya shilingi iliyolipwa tarehe 12 Aprili 2013 na kutangaza mgawo wa mwisho wa shilingi 4.00 kwa kila hisa ya kawaida itakayolipwa baada ya kodi ya uzuio kuondolewa, mnamo au 1 Novemba 2013 kwa wanahisa waliosajiliwa kwenye daftari wakati wa kufunga biashara tarehe 30 Septemba 2013.
3. Kuwachagua Wakurugenzi:
  - (i) Bw. C. Ireland anastaafu, na kwa kuwa anahitimu, anajiwasilisha kuchaguliwa tena kwa mujibu wa Kifungo cha 108 cha Kanuni za Kampuni.
  - (ii) Bi. J.W. Karuku anastaafu, na kwa kuwa anahitimu, anajiwasilisha kuchaguliwa tena kwa mujibu wa Kifungo cha 108 cha Kanuni za Kampuni.
  - (iii) Bw. C. Muchene anastaafu kwa zamu na kwa kuwa anahitimu, anajiwasilisha kuchaguliwa tena kwa mujibu wa Kifungo cha 109 cha Kanuni za Kampuni.
  - (iv) Bw. A. Shonubi anastaafu kwa zamu na kwa kuwa anahitimu, anajiwasilisha kuchaguliwa tena kwa mujibu wa Kifungo cha 109 cha Kanuni za Kampuni.
  - (v) Bw. E. anastaafu kwa zamu na kwa kuwa anahitimu, anajiwasilisha kuchaguliwa tena kwa mujibu wa Kifungo cha 109 cha Kanuni za Kampuni.
4. Kuthibitisha kuongeza kwa Ada za Wakurugenzi hadi Kshilingi 10,981,269 kwa Wakurugenzi wote wasio Watendaji.
5. Kufahamu kwamba KPMG wataendelea kuwa Wakaguzi wa Kampuni kwa mujibu wa Sehemu ya 159(2) ya Sheria zinazosimamia Makampuni na kuidhinisha Wakurugenzi kuamua malipo yao.

## Special Business

6. To consider and if thought fit, to pass the following Special Resolutions:

“That the Articles of Association of the Company be amended as follows:

### Article 2:

In paragraph (q) by deleting the word “Authority” in line three, by deleting the word “and” appearing between the words “(Chapter 485A)” and “The Central Depositories 2000”) and replacing it with a comma, and by inserting the following into paragraph (q) after the term “The Central Depositories Act, 2000) and before the word “including” “and The Unclaimed Financial Assets Act, No. 40 of 2011”).

### Articles 38, 39, 40 and 41:

By deleting Articles 38, 39, 40 and 41 in their entirety and substituting the following new Article as Article 38 immediately after Article 37 to read:

*“The Company shall, as required by the Unclaimed Financial Assets Act, deliver or pay to the Unclaimed Financial Assets Authority any unclaimed assets including but not limited to shares and dividends in the Company presumed to be abandoned or unclaimed in law and any dividends remaining unclaimed beyond prescribed statutory periods and the Board may perform such acts as may be necessary to effect such delivery or payment. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the Member or his or her estate, for the relevant unclaimed assets.”*

### Article 157:

By deleting the following first two sentences of Article 157 as follows:

*“All unclaimed dividends, interest or other sums payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed for a period of three years after having been declared shall be forfeited and cease to remain owing by the Company.”*

### Article 168:

By deleting paragraph (c) of Article 168 in its entirety and substituting it with the following new paragraph (c) to read:

*“(c) by sending it by electronic means to an address for the time being notified to the Company by the member.”*

### Article 169:

By deleting paragraph (a) of Article 169 in its entirety.

### Re-numbering:

To re-number the remaining Articles and paragraphs of the Articles of Association accordingly.

By Order of the Board

R. T. Ngobi (Ms.)  
Company Secretary  
P O Box 30161-00100  
Nairobi  
22 August 2013

### NOTES:

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the company.
2. A proxy form is provided with this report. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the form to the Company Secretary at the registered office of the company so as to arrive not later than 2:30 p.m. on 29 October 2013, being not less than 48 hours before the time appointed for the meeting.

## Shughuli zisizo za Kawaida

6. Kujadili na kuamua ikiwa itafaa, kupitisha maazimio maalum yafuatayo:

“Vifungo vya Kanuni za Kampuni vinafaa virekebishwe vifuatavyo:

### Kifungo cha 2:

Kuyafuta neno “Mamlaka” kutoka mstari ya tatu aya ya (q), kufuta neno “na” kati ya maneno “(Sura 485A)” nafasi yake ichukuliwe na nukta, na kuongeza yafuatayo kwa aya ya (q) baada ya “Kanuni za Bohari Kuu, 2000”) kabla ya “ikiwemo” “na Kanuni za Mali za Kifedha Zisizodaiwa, Nambari 40 ya 2011”.

### Vifungo vya 38, 39, 40 na 41:

Vifungo 38, 39, 40 na 41 vifutwe na Kifungo mpya ya 38 itafuata Kifungo cha 37 baada ya Vifungo 38, 39, 40 na 41 kufutwa, na kitasoma:

*“Kwa mujibu wa Kanuni za Mali za Kifedha Zisizodaiwa, Kampuni itawasilisha au kulipa Mamlaka ya Mali za Kifedha Zisizodaiwa mali zozote zisizodaiwa zikiwemo lakini zisizokadiriwa kwa hisa na migao kwa Kampuni zisizodaiwa baada ya muda ulioagizwa na sharia na Bodi imeidhinishwa kuchukua hatua mwafaka za kuwezesha uwasilishaji au malipo. Baada ya kuwasilishwa au kulipwa, mali zisizodaiwa zitakoma kumilikiwa kwa mujibu ya Kampuni na Kampuni haitawajibika kwa mwanachama au kwa mmiliki wake.”*

### Kifungo cha 157:

Kwa kuifuta sentensi mbili za awali ya Kifungo 157 kama ifuatayo:

*“Migao yote yasiyodaiwa, faida au ada zozote zitakazoweza kulipwa yanaweza kuwekezwa au kutumiwa na Bodi kunufaisha Kampuni hadi zidaiwe. Migao yote yasiyodaiwa kwa muda wa miaka mitatu baada ya kutangazwa yatastahili kutwaliwa na kukoma kudaiwa kwa Kampuni.”*

### Kifungo cha 168:

Kwa kuifuta aya ya (c) ya Kifungo cha 168 kikamilifu na badala yake kuiweka aya ya (c) ifuatayo:

*“(C) kwa kuituma kwa anwani ya mwanachama itakapojulishwa na Kampuni kupitia njia ya kielektroniki.”*

### Kifungo cha 169:

Kwa kuifuta aya ya (a) ya Kifungo cha 169 kwa kikamilifu.

### Utarakimu upya:

Kutarakimu kwa upya Vifungo vilivyosalia pamoja na aya za Kanuni za Kampuni zilizosalia.

Kwa Amri ya Bodi

R. T. Ngobi (Bi.)  
Katibu wa Kampuni  
S.L.P. 30161-00100  
Nairobi  
22 Agosti 2013

### FAHAMU:

1. Mwanachama yeyote anayeruhusiwa kuhudhuria na kupiga kura kwenye mkutano ana haki ya kumteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi si lazima awe mwanachama.
2. Fomu ya Uwakilishi inapatikana katika hii ripoti. Wanachama ambao hawanui kuhudhuria Mkutano wa Mwaka wanaombwa kujaza na kuirudisha kwa Katibu wa Kampuni kabla ya 2:30 alasiri ya 29 Oktoba 2013, ikiwa ni muda usiyopungua masaa 48 kabla ya wakati uliotengewa mkutano.

# Corporate Governance

## Overview

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 organisation and is in compliance with the Capital Markets Authority Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya (“the Corporate Governance Guidelines”) as well as the equivalent guidelines for listed companies in Tanzania and Uganda. Besides complying with external corporate governance guidelines, the company has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Code of Business Conduct 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.

## The Role of the Board

The Board is comprised of nine Non-Executive Directors including the Chairman and two 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 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 Managing Director and the Company’s executive team.

Four standing Committees have been established by the Board namely, the Board Corporate Governance Committee, the Audit and Risk Management Committee, the Board Remuneration Committee and the Board Nominations Committee. The majority of members of the Committees are Independent Non-Executive Directors.

## Division of Responsibilities

The Chairman and the Managing Director are responsible for the profitable operations of the Company. Their 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. He is also responsible for ensuring that the interests of the Company’s shareholders are safeguarded and that there is effective communication with them.

The 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 has nine Non-Executive Directors. The Chairman and six of the Non-Executive Directors are considered to be independent, as defined in the Corporate Governance Guidelines and accordingly over half of the Board is constituted of independent Non-Executive Directors who have a particular responsibility for ensuring that business strategy and operations are fully discussed and critically reviewed. This enables the Board to promote the success of the Company for the benefit of all its shareholders as a whole. In so doing, the Board has regard to such matters as the interests of the Company's employees, the fostering of business relationships with customers, suppliers and other stakeholders and the impact that the Company has on the environment and communities in which it operates. The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment which stipulate the terms of their appointment.

## The Composition of the Board

The Composition of the Board is as set out on page 44-45.

## Attendance at Board and Annual General Meetings during the Financial Year

Name	Meetings attended	Meetings eligible to attend
Mr. C. Muchene (Group Chairman)	7	7
Mr. C. Ireland (Group Managing Director) <sup>1</sup>	2	2
Ms. T. Barnes (Group Finance Director)	7	7
Dr. N. Blazquez	7	7
Mr. E. Mwaniki	7	7
Dr. A. Shonubi	7	7
Ms. C. Gakonyo	5	7
Mr. M. Bomani	6	7
Mrs. S. Githuku	7	7
Ms. S. Moriarty	7	7
Dr. M. Oduor-Otieno <sup>2</sup>	2	3
Mr. D. Hainsworth <sup>3</sup>	4	4

<sup>1</sup> Mr. C. Ireland was appointed to the Board with effect from 1 April 2013

<sup>2</sup> Dr. M. Oduor-Otieno was appointed to the Board with effect from 4 February 2013 and resigned on 31 July 2013

<sup>3</sup> Mr. D. Hainsworth resigned from the Board on 31 March 2013

## Board Corporate Governance Committee

The Board Corporate Governance Committee has oversight on 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 Non-Executive Directors.

### Current Members

Mr. E. Mwaniki\* (Chairman)  
Dr. A. Shonubi\*  
Mr. M. Bomani\*  
Ms. S. Moriarty  
Ms. R. T. Ngobi (Company Secretary)

\*Independent Non-Executive Directors

## Attendance at Board Corporate Governance Committee Meetings during the Financial Year

Name	Meetings attended	Meetings eligible to attend
Mr. E. Mwaniki	3	3
Dr. A. Shonubi	3	3
Mr. M. Bomani	3	3
Ms. S. Moriarty	2	2

## 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, the efficiency of the Group's procedures for handling whistle blowing allegations. The committee is also responsible for monitoring and reviewing the performance of the Group's external auditors by keeping under review their independence and objectivity, making recommendations as to their reappointment (or where appropriate, making recommendations for change), and approving their terms of engagement and the level of audit fees payable to them. All members of the Committee are Non-Executive Directors.

KPMG are the Group's auditors. The Committee remains satisfied with their effectiveness. The external auditors are required to rotate the audit partners responsible for the audit at least every seven years.

### Current Members

Dr. N. Blazquez  
 Dr. A. Shonubi\*  
 Ms. C. Gakonyo\*

\*Independent Non-Executive Directors

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

Name	Meetings attended	Meetings eligible to attend
Dr. N. Blazquez	4	4
Ms. C. Gakonyo	3	4
Dr. M. Oduor-Otieno <sup>1</sup>	2	2
Dr. A. Shonubi <sup>2</sup>	0	0

<sup>1</sup> Dr. M. Oduor-Otieno was appointed 4 February 2013 and resigned on 31 July 2013

<sup>2</sup> Dr. A. Shonubi appointed to the Committee on 23 May 2013 and no further meetings held during the Financial Year

## Board Nomination Committee

The Nomination Committee has the mandate to make recommendations to the Board on the suitability of candidates for appointment to the Board, whilst ensuring that the Board has an appropriate balance of expertise and ability. The Nomination Committee also evaluates and makes recommendations with regard to the composition of all Board Committees. In so doing, it monitors and ensures that appropriate Independent Non-Executive, Non-Executive and Executive Directors' ratios are maintained. All members of the Committee are Non-Executive Directors.

For a number of years, the Company has benefitted from the presence on its Board of female Non-Executive Directors recommended for appointment by the Nomination Committee. With the recent appointment of Mrs. J. Karuku, the current level of female representation on the Board stands at 36 per cent.

### Current Members

Dr. N. Blazquez  
Mr. E. Mwaniki\*  
Dr. A. Shonubi\*  
Ms. C. Gakonyo\*

\*Independent Non-Executive Directors

### Attendance at Board Nominations Committee Meetings during the Financial Year

Name	Meetings attended	Meetings eligible to attend
Dr. N. Blazquez	4	4
Mr. E. Mwaniki	4	4
Dr. A. Shonubi	4	4
Ms. C. Gakonyo	3	4

## Board Remuneration Committee

The Remuneration Committee's main responsibility is the review and approval of remuneration for Executive Directors and senior management and staff incentive schemes. It ensures that remuneration is appropriately benchmarked against other companies in the region. All members of the Committee are Non-Executive Directors.

### Current Members

Dr. N. Blazquez (Chairman)  
Mr. E. Mwaniki\*  
Mr. M. Bomani\*  
Mrs. S. Githuku\*

\*Independent Non-Executive Directors

### Attendance at Board Remunerations Committee meetings during the Financial Year

Name	Meetings attended	Meetings eligible to attend
Dr. N. Blazquez	3	3
Mr. E. Mwaniki	3	3
Mr. M. Bomani	3	3
Mrs. S. Githuku	3	3

## Communication with Shareholders

East African Breweries Limited is committed to ensuring that shareholders, investors and the financial markets are provided with full and timely information about its performance. This is achieved through the release of its half-year and annual results in the local press, distribution of annual reports and holding of investor briefings as appropriate. The Annual General Meeting provides a useful opportunity for shareholder engagement and, in particular, for the Chairman to explain the Company's progress and receive and answer questions from investors. The Board believes that there is an active and regular interaction with shareholders in the absence of a shareholders association. Information is also available on the Company's website.

### EABL Corporate Governance Factsheet

Size of Board	11
Number of Non-Executive Directors	9
Number of independent Directors	7
Number of women on the Board	4
Separate Chairman and CEO	Yes
Terms of Reference for Board Committees	Yes
Independent Audit Committee	Yes
Number of Financial Experts on Audit and Risk Management Committee members	1
Number of Independent Corporate Governance Committee members	3
Number of Independent Audit and Risk Management Committee members	2
Number of Independent Remuneration Committee members	3
Number of Independent Nominations Committee members	3
Number of Board and Annual General Meetings Held in Full Year ended 30 June 2013	7
Re-election of Directors in accordance with Articles of Association	Yes
Corporate Governance Guidelines Approved by Board	Yes
Code of Business Conduct	Yes
Board Induction Programs conducted	Yes

Other than as disclosed on page 55, no Director of the Company has an interest in any shares in the Company or any of its subsidiaries except for Mark Bomani who owns 780,000 ordinary shares of TZS 1,000 each in Serengeti Breweries Limited. No loans have been granted by the Company or any of its subsidiaries to any Director during the financial year. No material contract between the Company and any of the Directors is either still subsisting at the end of the financial year or, if not then subsisting, has been entered into since the end of the previous financial year.

# Shareholding Structure

## Top 10 shareholders as at 30 June 2013

Rank	Name	Residence	No. of shares	%
1	Diageo Kenya limited	Kenyan	338,618,340	42.82%
2	Diageo Holdings Netherlands B.V.	Foreign	36,361,290	4.60%
3	Guinness Overseas Limited	Foreign	20,628,804	2.61%
4	Standard Chartered Nominees Non Resident A/C KE 13084	Foreign	20,338,427	2.57%
5	Standard Chartered Nominees Non Resident A/C KE 9273	Foreign	18,301,400	2.31%
6	CfC Stanbic Nominees Limited A/C NR 13721	Foreign	8,708,727	1.10%
7	Standard Chartered Nominees Non Resident A/C KE 11916	Foreign	6,691,963	0.85%
8	CfC Stanbic Nominees Limited A/C NR 13662	Foreign	6,526,926	0.83%
9	Standard Chartered Nominees Non Resident A/C 9054	Foreign	6,460,980	0.82%
10	Janaksinh Karsandas Babla & Mrs. Nirmala Janaksinh Babla	Kenyan	6,181,020	0.78%
	Shares selected		468,817,877	59.29%
	Shares not selected - 25,805 shareholders		321,956,479	40.71%
	Total issued shares		790,774,356	100.00%
	<b>Total no. of shareholders</b>		<b>25,815</b>	

## EABL Directors' shareholding as at 30 June 2013

A/C No.	Director's Names	Shareholding
1 3001242	Evanson Mwaniki	1,800
2 -5675103	Gakonyo Constance Wangui	840
3 -12733046	Alan Shonubi	2,600

## Shareholding status for Diageo & associate companies

A/C No.	Full Names	Shares Held	% Shareholding
(a) -14971610	Diageo Kenya Limited	338,618,340	42.82%
(b) 3001296	Guinness Overseas Limited	20,628,804	2.61%
(c) 10028150	Diageo Holdings Netherlands BV.	35,952,396	4.55%
(d) 3001292	Diageo Holdings Netherlands BV.	408,894	0.05%
	Total for Diageo Netherlands BV (c+d)	36,361,290	4.60%
	Total for Diageo & Associate Companies	395,608,434	50.03%
Balance Shares	All other shareholders	395,165,922	49.97%
	Issued Share Capital	790,774,356	100.00%

## Summary of shareholders as at 30 June 2013

DOMICILE	SHARES	%	HOLDERS
Foreign companies	235,435,856	29.77%	183
Foreign individuals	10,246,399	1.30%	607
Local companies	448,658,533	56.74%	1,110
Local individuals	96,433,568	12.19%	23,915
TOTAL	790,774,356	100.00%	25,815



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# Contents

Corporate Information Page	59
Directors' Report /Taarifa Ya Wakurugenzi	60
The Statement of Directors Responsibilities	62
Report of the Independent Auditor to the Members of East African Breweries Limited	63
Consolidated Income Statement	65
Consolidated Statement Of Other Comprehensive Income	66
Separate Income Statement	67
Separate Statement Of Other Comprehensive Income	67
Consolidated Statement of Financial Position	68
Separate Statement of Financial Position	69
Consolidated Statement of Changes in Equity	70
Separated Statement of Changes in Equity	72
Consolidated Statement of Cash Flows	74
Separate Statement of Cash Flows	75
Notes	76
Proxy	109

# Corporate Information Page

## Board of Directors

Mr. C. Muchene**	Group Chairman
Dr. N. Blazquez*	Group Deputy Chairman
Mr. C. Ireland	Group Managing Director
Ms. T. Barnes	Group Finance Director
Mr. E. Mwaniki**	
Dr. A. Shonubi**	
Ms. C. Gakonyo**	
Mr. M. Bomani**	
Ms. S. Moriarty*	
Mrs. S. Githuku**	
Mr. D. Hainsworth	(Resigned on 31 March 2013)
Dr. M. Oduor-Otieno**	(Resigned on 31 July 2013)
Mr. J. W. Karuku	(Appointed on 6 September 2013)
Ms. R. T. Ngobi	Company Secretary

## Audit Committee

Dr. M. Oduor-Otieno**	(Chairman – Resigned 31 July 2013)
Dr. N. Blazquez*	
Ms. C. Gakonyo**	
Dr. A. Shonubi**	
Mr. C. Ireland	(permanent invitee)
Ms. T. Barnes	(permanent invitee)
Mr. P. Kioko	(permanent invitee)
Mr. J. Nderitu	(permanent invitee)
R.T. Ngobi	(Secretary)

## Nominations Committee

Dr. N. Blazquez*	(Chairman)
Dr. A. Shonubi**	
Mr. E. Mwaniki**	
Ms. C. Gikonyo**	
Mr. C. Ireland	(permanent invitee)
Ms. R.T. Ngobi	(Secretary)

## Corporate Governance Committee

Mr. E. Mwaniki **	(Chairman)
Dr. A. Shonubi**	
Mr. M. Bomani **	
Ms. S. Moriarty*	
Mr. C. Ireland	(permanent invitee)
Mr. J. Edmunds	(permanent invitee)
Ms R.T. Ngobi	(Secretary)

## Remunerations Committee

Dr. N. Blazquez*	(Chairman)
Mr. E Mwaniki**	
Mr. M. Bomani**	
Mrs. S. Githuku**	
Mr. C. Ireland	(permanent invitee)
Mr. P. Kasimu	(permanent invitee)
Ms R.T. Ngobi	(Secretary)

## Auditor

**KPMG Kenya,**  
ABC Towers, 8th Floor  
ABC place, Waiyaki Way  
PO Box 40612 - 00100 NAIROBI

## Share Registrars

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

## Advocates

Kaplan & Stratton,  
Williamson House,  
4th Ngong Avenue,  
P.O. Box 4011-00100, NAIROBI

Coulson Harney Advocates,  
Unit A,

Nairobi Business Park,  
P O Box 10643-00100, NAIROBI

## Bankers

Barclays Bank of Kenya Limited  
Citibank NA  
Standard Chartered Bank Kenya Limited  
Commercial Bank of Africa

## Secretary and Registered Office

R.T. Ngobi (Ms.)  
Corporate Centre, Ruaraka  
P.O. Box 30161-00100, NAIROBI

\* Non-Executive Directors

\*\* Independent Non-Executive Directors

# Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 June 2013, which disclose the state of affairs of the group and of the Company.

## Principal activities

East African Breweries Limited is a holding Company with subsidiaries involved in the marketing, manufacture and sale of drinks, glass containers, malt and barley.

## Results and Dividend

The Directors recommend a final dividend of KShs 4.00 per ordinary share payable, net of Withholding Tax, on or about the 1 November 2013 to Shareholders on the Register at the close of business on 30 September 2013.

During the year an interim dividend of KShs 1.50 per share, amounting to a total of KShs 1,186,162,000 was paid. The total dividend for the year is therefore KShs 5.50 per share (2012: KShs 8.75) amounting to a total of KShs 4,349,259,000 (2012: KShs. 6,919,276,000)

## Board of Directors

The following changes have taken place in the Board of Directors since the last Annual General Meeting:

Mr. D. Hainsworth resigned from the Board on 31 March 2013. Dr. M. Oduor-Otieno, who was appointed on 4 February 2013 resigned from the Board on 31 July 2013.

Mr. C. Ireland and Mrs. J.W. Karuku were appointed as Directors on 1 April 2013 and 6 September 2013 respectively to fill casual vacancies on the Board.

In accordance with Article 108 Mr. C. Ireland and Mrs. J. W. Karuku retire from the Board and being eligible, offer themselves for re-election.

Mr. C. Muchene, Dr. A. Shonubi and Mr. E. Mwaniki retire by rotation and being eligible, offer themselves for re-election in accordance with Article 109 of the Articles of Association.

## Auditor

The Company's auditor, KPMG, has expressed interest to continue in office in accordance with section 159(2) of the Companies Act.

BY ORDER OF THE BOARD

R.T. Ngobi (Ms.)  
Company Secretary  
22 August 2013

# Taarifa Ya Wakurugenzi

Wakurugenzi wanawasilisha ripoti yao, pamoja na taarifa za kifedha zilizokaguliwa, kwa mwaka ulioisha 31 Juni 2013, ambayo inaonyesha wazi mambo yaliyo katika Kundi na Kampuni.

## Shughuli Kuu

East African Breweries Limited ni Kampuni kuu yenye makampuni tanzu yanayoshughulika na uzalishaji, mauzo na ugavi wa vinywaji, chupa, kimea na shayiri.

## Matokeo na Gawio

Wakurugenzi wanapendekeza mgawo wa mwisho wa shilingi 4.00 kwa kila hisa ya kawaida itakayolipwa karibu na au siku ya 1 Novemba 2013 kwa wanachama waliosajiliwa katika daftari wakati wa kufunga biashara mnamo 30 Septemba 2013. Mwakani, kulikuwa na mgawo wa muda wa shilingi 1.50 kwa kila hisa, jumla ya shilingi 1,186,162,000 zililipwa. Mgawo wa jumla mwaka huu hivyo basi ni shilingi 5.50 kwa kila hisa (2012: shilingi 8.75), kiasi cha jumla ya shilingi 4,349,259,000 (2012: shilingi 6,919,276,000).

## Bodi ya Wakurugenzi

Mabadiliko yafuatayo katika Bodi ya Wakurugenzi tangu Mkutano wa Mwaka uliyopita:

Bw. D. Hainsworth alistaafu kutoka kwa Bodi mnamo tarehe 31 Machi 2013. Dkt. M. Oduor-Otieno, aliyetawazwa mnamo 4 Februari 2013 alistaafu kutoka Bodi mnamo 31 Julai 2013.

Bw. C. Ireland pamoja na Bi. J.W. Karuku walitawazwa kama Wakurugenzi mnamo 1 Aprili 2013 na 2 Septemba 2013 mtawali ili kujaza nafasi katika Bodi.

Kwa mujibu wa Kifungo cha 108 Bw. C. Ireland pamoja na Bi. J. W. Karuku wanastaafu kutoka Bodi na kwa kuwa wanahitimu, wanajiwasilishwa kuchaguliwa tena.

Bw. C. Muchene, Dkt. A. Shonubi pamoja na Bw. E. Mwaniki wanastaafu kwa zamu na kwa kuwa wanahitimu, wanajiwasilisha kuchaguliwa tena kwa mujibu wa Kifungo cha 109 katika Kanuni za Kampuni.

## Mkaguzi

Mkaguzi wa Kampuni, KPMG, anajiwasilisha kuendelea na kazi hiyo kuambatana na Sehemu ya 159(2) ya Sheria zinazosimamia Makampuni.

KWA AMRI YA BODI

R.T. Ngobi (Bi)  
Katibu wa Kampuni  
22 Agosti 2013

# The Statement of Directors Responsibilities

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of East African Breweries Limited set out on pages 65 to 106 which comprise the consolidated and separate statement of financial position at 30 June 2013, and the consolidated and separate income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the Directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of the Group operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and the Company's ability to continue as a going concern and have no reason to believe the Group and the Company will not be a going concern for at least the next twelve months from the date of this statement.

## Approval of the Financial Statements

The Financial Statements, as indicated above, were approved by the Board of Directors on 22 August 2013 and were signed on its behalf by:

### Charles Ireland

Group Managing Director, EABL  
Executive Director

### Tracey Barnes

Group Finance Director, EABL  
Executive Director

# Report of the Independent Auditor to the Members of East African Breweries Limited

## Report on the financial statements

We have audited the consolidated and separate financial statements of East African Breweries Limited set out on pages 65 to 106. These financial statements comprise the consolidated and separate statements of financial position at 30 June 2013, the consolidated and separate income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

As stated on page 62, the Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company at 30 June 2013, and the Group and Company financial performance and the Group and Company cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

## Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- (iii) The company's statement of financial position is in agreement with the books of account.

## KPMG Kenya,

P.O. Box 40612 Nairobi – 00100

Date: 22 August 2013

# Consolidated Income Statement

	Notes	Year ended 30 June	
		2013	2012
		Kshs'000	Kshs'000
<b>Revenue</b>	6	59,061,875	55,522,166
Cost of sales		(31,562,560)	(28,657,047)
<b>Gross profit</b>		<b>27,499,315</b>	<b>26,865,119</b>
Other income	7	140,540	3,797,208
Selling costs		(5,085,402)	(4,588,896)
Administrative expenses		(7,555,030)	(7,450,204)
Finance income	10	174,154	1,192,359
Finance costs	10	(4,058,658)	(4,562,537)
<b>Profit before income tax</b>	<b>8</b>	<b>11,114,919</b>	<b>15,253,049</b>
Income tax expense	11	(4,170,174)	(4,066,936)
<b>Profit for the year</b>		<b>6,944,745</b>	<b>11,186,113</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		6,979,107	10,643,587
Non controlling interest		(34,362)	542,526
<b>Profit for the year</b>		<b>6,944,745</b>	<b>11,186,113</b>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
- Basic (Kshs per share)	12	8.83	13.46
- Diluted (Kshs per share)	12	8.82	13.44

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Consolidated Statement of Other Comprehensive Income

	Note	Year ended 30 June	
		2013	2012
		Kshs'000	Kshs'000
<b>Profit for the year</b>		<b>6,944,745</b>	<b>11,186,113</b>
Other comprehensive income, net of tax:			
<b>a) Items that may be reclassified to profit or loss</b>			
Exchange differences from translation of net foreign operations (Pages 70 & 71)		(189,700)	(362,871)
<b>b) Items that may not be reclassified to profit or loss</b>		-	-
Total comprehensive income for the year		6,755,045	10,823,242
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		6,883,407	10,517,604
Non-controlling interest		(128,362)	305,638
<b>Total recognised income for the year</b>		<b>6,755,045</b>	<b>10,823,242</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

## Separate Income Statement

	Notes	Year ended 30 June	
		2013	2012
		Kshs'000	Kshs'000
<b>Revenue</b>	<b>6</b>	<b>730,104</b>	<b>658,913</b>
Administrative expenses		(3,260,841)	(3,091,045)
Other income	7	2,947,056	2,901,584
Dividend income receivable		6,976,175	10,160,344
Finance income	10	1,109,288	630,525
Finance costs	10	(4,157,126)	(4,135,592)
<b>Profit before income tax</b>		<b>4,344,656</b>	<b>7,124,729</b>
Income tax credit	11	169,796	408,159
<b>Profit for the year</b>		<b>4,514,452</b>	<b>7,532,888</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

## Separate Statement of Other Comprehensive Income

	Year ended 30 June	
	2013	2012
	Kshs'000	Kshs'000
Profit for the year	4,514,452	7,532,888
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>4,514,452</b>	<b>7,532,888</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

	Notes	At 30 June	
		2013	2012
		Kshs'000	Kshs'000
<b>Equity attributable to the owners of Parent</b>			
Share capital	14	1,581,547	1,581,547
Share premium	14	1,691,151	1,691,151
Capital reserve	33(a)	1,281,545	1,281,545
Retained earnings		20,778,624	19,928,019
Share based payment reserve	33(b)	71,373	67,046
Translation reserve	33(c)	188,391	284,091
		<b>25,592,631</b>	<b>24,833,399</b>
Non controlling interest		1,133,596	2,174,518
Other reserves	15	(18,292,037)	(18,292,037)
<b>Total equity</b>		<b>8,434,190</b>	<b>8,715,880</b>
<b>Non-current liabilities</b>			
Borrowings	31	19,841,923	19,982,236
Deferred tax liabilities	17	3,673,094	3,402,418
		<b>23,515,017</b>	<b>23,384,654</b>
<b>Total equity and non-current liabilities</b>		<b>31,949,207</b>	<b>32,100,534</b>
<b>Non-current assets</b>			
Property, plant and equipment	18(a)	33,715,088	31,246,602
Intangible asset – software	19	424,076	249,649
Intangible asset – Goodwill	20(a)	3,577,191	3,577,191
Intangible asset – Brand	20(b)	563,005	563,005
Prepaid operating lease rentals	21(a)	11,248	10,934
Other investments	23(c)	10,400	10,400
Deferred tax assets	17	1,661,943	868,762
		<b>39,962,951</b>	<b>36,526,543</b>
<b>Current assets</b>			
Inventories	25	7,470,607	7,957,272
Trade and other receivables	26(a)	9,015,822	8,189,805
Current income tax recoverable	11(a)	700,582	912,723
Cash and bank balances	30(c)	1,406,091	997,973
		<b>18,593,102</b>	<b>18,057,773</b>
<b>Current liabilities</b>			
Trade and other payables	27(a)	14,194,970	15,327,378
Dividends payable	13	717,922	615,420
Current income tax payable	11(a)	449,688	492,442
Borrowings	31	4,951,344	4,856,500
Bank overdraft	31	6,292,922	1,192,042
		<b>26,606,846</b>	<b>22,483,782</b>
<b>Net current liabilities</b>		<b>(8,013,744)</b>	<b>(4,426,009)</b>
<b>Net assets</b>		<b>31,949,207</b>	<b>32,100,534</b>

The financial statements on pages 65 to 106 were approved by the Board of Directors on 22 August 2013 and were signed on their behalf by:

## Charles Ireland

Group Managing Director, EABL  
Executive Director

## Tracey Barnes

Group Finance Director, EABL  
Executive Director

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Separate Statement of Financial Position

	Notes	At 30 June	
		2013 Kshs'000	2012 Kshs'000
<b>Capital and reserves</b>			
Share capital	14	1,581,547	1,581,547
Share premium	14	1,691,151	1,691,151
Capital reserve	33(a)	21,837	21,837
Retained earnings		6,126,536	7,740,586
Share based payment reserve	33(b)	71,373	67,046
<b>Total equity</b>		<b>9,492,444</b>	<b>11,102,167</b>
<b>Non-current liabilities</b>			
Borrowings	31	19,469,236	19,469,236
<b>Total equity and non-current liabilities</b>		<b>28,961,680</b>	<b>30,571,403</b>
<b>Non-current assets</b>			
Property, plant and equipment	18(b)	312,464	314,609
Intangible asset – software	19	219,302	249,649
Prepaid operating lease rentals	21(b)	1,407	1,477
Investment in subsidiaries	22	29,843,965	29,844,354
Other investments	23(c)	10,400	10,400
Deferred tax asset	17(b)	954,734	726,658
		<b>31,342,272</b>	<b>31,147,147</b>
<b>Current assets</b>			
Trade and other receivables	26(b)	11,237,125	13,880,818
Income tax recoverable	11(b)	419,624	389,989
Cash and bank balances	30(c)	-	243,723
		<b>11,656,749</b>	<b>14,514,530</b>
<b>Current liabilities</b>			
Payables and accrued expenses	27(b)	5,050,047	9,874,854
Dividends payable	13	717,922	615,420
Borrowings	31	4,765,000	4,600,000
Bank overdraft	31	3,504,372	-
		<b>14,037,341</b>	<b>15,090,274</b>
<b>Net current liabilities</b>		<b>(2,380,592)</b>	<b>(575,744)</b>
<b>Net assets</b>		<b>28,961,680</b>	<b>30,571,403</b>

The financial statements on pages 65 to 106 were approved by the Board of Directors on 22<sup>nd</sup> August 2013 and were signed on their behalf by:

**Charles Ireland**  
Group Managing Director, EABL  
Executive Director

**Tracey Barnes**  
Group Finance Director, EABL  
Executive Director

The notes set out on pages 76 to 106 form an integral part of these financial statements

# Consolidated Statement of Changes in Equity

Year ended 30 June 2013	Share capital premium	Share premium	Capital reserve	Translation reserves	Retained earnings	Share based payment reserve	Other reserves	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
As at 1 July 2012	1,581,547	1,691,151	1,281,545	284,091	19,928,019	67,046	(18,292,037)	6,541,362	2,174,518	8,715,880
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	6,979,107	-	-	6,979,107	(34,362)	6,944,745
Other comprehensive income	-	-	-	(95,700)	-	-	-	(95,700)	(94,000)	(189,700)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,700)</b>	<b>6,979,107</b>	<b>-</b>	<b>-</b>	<b>6,883,407</b>	<b>(128,362)</b>	<b>6,755,045</b>
<b>Transactions with owners</b>										
Share based payment reserve	-	-	-	-	-	4,327	-	4,327	-	4,327
Dividends:										
- 2012 final paid	-	-	-	-	(4,942,340)	-	-	(4,942,340)	(912,560)	(5,854,900)
- 2013 interim paid	-	-	-	-	(1,186,162)	-	-	(1,186,162)	-	(1,186,162)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,128,502)</b>	<b>4,327</b>	<b>-</b>	<b>(6,124,175)</b>	<b>(912,560)</b>	<b>(7,036,735)</b>
<b>At 30th June 2013</b>	<b>1,581,547</b>	<b>1,691,151</b>	<b>1,281,545</b>	<b>188,391</b>	<b>20,778,624</b>	<b>71,373</b>	<b>(18,292,037)</b>	<b>7,300,594</b>	<b>1,133,596</b>	<b>8,434,190</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity (Continued)

Year ended 30 June 2012	Share capital	Share premium	Capital reserve	Translation reserves	Retained earnings	Share based payment reserve	Other reserves	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
As at 1 July 2011										
- As previously stated	1,581,547	1,691,151	1,473,289	410,074	16,144,910	-	-	21,300,971	5,587,156	26,888,127
- Prior year adjustments* (Note 16)	-	-	(191,744)	-	58,798	-	-	(132,946)	-	(132,946)
<b>As restated</b>	<b>1,581,547</b>	<b>1,691,151</b>	<b>1,281,545</b>	<b>410,074</b>	<b>16,203,708</b>	<b>-</b>	<b>-</b>	<b>21,168,025</b>	<b>5,587,156</b>	<b>26,755,181</b>
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	10,643,587	-	-	10,643,587	542,526	11,186,113
Other comprehensive income	-	-	-	(125,983)	-	-	-	(125,983)	(236,888)	(362,871)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(125,983)</b>	<b>10,643,587</b>	<b>-</b>	<b>-</b>	<b>10,517,604</b>	<b>305,638</b>	<b>10,823,242</b>
<b>Transactions with owners</b>										
Non controlling interest acquired during the year	-	-	-	-	-	-	-	-	(1,827,214)	(1,827,214)
Other reserves arising from transactions with non controlling shareholders	-	-	-	-	-	-	(18,292,037)	(18,292,037)	-	(18,292,037)
Share based payment reserve	-	-	-	-	-	67,046	-	67,046	-	67,046
Dividends:										
- 2011 final paid	-	-	-	-	(4,942,340)	-	-	(4,942,340)	(1,891,062)	(6,833,402)
- 2012 interim paid	-	-	-	-	(1,976,936)	-	-	(1,976,936)	-	(1,976,936)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,919,276)</b>	<b>67,046</b>	<b>(18,292,037)</b>	<b>(25,144,267)</b>	<b>(3,718,276)</b>	<b>(28,862,543)</b>
<b>At 30 June 2012</b>	<b>1,581,547</b>	<b>1,691,151</b>	<b>1,281,545</b>	<b>284,091</b>	<b>19,928,019</b>	<b>67,046</b>	<b>(18,292,037)</b>	<b>6,541,362</b>	<b>2,174,518</b>	<b>8,715,880</b>

\*Prior year adjustment arose from change of policy for measurement of the carrying value of property plant and equipment from revaluation model to cost model (Note 16).

The notes set out on pages 76 to 106 form an integral part of these financial statements.

## Separate Statement of Changes in Equity

Year ended 30 June 2013	Share capital Kshs'000	Share premium Kshs'000	Capital reserve Kshs'000	Retained earnings Kshs'000	Share based payment reserve Kshs'000	Total Kshs'000
At 1 July 2012	1,581,547	1,691,151	21,837	7,740,586	67,046	11,102,167
<b>Comprehensive income</b>						
Profit for the year	-	-	-	4,514,452	-	4,514,452
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,514,452</b>	<b>-</b>	<b>4,514,452</b>
<b>Transactions with owners</b>						
Share based payment	-	-	-	-	4,327	4,327
Dividends:						
- Final for 2012 final paid	-	-	-	(4,942,340)	-	(4,942,340)
- Interim for 2013 paid	-	-	-	(1,186,162)	-	(1,186,162)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,128,502)</b>	<b>4,327</b>	<b>(6,124,175)</b>
<b>At end of year</b>	<b>1,581,547</b>	<b>1,691,151</b>	<b>21,837</b>	<b>6,126,536</b>	<b>71,373</b>	<b>9,492,444</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

## Separate Statement of Changes in Equity (Continued)

Year ended 30 June 2012	Share capital	Share premium	Capital reserve	Retained earnings	Share based payment reserve	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 July 2011						
- As previously stated	1,581,547	1,691,151	109,693	7,102,251	-	10,484,642
- Prior year adjustments* (Note 16)	-	-	(87,856)	24,723	-	(63,133)
<b>As restated</b>	<b>1,581,547</b>	<b>1,691,151</b>	<b>21,837</b>	<b>7,126,974</b>	<b>-</b>	<b>10,421,509</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	7,532,888	-	7,532,888
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,532,888</b>	<b>-</b>	<b>7,532,888</b>
<b>Transactions with owners</b>						
Share based payment	-	-	-	-	67,046	67,046
Dividends:						
- Final for 2011 final paid	-	-	-	(4,942,340)	-	(4,942,340)
- Interim for 2012 paid	-	-	-	(1,976,936)	-	(1,976,936)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,919,276)</b>	<b>67,046</b>	<b>(6,852,230)</b>
<b>At end of year</b>	<b>1,581,547</b>	<b>1,691,151</b>	<b>21,837</b>	<b>7,740,586</b>	<b>67,046</b>	<b>11,102,167</b>

\*Prior year adjustment arose from change of policy for measurement of the carrying value of property plant and equipment from revaluation model to cost model (Note 16).

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

	Notes	Year ended 30 June	
		2013 Kshs'000	2012 Kshs'000
<b>Operating activities</b>			
Cash generated from operations	30(a)	16,871,259	14,611,881
Interest received	10	39,268	1,192,359
Interest paid	10	(4,057,989)	(4,317,432)
Income tax paid	11(a)	(4,549,673)	(4,652,253)
<b>Net cash generated from operating activities</b>		<b>8,302,865</b>	<b>6,834,555</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	18 (a)	(6,693,173)	(6,695,779)
Purchase of intangible assets - software	19	-	(625)
Cash outflow on acquisition of subsidiary	15	-	(20,570,963)
Proceeds from disposal of leasehold land and buildings		18,000	740,927
Proceeds from disposal of property, plant and equipment		627,350	-
Net proceeds from disposal of associate	23	-	6,111,552
<b>Net cash used in investing activities</b>		<b>(6,047,823)</b>	<b>(20,414,888)</b>
<b>Financing activities</b>			
Dividends paid to company's shareholders	13	(6,026,000)	(6,649,001)
Dividends paid to non-controlling interests		(912,560)	(1,891,062)
Proceeds from borrowings	31	165,000	26,591,026
Loan repayments	31	(174,244)	(5,440,765)
Proceeds from disposal of financial assets		-	97,961
<b>Net cash generated (used in)/from financing activities</b>		<b>(6,947,804)</b>	<b>12,708,159</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,692,762)</b>	<b>(872,174)</b>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		(194,069)	678,105
Net decrease in cash and cash equivalents		(4,692,762)	(872,174)
<b>Cash and cash equivalents at end of year</b>	<b>30(c)</b>	<b>(4,886,831)</b>	<b>(194,069)</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Separate Statement of Cash Flows

	Notes	Year ended 30 June	
		2013 Kshs'000	2012 Kshs'000
<b>Operating activities</b>			
Cash used in operations	30(b)	(6,542,127)	(5,149,707)
Interest income	10	993,031	630,525
Interest expense	10	(4,157,126)	(3,898,453)
Income tax paid	11	(87,915)	(31,889)
<b>Net cash used in operating activities</b>		<b>(9,794,137)</b>	<b>(8,449,524)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	18 (b)	(39,133)	(96,282)
Purchase of intangible assets – software	19	-	(625)
Cash outflow on acquisition of subsidiary	15	-	(20,570,963)
Proceeds from disposal of associate	23	-	6,111,552
Proceeds from disposal of financial assets		-	97,961
Proceeds on disposal of prepaid operating leases		-	50,000
Dividends received from subsidiaries		11,946,175	5,190,344
<b>Net cash used in investing activities</b>		<b>11,907,042</b>	<b>(9,218,013)</b>
<b>Financing activities</b>			
Dividends paid to company's shareholders	13	(6,026,000)	(6,649,001)
Proceeds from borrowings	31	165,000	24,069,236
<b>Net cash generated from financing activities</b>		<b>(5,861,000)</b>	<b>17,420,235</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,748,095)</b>	<b>(247,302)</b>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		243,723	491,025
Net decrease in cash and cash equivalents		(3,748,095)	(247,302)
<b>Cash and cash equivalents at end of year</b>	<b>30(c)</b>	<b>(3,504,372)</b>	<b>243,723</b>

The notes set out on pages 76 to 106 form an integral part of these financial statements.

# Notes

## 1 General information

The Company is incorporated as a limited company in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The address of its registered office 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 2013 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 marketing, manufacturing and selling of drinks, glass, containers, malt and barley.

The company's shares are listed on the Nairobi Securities Exchange.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and 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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention except where otherwise stated in the accounting policies. The financial statements are presented in Kenya Shillings 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').

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

### (i) Standards, amendments and interpretations to existing standards effective in 2013 and relevant to the Group

- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. It however does not change the existing option to present profit or loss and other comprehensive income in two statements but changes the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

### (ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- IAS 19 'Employee Benefits' – effective 1 January 2013. The amended IAS 19 requires that actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. It also requires that expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- IAS 27 Separate Financial Statements (effective 1 January 2013) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013). IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It carries forward the existing accounting and disclosure requirements with limited amendments.

- IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013). This standard replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. The objective of this standard is to improve the usefulness of consolidated financial statements by developing a single basis for consolidation and robust guidance for applying that basis to situations where it has proved difficult to assess control in practice and divergence has evolved. The basis for consolidation is control and it is applied irrespective of the nature of the investment.

- IFRS 11 – 'Joint arrangements' (effective 1 January 2013). IFRS 11 supersedes

## 2 Summary of significant accounting policies (continued)

### (ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures.

- IFRS 12 – ‘Disclosure of interests in other entities’ (effective 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 – ‘Fair value measurement’ (effective 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 9 ‘Financial Instruments’ (effective 1 January 2015) is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets: amortised cost and fair value. Financial assets at fair value will be recorded at fair value through profit or loss with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard. The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income. The standard will be applied retrospectively (subject to the standard’s transitional provisions).

The Group is currently in the process of evaluating the potential effect of these standards.

### (b) Basis of Consolidation

#### (i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain the benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (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), returns, rebates and discounts and after eliminating sales within the Group.

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

Revenue is recognised as follows:

- Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is recognised as income in the period in which the right to receive payment is established.

## 2 Summary of significant accounting policies (continued)

### (d) Finance income and expenses

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

All other foreign exchange gains and losses are presented in the income statement within 'other income'.

### (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 income statement.

#### *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 income statement 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

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 income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (f) 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.

Depreciation is recognised in profit or loss account on a straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	25 years or the unexpired period of the lease
Plant and machinery	5 – 33 years
Equipment and motor vehicles	4 – 5 years
Returnable packaging (bottles)	5 years
Returnable packaging (crates)	10 years

Freehold land is not depreciated.

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

Property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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 income statement.

### (g) 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 intangible asset from the date that they are available for use. The estimated useful life is three to five years.

#### (i) *Goodwill*

Goodwill arising on acquisition of subsidiaries and associates is stated at cost less accumulated impairment losses. At the reporting date, the Group assesses the goodwill carried in the books for impairment.

## 2 Summary of significant accounting policies (continued)

### (g) Intangible assets (continued)

#### (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.

Certain brands are considered to have an indefinite economic life because of the institutional nature of the brands, their proven ability to maintain market leadership 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.

### (h) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the Group include term deposits and receivables arising from day to day sale of goods and services and cash and bank balances.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified.

Financial instruments are measured initially at cost, including transaction costs.

Loans and receivables which include term deposits and receivables arising from day to day sale of goods and services are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method.

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

### (i) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related 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.

### (k) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. An impairment loss is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The loss is recognised in the income statement.

### (l) Employee benefits

#### (i) Retirement benefit 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 recognised in the income statement in the year to which they relate. The Company has no further obligation once the contributions have been paid.

#### (ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

#### (iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met. The Group acquired shares from the market and recognised the expense in the income statement upfront.

## 2 Summary of significant accounting policies (continued)

### (l) Employee benefits (continued)

#### (iv) 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.

### (m) Current and deferred income tax

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

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income 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 and jointly controlled entities 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 income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

### (n) Dividends

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

### (o) 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.

### (p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (q) Offsetting financial assets and financial liabilities

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

### (r) Impairment

The carrying amounts of the Group's assets other than inventories (Note (k)) and deferred income tax (Note (m)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

#### (i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with short duration are not discounted.

The recoverable amount of non financial assets is the greater of their net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (ii) Reversal of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

## 2 Summary of significant accounting policies (continued)

### (r) Impairment (continued)

#### (iii) Reversal of impairment – continued

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

### (s) 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.

### (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) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

### (v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (w) 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.

### (x) Comparative information

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

## 3 Critical accounting estimates and judgements

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

### (i) Critical accounting estimates and assumptions

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.

#### Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

#### Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

#### Income taxes

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

### 3 Critical accounting estimates and judgements (continued)

#### (i) Critical accounting estimates and assumptions (continued)

##### Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(f) above.

##### Receivables

Critical estimates are made by the Directors in determining the recoverable amount of receivables. The carrying amount of receivables is set out in note 4.

#### ii) Critical judgements in applying Group's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- i. the classification of financial assets and leases;
- ii. whether assets are impaired.

### 4 Financial risk management objectives and policies

#### Overview

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, liquidity, 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 risk. Further quantitative disclosures are included throughout these financial statements.

The Board has established a risk management committee made up of senior management which is responsible for developing and monitoring the Group's risk management policies which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has established a risk and compliance function, which carries out regular and ad hoc reviews of risk management controls and procedures. The results of this are reported to senior management.

#### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

##### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. These limits are reviewed quarterly.

In monitoring customer credit risk, customers are classified according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

##### Investments

The Group limits its exposure to credit risk by only investing in liquid securities. The Group's main investment is in term deposits with local financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

## 4 Financial risk management objectives and policies (continued)

### (a) Credit risk (continued)

The maximum exposure to credit risk at the reporting date was:

	2013 KShs'000	2012 KShs'000
<b>Group</b>		
Trade and other receivables (Note 26(a))	8,402,062	7,655,486
Cash and bank balances (Note 30c)	1,406,091	997,973
	<b>9,808,153</b>	<b>8,653,459</b>
<b>Company</b>		
Trade and other receivables (Note 26(b))	11,237,125	13,880,818
Cash and bank balances (Note 30c)	-	243,723
	<b>11,237,125</b>	<b>14,124,541</b>

The ageing of trade and other receivables at the reporting date was:

	Gross Kshs'000	Impairment Kshs'000	Net Kshs'000
<b>2013</b>			
Current	6,458,278	(25,319)	6,432,959
0-30 days	657,635	(1,960)	655,675
31-120 days	130,754	(2,687)	128,067
120 days and above	1,789,270	(603,909)	1,185,361
	<b>9,035,937</b>	<b>(633,875)</b>	<b>8,402,062</b>
<b>2012</b>			
Current	6,899,690	-	6,899,690
0-30 days	612,208	(45,901)	566,307
31-120 days	56,105	(4,648)	51,457
120 days and above	711,464	(573,432)	138,032
	<b>8,279,467</b>	<b>(623,981)</b>	<b>7,655,486</b>

The movement in the allowance for impairment in respect of trade receivables and receivables during the year was as follows:

	2013 KShs'000	2012 KShs'000
At start of year	(623,981)	(621,062)
Impairment loss recognised in profit or loss account	(33,172)	(168,249)
Write off / reversals in the year	23,278	165,330
<b>At end of year</b>	<b>(633,875)</b>	<b>(623,981)</b>

## 4 Financial risk management objectives and policies (continued)

### (a) Credit risk (continued)

The impairment loss recognised relates to the specific customer debtors provision. During the year the Group did not renegotiate the terms of a trade receivable from any long-standing customer.

### Company

The ageing of trade and other receivables at the reporting date was:

	Gross 2012 Kshs'000	Impairment 2012 Kshs'000	Net 2012 Kshs'000
<b>2013</b>			
Current	11,237,125	-	11,237,125
<b>2012</b>			
Current	13,880,818	-	13,880,818

### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets in credit risk (a) above.

The Group had credit facility arrangements with both a related party and banks as at 30 June 2013. The facilities include up to KShs 13 billion (2012: KShs 8 billion) in bank overdrafts and short term loans with various banks across East Africa.

### Group

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Financial liabilities	Total amount KShs'000	Current KShs'000	0 – 30 days KShs'000	31 and above KShs'000
<b>2013</b>				
Trade and other payables (Note 27a)	14,194,959	13,446,664	458,602	289,693
Borrowings (Note 31)	31,086,189	-	-	31,086,189
	<b>45,281,148</b>	<b>13,446,664</b>	<b>458,602</b>	<b>31,375,882</b>
<b>2012</b>				
Trade and other payables (Note 27a)	15,327,378	9,550,317	4,214,844	1,562,217
Borrowings (Note 31)	26,030,778	-	-	26,030,778
	<b>41,358,156</b>	<b>9,550,317</b>	<b>4,214,844</b>	<b>27,592,995</b>

### Company

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Financial liabilities	Total amount Kshs'000	Current Kshs'000	0 – 30 days Kshs'000	31 and above Kshs'000
<b>2013</b>				
Trade and other payables (Note 27b)	5,050,047	4,847,020	136,527	66,500
Borrowings (Note 31)	27,738,608	-	-	27,738,608
	<b>32,788,655</b>	<b>4,847,020</b>	<b>136,527</b>	<b>27,805,108</b>

## 4 Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

<b>Financial liabilities</b>	<b>Total amount Kshs'000</b>	<b>Current Kshs'000</b>	<b>0 – 30 days Kshs'000</b>	<b>31 and above Kshs'000</b>
<b>2012</b>				
Trade and other payables (Note 27b)	9,422,860	9,422,860	-	-
Borrowings (Note 31)	24,069,236	-	-	24,069,236
	33,492,096	9,422,860	-	24,069,236

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### (i) Foreign currency risk

Foreign currency risk arises on sales, purchases and borrowings denominated in currencies other than the functional currency of the entities in the group. Repayments of foreign currency denominated borrowings are financed by receipts of foreign currency debtors, thereby managing the risk.

The table below summarises the Group's exposure to foreign currency risks

<b>2013: Group</b>	<b>EUR '000</b>	<b>GBP '000</b>	<b>TZS '000</b>	<b>UGX '000</b>	<b>USD '000</b>	<b>ZAR '000</b>
<b>Monetary assets</b>						
Cash and bank balances	-	-	-	4,013,620	73	-
Trade and other receivables	543	2,689	75,180,775	13,236,126	26,262	-
	543	2,689	75,180,775	17,249,746	26,335	-
<b>Monetary liabilities</b>						
Trade and other payables	(11,924)	(30,794)	(13,896,907)	(11,225,080)	(11,720)	(3,900)
Borrowings	-	(7,677)	(52,719,048)	(559,031)	-	-
	(11,924)	(38,471)	(66,615,955)	(11,784,111)	(11,720)	(3,900)
<b>Net open position</b>	<b>(11,381)</b>	<b>(35,782)</b>	<b>8,564,820</b>	<b>5,465,635</b>	<b>14,615</b>	<b>(3,900)</b>

### 2012: Group

<b>Monetary assets</b>						
Cash and bank balances	82	186	-	-	1,746	-
Trade and other receivables	496	24	21,488,629	32,397,084	8,895	-
	578	210	21,488,629	32,397,084	10,641	-
<b>Monetary liabilities</b>						
Trade and other payables	-	(10,791)	-	(53,293,926)	(1,570)	(278)
Borrowings	-	-	(23,548,329)	(22,500,000)	-	-
	-	(10,791)	(23,548,329)	(75,793,926)	(1,570)	(278)
<b>Net open position</b>	<b>578</b>	<b>(10,581)</b>	<b>(2,059,700)</b>	<b>(43,396,842)</b>	<b>9,071</b>	<b>(278)</b>

<b>2013: Company</b>	<b>EUR '000</b>	<b>GBP '000</b>	<b>TZS '000</b>	<b>UGX '000</b>	<b>USD '000</b>	<b>ZAR '000</b>
<b>Monetary assets</b>						
Trade and other receivables	88	1,007	-	3,307,894	52	-
<b>Monetary liabilities</b>						
Trade and other payables	(66)	(1887)	(3,059,696)	(308,103)	(473)	-
<b>Net open position</b>	<b>22</b>	<b>(880)</b>	<b>(3,059,696)</b>	<b>2,999,791</b>	<b>(421)</b>	<b>-</b>

## 4 Financial risk management objectives and policies (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

2012: Company	EUR	GBP	TZS	UGX	USD	ZAR
Monetary assets	'000	'000	'000	'000	'000	'000
Cash and bank balances	74	186	-	-	1,715	-
Trade and other receivables	-	50	124,901,817	4,288	5	-
	74	236	124,901,817	4,288	1,720	-
<b>Monetary liabilities</b>						
Trade and other payables	(50)	(6,267)	-	-	-	-
	(50)	(6,267)	-	-	-	-
<b>Net open position</b>	<b>24</b>	<b>6,031</b>	<b>124,901,817</b>	<b>4,288</b>	<b>1,720</b>	<b>-</b>

The following exchange rates were applied during the year:

Currency	Average rates		Closing rates	
	2013	2012	2013	2012
EUR - KSHS	110.70	118.73	111.69	106.61
EUR - UGX	3,371.27	3,413.59	3,371.56	3,117.43
GBP - KSHS	133.86	140.80	130.68	132.2
GBP - UGX	4,075.85	4,049.31	3,944.73	3,865.61
KSHS - TZS	18.81	18.33	18.92	18.65
USD - KSHS	85.26	88.67	85.97	84.20
USD - UGX	2,596.00	2,649.97	2,595.22	2,462.17
EUR - UGX	3,371.27	3,413.59	3,371.56	3,117.43
UGX - KSHS	30.44	28.80	30.18	29.24
ZAR - UGX	291.90	329.72	262.46	301.06
KSHS - ZAR	9.59	11.46	8.69	10.30

### Sensitivity analysis on foreign currency rates

A 5 percent strengthening of the Kenya shilling against the following currencies at 30 June 2013 would have increased/ (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2012.

Effect in Kenya shillings thousands As at 30 June	Income statement	
	2013 Kshs'000	2012 Kshs'000
<b>Group</b>		
EUR	63,557	3,081
GBP	233,800	(69,940)
TZS	(22,634)	5,522
UGX	(9,055)	74,208
USD	(62,823)	(38,188)
ZAR	1,695	(143)
	<b>204,540</b>	<b>(25,460)</b>
<b>Company</b>		
EUR	1	128
GBP	44	(39,865)
TZS	152,985	334,857
UGX	(149,990)	7
USD	21	7,241
	<b>3,061</b>	<b>302,368</b>

## 4 Financial risk management objectives and policies (continued)

(c) Market risk (continued)

### (i) Foreign currency risk (continued)

A 5 percent weakening of the Kenya shilling against the above currencies at 30 June 2013 could have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (ii) Interest rate risk

The Group's interest bearing financial assets and financial liabilities include bank loans and overdrafts. These are at variable rates, on which they are therefore exposed to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 30 June 2013, an increase/decrease of 1 percentage point would have resulted in a decrease/increase in consolidated post tax profit of KShs 217,603,000 (2012: KShs 182,215,000), mainly as a result of higher/lower interest charges on variable rate borrowings. The impact on the company's profit would have been KShs 169,640,000 (2012: KShs 168,485,000) higher/lower if the interest rates increased/decreased by 1 percentage point.

The table below summarises the interest rate profile of the Group's financial assets and liabilities.

Group - As at 30 June	Effective interest rate Kshs'000	Total Kshs'000	On demand Kshs'000	Fixed term Kshs'000
<b>2013</b>				
Borrowings	12.27%	31,086,189	6,292,922	24,793,267
<b>2012</b>				
Borrowings	17.62%	26,030,778	1,192,042	24,838,736

Company - As at 30 June	Effective interest rate Kshs'000	Total Kshs'000	On demand Kshs'000	Due between three and twelve months Kshs'000	Due in over twelve months Kshs'000
<b>2013</b>					
Bank and related party borrowings	12.22%	24,234,236	-	4,765,000	19,469,236
<b>2012</b>					
Bank and related party borrowings	17.66%	24,069,236	-	4,600,000	19,469,236

### (iii) Equity price risk

The investments are unquoted and there is no readily available market for valuation.

(d) Capital 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

(e) Fair value

The fair values of significant financial assets and liabilities is the same as the carrying amounts as shown in the statement of financial position due to the short term nature of these items

The company had nil values of financial assets classified under the following categories in the fair value hierarchy:

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

## 5 Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Group executive committee that are used to make strategic decisions.

The committee considers the business from a geographical perspective. Geographically, management considers the performance of the business in Kenya, Uganda and Tanzania.

The reportable operating segments derive their revenue primarily from brewing, marketing and selling of drinks, glass containers, malt and barley. The executive committee assesses the performance of the operating segments based on a measure of profit before income tax.

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

	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
External sales	42,184,290	38,196,055	9,771,054	10,310,980	7,106,532	7,015,131	-	-	59,061,875	55,522,166
Inter segment sales	7,696,139	6,588,152	695,233	399,846	381,594	-	(8,772,966)	(6,987,998)	-	-
<b>Total sales</b>	<b>49,880,429</b>	<b>44,784,207</b>	<b>10,466,287</b>	<b>10,710,826</b>	<b>7,488,126</b>	<b>7,015,131</b>	<b>(8,772,966)</b>	<b>(6,987,998)</b>	<b>59,061,875</b>	<b>55,522,166</b>

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

Other information	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Segment assets	79,246,994	79,780,074	7,701,616	7,872,783	14,802,309	9,831,520	(43,194,866)	(42,048,348)	58,556,052	55,436,029
Segment liabilities	48,480,176	49,780,074	4,569,923	8,837,435	14,647,258	3,708,832	(17,575,496)	(14,490,070)	50,121,861	47,836,270
Capital expenditure	4,712,723	3,588,331	720,422	1,587,924	1,260,028	1,520,149	-	-	6,693,173	6,696,404
Depreciation expense and amortisation	1,840,852	2,066,515	385,049	436,323	750,729	622,577	-	-	2,976,630	3,125,446

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

Segment revenue is based on the geographical location of both customers and assets. Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the income statement. There is no reliance on individually significant customers by the group.

The amounts provided to the executive committee in respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements.

	2013	2012
	Kshs '000	Kshs '000
<b>6 Revenue</b>		
<b>Group</b>		
Gross sales	98,335,557	89,846,657
Indirect taxes	(39,273,682)	(34,324,491)
	<b>59,061,875</b>	<b>55,522,166</b>
<b>Company</b>		
<b>Royalties</b>	<b>730,104</b>	<b>658,913</b>

	2013	2012
	Kshs '000	Kshs '000
<b>7 Other (expenses)/income</b>		
<b>a) Group</b>		
Profit on disposal of associate (Note 23(b))	-	3,646,339
Profit on disposal of leasehold land and buildings	17,783	643,659
Profit on disposal of property, plant and equipment	63,568	-
Sundry other (expenses)/income	(77,268)	86,028
Impairment losses movement – bad debts	(9,894)	(2,919)
Stock obsolescence	(1,086)	8,510
Rental income	23,470	3,719
Impairment losses on property plant and equipment	(217,577)	(329,816)
Transactional foreign exchange gains/(losses)	341,544	(258,312)
<b>Other income</b>	<b>140,540</b>	<b>3,780,188</b>
<b>b) Company</b>		
Management fees	2,996,750	1,969,028
Profit on disposal of associate (Note 23(c))	-	941,555
Impairment losses movement –bad debts	-	54,299
Profit on disposal of property, plant and equipment	-	38,777
Rental Income	-	36
Transactional foreign exchange losses	36,816	(102,111)
Sundry other income/(expenses)	(86,510)	-
<b>Other operating expenses (Net)</b>	<b>2,947,056</b>	<b>2,901,584</b>

The following items have been charged in arriving at the profit before income tax:

<b>8 Expenses by nature</b>		
Depreciation on property, plant and equipment (Note 18(a))	2,945,976	2,993,891
Amortisation of intangible asset – software (Note 19)	30,347	131,002
Amortisation of prepared operating lease (Note 21)	307	523
Staff costs (Note 9)	6,522,748	5,759,300
Auditors' remuneration – current year	32,919	27,256
Prior year under provision	1,109	8,497

## 9 Staff costs

<b>(a) Group</b>		
Salaries and wages	5,340,459	4,760,551
Defined contribution scheme	184,428	188,181
National Social Security Funds	182,484	94,279
Share based payments expense	4,327	67,046
Other staff costs	811,050	649,243
	<b>6,522,748</b>	<b>5,759,300</b>
<b>(b) Company</b>		
Salaries and wages	1,163,521	721,207
Share based payments expense	48,652	67,046
Defined contribution scheme	8,477	38,473
National Social Security Funds	4,327	8,300
Other staff costs	230,013	156,667
	<b>1,454,990</b>	<b>991,693</b>

	2013 Kshs '000	2012 Kshs '000
<b>10 Net finance cost</b>		
<b>(a) Group</b>		
<i>Finance income</i>		
Interest income	39,268	1,192,359
Foreign exchange gains on cash and cash equivalents	134,886	-
	174,154	1,192,359
<i>Finance cost</i>		
Interest expense	(4,057,989)	(4,317,432)
Forex loss on deferred consideration	-	(218,886)
Foreign exchange losses on cash and cash equivalents	(669)	(26,219)
	(4,058,658)	(4,562,537)
	<b>(3,884,504)</b>	<b>(3,370,178)</b>
<b>(b) Company</b>		
<i>Finance income</i>		
Interest income	993,031	630,525
Foreign exchange gains on cash and cash equivalents	116,257	-
	1,109,288	630,525
<i>Finance cost</i>		
Interest expense	(4,157,126)	(3,898,453)
Forex loss on deferred consideration	-	(218,886)
Foreign exchange losses on cash and cash equivalents	-	(18,253)
	(4,157,126)	(4,135,592)
	<b>(3,047,838)</b>	<b>(3,505,067)</b>

**11 Income tax****Group****(i) Income tax expense**

Current income tax		
- Charge for the year	4,610,604	4,457,165
- Under provision of current tax in prior year	109,458	162,388
Current tax expense	4,720,062	4,619,553
Deferred tax (Note 17(a))		
- Credit for the year	(666,840)	(552,617)
- Under provision of deferred tax in prior year	116,952	-
Deferred tax credit	(549,888)	(552,617)
	<b>4,170,174</b>	<b>4,066,936</b>

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:

	2013 Kshs'000	2012 Kshs'000
Profit before income tax	11,114,919	15,253,049
Tax calculated at the domestic statutory income tax rates of 30% (2012 - 30%)	3,334,476	4,575,915
Tax effects of:		
• Expenses not deductible for tax purposes	633,693	601,937
• Income not subject to tax	(24,405)	(1,273,304)
• Under provision in prior year – income tax	109,458	162,388
• Under provision in prior year – deferred tax	116,952	-
<b>Income tax expense</b>	<b>4,170,174</b>	<b>4,066,936</b>

## 11 Income tax (continued)

### Group

(ii) <i>Income tax recoverable/(payable)</i>	2013	2012
	Kshs'000	Kshs'000
Opening balance	420,281	387,581
Tax paid during the year	4,549,673	4,652,253
Current tax charge	(4,610,604)	(4,457,165)
Prior year over provision	(109,458)	(162,388)
Translation difference	1,002	-
	<b>250,894</b>	<b>420,281</b>
<b>Analysed as follows</b>		
Income tax	(449,688)	(492,442)
Income tax	700,582	912,723
	<b>250,894</b>	<b>420,281</b>

### (b) Company

(i) <i>Income tax expense</i>		
Current income tax	-	-
Under provision of current tax in prior year	58,280	194,981
	<b>58,280</b>	<b>194,981</b>
Deferred tax credit (Note 17(b))	(228,076)	(603,140)
	<b>(169,796)</b>	<b>(408,159)</b>

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:

Profit before income tax	4,344,656	7,124,729
Tax calculated at the domestic statutory income tax rates of 30% (2012 - 30%)	1,303,397	2,137,419
Tax effects of:		
• Expenses not deductible for tax purposes	538,633	561,768
• Income not subject to tax	(2,070,106)	(3,302,327)
• Under provision in prior year – current tax	58,280	194,981
<b>Income tax credit</b>	<b>(169,796)</b>	<b>(408,159)</b>

(ii) <i>Income tax recoverable/(payable)</i>	30 June 2013	30 June 2012
	Kshs'000	Kshs'000
Opening balance	389,989	553,081
Tax paid during the year	87,915	31,889
Prior year under provision	(58,280)	(194,981)
	<b>419,624</b>	<b>389,989</b>

## 12 Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2013 was based on profit attributable to ordinary shareholders of Kshs 6,982,118,000 (2012: Kshs 10,643,587,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2013 of 790,774,356 (2012 – 790,774,356) as the effect of share options exercised is immaterial.

	2013	2012
Issued ordinary shares at 1 July (Note 14)	790,774,356	790,774,356
Effects of share options exercised (Note 24)	20,594	32,860
	<b>790,794,950</b>	<b>790,807,216</b>

## 12 Earnings per share (continued)

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 was based on profit attributable to ordinary shareholders of KShs 6,982,118,000 (2012: KShs 10,643,587,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2013 of 791,551,087 (2012 – 791,773,957).

	2013	2012
Weighted number of ordinary shares (Note 14)	790,794,950	790,807,216
Effects of share options on issue (Note 24)	756,137	966,741
	<b>791,551,087</b>	<b>791,773,957</b>

## 13 Dividends per share

A final dividend in respect of the year ended 30 June 2013 of KShs 4.00 per share (2012: KShs 6.25) amounting to a total of KShs 3,163,097,000 (2012: KShs 4,942,340,000) has been proposed. During the year an interim dividend of KShs 1.50 per share amounting to a total of KShs 1,186,162,000 was paid. The total dividend for the year is therefore KShs 7.75 per share (2012: KShs 8.75), amounting to a total of KShs 4,349,259,000 (2012: KShs 6,919,276,000).

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

The following is the movement in dividends during the year:

Group and Company	30 June 2013 Kshs'000	30 June 2012 Kshs'000
Opening balance	615,420	345,145
Dividend declared during the year	6,128,502	6,919,276
Dividends paid	(6,026,000)	(6,649,001)
<b>Closing balance</b>	<b>717,922</b>	<b>615,420</b>

## 14 Share capital

	Number of shares (Thousands)	Ordinary shares Kshs'000	Share premium Kshs'000
Issued and paid up			
Balance at 30 June 2012 and 30 June 2013	790,774	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 per share. All issued shares are fully paid.

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 meetings of the company. All shares rank equally with regard to the company assets.

## 15 Acquisition of the Minority Shareholding in Kenya Breweries Limited

On 25 November 2011, the Group completed the acquisition of SABMiller Africa BV's 20% non-controlling equity stake in Kenya Breweries Limited (KBL), for total consideration of KShs 20.6 billion. This figure was arrived at based on a fair valuation of KBL's business. KBL is now a wholly owned subsidiary of the Group.

The difference between the cash consideration and the carrying value of the net assets attributable to minority interests has been accounted for as a charge to equity in line with the requirements of IAS 27 (2008).

Kenya Breweries terminated a brewing and distribution agreement with SABMiller International BV on 31 May 2011 and ceased to distribute SABMiller's brands in Kenya.

## 16 Change in accounting policy for property, plant and equipment

In the fourth quarter of 2012, the Group changed its accounting policy for the measurement of the carrying amount of property, plant and equipment. The Group has elected to voluntarily change its accounting policy from the revaluation model to cost model. In accordance with International financial reporting standards, the change was applied retrospectively. The change in accounting policy is considered to provide more relevant information about the Group's and Company's financial position and enable it to comply with the parent company policy for recognition of property, plant and equipment which is cost model of accounting. The retrospective adjustments had an impact on the consolidated statement of financial position and the consolidated statement of comprehensive income.

The remaining revaluation reserve (capital reserve) represents the surplus recognised prior to adoption of IFRS.

The following table summarises the adjustments made to the statement of financial position following the change in accounting policy:

	Revaluation surplus	Retained earnings	Deferred tax liability	Property, plant and equipment	
	Kshs '000	Kshs '000	Kshs '000	Cost Kshs '000	Accumulated depreciation Kshs '000
<b>Group</b>					
Balance at 30 June 2011	1,473,289	16,144,910	3,397,129	43,524,012	15,027,220
(Decrease)/(increase) from restatement	(191,744)	58,798	(59,820)	(251,561)	(58,795)
<b>Restated balance at 30 June 2012</b>	<b>1,281,545</b>	<b>16,203,708</b>	<b>3,337,309</b>	<b>43,272,451</b>	<b>14,968,425</b>

The effect on statement of comprehensive income is as follows:

	2013 Kshs '000	2012 Kshs '000
Reduction on cost of sales	-	2,923
Reduction on administrative expenses	-	6,562
Increase on profit for the year	-	9,485
<b>Effect on total comprehensive income for the year</b>	<b>-</b>	<b>9,485</b>

	Revaluation Surplus	Retained Earnings	Deferred tax liability/(asset)	Property, plant and equipment	
	Kshs '000	Kshs '000	Kshs '000	Cost Kshs '000	Accumulated depreciation Kshs '000
<b>Company</b>					
Balance at 30 June 2011	109,693	7,102,251	(98,294)	275,052	125,862
(Decrease)/increase from restatement	(87,856)	24,723	(25,224)	(113,080)	(20,448)
<b>Restated balance at 30 June 2012</b>	<b>21,837</b>	<b>7,126,974</b>	<b>(123,518)</b>	<b>161,972</b>	<b>105,414</b>

The effect on statement of comprehensive income is as follows:

	2013 Kshs '000	2012 Kshs '000
Reduction on administrative expenses	-	4,275
Increase on profit for the year	-	4,275
<b>Effect on total comprehensive income for the year</b>	<b>-</b>	<b>4,275</b>

## 17 Deferred tax

Deferred income tax is calculated using the enacted domestic income tax rate of 30% (2012: 30%). The movement on the deferred income tax account is as follows:

<b>Net deferred tax</b>	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Group</b>		
At 1 July		
- As previously stated	2,533,656	3,160,546
- Prior year adjustment (Note 16)	-	(59,820)
As restated	2,533,656	3,100,726
Credit to income statement (Note 11)	(666,840)	(552,617)
Prior year under provision (Note 11)	116,952	-
Currency translation difference	27,383	(14,453)
<b>At end of year</b>	<b>2,011,151</b>	<b>2,533,656</b>

Presented in the statement of financial position as follows:

<b>Group</b>		
Deferred tax liabilities	3,673,094	3,402,418
Deferred tax assets	(1,661,943)	(868,762)
<b>At end of year</b>	<b>2,011,151</b>	<b>2,533,656</b>
<b>Company</b>		
At start of year		
At start of year	(726,658)	(98,294)
Prior year adjustment	-	(25,224)
As restated	(726,658)	(123,518)
Credit to the income statement	(228,076)	(603,140)
<b>At end of year</b>	<b>(954,734)</b>	<b>(726,658)</b>

Presented in the statement of financial position as follows:

<b>Deferred tax assets</b>	<b>954,734</b>	<b>726,658</b>
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Deferred income tax assets and liabilities and deferred income tax charge/(credit) in the income statement are attributable to the following items:

<b>Year ended 30 June 2013</b>	<b>30.6 .2012</b>	<b>Charged/ (credited) to profit or loss</b>	<b>Currency changes</b>	<b>30.6 .2013</b>
<b>Group</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	3,367,286	163,013	21,568	3,551,867
Intangible asset	168,901	-	-	168,901
Unrealised exchange gain	14,270	38,632	(118)	52,784
Tax losses carried forward	1,309	(22,215)	(123)	(21,029)
Provisions	(149,348)	68,580	1,339	(79,429)
<b>Deferred tax liability</b>	<b>3,402,418</b>	<b>248,010</b>	<b>22,666</b>	<b>3,673,094</b>
<b>Deferred income tax assets</b>				
Property, plant and equipment	(62,696)	1,013,987	(13,828)	937,463
Unrealised exchange gain	(25,271)	24,807	(84)	(548)
Tax losses carried forward	(709,106)	(1,808,494)	17,240	(2,500,360)
Provisions	(71,689)	(28,198)	1,389	(98,497)
<b>Deferred tax asset</b>	<b>(868,762)</b>	<b>(797,898)</b>	<b>4,717</b>	<b>(1,661,943)</b>
<b>Net deferred tax liability</b>	<b>2,533,656</b>	<b>(549,888)</b>	<b>27,383</b>	<b>2,011,151</b>

## 17 Deferred tax (continued)

Year ended 30 June 2012	30.6 .2011 (restated)	Charged/ (credited) to profit or loss	Currency changes	30.6 .2012
Group	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>Deferred tax liabilities</b>				
Property, plant and equipment	3,581,333	(196,363)	(17,684)	3,367,286
Intangible asset	168,901	-	-	168,901
Unrealised exchange gain	(6,397)	20,511	156	14,270
Tax losses carried forward	(202,776)	201,923	2,162	1,309
Provisions	(203,752)	54,156	248	(149,348)
<b>Deferred tax liability</b>	<b>3,337,309</b>	<b>80,227</b>	<b>(15,118)</b>	<b>3,402,418</b>
<b>Deferred tax assets</b>				
Property, plant and equipment	(174,062)	111,366	-	(62,696)
Unrealised exchange gain	(33,913)	8,614	28	(25,271)
Tax losses carried forward	(2,478)	(707,157)	529	(709,106)
Provisions	(26,130)	(45,667)	108	(71,689)
<b>Deferred tax asset</b>	<b>(236,583)</b>	<b>(632,844)</b>	<b>665</b>	<b>(868,762)</b>
<b>Net deferred tax liability</b>	<b>3,100,726</b>	<b>(552,617)</b>	<b>(14,453)</b>	<b>2,533,656</b>

Year ended 30 June 2013	1.7.2012	Charged/ (credited) to profit or loss	30.6 .2013
Company	Kshs '000	Kshs '000	Kshs '000
<b>Deferred tax liabilities</b>			
Property, plant and equipment:			
- On historical cost basis	9,356	11,875	21,231
- On revaluation	-	10,224	10,224
	<b>9,356</b>	<b>22,099</b>	<b>31,455</b>
<b>Deferred tax assets</b>			
Unrealised exchange gain / (loss)	(1,167)	33,316	32,149
Provisions	(52,534)	31,779	(20,755)
Tax losses	(682,313)	(315,270)	(997,583)
	<b>(736,014)</b>	<b>(250,175)</b>	<b>(986,189)</b>
<b>Net deferred tax asset</b>	<b>(726,658)</b>	<b>(228,076)</b>	<b>(954,734)</b>

Year ended 30 June 2012	1.7.2011	Charged/ (credited) to P/L	30.6 .2012
	Kshs '000	Kshs '000	Kshs '000
<b>Deferred tax liabilities</b>			
Property, plant and equipment:	48,112	(38,756)	9,356
<b>Deferred tax assets</b>			
Unrealised exchange gain / (loss)	32,164	(33,331)	(1,167)
Provisions	(71,365)	18,831	(52,534)
Tax losses	(132,429)	(549,884)	(682,313)
	(171,630)	(564,384)	(736,014)
<b>Net deferred tax asset</b>	<b>(123,518)</b>	<b>(603,140)</b>	<b>(726,658)</b>

The cumulative tax losses expire in 4 years with effect from 2015.

## 18 Property, plant and equipment

Year ended 30 June 2013:	Freehold Property	Leasehold buildings	Plant & equipment	Motor vehicles	Returnable packaging materials	Capital work in progress	Total
Group	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<b>Cost</b>							
At 1 July 2012	2,026,329	3,200,192	31,396,676	98,580	8,359,138	3,395,338	48,476,253
Additions	-	7,825	179,339	-	3,413,249	3,092,760	6,693,173
Transfers from work in progress	151,156	15,406	2,521,605	-	-	(2,688,167)	-
Disposals	(2,620)	-	(43,620)	-	(1,009,481)	(388,422)	(1,444,144)
Assets written off	(164,510)	(5,571)	(933,233)	(8,371)	-	(56,840)	(1,168,525)
Transfers to operating lease (Note 21)	-	(840)	-	-	-	-	(840)
Transfers to software (Note 19)	-	-	-	-	-	(205,923)	(205,923)
Exchange differences	-	(47,460)	(240,133)	(29)	(62,900)	(58,345)	(408,868)
<b>At 30 June 2013</b>	<b>2,010,355</b>	<b>3,169,552</b>	<b>32,880,634</b>	<b>90,180</b>	<b>10,700,005</b>	<b>3,090,401</b>	<b>51,941,127</b>
<b>Depreciation and impairment</b>							
At 1 July 2012	781,599	494,411	12,002,265	66,059	3,885,317	-	17,229,651
Charge for the year	90,173	102,496	1,442,137	1,052	1,310,118	-	2,945,976
On assets disposed	(2,620)	-	(122,613)	-	(755,129)	-	(880,362)
On assets written off	(100,775)	(3,340)	(838,466)	(8,367)	-	-	(950,948)
Transfers to operating lease rental (Note 21)	-	(8)	-	-	-	-	(8)
Exchange differences	-	(7,515)	(83,669)	-	(27,086)	-	(118,270)
<b>At 30 June 2013</b>	<b>768,377</b>	<b>586,044</b>	<b>12,399,654</b>	<b>58,744</b>	<b>4,413,220</b>	<b>-</b>	<b>18,226,039</b>
<b>Net book value as at 30 June 2013</b>	<b>1,241,978</b>	<b>2,583,508</b>	<b>20,480,980</b>	<b>31,436</b>	<b>6,286,785</b>	<b>3,090,401</b>	<b>33,715,088</b>
<b>Cost</b>							
At 1 July 2011							
- As earlier stated	2,119,496	2,474,261	26,045,180	89,190	6,448,319	6,347,566	43,524,012
- Prior year adjustment (Note 16)	(251,561)	-	-	-	-	-	(251,561)
- As restated	1,867,935	2,474,261	26,045,180	89,190	6,448,319	6,347,566	43,272,451
Additions	-	77,863	368,661	9,404	2,367,018	3,872,833	6,695,779
Transfers from work in progress	158,396	825,461	5,609,422	-	150,190	(6,743,469)	-
Disposals	-	(100,000)	(6,047)	-	-	-	(106,047)
Assets written off	(2)	(13,171)	(373,392)	-	(549,070)	-	(935,635)
Exchange differences	-	(64,222)	(247,148)	(14)	(57,319)	(81,592)	(450,295)
<b>At 30 June 2012</b>	<b>2,026,329</b>	<b>3,200,192</b>	<b>31,396,676</b>	<b>98,580</b>	<b>8,359,138</b>	<b>3,395,338</b>	<b>48,476,253</b>
<b>Depreciation and impairment</b>							
At 1 July 2011							
- As earlier stated	760,190	444,546	10,694,135	65,239	3,063,110	-	15,027,220
- Prior year adjustment (Note 16)	(58,795)	-	-	-	-	-	(58,795)
- As restated	701,395	444,546	10,694,135	65,239	3,063,110	-	14,968,425
Exchange differences	-	(7,315)	(74,333)	-	(17,920)	-	(99,568)
Charge for the year	80,204	84,458	1,684,034	820	1,144,375	-	2,993,891
On assets disposed	-	(27,278)	-	-	-	-	(27,278)
Charge on assets written off	-	-	(301,571)	-	(304,248)	-	(605,819)
<b>At 30 June 2012</b>	<b>781,599</b>	<b>494,411</b>	<b>12,002,265</b>	<b>66,059</b>	<b>3,885,317</b>	<b>-</b>	<b>17,229,651</b>
<b>Net book value as at 30 June 2012</b>	<b>1,244,730</b>	<b>2,705,781</b>	<b>19,394,411</b>	<b>32,521</b>	<b>4,473,821</b>	<b>3,395,338</b>	<b>31,246,602</b>

## 18 Property, plant and equipment (continued)

Company	Land Kshs'000	Leasehold buildings Kshs'000	Plant & equipment Kshs'000	Capital work in progress Kshs'000	Total Kshs'000
<b>Year ended 30 June 2013</b>					
<b>Cost</b>					
At 1 July 2012	140,403	41,420	122,630	49,181	353,634
Additions	-	-	795	38,338	39,133
Transfers from work in progress	-	-	52,515	(52,515)	-
Disposals	-	-	(275)	-	(275)
<b>At 30 June 2013</b>	<b>140,403</b>	<b>41,420</b>	<b>175,665</b>	<b>35,004</b>	<b>392,492</b>
<b>Depreciation</b>					
At 1 July 2012	-	13,123	25,902	-	39,025
Charge for the year	-	5,329	35,942	-	41,271
Disposals	-	-	(268)	-	(268)
<b>At 30 June 2013</b>	<b>-</b>	<b>18,452</b>	<b>61,576</b>	<b>-</b>	<b>80,028</b>
<b>Net book amount at 30 June 2013</b>	<b>140,403</b>	<b>22,968</b>	<b>114,089</b>	<b>35,004</b>	<b>312,464</b>

### Year ended 30 June 2012:

<b>Cost</b>					
At 1 July 2011					
- As previously stated	140,403	154,500	195,120	1,370	491,393
- Prior year adjustment (Note 16)	-	(113,080)	-	-	(113,080)
As restated	140,403	41,420	195,120	1,370	378,313
Additions	-	-	48,471	47,811	96,282
Disposals	-	-	(120,961)	-	(120,961)
<b>At 30 June 2012</b>	<b>140,403</b>	<b>41,420</b>	<b>122,630</b>	<b>49,181</b>	<b>353,634</b>
<b>Depreciation</b>					
At 1 July 2011					
- As previously stated	-	36,295	111,828	-	148,123
- Prior year adjustment (Note 16)	-	(24,723)	-	-	(24,723)
As restated	-	11,572	111,828	-	123,400
Charge for the year	-	1,551	23,814	-	25,365
Disposals	-	-	(109,740)	-	(109,740)
<b>At 30 June 2012</b>	<b>-</b>	<b>13,123</b>	<b>25,902</b>	<b>-</b>	<b>39,025</b>
<b>Net book amount at 30 June 2012</b>	<b>140,403</b>	<b>28,297</b>	<b>96,728</b>	<b>49,181</b>	<b>314,609</b>

There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 31.

## 19 Intangible asset - Software

Group	2013 Kshs'000	2012 Kshs'000
<b>Cost</b>		
At start and end of year	1,265,040	1,264,415
Additions	-	625
Transferred from property, plant and equipment (Note 18)	205,924	-
Exchange differences	(1,150)	-
<b>At end of year</b>	<b>1,469,814</b>	<b>1,265,040</b>

## 19 Intangible asset - Software (continued)

Group	2013 Kshs'000	2012 Kshs'000
<b>Amortisation</b>		
At start of year	(1,015,391)	(884,389)
Amortisation during the year	(30,347)	(131,002)
<b>At end of year</b>	<b>(1,045,738)</b>	<b>(1,015,391)</b>
<b>Net book value at end of year</b>	<b>424,076</b>	<b>249,649</b>
<b>Company</b>		
<b>Cost</b>		
At start and end of year	1,265,040	1,264,415
Additions	-	625
<b>At end of year</b>	<b>1,265,040</b>	<b>1,265,040</b>
<b>Amortisation</b>		
At start of year	(1,015,391)	(884,389)
Amortisation during the year	(30,347)	(131,002)
<b>At end of year</b>	<b>(1,045,738)</b>	<b>(1,015,391)</b>
<b>Net book value at end of year</b>	<b>219,302</b>	<b>249,649</b>

## 20 Intangible asset

(a) Goodwill	At start of the year cost Kshs'000	On disposal Kshs'000	Cumulative impairment	Net book amount Kshs'000
<b>Year ended 30 June 2013</b>				
UDV (Kenya) Limited (UDV)	415,496	-	-	415,496
International Distillers (Uganda) Limited (IDU)	233,168	-	-	233,168
Serengeti Breweries Limited (SBL)	2,928,527	-	-	2,928,527
<b>Total</b>	<b>3,577,191</b>	<b>-</b>	<b>-</b>	<b>3,577,191</b>
<b>Year ended 30 June 2012</b>				
Uganda Breweries Limited (UBL)	116,415	-	(116,415)	-
EABL International Limited (EABLI)	334,249	-	(334,249)	-
Tanzania Breweries Limited	2,129,421	(2,129,421)	-	-
UDV (Kenya) Limited (UDV)	461,662	-	(46,166)	415,496
International Distillers (Uganda) Limited (IDU)	260,324	-	(27,156)	233,168
Serengeti Breweries Limited (SBL)	2,928,527	-	-	2,928,527
<b>Total</b>	<b>6,230,598</b>	<b>(2,129,421)</b>	<b>(523,986)</b>	<b>3,577,191</b>

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

Impairment testing for cash-generating units containing goodwill

For the purpose 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.

## (b) Brand

This represents value of brand intangibles in the acquired subsidiary as calculated under the relief from royalties methodology and based on directors' forecast of brand performance.

	2013 Kshs'000	2012 Kshs'000
On acquisition of subsidiary	563,005	563,005
Deferred tax thereon	(168,901)	(168,901)

## 21 Prepaid operating lease rentals

Leases of land have been classified as operating leases.

<b>Group</b>	<b>2013 Kshs'000</b>	<b>2012 Kshs'000</b>
<b>Cost</b>		
At start of year	16,382	37,915
Transferred from property, plant and equipment (Note 18)	840	-
Disposal	(259)	(21,533)
Foreign exchange gain	6	-
	<b>16,969</b>	<b>16,382</b>
<b>Amortisation and impairment</b>		
At start of year	(5,448)	(8,200)
Amortisation for the year	(307)	(523)
Transferred from property, plant and equipment (Note 18)	(8)	-
Eliminated on disposal	42	3,275
	<b>(5,721)</b>	<b>(5,448)</b>
<b>Net book value at end of year</b>	<b>11,248</b>	<b>10,934</b>
<b>Company</b>		
<b>Cost</b>		
At start and end of year	2,250	2,250
<b>Amortisation</b>		
At start of year	(773)	(703)
Amortisation for the year	(70)	(70)
<b>At end of year</b>	<b>(843)</b>	<b>(773)</b>
<b>Net book value at end of year</b>	<b>1,407</b>	<b>1,477</b>

## 22 Investments in subsidiaries

	<b>Country of incorporation</b>	<b>Effective incorporation interest</b>	<b>30 June 2013 Kshs'000</b>	<b>30 June 2012 Kshs'000</b>
Kenya Breweries Limited	Kenya	100%	22,377,809	22,377,809
Salopia Limited	Kenya	100%	200	200
Allsopps (EA) Sales Limited	Kenya	100%	2	2
East African Breweries (Mauritius) Limited	Mauritius	100%	-	389
Central Glass Industries Limited	Kenya	100%	790,288	790,288
Uganda Breweries Limited	Uganda	98.20%	687,648	687,648
International Distillers Uganda Limited	Uganda	100%	300,000	300,000
East African Maltings (Kenya) Limited	Kenya	100%	-	-
East African Maltings (Uganda) Limited	Uganda	100%	-	-
UDV (Kenya) Limited	Kenya	46.32%	589,410	589,410
EABL International Limited	Kenya	100%	150,000	150,000
EABL Tanzania Limited	Tanzania	100%	5,610	5,610
Serengeti Breweries Limited	Tanzania	51%	4,942,998	4,942,998
Kenya Liquor Distributors Limited	Kenya	46.32%	-	-
Harp Distributors Limited	Kenya	46.32%	-	-
International Distillers Kenya Limited	Kenya	46.30%	-	-
Kenya Distillers Limited	Kenya	45.86%	-	-
Gilbeys East Africa Limited	Kenya	45.86%	-	-
			<b>29,843,965</b>	<b>29,844,354</b>

East African Breweries (Mauritius) Limited was wound up during the year and the investment carried in the books was written off.

## 23 Investments in associates

### (a) Non-current assets held for sale

In January 2012, EABL sold its 20% equity interest in Tanzania Breweries Limited (TBL) for a consideration of KSh 6.6 billion. The investment in TBL was held as an asset for sale and the gain before tax arising on sale after transaction costs analysed below:

#### Gain on disposal of associate

	2013 Kshs'000	2012 Kshs'000
Total consideration	-	6,585,865
Transaction costs	-	(474,313)
Net proceeds	-	6,111,552
Less: Carrying value of investment (asset held for sale)	-	(2,465,213)
<b>Gain on disposal of investment (Note 7(a))</b>	<b>-</b>	<b>3,646,339</b>

### (b) Company

	Effective Interest	2013 Kshs'000	2012 Kshs'000
Tanzania Breweries Limited	20%	-	-
At start of year		-	5,169,997
Transfer to non-current assets held for sale		-	(5,169,997)
<b>At end of year</b>		<b>-</b>	<b>-</b>

#### Gain on disposal of associate

Total consideration	-	6,585,865
Transaction costs	-	(474,313)
Net proceeds	-	6,111,552
Less: Carrying value of investment (asset held for sale)	-	(5,169,997)
<b>Gain on disposal of investment (Note 7(b))</b>	<b>-</b>	<b>941,555</b>

### (c) Other investments (Group and Company)

#### Unquoted: at cost

4,000 ordinary shares (representing 20%) in Sen-Tech Limited	400	400
20% investment in Challenge Fund Limited who in turn have subscribed to 50% in Central Depository and Settlement Corporation Limited	10,000	10,000
	<b>10,400</b>	<b>10,400</b>

There are no material differences between fair value and cost for these investments.

## 24 Employees benefit

### (a) Equity compensation benefits

The Directors, through an independent Trust, are empowered to grant share options to Group employees. These options are granted for a maximum period of ten years and a minimum period of three years at a price determined by the market value ruling on the Nairobi Stock Exchange on the day preceding the day on which the options are granted. The shares to be exercised within this Trust have been issued directly through the Company and also purchased at the stock exchange.

	2013 Number of shares	2012 Number of shares
Outstanding at start of year	966,741	1,047,746
Lapsed	(9,010)	(48,145)
Exercised	(201,594)	(32,860)
<b>Outstanding at end of year</b>	<b>756,137</b>	<b>966,741</b>
<b>Exercise price per share – Kshs</b>	<b>169</b>	<b>160.00</b>

Options may be exercised at prices ranging between KShs 74 and KShs 169 (2012 – KShs 75.80 and KShs 160). The trading price of EABL share as at 30 June 2013 on the Nairobi Securities Exchange was KShs 331 (2012: KShs 225).

## 24 Employees benefit (continued)

### (b) Employee share save scheme

As at 30 June 2013, the Trust's obligation to members under the employee share save scheme stood at 834,276 shares (2012 – 1,359,191). During the year, 954,127 (2011 – Nil) shares were exercised by employees.

## 25 Inventories-Group

	2013 Kshs'ooo	2012 Kshs'ooo
Raw materials and consumables	4,725,032	5,201,284
Work In Progress	470,865	302,843
Finished goods	2,255,618	2,188,850
Goods in transit	19,092	264,295
	<b>7,470,607</b>	<b>7,957,272</b>

The cost of inventory recognised as an expense and included in cost of sales amounted to KShs 23,131,853,000 (2012: KShs 19,109,880,000).

## 26 Receivables and prepayments

Group	30 June 2013 Kshs'ooo	30 June 2012 Kshs'ooo
Trade receivables	5,461,906	4,594,689
Less: Provision for impairment loss	(629,130)	(562,757)
	4,832,776	4,031,932
Other receivables	3,396,330	3,607,449
Less: Provision for impairment loss	(4,745)	(61,224)
Prepayments	613,760	534,319
Receivable from related parties (Note 32)	177,701	77,329
	<b>9,015,822</b>	<b>8,189,805</b>

Movements on provision for impairment of trade receivables and other recoverables are as follows:

At start of year	623,981	621,062
Net charge in the year	9,894	2,919
<b>At end of year</b>	<b>633,875</b>	<b>623,981</b>

### Company

Other receivables and prepayments	713,810	141,133
Dividends receivable	-	4,970,000
Receivable from related parties (Note 32)	10,523,315	8,769,685
	<b>11,237,125</b>	<b>13,880,818</b>

## 27 Payables

Group		
Trade payables	3,412,678	2,792,351
Other creditors	7,059,961	8,399,336
Payable to related parties (Note 32)	3,722,331	4,135,691
	<b>14,194,970</b>	<b>15,327,378</b>

### Company

Trade payables	235,653	119,892
Payable to related parties (Note 32)	4,126,826	9,387,333
Other creditors	687,568	367,629
	<b>5,050,047</b>	<b>9,874,854</b>

## 28 Contingent liabilities

Contingent liabilities incurred in the ordinary course of business:

<b>Group</b>	<b>2013</b> <b>Kshs'000</b>	<b>2012</b> <b>Kshs'000</b>
Guarantees	12,000	18,368
Pending legal cases	148,874	122,100
	<b>160,874</b>	<b>140,468</b>
<b>Company</b>		
Guarantees	12,000	18,368

## 29 Commitments

### i) Capital commitments – Group

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

	<b>2013</b> <b>Kshs'000</b>	<b>2012</b> <b>Kshs'000</b>
Contracted but not provided for	3,260,400	1,881,960
Authorised but not contracted for	1,601,600	894,893

### ii) Operating lease commitments

#### *Group leases as lessee*

Two subsidiaries in the Group (Kenya Breweries Limited and Uganda Breweries Limited) have 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:

	<b>2013</b> <b>Kshs'000</b>	<b>2012</b> <b>Kshs'000</b>
Not later than 1 year	1,380,761	1,230,063
Later than 1 year and not later than 5 years	2,784,164	2,169,735
	<b>4,164,925</b>	<b>3,399,798</b>

#### *Group leases as lessor*

The Group has entered into operating lease agreements for leasing part of its properties.

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

	<b>2013</b> <b>Kshs'000</b>	<b>2012</b> <b>Kshs'000</b>
Not later than 1 year	1,811	31,775
Later than 1 year and not later than 5 years	21,952	80,098
	<b>23,763</b>	<b>111,873</b>

#### *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:

	<b>2013</b> <b>Kshs'000</b>	<b>2012</b> <b>Kshs'000</b>
Not later than 1 year	25,631	39,480
Later than 1 year and not later than 5 years	102,525	61,248
	<b>128,156</b>	<b>100,728</b>

### 30 Cash generated from operations

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

Group	2013 Kshs'000	2012 Kshs'000
Profit before income tax	11,114,919	15,253,049
Adjustments for:		
Interest income	(39,268)	(1,192,359)
Interest expense	4,057,989	4,317,432
Depreciation (Note 18 (a))	2,945,976	2,993,891
Employee Share Ownership Plan reserve	4,327	67,046
Amortisation of intangible asset – software (Note 19)	30,347	131,002
Amortisation of prepaid operating lease rentals (Note 21 (a))	307	523
Gain on disposal of leasehold land and buildings	(17,783)	(643,659)
Gain on disposal of property, plant and equipment	(63,568)	-
Profit on disposal of associate	-	(3,646,339)
Impairment of property, plant and equipment	217,577	329,816
Exchange differences	92,197	(62,961)
Changes in working capital:		
- receivables and prepayments	(826,017)	(1,123,732)
- inventories	486,665	(3,557,907)
- payables and accrued expenses	(1,132,409)	1,746,079
<b>Cash generated from operations</b>	<b>16,871,259</b>	<b>14,611,881</b>

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

Company		
Profit before income tax	4,344,656	7,124,729
Adjustments for:		
Interest income	(993,031)	(630,525)
Interest expense	4,157,126	3,898,453
Depreciation (Note 18 (b))	41,271	25,365
Employee Share Ownership Scheme expense	4,327	67,046
Amortisation of intangible asset – software (Note 19)	30,347	131,002
Amortisation of prepaid operating lease rentals (Note 21 (b))	70	70
Divided Income receivable	(6,976,175)	(10,160,344)
Write off of investment in EABL Mauritius	389	-
Loss/(profit) on disposal of property, plant and equipment	7	(38,778)
Profit on disposal of business	-	(941,555)
Changes in working capital:		
- receivables and prepayments	(2,326,307)	(4,791,187)
- payables and accrued expenses	(4,824,807)	166,017
<b>Cash used in from operations</b>	<b>(6,542,127)</b>	<b>(5,149,707)</b>

#### (c) Cash and cash equivalents

Group		
Cash and bank balances	1,406,091	997,973
Bank overdraft (Note 31)	(6,292,922)	(1,192,042)
	<b>(4,886,831)</b>	<b>(194,069)</b>
Company		
Cash and bank balances	-	243,723
Bank overdraft (Note 31)	(3,504,372)	-
	<b>(3,504,372)</b>	<b>243,723</b>

### 30 Cash generated from operations (continued)

#### (d) Movement in receivables and prepayment

	2013 Kshs'000	2012 Kshs'000
Movement per statement of financial position	2,643,693	9,761,187
Dividends receivable (under dividend income in cash flow)	(4,970,000)	(4,970,000)
<b>Movement under working capital in cash flow</b>	<b>(2,326,307)</b>	<b>4,791,187</b>

### 31 Borrowings

#### Group

The borrowings are made up as follows:

#### Non-current

Bank borrowings	372,687	513,000
Related party borrowings	19,469,236	19,469,236
	<b>19,841,923</b>	<b>19,982,236</b>

#### Current

Bank overdraft	6,292,922	1,192,042
Bank borrowings	4,951,344	4,856,500
	<b>11,244,266</b>	<b>6,048,542</b>
<b>Total borrowings</b>	<b>31,086,189</b>	<b>26,030,778</b>

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:

	2013 Kshs'000	2012 Kshs'000
At start of year	26,030,778	5,147,658
Advanced in the year	165,000	7,121,790
Advanced on acquisition of minority interest in subsidiary	-	19,469,236
Repayments	(174,244)	(5,440,765)
Movement in bank overdrafts	5,100,880	-
Foreign exchange gain	(36,225)	(267,141)
<b>At the end of the year</b>	<b>31,086,189</b>	<b>26,030,778</b>

Bank borrowings mature between June 2013 and June 2015 and at average annual interest rates of 15.58% (2012: 16.06%)

Total borrowings include secured liabilities (bank and collateralised borrowings) of KShs 588,614,000 (2012: KShs 1,187,215,000). Collateralised borrowings are secured by land, industrial property and bank guarantee.

The related party loan attracts variable interest rates at 1.5% above 364 Treasury bill rate +1.5%. The loan is repayable after a period of five years from the draw down date.

	2013 Kshs'000	2012 Kshs'000
<b>Company</b>		
The borrowings are made up as follows:		
<b>Non-current</b>		
Related party borrowings	19,469,236	19,469,236
<b>Current</b>		
Bank borrowings	4,765,000	4,600,000
Bank overdraft	3,504,372	-
	<b>8,269,372</b>	<b>4,600,000</b>
<b>Total borrowings</b>	<b>27,738,608</b>	<b>24,069,236</b>

### 31 Borrowings (continued)

#### Company

The carrying amounts of current borrowings approximate their fair value.

The movement in borrowings is as follows:

	2013 Kshs'000	2012 Kshs'000
At start of year	24,069,236	-
Advanced in the year	165,000	4,600,000
Advanced on acquisition of minority interest in subsidiary	-	19,469,236
Movement in bank overdrafts	3,504,372	-
<b>At the end of the year</b>	<b>27,738,608</b>	<b>24,069,236</b>

Bank borrowings mature between June 2013 and June 2015 and at average annual interest rates of 11.76% (2012: 16.06%)

The company did not have secured liabilities (bank and collateralised borrowings) (2012: Nil).

The related party loan attracts variable interest rates at 1.5% above 364 Treasury bill rate. The loan is repayable after a period of five years from the draw down date.

### 32 Related party transactions

The Company is controlled by Diageo plc incorporated in the United Kingdom which is the ultimate holding company. There are other companies that are related to East African Breweries Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

	2013 Kshs'000	2012 Kshs'000
<i>(a) Sale of goods and services</i>		
Other related parties	-	-
<i>(b) Purchase of goods and services</i>		
Parent company	11,557	-
Fellow subsidiaries	2,995,019	1,948,563
	<b>3,006,576</b>	<b>1,948,563</b>

Sales and purchases to/from related parties were made at terms and conditions similar to those offered to major customers.

*(c) Outstanding balances arising from sale and purchase of goods/services.*

#### Group

Receivables from related parties	177,701	77,329
Payable to related parties	3,722,331	4,135,691
<b>Company</b>		
Receivables from subsidiaries	10,384,858	8,715,960
Receivables from related parties	138,457	53,725
	<b>10,523,315</b>	<b>8,769,685</b>
Payables to subsidiaries	3,524,343	7,906,068
Payables to related parties	602,483	1,481,265
	<b>4,126,826</b>	<b>9,387,333</b>

### 32 Related party transactions (continued)

#### (d) Directors' remuneration

	2013 Kshs'000	2012 Kshs'000
<b>Group</b>		
Fees for services as a director	8,728	9,762
Other emoluments included in key management compensation in (e) below	214,870	188,590
	<b>223,598</b>	<b>198,352</b>
<b>Company</b>		
Fees for services as a director	7,148	9,300
Other emoluments included in key management compensation in (e) below	97,457	64,945
	<b>104,606</b>	<b>74,245</b>
<b>(e) Key management compensation</b>		
Salaries and other short-term employment benefits	628,164	503,758
Termination benefits	11,478	20,737
Post-employment benefits	26,066	19,535
	<b>665,708</b>	<b>544,030</b>

### 33 Reserves

#### (a) Capital reserve

The capital reserve represents the surplus on the revaluation of property, plant, and equipment net of deferred income tax and is non-distributable. This is revaluation surplus recognised prior to adoption of International Financial Reporting Standards in 2000. It is released upon impairment or derecognition of the related item of property, plant and equipment

#### (b) Share based payment reserve

During the year, a fair value charge of KShs 4,327,000 (2012: KShs 67,046,000) was recognised in respect of the employees in the Employee Share Ownership Plan (ESOP).

#### (c) Translation reserve

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

## Principal shareholders and share distribution

The ten largest shareholdings in the Company and the respective number of shares held at 30 June 2013 are as follows:

	<b>Name(s) and Address</b>	<b>Number of shares</b>	<b>%</b>
1	Diageo Kenya Limited	338,618,340	42.82%
2	Diageo Holdings Netherlands B.V.	36,361,290	4.60%
3	Guinness Overseas Limited	20,628,804	2.61%
4	Standard Chartered Nominees Non Resident A/C KE 13084	20,338,427	2.57%
5	Standard Chartered Nominees Non Resident A/C KE 9273	18,301,400	2.31%
6	CfC Stanbic Nominees Limited A/C NR 13721	8,708,727	1.10%
7	Standard Chartered Nominees Non Resident A/C KE 11916	6,691,963	0.85%
8	CfC Stanbic Nominees Limited A/C NR 13662	6,526,926	0.83%
9	Standard Chartered Nominees Non Resident A/C 9054	6,460,980	0.82%
10	Janaksinh Karsandas Babla & Mrs. Nirmala Janaksinh Babla	6,181,020	0.78%
	<b>Total number of shares</b>	<b>468,817,877</b>	<b>59.29%</b>

## Distribution of shareholders

	<b>Number of shares</b>	<b>Number of shareholders</b>	<b>% Shareholding</b>
1-500 shares	2,434,950	12,473	0.31%
501-5,000 shares	16,775,857	10,510	2.12%
5,001- 10,000 shares	7,251,759	1,022	0.92%
10,001- 100,000 shares	40,785,772	1,442	5.16%
100,001 - 1,000,000 shares	90,249,649	291	11.41%
Over 1,000,000 shares	633,276,369	77	80.08%
<b>TOTALS</b>	<b>790,774,356</b>	<b>25,815</b>	<b>100.00%</b>



# TUPO PAMOJA

...katika shangwe za mafanikio



SERENGETI  
BREWERIES  
LIMITED

Kunywa pombe kupita kiasi ni hatari kwa afya yako, haiuzwi wala kutumiwa na walio na umri chini ya miaka 18.  
Tafadhali kunywa kistaarabu

# Proxy

I/We \_\_\_\_\_

Share A/c No. \_\_\_\_\_

of (address) \_\_\_\_\_

being a member(s) of East African Breweries Limited, hereby appoint

\_\_\_\_\_ or failing him the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the 91<sup>st</sup> Annual General Meeting of the Company to be held on 31 October 2013 at 11.00 a.m. or at any adjournment thereof.

As witness to my/our hands

This \_\_\_\_\_ day of October 2013

Signature(s) \_\_\_\_\_

## Notes:

1. This Form of Proxy should be completed and returned to the Company's Registered Office not later than 2:30pm on 30 October 2013.
2. If the appointer is a corporation, this Form of Proxy must be under its Common Seal or under the hand of the officer or attorney duly authorised in that behalf.

## ADMISSION CARD

PLEASE ADMIT

\_\_\_\_\_ To the Annual General Meeting of East African Breweries Limited which will be held at Safari Park Hotel, Ruaraka, Nairobi on 31 October 2013 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.

R.T. Ngobi (Ms.)

Company Secretary

# Fomu ya uwakilishi

Mimi/Sisi \_\_\_\_\_

Nambari ya akaunti ya hisa \_\_\_\_\_

Anwani \_\_\_\_\_

kama mwanahisa/wanahisa wa East African Breweries namteua/tunamteua \_\_\_\_\_

wa (anwani) \_\_\_\_\_

na akikosa yeye, namteua/tutamteu Mwenyekiti wa mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa mwaka wa Tisini na Moja wa Kampuni utakaofanyika tarehe 31 Oktoba 2013 saa tano za asubuhi ama siku yoyote ile endapo mkutano huo utaahirishwa.

Sahihi \_\_\_\_\_

Sahihi hii/hizi imewekwa/zimewekwa tarehe \_\_\_\_\_Oktoba 2013

Maelezo muhimu:

1. Iwapo hutaweza kuhudhuria mkutano huu wewe mwenyewe binafsi, ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kufikishwa kwa Katibu wa Kampuni kabla ya saa nne za asubuhi ya Jumanne, tarehe 31 Oktoba 2013 na isipofikia wakati huo, uteuzi wako/wenu wa uwakilishi hautafaa.
2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo.

ADMISSION CARD

PLEASE ADMIT

To the Annual General Meeting of East African Breweries Limited which will be held at Safari Park Hotel, Ruaraka, Nairobi on 31 October 2013 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.

R.T. Ngobi (Ms.)

Company Secretary



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NATION,  
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LAST  
LONGER**



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[www.eabl.com](http://www.eabl.com)