Celebrating Life

# INFORMATION MEMORANDUM



# KES 11,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME



## Arrangers

Barclays Bank of Kenya Limited and CfC Stanbic Bank Limited

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# Contents

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# Important Notices

## The Programme

Under this KES 11,000,000,000 Medium Term Note Programme, the Issuer may from time to time issue Notes subject to the Conditions contained in or referred to in this Information Memorandum. Any other terms and conditions not contained in the Conditions which are applicable to any Notes will be set forth in a Pricing Supplement. Save as set out herein, the Notes will not be subject to any minimum or maximum maturity and the maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed KES 11,000,000,000.

The Notes will be made available to the general public in Kenya. Applications for participation may be processed through the Placing Agents, details of which are provided in this Information Memorandum (under Section 5 (Subscription and sale)).

The Notes may be issued in Tranches and be placed by one or more of the Placing Agents described under the section "Summary of the Programme", and any additional Placing Agent appointed from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Placing Agent" and together the "Placing Agents").

The price/yield, tenor, amount and allocation of Notes to be issued under this Programme will be determined by the Issuer, the Arrangers and Placing Agents at the time of issue in accordance with the prevailing market conditions as set out in the relevant Pricing Supplement.

## Cautionary Statement

Prospective investors should carefully consider the matters set forth under the section "Risk Factors" starting on page 46 of this Information Memorandum.

## Relevant Approvals

The Capital Markets Authority has approved the public offering and listing of the Notes on the Fixed Income Securities Market Segment of the Nairobi Securities Exchange. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the Issue and/or listing is not to be taken as an indication of the merits of the Issuer or of the Notes.

The NSE has authorised the Issuer to list the Notes on the FISMS. The Notes have not been and will not be registered under any other securities legislation whether in Kenya or any other country. The NSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission to the FISMS of the NSE is not to be taken as an indication of the merits of the Notes or the Issuer.

A copy of this Information Memorandum, together with the documents required to be attached thereto pursuant to section 43(1) of the Companies Act, has been delivered to the Registrar of Companies in Nairobi.

The Notes have been prescribed as a dematerialized security by the Central Depository and Settlement Corporation under section 24 of the Central Depositories Act.

The sale or transfer of Notes by Noteholders will be subject to the rules of the NSE, and where applicable, the CDSC rules, the Conditions of the Notes and the provisions of the Agency Agreement. The register for the Notes will be the record of depositors maintained by the CDSC in accordance with the Central Depositories Act. There are currently no other restrictions on the sale or transfer of Notes under Kenyan law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Kenya.

**Responsibility**

The Directors whose names appear on page 34 accept responsibility for the information contained in this Information Memorandum. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors, having made all reasonable enquiries, confirm that this Information Memorandum contains or incorporates all information which is material in the context of the issue and the offering of the Notes, that the information contained or incorporated in this Information Memorandum is true and accurate in all material respects and is not misleading in any material respect, that the opinions and the intentions expressed in this document are honestly held and that there are no other factual omissions which would make this document, or any such information or expression of any such opinions or intentions, misleading in any material respect and that all proper enquiries have been made to verify the foregoing.

The information presented herein was prepared or obtained by the Issuer and is being furnished to the Arrangers and the Placing Agents solely for use by prospective investors in connection with the Notes. Neither of the Arrangers nor the Placing Agents or any of their respective directors, affiliates, advisers or agents has assumed any responsibility for independent verification of the information contained herein or otherwise made available in connection with the Notes, and they make no representation or warranty as to the accuracy or completeness of such information.

**Disclaimers**

Neither this Information Memorandum nor any other information supplied in connection with the Notes is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the Arrangers or the Placing Agents or any of their respective directors, affiliates, advisers or agents, that any recipient of this Information Memorandum (or any other information supplied in connection with the Issue) should purchase any Notes. Each investor contemplating purchasing a Note should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Each investor is advised to conduct and rely on their own evaluation of the Issuer and the terms of the offering including the merits and risks involved in making an investment decision with respect to the Notes. Neither this Information Memorandum nor any other information supplied in connection with the Issue constitutes an offer or invitation to any person by or on behalf of the Arrangers or the Placing Agents or any of their respective directors, affiliates, advisers or agents to subscribe for or to purchase any Notes.

Nothing contained in this Information Memorandum is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Arrangers or the Placing Agents, or any of their respective directors, affiliates, advisers or agents, in any respect. Furthermore, neither the Arrangers or the Placing Agents nor any of their respective directors, affiliates, advisers or agents, makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability of the Notes, the performance and observance by the Issuer of its obligations in respect of the Notes, or the recoverability of any sums due or to become due from the Issuer under the Notes.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

No person has been authorised to give any information or make any representation other than that contained in this Information Memorandum and if given or made, such information or representation should not be relied upon as having been authorised by or on behalf of the Issuer, the Arrangers or the Placing Agents or any of their respective directors, affiliates, advisers or agents.

**Selling Restrictions**

The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other supplemental Information Memorandum or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any jurisdiction, other than Kenya.

The distribution of this Information Memorandum and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any Notes may come must first inform themselves about and observe any such restrictions.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended ("the Securities Act"). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of US persons (as defined in Regulation S under the Securities Act).

The Issuer considers that Notes issued under this Information Memorandum will constitute a domestic issue of the Notes within Kenya. The Arrangers and the Placing Agents have represented, warranted and undertaken that they will (i) observe all applicable laws and regulations within Kenya; (ii) will not make any offer or sales of Notes under this Information Memorandum in any jurisdiction other than Kenya; (iii) will distribute the Information Memorandum and/or any advertisement or offering material within Kenya only under circumstances that will result in compliance with all applicable laws and regulations; and (iv) will not distribute the Information Memorandum and/or any advertisement or offering material in any other jurisdiction.

It is intended by the Issuer and the Placing Agents that the Notes will only be sold pursuant to a domestic offer in Kenya, and that any investor or potential investor who purchases the Notes shall inform themselves of the risks involved in investing in the Notes and has understood that the information contained in this Information Memorandum is consistent with information that would be required in connection with a domestic offer of securities in Kenya which differs substantially from international markets.

**Supplemental Information Memorandum**

The Issuer will, in connection with the listing of Notes on the NSE or on such other exchange or further exchange or exchanges as may be selected by the Issuer, and for so long as any Note remains outstanding and listed on such exchange, publish a supplement to the Information Memorandum on the occasion of any subsequent issue of Notes where there has been:

(a) a material adverse change in the condition (financial or otherwise) of the Issuer which is not then reflected in the Information Memorandum or any supplement to the Information Memorandum; or

(b) any modification of the terms of the Programme which would then make the Information Memorandum inaccurate or misleading.

Any such supplemental Information Memorandum shall be deemed to have been substituted for the previous Information Memorandum from the date of its issue.

The Issuer shall seek the prior approval of the CMA and the NSE in connection with any proposed amendment or supplement to this Information Memorandum and the Issuer shall, in addition, supply to the Arrangers, Sponsoring Stockbroker, the Placing Agents, the CMA, the NSE and the CDSC in Kenya such number of copies of such supplement to this Information Memorandum or replacement Information

Memorandum as the Arrangers, Sponsoring Stockbroker, the Placing Agents, the CMA, the NSE and the CDSC may reasonably require or as may be required to be provided by law. If the terms of the Issue are modified or amended in a manner which would make this Information Memorandum, as supplemented, inaccurate or misleading, a new Information Memorandum will be prepared by the Issuer after seeking the approval of the CMA and the NSE.

**Forward Looking Statements**

Some statements in this Information Memorandum may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Information Memorandum, the words "anticipates", "estimates", "believes", "intends" "plans", "may", "will", "should" and any similar expressions are used to identify forward-looking statements. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These views reflect the best judgement of the Issuer's management but involve uncertainties and are subject to certain risks the occurrence of which could cause actual results to differ materially from those predicted in the Issuer's forward-looking statements and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Information Memorandum, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements apply only as at the date of this Information Memorandum. Without prejudice to any requirements under Applicable Laws and regulations, the Issuer expressly disclaims any obligations or undertaking to disseminate after the date of this Information Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based. A prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

**Rounding**

Some numerical figures included in this Information Memorandum have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain figures may not be an arithmetic aggregation of the figures that preceded them.

Documents incorporated by reference

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(a) any supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the Agency Agreement;

(b) the audited annual financial statements, and notes thereto, of the Issuer for the five financial years ended 30 June 2014 as well as the published audited annual financial statements, and notes thereto, of the Issuer in respect of further financial years, as and when such become available;

(c) the interim financial statements of the Issuer as at 31 December 2014 and any subsequent published interim financial statements of the Issuer in respect of further years, as and when such become available;

(d) each relevant Pricing Supplement relating to any Tranche of Notes issued under the Programme on or after the Programme Date; and

(e) all information pertaining to the Issuer which is relevant to the Programme and/or this Information Memorandum which is electronically submitted to the CMA and NSE.

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide, free of charge, to each person to whom a copy of the Information Memorandum has been delivered, upon request of such person, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded.

Requests for such documents should be directed to East African Breweries Limited, Corporate Centre, Ruaraka, P.O Box 30161, 00100 Nairobi GPO for the attention of the Company Secretary.

The information may also be obtained from the Issuer's website: www.eabl.com.

*Nairobi, 03 March 2015*

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# Definitions and abbreviations

In the Information Memorandum, unless a contrary indication appears, the following expressions shall have the meanings indicated in the table below:

Words in the singular shall include the plural and vice versa, references to a person shall include references to a body corporate, and reference to a gender includes the other gender.

**Table 1: Definitions and abbreviations**

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| "Agency Agreement" | means the agreement dated 03 March 2015 between East African Breweries Limited and CfC Stanbic Bank Limited appointing CfC Stanbic Bank Limited as the paying agent ("Paying Agent"), calculation agent ("Calculation Agent"), fiscal agent (collectively referred to as "Fiscal Agent") and registrar ("Registrar") in respect of the Issue; |
| "Agent" | means CfC Stanbic Bank Limited acting in its capacity as Fiscal Agent and Registrar; |
| "Allotment Date" | means the date specified as such in the applicable Pricing Supplement on which Notes are allotted to the successful applicants; |
| "Applicable Laws" | means any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Notes and the Conditions; |
| "Board of Directors" or "Directors" | means the members of the board of directors of East African Breweries Limited; |
| "Business Day" | means a day on which banks are open for business in Nairobi, Kenya; |
| "Capital Markets Authority" or "CMA" | means the Capital Markets Authority established under the Capital Markets Act (Chapter 485A of the Laws of Kenya) and includes any successor thereto; |
| "CD Act" | means the Central Depositories Act (Act No. 4 of 2000 of the Laws of Kenya); |
| "CDSC Account" | means a depository account of a Noteholder which is held with the CDSC; |
| "CDSC" | Central Depository and Settlement Corporation; |
| "CEO" | Chief Executive Officer; |
| "CGI" | Central Glass Industries Limited; |
| "Companies Act" | means the Companies Act (Chapter 486 of the Laws of Kenya); |
| "Conditions" | means the terms and conditions of the Notes as set out in the First Schedule of the Agency Agreement as the same may from time to time be modified and any reference to a numbered "Condition" is to a correspondingly numbered provision thereof; |
| "Diageo" | means Diageo plc, a public company incorporated in England and Wales, which is the ultimate parent company of EABL; |
| "EABL Group" or the "Group" | means East African Breweries Limited and its subsidiaries; |
| "EABL" or the "Company" or the "Issuer" | means East African Breweries Limited, a limited liability company incorporated in Kenya, with registration number 5/34 of Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya; |
| "EABLI" | means EABL International Limited, a limited liability company incorporated in Kenya; |
| "EAML" | means East African Maltings Limited, a limited liability company incorporated in Kenya; |
| "Final Redemption Amount" | means the amount, as specified in the applicable Pricing Supplement, due on final redemption of the Notes; |
| "FISMS" | means the Fixed Income Securities Market Segment of the NSE; |
| "Interest Amount" | means in relation to a Tranche of Notes and an Interest Period, the amount of interest payable in respect of that Tranche of Notes for that Interest Period; |
| "Interest Commencement Date" | means the first date from which interest on the Notes will accrue as specified in the applicable Pricing Supplement; |
| "Interest Determination Date" | means the date specified in the applicable Pricing Supplement; |
| "Interest Payment Date | means in relation to a Tranche of Notes, the dates indicated in the applicable Pricing Supplement commencing on the date specified in the applicable Pricing Supplement until the Principal Amount of each Note is repaid in full; |
| "Interest Period" | means the period beginning on and including the Issue Date, to but excluding, the first Interest Payment Date, and each successive interest period from and including an Interest Payment Date to but excluding the next Interest Payment Date; |
| "Interest Rate" | means the rate of interest applicable to the Notes as specified in the applicable Pricing Supplement; |

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| "Issue Date" | means the date specified in the applicable Pricing Supplement; |
| "Issue Price" | means the prices specified as such, being the price at which the Issuer issues the Notes referred to in the applicable Pricing Supplement; |
| "Issue" | means the issue by the Company of medium term notes denominated in Shillings of an aggregate amount of up to Kenya Shillings eleven billion (KES 11,000,000,000); |
| "KBL" | means Kenya Breweries Limited a limited liability company incorporated in Kenya; |
| "Kenya" | means the Republic of Kenya and "Kenyan" shall be construed accordingly; |
| "KShs" or "KES" or "Shillings" | means Kenya Shillings, the lawful currency of Kenya; |
| "MD" | Managing Director; |
| "Noteholder" | means the person in whose name a Note is registered in the CDSC Account, or in the case of joint holders, the first-named thereof; |
| "Notes" | means the medium term notes of the aggregate Principal Amount of up to eleven billion Kenya Shillings (KES 11,000,000,000) to be issued by the Issuer in accordance with the terms of the Agency Agreement; |
| "NSE" | means the Nairobi Securities Exchange; |
| "Placing Agents" | means the Placing Agents appointed from time to time in accordance with the Placing Agreement dated 02 March 2015 between East African Breweries Limited and Barclays Bank of Kenya Limited, Barclays Financial Services Limited, CfC Stanbic Bank Limited and SBG Securities Limited; |
| "Pricing Supplement" | means a pricing supplement approved by the Issuer which is supplemental to the Information Memorandum containing the relevant details of individual Tranches of the Notes; |
| "Principal Amount" | means in relation to any Note, the total amount, excluding interest owing by the Issuer under the Note, as specified in the applicable Pricing Supplement; |
| "Programme Date" | 03 March 2015; |
| "Programme" | means the medium term note programme established by the Company pursuant to the Agency Agreement; |
| "Register" | means the register established by the Registrar pursuant to the provisions of Clause 8 of the Agency Agreement; |
| "SBL" | means Serengeti Breweries Limited, a limited liability company incorporated in the United Republic of Tanzania; |
| "Series" | means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices; |
| "Specified Denomination" | means the amount specified as such in the applicable Pricing Supplement; |
| "Specified Office" | means the specified office of the Fiscal Agent and Registrar as specified in the Information Memorandum; |
| "Sponsoring Stockbroker" | means SBG Securities Limited; |
| "TBL" | means Tanzania Breweries Limited a limited liability company incorporated in the United Republic of Tanzania; |
| "Tranche" | means a series of Notes comprising one or more Series, that (except in respect of the first Interest Payment Date and their Issue Price) have the identical terms of issue and are expressed to have the same tranche number. Details applicable to each tranche are to be specified in the applicable Pricing Supplement; |
| "UBL" | means Uganda Breweries Limited, a limited liability company incorporated in the Republic of Uganda; and |
| "UK" | means the United Kingdom of Great Britain and Northern Ireland. |

# 1 Summary of the Programme

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Information Memorandum and, in relation to the Conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Capitalised terms not separately defined herein shall bear the meaning given to them in the Conditions.

**Table 2: Summary of the Programme**

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| Issuer | East African Breweries Limited; |
| Arrangers | Barclays Bank of Kenya Limited and Barclays Financial Services Limited in association with Absa Corporate and Investment Bank, a division of Absa Bank Limited, CfC Stanbic Bank Limited and SBG Securities Limited; |
| Placing Agents | Barclays Bank of Kenya Limited, Barclays Financial Services Limited, CfC Stanbic Bank Limited and SBG Securities Limited; |
| Sponsoring Stockbroker | SBG Securities Limited; |
| Fiscal Agent and Registrar | CfC Stanbic Bank Limited; |
| Transaction legal counsel | Coulson Harney, Advocates; |
| Reporting Accountant | PricewaterhouseCoopers, Certified Public Accountants; |
| **GENERAL** | |
| Description of the Programme | Notes issued in Tranches under a KES 11,000,000,000 Medium Term Note Programme; details applicable to each Tranche are to be specified in the relevant Pricing Supplement; |
| Indicative date of Tranches | **Indicative Date** / **Indicative Amount**<br>March 2015 / KES 5,000,000,000<br>To be specified in the relevant Pricing Supplement / KES 6,000,000,000 |
| Form of Notes | book-entry; |
| Denomination of Notes | Notes will be issued in such denominations as may be specified in the applicable Pricing Supplement; |
| Governing Law | Kenyan law; |
| Issue Price | Notes may be issued on a fully-paid basis and at an issue price which is at their Principal Amount or at a discount to, or premium over, their Principal Amount as specified in the applicable Pricing Supplement; |
| Listing | the Notes will, upon their issue, be listed on the FISMS of the NSE or any successor exchange or on such other or further exchange as may be determined by the Issuer subject to any relevant ruling law; |
| Interest Period(s) or Interest Payment Date(s) | the Interest Rate(s), Interest Payment Date(s) and Interest Period(s) applicable to a Tranche or Series of Notes will be specified in the applicable Pricing Supplement; |
| Noteholder | when used with respect to any Note, means the person in whose name a Note is registered in the CDSC account, or in the case of joint holders, the first-named thereof; |
| Programme Amount | the maximum aggregate Principal Amount of all Notes outstanding that may be issued under the Programme at any one point in time, being as at the Programme Date, KES 11,000,000,000; |
| Risk Factors | investing in the Notes involves certain risks (see the section of the Information Memorandum headed “Risk Factors”); |
| Currency | Kenyan Shillings; |
| Notes | Notes may comprise:<br>Fixed Rate Notes: Fixed Rate Notes will bear interest at a fixed interest rate, as indicated in the applicable Pricing Supplement;<br>Floating Rate Notes: Floating Rate Notes will bear interest at a floating rate, as indicated in the applicable Pricing Supplement; |

| | |
|---|---|
| Selling Restrictions | the distribution of this Information Memorandum and/or any relevant Pricing Supplement and any offering or sale of or subscription of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States, the United Kingdom and South Africa (see section headed “Subscription and sale”).<br>Any other or additional restrictions which are applicable and which may be required to be met in relation to an offering or sale of Notes will be included in the applicable Pricing Supplement. Persons who come into possession of this Information Memorandum and/or any applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions; |
| Status of Notes | unless otherwise specified in the relevant Pricing Supplement, the Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu among themselves and (save for certain debt preferred by law) equally with all other unsecured obligations (other than subordinated obligations (if any)) of the Issuer outstanding from time to time; |
| Redemption | the Notes will be redeemed on the date(s) specified in the applicable Pricing Supplement; |
| Taxation | refer to the sections of this Information Memorandum headed “Taxation”; |
| Conditions | the Conditions of the Notes are set out in the section of this Information Memorandum headed “Terms and Conditions”; |

# 2 Terms and conditions of the Notes

The issue of medium term notes of up to Kenya Shillings eleven billion (KES 11,000,000,000) within the Republic of Kenya by East African Breweries Limited (the "**Issuer**") was duly authorised pursuant to a resolution of the Board of Directors passed on 12 February 2015. The Notes are issued with the benefit of, and are subject to, an Agency Agreement dated 3 March 2015 (the "**Agency Agreement**") between the Issuer and the Fiscal Agent and Registrar.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement. The Noteholders are deemed to have notice of all the provisions of the Agency Agreement, copies of which are available for inspection at the registered office of the Issuer and the Specified Offices of the Fiscal Agent and the Registrar in accordance with the provisions of the Agency Agreement and the Information Memorandum.

The expressions "Fiscal Agent" and "Registrar" shall include any successor fiscal agent and registrar appointed pursuant to the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

In these Conditions, "**Issue Date**", "**Redemption Date**" "**Optional Redemption Amount**" and "**Interest Determination Date**" shall have the meaning set out in the relevant Pricing Supplement.

These Conditions may be supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, which itself may specify other terms and conditions which shall, to the extent so specified or if inconsistent with these Conditions, replace or modify the Conditions set out herein for the purpose of that tranche of Notes. The Pricing Supplement may contain any other defined terms as are agreed by the Issuer and the Agent as being necessary with respect to any tranche of Notes issued under the Programme.

**1. Form, Denomination and Title**

(a) *Form of Notes and denominations*

The Notes will be issued in dematerialised book-entry form in such denominations as may be specified in the Pricing Supplement (the "**Specified Denominations**").

The Notes will be registered in the CDSC Account of each Noteholder held with the CDSC in accordance with the CD Act.

(b) *Title*

Title to the Notes will be evidenced by means of a book-entry in the CDSC Account of a Noteholder in accordance with the CD Act.

The Issuer, the Fiscal Agent and the Registrar may (to the fullest extent permitted by applicable laws) deem and treat the registered owner of any Note as the absolute owner thereof (whether or not the Note shall be overdue and notwithstanding any notice of ownership or other interest therein and neither the Issuer, nor any agent of the Issuer, shall be affected by notice to the contrary).

*(c) Listing*

The Notes will, upon their issue, be listed on the Fixed Income Securities Market Segment of the NSE.

*(d) Transfer*

A Note may be transferred in whole or in part in a Specified Denomination and title to such Notes shall pass upon the registration of book-entry transfers in accordance with the CD Act.

*(e) Charges for transfers*

The transfers will be subject to such charges as may be levied by the CDSC, CMA, NSE or any other regulatory authority or agency and market intermediary through whom the order is made.

*(f) Closed periods*

No Noteholder may transfer any interest in any Note to be registered in the CDSC Account during any Closed Period. Closed Period means the period starting at 5.00 p.m. Nairobi time fifteen (15) calendar days prior to each Interest Payment Date.

*(g) Future issues*

Nothing contained in the Agency Agreement or the Information Memorandum shall preclude the Issuer from, at any time, issuing further Notes or otherwise raising additional capital on these or any other terms and conditions.

**2. Status of the Notes**

The Notes constitute direct, general, unconditional, unsubordinated and, subject to the provisions of Condition 3 (*Negative Pledge*), unsecured obligations of the Issuer and will at all times rank *pari passu* in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

**3. Negative Pledge**

As long as any of the Notes shall remain outstanding and unpaid but only up to the time all amounts of principal and, where applicable, interest due in respect of the Notes have been paid to the Fiscal Agent, the Issuer will not cause or permit to be created on any of its present or future property or assets any mortgage, pledge or other lien or charge as security for any Relevant Indebtedness issued, assumed or guaranteed by the Issuer, unless the Notes shall be secured by such mortgage, pledge or other lien or charge so as to rank *pari passu* in point of security and rateably with such Relevant Indebtedness.

In these Conditions: "Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market having an original maturity of more than one year from its original date of issue.

**4. Interest**

*(a) Payment of interest*

From, but excluding, an Issue Date to, and including the relevant Redemption Date, the Notes bear interest at the Interest Rate (as determined below). Interest on each Note will be payable in arrears on the dates indicated in the relevant Pricing Supplement commencing on the Issue Date specified in such Pricing Supplement (each an "**Interest Payment Date**") until the Principal Amount of each Note is repaid in full.

If any Interest Payment Date falls on a day which is not a Business Day, the following Business Day shall be substituted for such day, unless such Business Day falls in the next calendar month, in which case the immediately preceding Business Day shall be substituted therefore. The Interest Payment Date will be determined by the Calculation Agent.

The period beginning on and including the "**Issue Date**", to but excluding, the first Interest Payment Date, and each successive interest period from and including an Interest Payment Date to but excluding the next Interest Payment Date is an "**Interest Period**".

*(b) Interest Rate*

The Notes will attract interest at a floating rate ("**Floating Rate Notes**") or at a fixed rate ("**Fixed Rate Notes**") as specified in the relevant Pricing Supplement.

*(c) Floating Rate Notes*

Each Floating Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "**Floating Rate Notes Rate of Interest**") equal to the sum of the applicable Floating Rates Note Reference Rate (hereinafter defined) plus the Floating Rate Notes Margin (hereinafter defined) specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Date(s) specified in the relevant Pricing Supplement.

The Calculation Agent will on the first day of the Interest Period for which Floating Rate Notes Rate of Interest will apply (the "**Interest Rate Fixing Date**") the relevant benchmark or index (the "**Floating Rate Notes Reference Rate**") plus the relevant margin (the "**Floating Rate Notes Margin**") and aggregate them to form the applicable Interest Rate. The Floating Rate Notes Reference Rate and the Floating Rate Notes Margin will be specified in the relevant Pricing Supplement. The Floating Rate Notes Rate of interest payable from time to time for each Interest Period in respect of the Floating Rate Notes will be determined by the Calculation Agent (unless otherwise specified in the relevant Pricing Supplement) two (2) Business Days before each Interest Payment Date and in the case of the first Interest Period, two (2) Business Days prior to the relevant Issue Date.

Each Floating Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

*(d) Fixed Rate Notes*

Each Fixed Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "Fixed Rate Notes Rate of Interest") equal to the rate of interest specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

Each Fixed Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Fixed Rate Notes Default Rate as specified in the relevant Pricing Supplement.

*(e) Calculation of Interest*

The interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the product of the Interest Rate and the outstanding Principal Amount of such Note by the Day Count Fraction, unless interest (or a different formula for its calculation) is specified in the relevant Pricing Supplement in respect of such Interest Period, in which case the interest payable in respect of such Note for such Interest Period shall be the amount specified in the relevant Pricing Supplement (or be calculated in accordance with such formula).

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition:

if "**Actual/364**" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 364 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 364);

if "**Actual/Actual**" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

if "**Actual/364 (Fixed)**" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 364;

For the purpose of any calculation of interest pursuant to these Conditions (unless otherwise specified in the Conditions or the relevant Pricing Supplement), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes "unit" means the lowest amount of the currency.

*(f) Notification of Rate of Interest and Interest*

As soon as practicable after an Interest Determination Date, the Calculation Agent will cause the Interest Rate, the interest payable in respect of each Interest Period and the relevant Interest Payment Dates and, if required to be calculated, the amounts due on the final redemption of the Notes (the "**Final Redemption Amount**"), the amounts due on any prepayment of the Notes (the "**Early Redemption Amount**"), or the Optional Redemption Amount to be notified to the Issuer, the Noteholders, any other Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than the fourth Business Day after all such determinations are complete.

Where any Interest Payment Date or Interest Period is subject to adjustment pursuant to Condition 4(a), the interest and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) and such amendment will be promptly notified to the Noteholders in accordance with Condition 11 *(Notices).*

If the Notes become due and payable under an Event of Default, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated in accordance with this Condition but no publication of the Interest Rate or the interest so calculated need be made. The calculation and determination of the Interest Rate or the interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

*(g) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 (*Interest*), by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on all parties and (in the absence of the aforesaid). The Calculation Agent shall not be liable to the Issuer or the Noteholders in connection with the exercise or failure to exercise by the Calculation Agent of its respective powers, duties and discretions pursuant to such provisions.

*(h) Accrual of Interest*

Each Note will cease to accrue interest from the date of its redemption unless, upon due presentation thereof, payment of the Principal Amount is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note have been paid by the Issuer to the Noteholder (if no Issue and Paying Agent has been appointed under the Agency Agreement); and

(ii) the date on which all amounts due in respect of such Note have been received by the Issue and Paying Agent and notice to that effect has been given in accordance with Condition 11 (*Notices*) or individually.

## 5. Payments

*(a) Method of payment*

(i) Payment and settlement of the amount specified in the Pricing Supplement as the Final Redemption Amount(s) will be made by the Paying Agent in accordance with the CD Act.

(ii) Payment and settlement of the Early Redemption Amount(s) will be made by the Paying Agent in accordance with the CD Act.

(iii) Payment of instalments of principal (other than the Final Redemption Amount(s) and Early Redemption Amount(s)), interest and other amounts due in respect of the Notes will be paid to the holder of the Note thereof as appearing on the CDSC Account as at the Record Date.

(iv) Subject to Condition 5(b)(i), payment of interest and Principal Amounts in excess of Kenya Shillings one million (KES 1,000,000) shall be made by the Paying Agent via RTGS to the account designated for such purpose by the Noteholder. Payment by RTGS shall be a valid discharge by the Issuer upon it to pay interest and any Principal Amount. In the event that for any reason, payment by means of RTGS is not possible, payment will be made by EFT or cheque in the manner set out in the remainder of this Condition 5 (*Payments*).

(v) Payment of interest and Principal Amounts less than Kenya Shillings one million (KES 1,000,000) may at the election of the Noteholder be made by EFT, RTGS or cheque drawn on a bank in Kenya and posted to the address as recorded in the CDSC Account of the Noteholder thereof on the Business Day not later than the relevant due date. Payment by EFT, RTGS or cheques shall be a valid discharge by the Issuer of the obligation upon it to pay interest or the Redemption Amount on redemption, as the case may be.

(vi) Neither the Issuer nor any of the Agents (if any Agent is different to the Issuer) will be responsible for any loss in transmission of any cheque posted by way of registered post and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques so posted.

(b) *Payments on Business Days and late payments*

(i) Where payment is to be made by RTGS or EFT to a Noteholder's account, payment instructions will be initiated on the due date for payment of interest or the Principal Amount (in the event of a partial or full redemption) as applicable.

(ii) Where payment is to be made by cheque, the cheque will be posted by registered post (i) on the Business Day immediately preceding the due date for payment of interest or the Principal Amount (in the event of a partial or full redemption) as applicable.

(iii) If any day for payment of any amount of principal or interest in respect of any Note is not a Business Day, then the Noteholder thereof shall not be entitled to payment until the next following Business Day nor be entitled to any interest or other sums in respect of such postponed payment.

(iv) If (otherwise than by reason of the application of paragraph (i) above) (a) any payment of principal is withheld or refused when due in respect of any Note, or (b) any interest is not paid when due (the defaulted amounts mentioned in (a) and (b) above being referred to in this Condition as "**Defaulted Amounts**") then interest shall accrue on each such Defaulted Amount at the Default Rate and shall be paid to a person who is shown as the Noteholder on the relevant Record Date.

"**Default Rate**" means the Interest Rate plus a margin as specified in the Pricing Supplement.

*(c) Currency of account and payments*

The currency of account and for any sum due from the Issuer hereunder is Kenya Shillings.

*(d) Interpretation of Principal*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) the instalments specified in Condition 5(a) (*Method of payment*);

(ii) the Early Redemption Amounts; and

(iii) any premium and any other amounts, excluding Interest, which may be payable by the Issuer under or in respect of the Notes.

**6. Redemption and purchase**

*(a) Redemption*

Unless previously redeemed, or purchased and deleted from the relevant Noteholder's CDSC Account, each Note shall be redeemed on the date so specified in the relevant Pricing Supplement, each date for payment being a "**Principal Repayment Date**".

*(b) Early redemption*

The Issuer may redeem all or part of the Principal Amount of the Notes earlier than in accordance with Condition 6(a) (*Redemption*) (together with interest accrued to the date of redemption) subject to the following conditions:

(i) the Paying Agent has received from the Issuer not less than 15 and not more than 30 days prior written notice ( or such other notice period, if any, as is indicated in the relevant Pricing Supplement) which such notice shall also have been given to the Noteholders in accordance with Condition 11 (*Notices*), specifying the date on which the Principal Amount is to be redeemed and the terms of the redemption, such date and terms to be specified in the relevant Pricing Supplement;

(ii) each partial redemption shall be of an aggregate Principal Amount of not less than Kenya Shillings fifty million (KES 50,000,000) and an integral multiple of Kenya Shillings ten million (KES 10,000,000); and

(iii) no early redemption may be made before the date stipulated in the applicable Pricing Supplement.

The amount of each early redemption shall be applied to the instalment amounts in inverse order of maturity (unless otherwise advised in writing by the Issuer), and *pro rata* against the Issuer's obligations under the Notes.

*(c) Purchases*

The Issuer may at any time purchase Notes at any price in the open market or otherwise, subject to any approvals required from the CMA or the NSE or to any other restrictions under applicable law. In the event of the Issuer purchasing Notes, such Notes may be held or resold, or at the discretion of the Issuer, cancelled. All Notes which are redeemed or purchased by or on behalf of the Issuer may be cancelled by giving notice to that effect to the Registrar, the Fiscal Agent and the CDSC.

## 7. Taxation

All payments in respect of the Notes will be made with deduction for or on account of withholding taxes, other taxes, duties, assessments and governmental charges of whatever nature imposed or levied by or on behalf of the government of Kenya or any political sub-division of or any authority in Kenya having power to tax as required by the applicable law.

The Issuer (or the Fiscal Agent, as the case may be) will deduct withholding tax at the prescribed rate on all interest payments to Noteholders other than any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act (Chapter 470 of the Laws of Kenya) and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer.

## 8. Unclaimed Assets

The Notes will be presumed abandoned and the Issuer may take action accordingly after a period of three (3) years in the case of principal and three (3) years in the case of interest after the Relevant Date (as defined below) under the provisions of the Unclaimed Financial Assets Act (No. 40 of 2011),if:

(i) for more than three (3) years, a Noteholder has not claimed interest or the Early Redemption Amount or the Final Redemption Amount as applicable, or any other sum payable on the Notes or the Noteholder has not communicated with the Issuer or the Fiscal Agent regarding the interest or the Early Redemption Amount or the Final Redemption Amount as applicable, as evidenced by a memorandum or other record on file with the Issuer or the Fiscal Agent; and

(ii) the Issuer or the Fiscal Agent does not know the whereabouts of the Noteholder at the end of the three (3) year period.

As used herein, the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 11 (*Notices*).

## 9. Events of Default

If any one or more of the following events (each an “**Event of Default**”) in respect of the Notes or any of them shall have occurred and be continuing:

(a) default is made in the payment of any amount in respect of the Notes when and as the same ought to be paid in accordance with these Conditions and such default continues for a period of seven (7) Business Days unless:

(i) the failure to pay is caused by administrative or technical error;

(ii) payment is made within three (3) Business Days of its due date; and

(iii) the failure to pay is in order to comply with any applicable laws or order of any court of competent jurisdiction or in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or acceptability given at any time during such period by independent advisers acceptable to the Fiscal Agent; or

(b) the Issuer fails to perform or observe any obligation, condition or provision under the Notes (other than any obligation for the payment of any amount due in respect of any of the Notes) and, if capable of remedy, such default continues for a period of 30 days after written notice is given to the Fiscal Agent by any Noteholder specifying such default and requiring it to be remedied; or

(c) the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors, or a resolution is passed by the Issuer for its winding-up or dissolution except in connection with a merger or other reorganisation which has been previously approved by an Extraordinary Resolution of the Noteholders or, if not so approved, which proceeds on a basis judged acceptable to the Noteholders by a court of justice competent for the purpose; or

(d) any action, condition or thing, including the obtaining of any material consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes is not taken, fulfilled or done within a reasonable period, or any such material consent, licence, approval or authorisation is revoked, modified, withdrawn or withheld or ceases to be in full force and effect on account of the Issuer's default in taking any action required by law, and such revocation, modification, withdrawal, withholding or cessation results in the Issuer being unable to perform any of its payments or other obligations under the Notes; or

(e) the Issuer ceases to carry on the whole or a material part of its business , save –

(i) for the purposes of merger, amalgamation, consolidation or reorganisation –

a. of the Issuer and one or more of its Subsidiaries; or

b. on terms approved by an Extraordinary Resolution of the Noteholders before the date of such merger, amalgamation, consolidation or reorganisation, or

(ii) as may be required by or in accordance with any legislation or governmental directive; or

(iii) as in the opinion of the Board of Directors of the Issuer, is in the commercial interests of and of commercial benefit to the Issuer.

(f) any present or future financial indebtedness of the Issuer in connection with moneys borrowed or raised exceeding in aggregate KShs 10,000,000,000/= (or its equivalent)

(i) which is not satisfied when due, or at the end of any originally applicable grace period; or

(ii) becomes prematurely payable following delivery of an enforcement notice by the Noteholder to the Issuer, as the case may be, as a result of a default by the Issuer except to the extent in any instance that the existence or enforceability of the relevant obligation is being disputed in good faith by it by appropriate proceedings; or

(iii) any encumbrance over any assets of the Issuer or any Subsidiary becomes enforceable.

For the purposes of this provision, "financial indebtedness" means any liability (actual or contingent) for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(e) any amount raised pursuant to an arrangement whereby an asset sold or otherwise disposed of by the relevant person may be leased or re-acquired by that person or an affiliate of that person (whether following the exercise of an option or otherwise);

(f) any counter-indemnity or reimbursement obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(g) any shares which are expressed to be redeemable during the currency of the Programme.

then the Noteholders may, further to an Extraordinary Resolution, by written notice to the Issuer at the Specified Office of the Fiscal Agent, effective upon the date of receipt, declare the Notes to be forthwith due and payable whereupon the outstanding Principal Amount of the Notes shall become forthwith due and payable together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

**10. Agents**

The name of the initial Fiscal Agent and the Registrar and its initial Specified Office are set out below.

Fiscal Agent and Registrar:

Specified Office:

CfC Stanbic Centre

58 Westlands Road

P.O. Box 30550, 00100

Nairobi

**Kenya**

*For the kind attention of: Head, Investor Services*

E-mail: dcmcustodial@stanbic.com

The Issuer is entitled to amend or terminate the appointment of the Fiscal Agent, or the Registrar and to appoint another fiscal agent or registrar provided that it will at all times while any Note is outstanding maintain a fiscal agent and a registrar having a Specified Office in Nairobi.

Any variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect), after not less than 15 and not more than 30 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 11 (*Notices*). A copy of the notice to Noteholders shall be sent to the CMA, the NSE and the CDSC.

In acting under the Agency Agreement and in connection with the Notes, the Agent is acting solely as fiscal agent of the Issuer and does not assume any obligation toward or relationship of agency or trust for or with any Noteholder or the owner of any interest therein.

## 11. Notices

Notices to the Noteholders will be deemed to be validly given if made by email, delivered to them, or sent by registered mail or (if posted to an overseas address) by airmail to them, and:

(i) in the case of delivery, the notice will be deemed to have been validly given when such communication or document is left with or delivered to the intended Noteholder at its address as recorded on the CDSC Account;

(ii) in case of electronic transmission via email, the notice will be deemed to have been validly given when such electronic communication is sent to the intended Noteholder;

(iii) in any other case, will be deemed to have been validly given ten (10) calendar days after its being posted to the intended recipient at its address as recorded on the CDSC Account;

provided that a communication or document which is received after 5:00 p.m. on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.

The Issuer shall also ensure that notices regarding the Notes are duly published in a manner that complies with the regulations of the CMA and the rules of the CDSC and the NSE.

The Fiscal Agent shall, upon and in accordance with the instructions of the Issuer but not otherwise, arrange for any notice which is to be given to the Noteholders and to the NSE is given in accordance with this Condition.

Notices given by any Noteholder shall be in writing and given by lodging the same with the Fiscal Agent.

## 12. Meetings of Noteholders; Modifications and Waiver

12.1 Meetings of the Noteholders will be held in accordance with the terms of the Third Schedule of the Agency Agreement.

12.2 Modifications and Waiver

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders, to:

(i) any modification (except as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes or the Agency Agreement, which is of a formal, minor or technical nature or is made to correct a manifest error to comply with mandatory provisions of Kenyan law.

Any such modifications shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 (*Notices*) as soon as practicable. Any such modification shall also be notified to the CMA, the CDSC and the NSE.

## 13. Governing Law

The Notes shall be governed by, and construed in accordance with, Kenyan law.

## 14. Jurisdiction

The Issuer agrees for the benefit of the Noteholders that the High Court of Kenya shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes shall be brought in that court.

# 3 Use of Proceeds

The proceeds of the Issue will be applied by the Issuer for general corporate purposes, including but not limited to:

**Table 3: Use of proceeds***

| | |
|---|---|
| | **KShs'000** |
| Capital expenditure | 5,100,000 |
| Working capital investment and general commercial purposes | 5,900,000 |
| Note issue expenses | (67,825) |
| **Net proceeds** | **10,932,175** |

*This use of proceeds is indicative and is not earmarked for the financing of specific projects or working capital items. Funds will be managed in line with the Board's policy of maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

# 4 Taxation

*The comments below are of a general nature based on taxation law and practice in Kenya as at the date of this Information Memorandum and are subject to any changes thereafter. They relate only to the anticipated tax consequences of an investment in the Notes under Kenyan tax laws. The comments below do not relate to all possible tax consequences of an investment in the Notes and so should be treated with appropriate caution.*

*Prospective investors should consult their own professional advisers concerning the possible tax consequences of purchasing, holding and/or selling Notes and receiving payments of interest, principal and/or other amounts under the Notes under the Applicable Laws of their country of citizenship, residence or domicile.*

**Withholding Tax**

Interest (including any commission, discount, commitment and other fees) payable under the Notes (other than interest paid to the financial institutions specified in the fourth schedule to the Income Tax Act (Chapter 470 of the Laws of Kenya) ("ITA") and certain other exempt persons) is subject to withholding tax.

In terms of current legislation, withholding tax at the rate of 15% will be deducted from interest payments made to both resident and non-resident Noteholders as set out in the ITA (which is subject to revision through changes in government policy).

The Issuer will not deduct withholding tax at the prescribed rate on interest payments to any Noteholder who:

(a) is exempt from such deduction under the provisions of the ITA; and

(b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer.

**Capital Gains**

With effect from 1 January 2015 any capital gain which accrues on a disposal of the Notes will constitute a chargeable gain in accordance with the applicable requirements of the Eighth Schedule of the ITA and may be taxable accordingly.

**Stamp Duty**

No stamp duty is payable in Kenya on the issue, transfer or redemption of the Notes so long as the Notes are listed and transacted on the NSE.

**Tax Treaties**

As at the date of this Information Memorandum, Kenya has entered into double taxation treaties with Zambia, Norway, Denmark, Sweden, United Kingdom, Germany, Canada, France and India.

# 5 Subscription and sale

*The Notes will be offered by the Issuer through the Placing Agents in respect of any Tranche of Notes in accordance with the Placing Agreement between the Issuer and Placing Agents. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased or offered for placement by such Placing Agents and the commissions or other agreed discounts (if any) or placement fees payable or allowable by the Issuer in respect of such purchase or placement activities and the form of any indemnity to the Placing Agents against certain liabilities in connection with the offer and sale of the relevant Notes. The Information Memorandum makes provision for the resignation or termination of appointment of the existing Placing Agents, and for the appointment of additional or other Placing Agent either generally in respect of the Issue or in relation to a particular Series or Tranche of Notes. The Notes will be delivered to the subscriber for Notes in accordance with the Conditions. There will be no trading in the Notes prior to Listing.*

*Capitalised words used in this section shall bear the same meanings as used in the Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

## APPLICATION PROCEDURE

Application forms (as set out in Appendix E) for the Notes may be obtained from the registered office of the Arrangers or any appointed Placing Agents. Applications must be submitted directly to the Arrangers at the relevant head office marked for the attention of the Head of Debt Capital Markets at CfC Stanbic Bank Limited or Head, Global Corporates at Barclays Bank of Kenya Limited or any one of the Placing Agents so as to arrive no later than 17h00 on the date specified in the applicable Pricing Supplement. Successful applicants will be notified by the Issuer or the Placing Agents of the amount of Notes allotted to them immediately after the allotment date specified in the relevant Pricing Supplement.

## PAYMENT FOR THE NOTES AND DELIVERY

Payment for the Notes is to be made in full to the Issuer in cleared funds by the date set out in the applicable Pricing Supplement. The Notes will be delivered to investors by crediting the respective CDSC accounts no later than 15 days after the Issue Date specified in the relevant Pricing Supplement.

### Interest Payments

Payment of interest on the Notes will be made by the Paying Agent in Kenya.

## SELLING RESTRICTIONS

General: The Placing Agents have acknowledged above that no action has been or (except to the extent indicated in paragraph 2 below) will be, taken in any jurisdiction by the Placing Agents or the Issuer that would permit a public offering of Notes, or possession or distribution of the Information Memorandum (in preliminary or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Placing Agents have undertaken that they will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Information Memorandum (in preliminary or final form) or any such other material, in all cases at its own expense. The Placing Agents have also undertaken to ensure that no obligations are imposed on the Issuer or the Placing Agents in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the Placing Agents will have no responsibility for, and the Placing Agents will obtain, any consent, approval or permission required by them for, the acquisition, offer or sale by them of Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Placing Agents are not authorised to make any representation or use any information in connection with the issue, subscription and sale of Notes other than as contained in the Information Memorandum (in final form) or any amendment or supplement to it.

Republic of Kenya: The approval of the CMA has been obtained for the offer of the Notes to the public in the Republic of Kenya.

The sale or transfer of Notes by Subscribers will be subject to the rules of the Securities Exchange and the provisions of the Agency Agreement. There are no other restrictions on the sale or transfer of Notes under Kenyan law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Kenya.

United States: The Notes have not been and will not be registered under the U.S. Securities Act, 1933 as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("Regulation S") or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. The Placing Agents have represented and agreed that, except as permitted by the Placing Agreement, they have only offered and sold Notes, and will only offer and sell Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Placing Agreement), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither they, their affiliates, nor any persons acting on their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and they have complied and will comply with the offering restrictions requirement of Regulation S. The Placing Agents agree that, at or prior to confirmation of sale of Notes, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the restricted period a confirmation or notice to substantially the following effect:

**"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Placing Agreement), except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."**

United Kingdom: The Placing Agents have represented and agreed that:

(a) they have not offered or sold and will not offer or sell any Notes, prior to the expiry of six months from the Issue Date in respect of such Notes, to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of Public Offers of Securities Regulations 1995; and

(b) they have complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(c) they have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitations or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

South Africa: The Placing Agents have represented, warranted and agreed that they (i) will not offer the Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will themselves not sell or offer the Notes in South Africa in contravention of the South African Companies Act, 2008, the South African Banks Act, 1990, the South African Exchange Control Regulations, 1961 and/or any other applicable laws and regulations in South Africa in force from time to time.

Prior to the issue of any tranche of Notes, the Placing Agents who have agreed to place that tranche of Notes will be required to represent and agree that they will not make an “Offer To The Public” (as such expression is defined in the South African Companies Act, 2008 and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa.

# 6 Description of the Issuer

## 6.1 Description of the Company's business

EABL owns and operates East Africa's largest branded alcohol beverage business[1]. EABL is a holding company with subsidiaries involved in the marketing, manufacture and sale of beer, spirits, adult non-alcoholic drinks, glass containers, malt and barley.

EABL is majority owned by Diageo (50.03%), through Diageo Kenya Limited (42.82%), Diageo Holdings Netherlands BV (4.60%), and Guinness Overseas Limited (2.61%).

Diageo is one of the world's leading premium drinks business[2] with an outstanding collection of beverage alcohol brands across spirits, beer and wine. The company is listed on both the London Stock Exchange and the New York Stock Exchange.

EABL is listed on the Nairobi Securities Exchange and is cross-listed on the Dar es Salaam Stock Exchange and the Uganda Securities Exchange.

EABL's Mission Statement is reproduced below:

**Our Purpose**

Celebrating life every day, everywhere.

**Our Ambition**

To be the best performing, most trusted and respected consumer product company in Africa.

**Our Values**

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

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

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

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

Be the best: We strive to be the best; we are restless, always learning and always improving. Through constantly setting high standards and aiming to exceed them through stretching ourselves, we all endeavour to be the very best we can be.

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[1] CNBCafrica.com: http://www.cnbcafrica.com/news/east-africa/2014/08/08/eabl-post-tax-up/
[2] Impact databank, http://www.diageo.com/EN-SC/OURBUSINESS/ABOUTUS/Pages/our-strategy.aspx

Proud of what we do: We are proud of what we do; we act sensitively with the highest standards of integrity and social responsibility. Contributing to the communities in which we operate and celebrating diversity are hugely important to us.

**Core Brands**

EABL Group manufactures and/or distributes the following core brands among others: Tusker, Senator, Pilsner, Bell Lager, Guinness, Premium Serengeti Lager, Balozi, Jebel, Uganda Waragi, Johnnie Walker, Kenya Cane, Captain Morgan and Smirnoff. Amongst these brands, Tusker, Tusker Malt, Tusker Lite, Premium Serengeti Lager and Uganda Waragi recently won Five Gold and Six Silver Awards at the prestigious Monde 2013 Selection. Tusker was also named the seventh most admired and valued brand in Africa, according to TMS, a market research firm, and Brand Finance Plc, a brand valuation consultancy.

**Subsidiaries**

The Company's active subsidiaries include Kenya Breweries Limited, Uganda Breweries Limited, UDV (Kenya) Limited, Serengeti Breweries Ltd, Central Glass Industries Limited, East Africa Maltings Ltd, EABL International Ltd and East African Beverages (South Sudan) Limited. EABL Group also exports its products to Australia, Japan, the United States, Canada and the United Kingdom, among others.

With breweries, packaging plants, support industries and a distribution network across the region, EABL Group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to investors.

## 6.2 EABL Group milestones

**Table 4: EABL Group milestones**

| | |
|---|---|
| **1922** | EABL (formerly known as KBL) incorporated as a private company on 8th September and the first beer is brewed on 14th December. |
| **1934** | EABL becomes a public company. |
| **1952** | Mombasa brewery officially opened on 8th February by the colonial Governor of Kenya Sir Evelyn Baring. Construction of the Maltings plant in Industrial area, Nairobi commenced and was completed in 1953. |
| **1954** | EABL is listed on the Nairobi Securities Exchange. |
| **1959** | EABL acquires financial holding in Uganda Breweries.<br>Allsopps Pilsner Lager is launched.<br>Dar es Salaam Breweries is transferred from East African Breweries to the newly formed Tanganyika Breweries Ltd and commences operations as a separate entity in Tanzania. |
| **1962** | Merger completed with Allsopps (East Africa) Ltd as EABL becomes a holding company and KBL is re-established as the major trading company in the group, with controlling trading assets and liabilities for units in Nairobi and Mombasa.<br>EABL makes a shares offer to employees. |
| **1964** | Equity interest is acquired in Kilimanjaro Brewery in Tanzania. |
| **1969** | EABL acquires City Brewery in Nairobi. EABL brands debut recording huge wins in the 7th World Beer Competition Monde Selection at Nurnberg. Pilsner and Coast Lager won gold medals with White Cap winning silver. |
| **1972** | EABL completes the largest public issue in Kenya's history offering 3 million ordinary shares at a price of KShs 18 each raising the number of shareholders to more than 23,000. The public share issue was oversubscribed by over 500,000 shares. |
| **1985** | Construction work on CGI begins and production commences in 1987. |
| **2000** | Diageo (formerly Guinness) acquires majority control of EABL. |
| **2000** | EABL is named 'The Most Respected Company in the East African Region' in a survey conducted by PricewaterhouseCoopers and the Nation Media Group. |
| **2001** | EABL cross-lists on the Uganda Securities Exchange. |

| | |
|---|---|
| **2002** | EABL signs license agreements with South African Breweries International and agree terms for share exchanges in KBL and TBL. In the agreement SAB closes its brewing operation (Castle Breweries Kenya Limited) in Thika, Kenya and retains its investment in Kenya by taking a 20% shareholding in KBL, while EABL closes its Kibo Brewery in Moshi Tanzania and retains its investment in that country by acquiring a 20% shareholding in TBL.<br>EABL acquires 100% of shares in International Distillers Uganda Limited, a Diageo group company and 46.32% of the issued shares of UDV Kenya Limited. |
| **2005** | EABL becomes the first company in East Africa to reach United States Dollars ("USD") 1 billion in market capitalisation. The company cross-lists on the Dar-es-Salaam Stock Exchange.<br>The EABL Foundation is launched aimed at enriching the lives of marginalised people in East Africa. |
| **2006** | The KBL Tusker plant in Ruaraka, acquires four new beer fermentation and storage vessels, with a combined capacity of 1.6 million litres and installs a new state-of-the-art keg line. The new equipment cost over KShs 2.1 billion. |
| **2008** | EABL launches the Green Goals 2010 initiative. The programme involved reduction of energy usage at the plant to prevent pollution, minimize the environmental impact of all products and operations. |
| **2010** | EABL successfully acquires a substantial interest in Tanzania's SBL. SBL is Tanzania's second largest brewing operation and makers of the popular Serengeti Premium Lager. |
| **2011** | Launch of Tusker Lite (low-calorie beer), Snapp and Jebel brands in response to changing consumer trends. |
| **2012** | Launch of Balozi beer.<br>EABL voted "The Best Company To Work for in Kenya" in a survey conducted by Deloitte.<br>The Diageo Africa Business Service Centre is launched and hosted by EABL and offers various back office finance services to Diageo entities in Africa. |
| **2013** | SBL becomes ISO 9001:2008 accredited by Det Norske Veritas, an international audit firm.<br>UBL commissions water and sanitation facilities in 23 health centres in Uganda through the Water of Life programme ensuring access to clean safe drinking water in the health facilities located across eight districts in Uganda.<br>EABL wins five gold and six silver awards in the Monde 2013 Selection. Tusker, Tusker Malt, Tusker Lite, Serengeti Premium Lager and Uganda Waragi each won a Gold award while White Cap, Kibo Gold, Bell, Senator and Pilsner Lager each won a Silver award.<br>EABLI commissions a depot in Juba, the capital of South Sudan in line with the company's expansion strategy in the wider Great Lakes region. |
| **2014** | EABL launches Senator Stout, Senator Dark Extra, Jebel Gold, Serengeti Platinum, Liberty and Smirnoff Ice Double Black with Guarana.<br>New warehouse costing KShs 1.5 billion launched at the Tusker plant in Ruaraka, Nairobi.<br>A rebuild of the CGI furnace commences, estimated to cost over KShs 1.2 billion.<br>The Amazing Line Manager programme launched. |

Source: EABL management

## 6.3 EABL Shareholders

A summary of EABL's shareholders as at 31 January 2015 is set out in the table below. There has been no significant change in the percentage ownership held by the major shareholders during the past three years.

Save as disclosed below, no person, directly or indirectly, is interested in 10% or more of the Issuer's capital.

To ensure that EABL conducts its business independent of its controlling shareholder, all critical decisions are presented to the Board of Directors for approval. The majority of the Board of Directors are independent and non-executive. Intercompany transactions are also entered into at arm's length and audited and disclosed in EABL's annual financial statements.

**Table 5: EABL shareholding**

| | Name | No. of shares | Shareholding % |
|---|---|---|---|
| 1 | Diageo Kenya Ltd | 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 Resident A/C KE13084 | 12,768,427 | 1.61% |
| 5 | Standard Chartered Nominees Non Resident A/C KE9273 | 12,495,400 | 1.58% |
| 6 | Standard Chartered Nom A/C KE11916 | 12,265,372 | 1.55% |
| 7 | Standard Chartered Kenya Nominees Ltd A/C KE002097 | 7,357,927 | 0.93% |
| 8 | Standard Chartered Nominees KE17682 | 6,721,900 | 0.85% |
| 9 | Standard Chartered Nominees Non-Res.A/C 9866 | 6,231,100 | 0.79% |
| 10 | Standard Chartered Nominees Non Resident A/C 9318 | 6,089,500 | 0.77% |
| 11 | Other shareholders | 331,236,296 | 41.89% |
| | **Total** | **790,774,356** | **100.00%** |

Source: EABL share registrar, 31 January 2015

As at 31 January 2015, EABL had 25,372 shareholders holding 790,774,356 shares; with 66.77% of the outstanding shares held by 24,564 shareholders domiciled in Kenya.

## 6.4 Group subsidiaries

Below is a list of EABL's active subsidiaries:

**Table 6: EABL active subsidiaries**

| Entity | Country of incorporation | Date of incorporation | EABL's effective equity interest |
|---|---|---|---|
| Kenya Breweries Limited | Kenya | 19 July 1960 | 100% |
| Central Glass Industries Limited | Kenya | 5 February 1982 | 100% |
| Uganda Breweries Limited | Uganda | 27 July 1946 | 98.20% |
| East African Maltings Limited | Kenya | 15 August 2000 | 100% |
| UDV (Kenya) Limited | Kenya | 21 September 1962 | 46.32% |
| EABL International Limited | Kenya | 8 July 1996 | 100% |
| Serengeti Breweries Limited | Tanzania | 14 June 1988 | 51% |
| East African Beverages (South Sudan) Limited | South Sudan | 19 January 2011 | 99% |

Source: EABL management

### 6.4.1 Kenya Breweries Limited

KBL began its operations in Kenya in 1922. The KBL brewery is located in Ruaraka, in the Kenyan capital, Nairobi. This state-of-the-art facility has generated major savings in cost of production as well as improving product quality.

Key brands include: Tusker Lager which is the flagship brand, Tusker Malt Lager, Pilsner, Balozi, White Cap, White Cap Light, Senator, Guinness, Allsopps and President Lager.

### 6.4.2 Uganda Breweries Limited

UBL began its operations in Uganda in 1946. Located in Port Bell – Luzira in the outskirts of the Ugandan capital, Kampala, the brewery is continuously modernized and its operating capacity expanded.

Key brands include: Bell Lager which is the flagship brand, Uganda Waragi, Tusker, Tusker Malt, Pilsner, White Cap, White Cap Light, Senator, Guinness, Liberty.

### 6.4.3 Serengeti Breweries Limited

SBL is the second largest beer company in Tanzania[3]. The company was incorporated in 1988 as Associated Breweries Limited and changed its name to Serengeti Breweries Limited in 2002. The previous owners and management of SBL acquired the company in 2002 and commenced a strategy of rapid expansion that has resulted in outstanding growth. EABL acquired 51% of the issued share capital of SBL in October 2010.

At present, SBL has three operating plants located in Dar es Salaam, Mwanza and Moshi.

Key brands include: its flagship brand - Serengeti Premium Lager, Tusker Lager, Tusker Malt Lager, Uhuru Peak Lager, Guinness stout, the Kick Lager, Malta Guinness, Kibo Gold, Johnnie Walker Whisky, Smirnoff Vodka, Gilbeys Gin, Richot Brandy, Bond 7 Whiskey and Bailey's Irish Cream.

### 6.4.4 UDV (Kenya) Limited

Established in 1962, UDV (Kenya) Limited is owned by Diageo (54%) and EABL (46%). Its core business is the manufacture, marketing and sales of spirit based alcoholic beverages. It also imports and distributes premium spirit brands from Diageo.

UDV (Kenya) Limited produces and markets in Kenya various brands including Popov, Smirnoff, Gilbeys, Chelsea, Three Barrels, Richot, Kenya Cane, Jebel Special, Jebel Gold and Liberty  V&A and Bond 7. Other international spirits which the company imports and distributes include: Bailey's, Johnnie Walker range, Gordons, Smirnoff, J&B Whisky, Pimms, Captain Morgan, Myers Rum and VAT 69.

### 6.4.5 Central Glass Industries Limited

CGI began operations in 1987 in Nairobi and produces glass containers in accordance with internationally required standards in flint, amber and green.

The CGI plant is a modern, fully integrated container glass manufacturing plant with additional printing facilities for bottle labelling. The CGI management is currently in the process of building a new furnace at the cost of KES1.2 billion.

CGI exports more than 20% of its products to countries such as Uganda, Tanzania, Ethiopia, Rwanda, Burundi, Eritrea, Seychelles, Réunion, Mauritius, Zimbabwe, Zambia, Angola among others.

[3] Daily News, 10 August 2014: http://www.dailynews.co.tz/index.php/biz/34515-serengeti-breweries-to-introduce-new-brands

### 6.4.6 East African Maltings Limited

EAML supplies quality brewing raw materials in the form of malt, barley and sorghum to the brewing units of the EABL Group.

The barley seed processing plant is based in Molo to ensure that barley farmers get quality seed for commercial production, while the Agri-business team works in partnership with the farmers throughout the East African region.

In both Kenya and Uganda, the EABL Group develops sorghum as an additional brewing raw material. The potential to grow sorghum in East Africa is high given that it thrives even in the semi-arid areas.

EAML's operates under stringent international quality, environment, food safety and occupational health and safety management system standards.

### 6.4.7 EABL International Limited

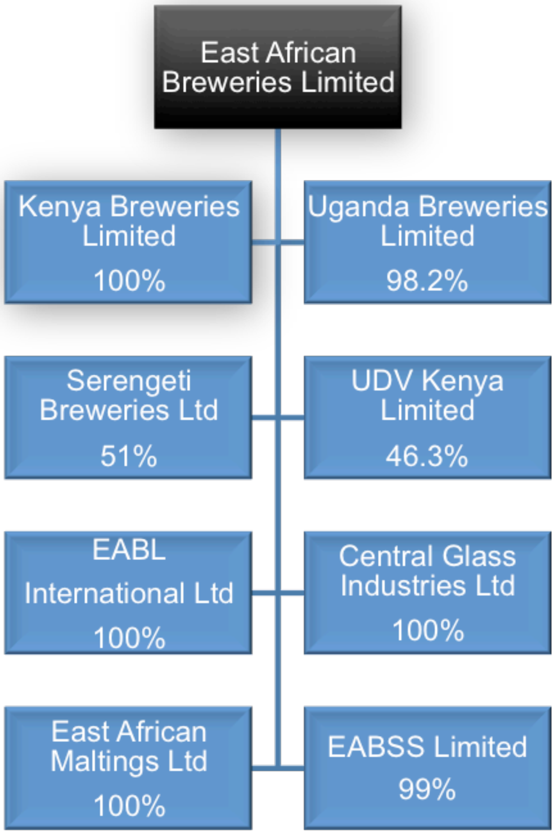
EABLI operates in Rwanda, Burundi and Eastern Democratic Republic of Congo through different commercial operations, which include local supply in markets, third party supply and exports. EABLI's operations cover the spirits portfolio for both domestic and duty free sales as well as beer sales in the markets where EABL Group currently does not have a local resident operation.

### 6.4.8 East African Beverages South Sudan Limited ("EABSS")

EABSS commenced operations in South Sudan in 2013 with the set-up of a depot in Juba, from which it supplies beer and spirits to its distributors. The depot was established to ensure consistency in supply to the consumers of EABL brands in South Sudan and to reduce over reliance on third party distributors' logistical arrangements. This has led to an increase in the consumption of its beer and spirits brands.

## 6.5 Group corporate structure

**Figure 1: Group corporate structure**

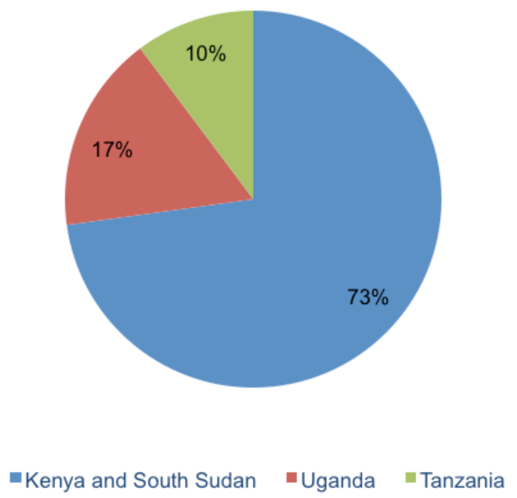



Source: EABL management

## 6.6 Business segment performance

EABL Group has no distinguishable significant business segments. However, financial information is presented in geographical segments and is based on the countries in which the Group operates namely Kenya and South Sudan, Uganda and Tanzania. The split of revenues for the EABL Group was KES 50.52bn, KES11.75bn and KES7.11bn for Kenya and South Sudan, Uganda and Tanzania respectively. The chart indicates the geographical revenue distribution for EABL as at 30 June 2014:

**Figure 2: EABL Group geographical revenue distribution as at 30 June 2014**




Source: EABL management

## 6.7 New products and innovations

Innovation is a key pillar of growth for EABL Group and in 2014, it led to an increase in net sales value from 6% in the previous year to 12%[4]. Below is a summary of some of the new brands that EABL Group introduced in 2014:

- **Senator Stout** - Senator Stout was introduced in Uganda and is the market's first value stout. The brand was launched in May 2014.
- **Jebel Gold** - Jebel Gold is a new spirit packed in a 30 litre barrel and dispensed through a unique pump format.
- **Serengeti Platinum Lager** - Serengeti Platinum is a new variant of Serengeti Premium Lager launched in May 2014 in Tanzania. Serengeti Platinum comes in a long neck 500ml and 330ml bottle.
- **Senator Dark Extra** - Senator Dark Extra was launched in September 2013 and is an extension of the Senator brand. The drink is targeted towards the value conscious consumer.
- **Liberty** - Liberty is a spirit and was launched to commemorate 50 years of independence in Kenya and is targeted at the value consumer.
- **Smirnoff Ice Double Black with Guarana** - Smirnoff Ice Double Black with Guarana blends Smirnoff vodka with Guarana and Soda. Targeted at the male consumers, the brand is available in a slim 330ml can format. The brand was launched in June 2014.

[4] EABL Annual Report as at 30 June 2014

## 6.8 Marketing and distribution

EABL Group has a network of independent distributors spread across the East African region. These distributors supply EABL Group products to outlets directly or to other stockists who then sell to outlets that interface directly with the consumers of beer and spirits.

## 6.9 Acquisitions and disposals

There were no material acquisitions or disposals during the financial year ended 30 June 2014.

## 6.10 Employees

As at the date of this Information Memorandum, the EABL Group had 1,653 employees.

## 6.11 Management training and development programmes

**Leadership development programmes**

EABL Group invests in its talent across the management spectrum. The Company recruits graduates through its Early Career Program, which is a three year development program focused on developing functional and leadership skills for fresh graduates. During the year EABL's acceleration program for emerging junior managers continued with three individuals on international rotations in New York, London and Singapore. In addition, it's Executive Global Leadership Program targeting senior leaders in the business saw ten employees graduate and they are already exploiting their full potential.

**The Amazing Line Manager (ALM) programmes**

EABL Group finalized the design and pilot of its ALM and is currently being rolled out. This program is aimed at transforming the Group's top business leaders into amazing people managers. Pivotal focus is to drive high performance culture, employer brand and to ensure EABL Group has the right people and capabilities to deliver on its plans. There are currently 250 managers enrolled in this programme and it is planned to be rolled out globally across Diageo.

## 6.12 Sustainable programmes for growers

**Sourcing of Local Raw Material ("LRM")**

Over the past year EABL Group has marked significant milestones in its local raw material sourcing agenda for sorghum and barley across its markets in East Africa. The Group focuses on building and sustaining a network of barley and sorghum farmers who receive support through the supply of quality seed, open days and agricultural extension services aimed at equipping farmers with skills, technology and resources that would ensure optimal yields.

## 6.13 Corporate social responsibility

Below are some of the corporate social responsibility initiatives that the EABL Group is involved in:

**Water of Life Programme**

The Water of Life programme is aimed at providing clean water to disadvantaged communities. This is undertaken through sinking of boreholes and provision of storage tanks in urban, peri-urban and rural areas.

**Environment conservation**

EABL is involved in reforestation activities across Eastern Africa. It provides tree seedlings to various communities and has worked with the forestry departments to rehabilitate forests such as Kinale, Karura and Kijabe forests. EABL Group staff regularly participate in tree planting activities.

**Skills for life**

The EABL Foundation supports bright needy students who cannot afford to finance their university education through its Skills for Life programme. During the financial year 2014, the 20 students selected from various counties in Kenya under the Skills for Life Programme joined various institutions of higher learning.

**Special projects**

In 2013 and 2104 KBL sponsored the refurbishment of the Kenya National Theatre, Nairobi as part of the Kenya@50 celebration legacy projects. The objective of the refurbishment is to restore, enhance and modernize the theatre facility.

EABL donated a mobile clinic to the 'Beyond Zero' Campaign, an initiative spearheaded by Kenya's First Lady, Her Excellency Margaret Kenyatta that aims at reducing child mortality.

In Uganda, UBL responded to an emergency call from the Uganda Red Cross to support refugees displaced from the Democratic Republic of Congo who were sheltered at the border district of Kasese.

**Alcohol in society/responsible drinking**

EABL is involved in a number of campaigns and educational initiatives aimed at promoting the responsible consumption of alcohol in society. These include running media campaigns such as the "Life Goes On While You Are Gone" radio, TV and newsprint ads that reminded consumers of the dangers of driving while under the influence of alcohol.

EABL also promotes responsible drinking habits through encouraging consumers to access the www.drinkiq.com website.

## 6.14 Corporate strategy

EABL Group follows a proactive strategy for the future, by investing in capacity expansion across the breadth of its business and people. EABL Group maintains a strategy of investing in its brands to maintain and grow its market share.

## 6.15 Principal investments

EABL’s key capital expenditure investments are geared towards maintaining current capacity and operations, reducing waste and recycling, or increasing installed capacity as the need arises. In this regard, EABL’s projected capital expenditure for the year ended 30 June 2015 is approximately KES 5.1 billion. The key investments include the installation of a new furnace at CGI glass factory, warehouse expansion, and the purchase of machinery and equipment.

## 6.16 Research and development

‘Being passionate about our consumers’ is one of EABL’s values. This value is demonstrated through constantly interacting with customers and consumers to evaluate reception of EABL’s brands and to explore any opportunities for improvement. In response to ever-changing consumer tastes and trends in the alcohol and non-alcohol beverage sector, EABL continually invests in innovation, by creating new brands, adding variants to existing brands or rebranding products that have been in existence for some time. In the last three years, new brands or variants of existing brands created or introduced into EABL’s portfolio include Balozi Lager, Jebel, Jebel Gold, Snapp, Tusker Lite, Senator Dark Extra and Serengeti Platinum.

# 7 Board of Directors, corporate governance and management

## 7.1 The Board

The Board of Directors consists of experienced board members, drawn from different professions with diverse skills and experiences. The Board is collectively responsible to the Company's shareholders for the long-term success of the Company, its overall strategic direction and its values and governance. As at the date of this Information Memorandum, the Board comprised nine non-executive Directors including the Chairman and two executive Directors.

## 7.2 Corporate governance

EABL 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. As at the date of this Information Memorandum, the Company was in compliance with the CMA's Code of Corporate Governance Practices for Public Listed Companies in Kenya, 2002.

### 7.2.1 Board meetings

The Board meets, at a minimum, once every quarter, with additional meetings scheduled to discuss strategy. Additional meetings are held whenever deemed necessary.

### 7.2.2 Induction and training

On appointment, each new director receives a corporate governance manual that includes relevant information such as mandates, management structures, significant reports, important legislation and key company policies. In addition, one-on-one meetings are scheduled with management to introduce new directors to the Company and its operations.

### 7.2.3 Board committees

The Board has established four standing committees namely, the Board Corporate Governance Committee, the Audit and Risk Management Committee, the Board Remuneration Committee and the Board Nomination Committee. The majority of members of the Committees are independent non-executive Directors. The committees assist the Board in discharging its responsibilities.

**Board Corporate Governance Committee**

The Board Corporate Governance Committee has oversight on how the Company adheres to and complies with the principles and requirements of good corporate governance and business ethics. All members of this committee are non-executive Directors.

## 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 EABL, the efficiency of EABL's procedures for handling whistle blowing allegations. The committee is also responsible for monitoring and reviewing the performance of EABL's external auditors, 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 this committee are non- executive Directors.

## Board Nominations 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 this committee are non-executive Directors

## 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 this committee are Non-Executive Directors.

**Table 7: Board committee members**

| Director | Board Audit and Risk Committee | Board Corporate Governance Committee | Board Nomination Committee | Board Remuneration Committee |
|---|---|---|---|---|
| Mr. Charles Muchene | - | - | - | - |
| Mr. Charles Ireland | Permanently Invited | Permanently Invited | Permanently Invited | Permanently Invited |
| Mr. Charles Muchene | - | - | - | - |
| Mr. Charles Ireland | | | | |
| Ms. Tracey Barnes | Permanently Invited | - | - | - |
| Dr. Nick Blazquez | Member | - | Member (Chairman) | Member (Chairman) |
| Mr. Evanson Mwaniki | - | Member (Chairman) | Member | Member |
| Dr. Alan Shonubi | Member | Member | Member | |
| Mrs. Susan Githuku | - | - | - | Member |
| Mrs. Jane Karuku | Member | - | - | Member |
| Mr. Japheth Katto | - | Member | | - |
| Mr. Nehemiah Mchechu | Member(Chairman) | - | - | - |
| Mr. Andy Fennell | - | Member | - | - |

Source: EABL Annual Report as at 30 June 2014

### 7.2.4 Management committees

EABL Group operations and decision marking organs are largely focused and driven by the key market entities in Kenya, Uganda, Tanzania and the international business. Each of the key entities covering these markets has a number of leadership teams that meet on a regular basis. These teams include executive functional leadership teams (key ones being sales, marketing, supply, risk and governance, finance, human resources, legal and corporate relations).

## 7.3 Risk management

The Board has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. To assist in fulfilling this duty a risk management committee has been established, comprising senior management, that is responsible for developing and monitoring the EABL's risk management policies established to identify and analyse the risks faced by EABL, 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 EABL's activities.

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

## 7.4 Remuneration

EABL has a clear policy on remuneration of executive and non-executive Directors at levels that are fair and reasonable taking into consideration competitive market for the skills, knowledge and experience required and the nature and size of the Board. The Company has established a Board Remuneration Committee whose 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.

## 7.5 The Directors and Company Secretary

As at the date of this Information Memorandum, EABL's Directors were as stated in the table below:

**Table 8: Board of Directors and Company Secretary**

| Name | Age and Nationality | Date of appointment |
|---|---|---|
| **Independent and Non-Executive Directors** | | |
| Mr. Charles Muchene (Group Chairman) | Age 57, Kenyan | Febuary 2011 |
| Mr. Evanson Mwaniki | Age 75, Kenyan | October 2000 |
| Dr. Alan Shonubi | Age 55, Ugandan | July 2009 |
| Mrs. Susan Githuku | Age 54, Kenyan | February 2012 |
| Mrs. Jane Karuku | Age 52, Kenyan | September 2013 |
| Mr. Japheth Katto | Age 63, Ugandan | February 2014 |
| Mr. Nehemiah Mchechu | Age 41, Tanzanian | February 2014 |
| **Non-Executive Directors** | | |
| Dr. Nick Blazquez | Age 53, British | August 2005 |
| Mr. Andy Fennell | Age 47, British | February 2014 |
| **Executive directors** | | |
| Mr. Charles Ireland (Group Managing Director) | Age 49, British | April 2013 |
| Ms. Tracey Barnes (Group Finance Director) | Age 51, British | February 2012 |
| **Company Secretary** | | |
| Ms. Ruth Ngobi | Age 54, Kenyan | March 2013 |

Source: EABL management

All Directors and the Company Secretary can be reached through the business address: Tusker House, Ruaraka, P.O Box 30161, 00100 Nairobi, Kenya.

### 7.5.1 Directors' declaration

As at the date of this Information Memorandum none of the Directors:

- has been nor is currently, the subject of a filing of a petition for bankruptcy, either in their own capacity or as an executive officer of any company;
- has been convicted of fraud or a criminal offence, nor is any Director the subject of current criminal proceedings or any other offence or action either within or outside Kenya; and
- has been the subject of a ruling in a court of competent jurisdiction, that permanently or temporarily prohibits such director from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type or business practice or activity in that jurisdiction.

### 7.5.2 Directors' interests

As at the date of this Information Memorandum, the Directors, in aggregate, held 4,400 shares or 0.00056% of EABL's total issued shares. No Director holds, directly or indirectly, in excess of 3% of the shareholding of the Issuer.

There was no change in Directors' interests between the end of the Issuer's financial year and the date of publication of this Information Memorandum.

Except for employment contracts with executive Directors, there are no existing or proposed contracts between any of the Directors and EABL.

No options to purchase any securities of EABL have been granted to or exercised by a Director of EABL within the year preceding the date of this Information Memorandum.

### 7.5.3 Directorships

As at the date of this Information Memorandum no Director of EABL held more than five directorships in other companies listed on the NSE.

As at the date of this Information Memorandum, the Chairman of the Board did not serve as chairman of more than two companies listed on the NSE.

## 7.6 Qualifications and experience of Directors and Company Secretary

**Mr. Charles Muchene, Independent and Non-Executive Director (Chairman)**

Mr. Muchene, a Kenyan citizen aged 57 years, was appointed to the Board as a 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 KBL, CGI, EABLI, EAML, CfC Stanbic Holdings Limited, CfC Stanbic Bank Limited, SBG Securities Limited and AIG Kenya Limited in addition to other private companies.

**Dr. Nick Blazquez, Non-Executive Director, Group Deputy Chairman**

Dr. Blazquez, a British citizen aged 53 years was appointed to the Board as a Non-Executive Director in August 2005. He is President of Diageo, Africa and Asia. 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 KBL and Mercy Corps (UK). He holds a Bachelor of Science from the University of Aberdeen and a Ph.D. from the University of Bristol.

**Mr. Charles Ireland, Group Managing Director and CEO**

Mr. Ireland, a British citizen aged 49 years, 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. Mr. Ireland serves as a Director of KBL, UBL, SBL, UDV (Kenya) Limited, EABLI, EAML and EABSS.

**Ms. Tracey Barnes, Group Finance Director**

Ms. Tracey Barnes, a British citizen aged 51 years 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 Hub, Ireland and America Supply; working closely with sales and marketing, as well as supply for both spirits and beer businesses. 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. Ms. Barnes is a Director of KBL, UBL, UDV (Kenya) Limited, CGI, EABLI, EAML and EABSS.

**Mr. Evanson Mwaniki, Independent and Non-Executive Director**

Mr. Evanson Mwaniki, a Kenyan citizen aged 75 years joined the Board in October 2000. He has extensive business knowledge, having worked for several local and international bluechip companies. He is the Non-Executive Chairman of Kenya Airways Limited. In addition, he sits on the Boards of East African Packaging Industries Limited and ICEA Lion. Mr. Mwaniki holds a Bachelor of Arts degree from the University of London.

**Mr. Nehemiah Mchechu, Independent and Non-Executive Director**

Mr. Nehemiah Mchechu, a Tanzanian citizen aged 41, is currently the Director General of the National Housing Corporation, Tanzania, and comes from a strong background in financial expertise and management expertise.

He has previously held key positions in the banking industry, most notably as Head of Global Markets and Alternate Director, Standard Chartered Bank, Tanzania and Managing Director and CEO, Commercial Bank of Africa, Tanzania. Mr. Mchechu holds a Bachelor of Commerce (Finance) and Management Degree from the University of Dar es Salaam. He is President of the University of Dar es Salaam Faculty of Commerce Alumnae Association and a member of the ACI-Financial Market Association, Tanzania Chapter.

**Mr. Japheth Katto, Independent and Non-Executive Director**

Mr. Japheth Katto, a Ugandan citizen aged 63, is the former CEO of the Capital Markets Authority Uganda, a position he held from inception in 1998 to 2013, and former Chairman of the East African Securities Regulatory Authorities. He has a wealth of experience in both the private and public sector having held various accounting, auditing and financial services regulation roles in East Africa and the UK.

Mr. Katto holds a Bachelor of Commerce Degree from Makerere University and is also a member of the Association of Chartered Certified Accountants and the Instituted of Certified Public Accountants of

Uganda. He was recently appointed as Non-Executive Chairman of Stanbic Bank Uganda Limited and is also Chairman of the Duke of Edinburgh International Award Uganda.

**Mr. Andy Fennell, Non-Executive Director**

Mr. Andy Fennell is a British citizen aged 47, and is the President and Chief Operating Officer, Diageo Africa. He has a formidable track record at Diageo. His experience includes working in a cross section of fields as a pioneer of new types of marketing, particularly in the digital sphere, and a champion of creativity. He has also led executive teams at market and global levels for more than a decade in various senior leadership roles in Diageo.

Mr. Fennell holds a Bachelor of Science Degree in Psychology from Cardiff University and is a Non-Executive Director of Guinness Nigeria Plc.

**Dr. Alan Shonubi, Independent and Non-Executive Director**

Dr. Alan Shonubi, a Ugandan citizen aged 55 years, was appointed to the Board in July 2009, 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 UBL, Uganda Baati Limited, Cooper Motors Corporation, Golf Course Holdings (Garden City), AAR Health Services and Interswitch Uganda Limited.

**Mrs. Susan Githuku, Independent and Non-Executive Director**

Mrs. Susan Githuku, a Kenyan citizen aged 54 years, joined the Board in February 2012. She 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, United States of America. Mrs. Githuku is currently a Non- Executive Director on the Board of UAP Insurance.

**Mrs. Jane Karuku, Independent and Non-Executive Director**

Mrs. Jane Karuku, a Kenyan citizen aged 52 years, was appointed as a Director in September 2013. Since April 2012, she 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 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.

**Ms. Ruth Ngobi, Company Secretary**

Ms. Ruth Ngobi, a Kenyan citizen aged 54, was appointed Company Secretary in April 2013. Ms. 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 Cosec 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. Ruth is the Company Secretary of KBL, UBL, SBL, UDV (Kenya) Limited, CGI, EABLI and EAML.

Ms. Ngobi holds a Bachelor of laws degree from University of Kent in Canterbury and a Master of Laws degree from University of Cambridge, both in the United Kingdom. She is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries Society of Kenya.

## 7.7 Directors, senior management and company secretary of key operating subsidiaries

As at the date of this Information Memorandum, directors and senior management of key operating subsidiaries were as outlined in the table below:

**Table 9: Director's, senior management and Company Secretary of key operating subsidiaries**

| Name | Postal Address | Age and Nationality |
|---|---|---|
| **Kenya Breweries Limited** | | |
| Mr. Charles Muchene (Chairman) | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 57, Kenyan |
| Mr. Charles Ireland | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Ms. Tracey Barnes (Group Finance Director) | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 51, British |
| Dr. Nick Blazquez | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 53, British |
| Mr. Joe Muganda (Managing Director) | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, Kenyan |
| Ms. Ruth Ngobi (Company Secretary) | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |
| **Uganda Breweries Limited** | | |
| Dr. Alan Shonubi (Chairman) | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 55, Ugandan |
| Mr. Nyimpini Mabunda (Managing Director) | P.O. Box 7130, Port Bell, Luzira, Kampala, Uganda | Age 38, South African |
| Mr. Japheth Katto | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 63, Ugandan |
| Ms. Tracey Barnes | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 51, British |
| Ms. Ruth Ngobi (Company Secretary) | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |

| | | |
|---|---|---|
| Mr. Charles Ireland | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| **Serengeti Breweries Limited** | | |
| Mr. Nehemiah Mchechu (Chairman) | Changombe Rd, Dar es Salaam, Tanzania | Age 41, Tanzanian |
| Mr. Charles Ireland | Tusker House, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Mr. Steve Gannon (Managing Director) | Changombe Rd, Dar es Salaam, Tanzania | Age 56, British |
| Mr. Kalpesh Mehta | Changombe Rd, Dar es Salaam, Tanzania | Age 44, British |
| Mr. Vimal Mehta | Changombe Rd, Dar es Salaam, Tanzania | Age 51, Tanzanian |
| Mr. Philip Jenkins | Changombe Rd, Dar es Salaam, Tanzania | Age 49, British |
| Mr. Christopher Gachuma | Changombe Rd, Dar es Salaam, Tanzania | Age 69, Tanzanian |
| Ms. Ruth Ngobi (Company Secretary) | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |
| **UDV (Kenya) Limited** | | |
| Mr. Charles Ireland | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Ms. Tracey Barnes | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 51, British |
| Ms. Ruth Ngobi (Company Secretary) | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |
| **Central Glass Industries Ltd** | | |
| Mr. Charles Muchene | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 57, Kenyan |
| Mr. Charles Ireland | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Ms. Tracey Barnes | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 51, British |
| Ms. Ruth Ngobi | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |
| **EABL International Limited** | | |
| Mr. Charles Muchene | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 57, Kenyan |
| Mr. Charles Ireland | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Ms. Tracey Barnes | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 51, British |
| Ms. Ruth Ngobi | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |
| Mr. Mark Ocitti Ongom | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 47, Ugandan |
| **East African Malting Limited** | | |
| Mr. Charles Muchene | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 57, Kenyan |
| Mr. Charles Ireland | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Ms. Tracey Barnes | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, | Age 51, British |

| | | |
|---|---|---|
| | Nairobi, Kenya | |
| Ms. Ruth Ngobi | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 54, Kenyan |
| **East African Beverages (South Sudan) Limited** | | |
| Mr. Charles Ireland | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 49, British |
| Ms. Tracey Barnes | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 51, British |
| Mr. Mark Ocitti Ongom | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Age 47, Ugandan |
| Mr. Jashinto Pakon Genye | Corporate Centre, Ruaraka, P.O. Box 30161, 00100, Nairobi, Kenya | Sudanese |

Source: EABL management

## 7.8 Profiles of directors and senior management of key operating subsidiaries

### Kenya Breweries Limited

### Mr. Joe Muganda, Managing Director

Mr. Joe Muganda was appointed MD KBL in September 2012. Prior to this appointment, Mr. Muganda was the Area Head of Corporate and Regulatory Affairs at British American Tobacco (BAT) where he has held a number of roles among them Marketing Director of the Zimbabwe business, General Manager Horn of Africa markets, General Manager Southern Africa Markets among others. Mr. Muganda holds a Bachelor of Science in Economics, Accounting and financial Management from Buckingham University and an MBA from Leicester University.

### Uganda Breweries Limited

### Mr. Nyimpini Mabunda, Managing Director

Mr. Nyimpini Mabunda was appointed MD UBL in September 2013. He has extensive regional commercial and customer marketing experience. Mr. Mabunda joined Diageo in 2000 as Marketing Manager, White Spirits for Guinness UDV and has since has worked in a variety of roles across innovation, marketing and sales within Diageo Africa among them Regional Marketing Manager Adult Non Alcoholic drinks for Diageo Africa and Head of Portfolio, Whiskey and Reserve for Brandhouse South Africa, a position he held until his current appointment. He has a Bachelor of Social Science and an MBA from the University of Cape Town.

**Serengeti Breweries Limited**

**Mr. Steve Gannon, Managing Director**

Mr. Steve Gannon was appointed MD, SBL in July 2012. He has extensive commercial experience having worked in Diageo for the last 30 years during which he held several leadership positions in the Africa business. Prior to this appointment, Mr. Gannon was the Managing Director of the Guinness Cameroon hub - a position he held for the last three years. He has a Bachelor of Science in Biochemistry from Brunel University, United Kingdom.

**Mr. Kalpesh Mehta, Finance Director**

Mr. Kalpesh Mehta was appointed Finance Director, SBL in August 2014. Prior to this appointment, Mr. Mehta was the Finance Director at Airtel Tanzania. He has also worked at Perenco and BP in various finance roles. Mr. Mehta has a Bachelor of Arts in Accounting and Finance from the University of Manchester and is a member of the Institute of Chartered Accountants of England and Wales (ICAEW).

**Mr. Philip Jenkins, Non-Executive Director**

Philip Jenkins has worked in the alcoholic beverage industry for almost 20 years. After qualifying as Chartered Accountant, Philip joined Scottish & Newcastle Plc as an internal auditor and occupied a number of senior finance roles in manufacturing, commercial and business development up until his leaving in 2008. In 2008 Philip Joined Diageo as Business Development Director with responsibility for M&A in Asia and Africa prior to being appointed Finance Director for Diageo Africa in January 2012.

**Mr. Vimal Mehta, Independent and Non-Executive Director**

Mr. Vimal Mehta is a Board member of SBL. He is an experienced professional and is Chairman of Negus Group of Companies and a Director of Bank M (Tanzania) Limited.

Mr**. Christopher Gachuma, Independent and Non-Executive Director**

Mr. Christopher Gachuma is a Board member of SBL and is currently the Managing Director of Nyanza Bottling Companies Limited and Chairman of CMG group of companies.

**EABL International Limited**

**Mr. Mark Ocitti Ongom, MD: EABL International Limited**

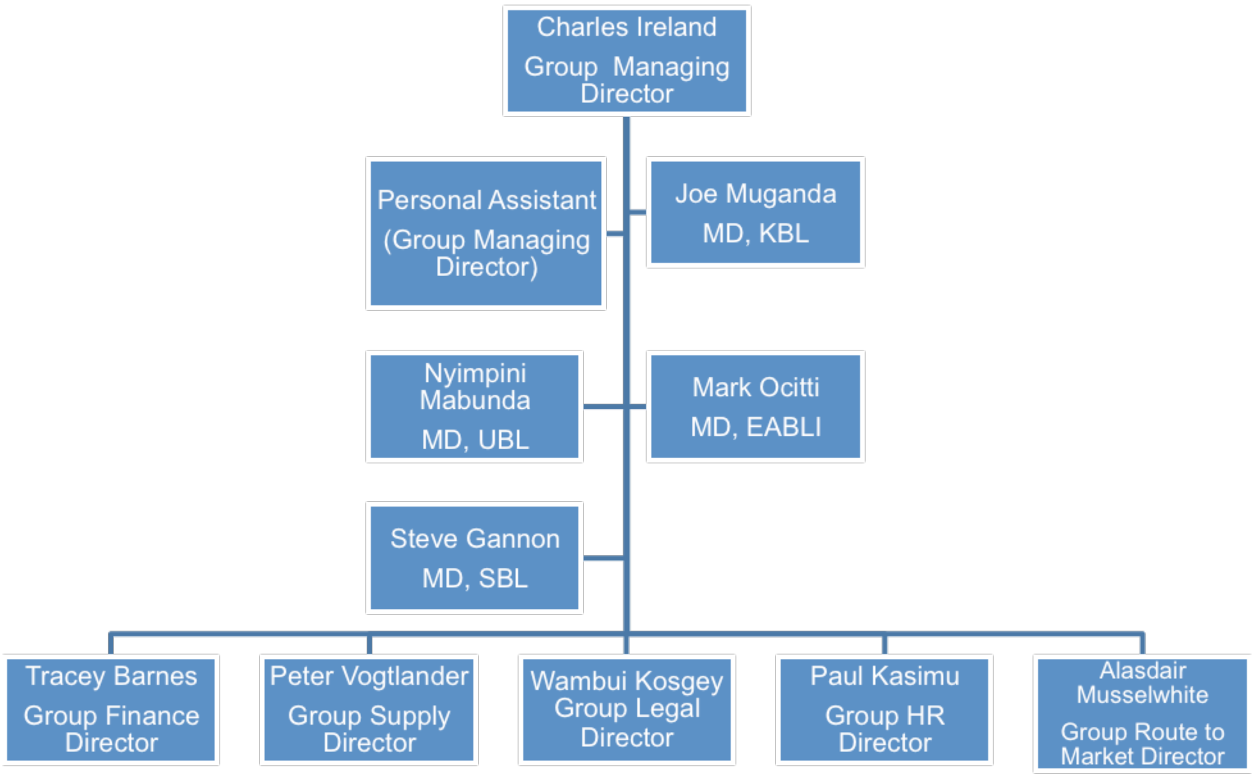
Mr. Mark Ocitti Ongom was appointed MD EABLI in August 2014. Mr. Ongom started his career in the downstream oil industry working for Shell International in Uganda where he held a number of roles, the last of which was Retail Director Shell Uganda. He then joined the telecommunications industry to work for Bharti Airtel International in various roles, first as Sales Director Airtel Uganda, then as Sales Director Airtel Zambia, Commercial Director Airtel Zambia and Airtel Group Business Director. Mr. Ongom then had a stint at consultancy in the value added services area of the telecommunications industry before he joined EABL.

Mr. Ongom holds a Bachelor of Statistics from Makerere University in Uganda and an MBA from the Herriot Watt University, Edinburgh, UK.

## 7.9 Management and related information

The following is an organogram indicating the senior management structure of EABL as at the date of this Information Memorandum:

**Figure 3: Executive management team**




Source: EABL management

The senior management team comprises of professional executives with experience in their relevant fields. The members of this team are as indicated in the table below:

**Table 10: Management team**

| Name | Title | Age | Nationality |
|---|---|---|---|
| Mr. Charles Ireland | Group Managing Director & CEO | 49 | British |
| Mrs. Tracey Barnes | Group Financial Director | 51 | British |
| Mrs. Wambui Kosgey | Group Legal Director | 41 | Kenyan |
| Mr. Alasdair Musselwhite | Group Route to Market Director | 53 | British |
| Mr. Peter Vogtländer | Group Supply Chain Director | 49 | Dutch |
| Mr. Paul Kasimu | Group Human Resources Director | 50 | Kenyan |
| Mr. Joe Muganda | MD, Kenya Breweries Limited | 49 | Kenyan |
| Mr. Nyimpini Mabunda | MD, Uganda Breweries Limited | 38 | South African |
| Mr. Steve Gannon | MD, Serengeti Breweries Limited | 56 | British |
| Mr Mark Ocitti Ongom | MD, EABL International Limited | 47 | Ugandan |

Source: EABL management

### 7.9.1 Profiles of Group Executive Management

**Mr. Charles Ireland, Group Managing Director & CEO**

See profile under Section 7.6 (Qualifications and experience of Directors and Company Secretary).

**Mrs. Tracey Barnes, Group Financial Director**

See profile under Section 7.6 (Qualifications and experience of Directors and Company Secretary).

**Mrs. Wambui Kosgey, Group Legal Director**

Mrs. Kosgey was appointed Group Legal Director, EABL in January 2015. Prior to this appointment, she was the Regional Manager, Advisory, Investment Banking Division, East Africa at CfC Stanbic Bank Ltd (part of Standard Bank Group) and had held a number of roles at CfC Stanbic Bank among them Associate Director of the Corporate Finance Division of CfC Financial Services and Senior Legal Counsel and Head of Legal Services responsible for supporting the banking, financial services and insurance businesses of CfC Group.

Mrs. Kosgey has also worked at I&M Bank as the Head of Legal and as Senior Associate with various leading law firms including Mohammed Muigai Mboya Advocates and Kapila Anjarwalla & Khanna Advocates. Mrs. Kosgey is a qualified lawyer with over 17 years' experience in both legal and corporate finance advisory. She holds a Bachelor of Laws degree from the University of Cardiff and an MBA from Strathmore Business School (in partnership with IESE Business School). She is also a qualified Certified Public Secretary in Kenya, Notary Public, Commissioner of Oaths and an Advocate of the High Court of Kenya.

**Mr. Alasdair Musselwhite, Group Route to Market Director**

Mr. Musselwhite was appointed Group Route to Market Director in November 2013. Prior to this appointment, he was the MD Uganda a position he held since November 2010 and before that he was the Sales Capability Director for Diageo Africa. Mr. Musselwhite is an experienced sales and marketing professional with 22 years front line commercial experience growing Diageo brands in Africa through subsidiaries, joint ventures, licensed partners and third parties, complemented by consumer marketing experience in the UK and Africa. He is a graduate of Rhodes University, South Africa with a Bachelor of Arts in Journalism and Media.

**Mr. Peter Vogtländer, Group Supply Chain Director**

Mr. Vogtländer joined EABL in August 2014. Previously, he worked for Heineken in Africa (Ghana, Nigeria), Asia (Indonesia, Malaysia) and Latin America (Mexico) where he held different supply chain roles.

In his last role as Brewing and Operations Director Italy, France and Swiss, he was directly responsible and financially accountable for all operations and support groups within those countries. As such he played a major role in developing an end-to-end vision, implementing and developing capabilities to ensure the continuous improvement in the total supply chain through TPM, while reducing cost to support the implementation of the innovation strategy.

Mr. Vogtländer has a Masters of Science in Petroleum and Mining Engineering from the Technical University of Delft, Holland.

**Mr. Paul Kasimu, Group Human Resources (HR) Director**

Mr. Kasimu was appointed Group HR Director in May 2011. His career path has taken him all over Africa and the UK, and he has a strong record of implementing HR strategy, performance and talent development and HR business partnering. Mr. Kasimu worked for Barclays Bank in a variety of HR roles, rising to become HR business partner for Barclays Bank, East Africa. He then moved to Kenya Airways as the Group HR Director a position he held until his current appointment.

Mr. Kasimu is currently the Chairman of the Institute of Human Resource Management, Kenya and Country Board Member of AMREF, Kenya. He has a Bachelor of Arts from the University of Nairobi and a Masters in Business Administration (MBA) from Cambridge University.

**Mr. Joe Muganda, MD: Kenya Breweries Limited**

See profile under Section 7.8 (Profiles of directors and senior management of key operating subsidiaries).

**Nyimpini Mabunda, MD: Uganda Breweries Limited**

See profile under Section 7.8 (Profiles of directors and senior management of key operating subsidiaries).

**Mr. Steve Gannon, MD: Serengeti Breweries Limited**

See profile under Section 7.8 (Profiles of directors and senior management of key operating subsidiaries).

**Mr. Mark Ocitti Ongom, MD: EABL International Limited**

See profile under Section 7.8 (Profiles of directors and senior management of key operating subsidiaries).

### 7.9.2 Management update

As at the date of this Information Memorandum and for at least one year prior to the listing of securities, the Issuer had suitable senior management with relevant experience and does not expect this team to change significantly.

To the best of the Issuer's knowledge, as at the date of this Information Memorandum none of the senior management has committed any serious offence in any jurisdiction that may be considered inappropriate for the management of a company with listed securities.

As a subsidiary of Diageo, EABL draws from a wide, global pool of talent to ensure it has the best leaders for its business. Of the senior leadership, the Group Managing Director and the Group Finance Director are seconded from Diageo and, as such, it is possible that they may leave within twenty four months following the date of this Information Memorandum.

# 8 Prospects for the EABL Group

EABL's ambition is to be the best performing, most trusted and respected consumer goods company in Africa. The Group seeks to achieve this ambition by continually investing in its brands, its people, its distribution network and its production capacity.

A growing middle class coupled with increased urbanisation and economic growth in Eastern Africa provides EABL with a stable consumer base. EABL also responds to changing trends through a robust innovation pipeline. It is anticipated that new brands will contribute significantly to EABL's profitability. EABL will also continue to leverage on its relationship with Diageo to access best practices in areas such as production, human resource management and talent acquisition, marketing and information technology.

# 9 Risk factors

*An investment in the Notes involves a significant degree of risk. Prospective investors should carefully consider, among other things, the risks set forth below and other information contained in this Information Memorandum prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, which in turn, could have a material adverse effect on its ability to make payments under the Notes.*

*In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment. Prospective investors should note that the risks described below are not only the risks that the Issuer faces but are the risks that the Issuer considers to be material. There may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any such risks could have effects similar to the risks set forth below.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Issue are also described below.*

## 9.1 Risk factors related to the countries and industry in which EABL Group operates

***EABL Group's operations are in developing economies that are susceptible to changes in the operating environment***

EABL Group entities operate in countries within eastern Africa (primarily Kenya and South Sudan, Uganda and Tanzania) whose economies are undergoing rapid economic development and political transformation. These factors can result in political and policy changes which could affect such matters as economic growth, currency stability and macroeconomic fundamentals.

In addition, these economies may be susceptible to negative changes in the global economy such as increased global oil prices, developments in the US and Eurozone economies that could impact demand for African commodity exports and even changes in interest rates and exchange rates in global financial markets.

Given that the Notes issued by EABL will be denominated in Kenya Shillings and over 64% of EABL Group's reported external revenues for the year ended 30 June 2014 arose in Kenya, the risks likely to be most relevant for Note holders will relate to the macroeconomic environment in Kenya, which has one of the more stable, developed and diversified economies in the region.

***Changes in the regulatory and taxation environment with respect to the alcohol beverage industry could increase EABL Group's costs and liabilities and reduce revenues***

East African countries impose extensive regulatory requirements on companies that sell alcoholic beverage products. These legal and regulatory requirements continue to evolve as governments develop and implement public health and safety policies. Such changes to laws, regulations or government policies or practices could cause EABL Group entities to incur material additional costs or liabilities or implement business practices that could directly or indirectly limit the sales of EABL Group's products and in turn adversely affect its business.

Further, alcoholic beverage products are subject to various types of duties, such as excise duty and import duty amongst others, and alcoholic beverage companies are usually amongst the largest contributors to government tax revenues in each country in which the Group operates.

EABL recognises the important role it plays on the economies of the countries it operates in, as a tax payer and an agent for collection of indirect taxes, and actively engages with the governments directly and through membership in associations such as the Kenya Association of Manufacturers, Uganda Manufacturers Association, Kenya Private Sector Alliance and East Africa Business Council. The engagement is geared towards reducing the impact of drastic increases in taxes and to mitigate against unfavourable fiscal policies.

***Increased competition in the Group's businesses and markets may cause loss of market share or reduce its operating margins, which could adversely affect its financial performance and financial position***

The Group faces competition from both international and regional East African alcoholic beverage companies in the markets in which EABL Group operates. Given that EABL Group produces both alcoholic and non-alcoholic beverages, it faces competition across a wide range of product categories.

EABL maintains its competitive edge through a variety of means, such as cost optimisation through efficiency in operations (to maintain its profit margins), improving its route to market and innovating to meet changing consumer trends.

EABL also has a wide portfolio of brands that gives it a competitive edge across all consumer segments.

## 9.2 Risk factors related to the Issuer

***The Issuer is a holding company and depends on cash flows generated by its subsidiaries to repay its borrowings***

EABL is a holding company that owns a number of subsidiary operating companies engaged in brewing and distribution activities, and also owns some brand-related intangible assets that are licensed to its subsidiaries. EABL also provides management services to its subsidiary companies. EABL borrows funds from its shareholders, banks and the capital markets and either on-lends these funds to its subsidiaries or invests in its subsidiaries in the form of equity capital.

Consequently, EABL's main sources of income are royalties paid by subsidiary companies, management fees charged to subsidiaries and dividends received from subsidiary companies. EABL is reliant on these sources of income (as well as repayments in respect of receivables from subsidiaries) to repay principal and interest on its current borrowings and on the Notes to be issued, and to meet its operating expenses.

In order to mitigate this risk, the Group Chairman and the Executive Directors are directors in all EABL subsidiaries in order to ensure that their goals are consistent with the Group's goals and in line with shareholder expectations. In addition, key decisions made by subsidiaries are approved by the Group Managing Director, the Group Finance Director and the Board, as necessary.

***Malfunctions in production operations may result in damage to facilities or environment or production of substandard or defective products***

A major failure of EABL Group's production facilities could result in damage to plant, equipment and surrounding environment. This could lead to a loss in production capacity or could result in regulatory action, legal liability or damage to EABL Group's reputation.

EABL manages this risk through having in place a robust quality control function – including investing in a state of the art laboratory and obtaining international certification of its standards. It also invests significant amounts of capital expenditure on an annual basis to maintain the quality of its production and reduce use of aged and inefficient plant and machinery.

***Disruptions in supply of or increase in price of EABL Group's major raw and packaging materials could have an effect on EABL Group's profitability***

The raw materials that EABL Group uses for the production of its beverage products are commodities that are largely affected by changes in global supply and demand, weather conditions and agricultural uncertainty.

Commodity price changes may result in unexpected increases in the cost of raw materials, glass and other packaging materials which may negatively impact EABL Group's beverage products. EABL Group may not be able to absorb these increased costs without suffering reduced sales and operating profit, which could have an adverse effect on EABL Group's business results.

EABL mitigates this risk by working closely with most of its key raw materials suppliers, especially farmers. This ensures consistency of grain supply. It also leverages on a number of suppliers who deal with Diageo on a global basis. In addition, it promotes sustainability by encouraging its suppliers to adhere to a minimum set of operational standards as set out in the "Diageo Partnering with Suppliers" standard.

EABL's procurement is also at the forefront of ensuring that resourcing is managed at a strategic and forward-looking level to track trends into the future and plan appropriately to obtain the required raw materials.

***Public safety concerns over alcohol consumption may decrease demand for the Group's products***

There may be increased public concern over problems related to alcohol abuse such as drunk driving which may lead to increased social and political attention directed to the alcoholic beverage industry.

EABL is actively involved in responsible drinking and alcohol in society initiatives aimed at reducing incidences of excessive alcohol consumption.

***EABL Group is subject to litigation***

Globally, companies that operate in the alcoholic beverage industry are from time to time exposed to litigation, relating to various matters ranging from alcohol advertising to product liability. EABL may also be subject to litigation on taxation, including in respect to the methodology for assessing importation value, transfer pricing and compliance matters.

Such litigation may result in damages, penalties, fines as well as reputational damage to EABL Group or its brands, which may have an adverse impact on its performance. EABL Group manages any actual or potential litigation in a proactive and robust manner in order to mitigate such risks.

EABL prides itself in being a respected and trusted company and has put in place various measures that would reduce the threat of litigation. For instance, it has Policies and Standards such as Quality Control, the Diageo Marketing Code (which guards against misleading advertising) and the Diageo Tax Policy (which governs how EABL handles its tax affairs).

***Exposure to interest rate risks - fluctuations in interest rates may adversely affect EABL Group's cash flows and reported profits***

EABL and its subsidiaries borrow funds in a variety of currencies from its shareholders and from commercial banks in the countries in which they operate. Interest rates payable on such borrowings are generally pegged to the rate of interest payable on domestic currency bonds issued by governments of East African countries – particularly Kenya.

Any significant increase in interest rates could negatively impact EABL Group's profitability and its ability to pay its debt obligations.

However, EABL Group's primary source of revenue is denominated in Kenya Shillings, therefore reducing the foreign exchange exposure.

***Foreign exchange related risks - the fluctuation of exchange rates may adversely affect the business and its reported financial results***

EABL Group operates in various jurisdictions and undertakes foreign currency transactions that are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions.

The foreign exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of a financial year could adversely affect the reported financial results of the Group.

## 9.3 Risk factors related to the Issue

***Risks relating to the structure of a particular issue of Notes***

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features. Prospective investors of Notes should be aware that the range of Notes that may be issued under the Programme is such that the following statements are not exhaustive with respect to the types of Notes that may be issued under the Programme and any particular Series of Notes may have additional risks associated with it that are not described below. Investment in the Notes may involve complex risks related to factors which include equity market risks and may include interest rate, foreign exchange and/or political risks.

***The Notes may not be a suitable investment for all investors***

Each potential investor must determine the suitability of investing in the Notes in light of its own circumstances. In particular each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any supplemental Information Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the Conditions of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some forms of notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes which are complex financial instruments without consulting a financial advisor who will evaluate how such notes will perform under changing conditions, the resulting effects on the value of such notes and the impact this investment will have on the potential investor's overall investment portfolio.

***The market price of the Notes may be volatile***

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes in the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes.

In particular the markets for emerging market securities, such as Kenya, may be volatile and are to varying degrees, influenced by economic securities' market conditions in other emerging market countries which may not be in the same geographic region as Kenya. Although economic conditions are different in each country, investor reactions to the developments in one country may affect securities of issuers in other countries, including Kenya. Accordingly the market price of the Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Issuer.

***Notes may be subject to optional redemption by the Issuer***

An optional redemption feature in the Notes may negatively affect their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a lower rate.

***The corporate bond secondary market in Kenya may not be very liquid***

The Kenyan bond market is not very active with very few trades conducted on the market each day. Very few of the corporate bonds currently listed on the NSE have traded since they listed, making the actual pricing of bonds not as objective as it would be in an active developed market.

If the market does develop it will initially not be very liquid therefore investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Notes.

***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the assigning rating agency at any time. Credit ratings assigned to Notes do not necessarily mean that the Notes are suitable investment. Similar ratings do not address the marketability of any Notes or any market price. Any change in the credit ratings of Notes, or the Issuer, could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Change of law***

The Conditions of the Notes are based on Kenyan law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Kenyan law or administrative practice after the date of this Information Memorandum.

# 10 Summary financial statements

The Issuer's financial information set out below has, unless otherwise indicated, been derived from its audited consolidated financial statements as at and for the years ended 30 June 2010 to 2014, in each case prepared in accordance with IFRS as issued by the International Accounting Standards Board.

## 10.1 Consolidated statements of comprehensive income

**Table 11: Summarised consolidated statements of comprehensive income**

| Year ended 30 June | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| Revenue | 61,292,176 | 59,061,875 | 55,522,166 | 44,895,037 | 38,679,196 |
| Cost of Sales | (31,098,550) | (31,562,560) | (28,657,047) | (22,828,144) | (19,536,924) |
| **Gross profit** | **30,193,626** | **27,499,315** | **26,865,119** | **22,066,893** | **19,142,272** |
| Selling costs | (5,761,488) | (5,085,402) | (4,588,896) | (3,491,554) | (2,570,619) |
| Administrative expenses | (9,344,130) | (7,555,030) | (7,450,204) | (6,474,500) | (4,842,028) |
| Other (expenses)/income | (422,462) | 140,540 | 3,797,208 | 320,673 | (473,756) |
| Finance income | 84,942 | 174,154 | 1,192,359 | 109,633 | 358,585 |
| Finance costs | (4,343,869) | (4,058,658) | (4,562,537) | (272,156) | (190,365) |
| Profit before income tax | 10,406,619 | 11,114,919 | 15,253,049 | 12,258,989 | 11,424,089 |
| Share of associate's profit after tax | - | - | - | - | 1,143,998 |
| Income tax expense | (3,548,011) | (4,592,719) | (4,450,246) | (3,265,064) | (3,730,527) |
| **Profit for the year** | **6,858,608** | **6,522,200** | **10,802,803** | **8,993,925** | **8,837,560** |
| | | | | | |
| Exchange differences | (25,059) | (189,700) | (362,871) | 179,466 | 200,341 |
| **Total comprehensive income** | **6,833,549** | **6,332,500** | **10,439,932** | **9,173,391** | **9,037,901** |

Source: Reporting Accountant's Report dated 03 March 2015

## 10.2 Consolidated statements of financial position

### Table 12: Summarised consolidated statements of financial position

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| **Equity attributable to the owners of parent** | | | | | |
| Share capital | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 |
| Share premium | 1,691,151 | 1,691,151 | 1,691,151 | 1,691,151 | 1,691,151 |
| Revaluation Surplus | 1,285,324 | 1,285,324 | 1,285,324 | 1,285,324 | 1,285,324 |
| Retained earnings | 22,501,939 | 20,352,473 | 19,717,366 | 11,246,203 | 10,817,969 |
| Proposed dividends | - | - | - | 4,942,340 | 4,942,340 |
| Share based payment reserve | 73,387 | 71,373 | 67,046 | - | - |
| Translation reserve | 177,666 | 184,612 | 280,312 | 406,295 | 351,199 |
| Non-controlling interest | 81,871 | 724,157 | 1,972,126 | 5,572,586 | 3,140,665 |
| Other reserves | (18,292,037) | (18,292,037) | (18,292,037) | - | - |
| **Total equity** | **9,100,848** | **7,598,600** | **8,302,835** | **26,725,446** | **23,810,195** |
| | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 37,254,785 | 33,715,088 | 31,246,602 | 28,304,026 | 16,935,217 |
| Other non-current assets | 5,804,004 | 5,412,272 | 4,866,896 | 4,865,148 | 3,924,350 |
| | **43,058,789** | **39,127,360** | **36,113,498** | **33,169,174** | **20,859,567** |
| **Current assets** | | | | | |
| Inventories | 9,703,689 | 7,470,607 | 7,957,272 | 4,399,365 | 3,465,054 |
| Trade and other receivables | 7,716,617 | 9,015,822 | 8,189,805 | 7,066,073 | 5,593,453 |
| Current income tax | 1,285,448 | 700,582 | 912,723 | 740,353 | 405,251 |
| Term deposits | - | - | - | - | 6,570,036 |
| Cash and bank balances | 1,101,400 | 1,406,091 | 997,973 | 1,649,453 | 1,325,079 |
| | **19,807,154** | **18,593,102** | **18,057,773** | **13,855,244** | **17,358,873** |
| **Current liabilities** | | | | | |
| Trade and other payables | 12,351,560 | 14,194,970 | 15,327,378 | 13,581,299 | 9,922,149 |
| Dividends payable | 800,180 | 717,922 | 615,420 | 345,145 | 308,048 |
| Current income tax | 4,985 | 449,688 | 492,442 | 352,772 | 1,454,193 |
| Borrowings | 12,545,500 | 4,951,344 | 4,856,500 | 258,622 | - |
| Bank overdraft | 1,758,425 | 6,292,922 | 1,192,042 | 971,348 | - |
| | **27,460,650** | **26,606,846** | **22,483,782** | **15,509,186** | **11,684,390** |
| **Net assets** | **9,100,848** | **7,598,600** | **8,302,835** | **26,725,446** | **23,810,195** |

Source: Reporting Accountant's Report dated 03 March 2015

## 10.3 Consolidated statements of cash flow

### Table 13: Summarised consolidated statements of cash flow

| Year ended 30 June | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Operating activities | | | | | |
| Cash generated from operations | 15,180,597 | 16,871,259 | 14,611,881 | 11,808,172 | 13,188,092 |
| Interest received | 24,072 | 39,268 | 1,192,359 | 97,711 | 358,585 |
| Interest paid | (4,343,869) | (4,057,989) | (4,317,432) | (272,156) | (9,584) |
| Income tax paid | (4,667,510) | (4,549,673) | (4,652,253) | (5,136,026) | (1,361,025) |
| **Net cash generated from operating activities** | **6,193,290** | **8,302,865** | **6,834,555** | **6,497,701** | **12,176,068** |
| **Net cash used in investing activities** | **(6,738,131)** | **(6,047,823)** | **(20,096,233)** | **(9,734,506)** | **(3,235,616)** |
| **Financing activities** | | | | | |
| **Net cash generated from/(used in) financing activities** | **4,774,647** | **(6,947,804)** | **12,386,504** | **(3,980,205)** | **(7,533,798)** |
| **Net increase/(decrease) in cash and cash equivalents** | **4,229,806** | **(4,692,762)** | **(872,174)** | **(7,217,010)** | **1,406,654** |
| Cash and cash equivalents at start of year | (4,886,831) | (194,069) | 678,105 | 7,895,115 | 6,488,461 |
| Net increase/(decrease) in cash and cash equivalents | 4,229,806 | (4,692,762) | ( 872,174) | (7,217,010) | 1,406,654 |
| **Cash and cash equivalents at end of year** | **(657,025)** | **(4,886,831)** | **(194,069)** | **678,105** | **7,895,115** |

Source: Reporting Accountant's Report dated 03 March 2015

## 10.4 Interim financial statements for the six (6) months ended 31 December 2014

### Table 14: Condensed consolidated income statement

| 6 months ended 31 December | 2014 | 2013 |
|---|---|---|
| | KShs' Mn | KShs' Mn |
| Net revenue | 34,768 | 31,858 |
| Cost of sales | (17,657) | (16,127) |
| Gross profit | 17,111 | 15,731 |
| Total costs | (10,308) | (9,647) |
| Profit before tax | 6,803 | 6,084 |
| Income tax expense | (2,181) | (1,923) |
| **Profit after tax** | **4,622** | **4,161** |
| Basic earnings per share | 5.24 | 4.99 |
| Diluted earnings per share | 5.22 | 4.99 |

Source: Interim financial report dated 03 March 2015

## Table 15: Condensed consolidated statement of financial position

| | As at 31 December 2014 | As at 30 June 2014 |
|---|---|---|
| | **KShs' Mn** | **KShs' Mn** |
| **Total Equity** | 13,741 | 9,101 |
| **Shareholders' funds** | | |
| Non-current liabilities | 26,201 | 26,304 |
| | 39,942 | 35,405 |
| **Assets** | | |
| Non-current assets | 42,399 | 43,059 |
| **Working capital** | | |
| Current assets | 24,401 | 19,807 |
| Current liabilities | (26,858) | (27,461) |
| | 39,942 | 35,405 |

Source: Interim financial report dated 03 March 2015

## Table 16: Consolidated statement of cash flows

| 6 months ended 31 December | 2014 | 2013 |
|---|---|---|
| | **KShs' Mn** | **KShs' Mn** |
| Cash generated from operations | 10,692 | 9,748 |
| Net interest paid | (1,801) | (1,941) |
| Tax paid | (1,321) | (3,003) |
| **Net cash from operating activities** | **7,570** | **4,804** |
| **Net cash used in investing activities** | **(1,097)** | **(4,507)** |
| **Net cash generated from/(used) in financing activities** | **(2,873)** | **1,869** |
| **Net increase / (decrease) in cash and cash equivalents** | **3,600** | **2,166** |
| At start of period | (657) | (4,887) |
| Net increase / (decrease) in cash and cash equivalents | 3,600 | 2,166 |
| **Cash and cash equivalents at end of year** | **2,943** | **(2,721)** |

Source: Interim financial report dated 03 March 2015

## 10.5 Management discussion and analysis of interim financial report for the six months ended 31 December 2014

EABL Group delivered net sales growth of 9% and profit before tax growth of 12%. The results were buoyed by double digit growth in spirits, premium beer and Ready to Drink ("RTD's") and improved performance in Tanzania and the export markets.

The Kenya business headline net sales growth was 3% and it was 11% excluding Senator Keg which was impacted by the reduction of the excise duty remission. The growth was driven by strong performance in spirits and RTD's. This was supported by successful launches of Smirnoff Double Black and Guarana and Jebel Coconut, demonstrating EABL's ongoing commitment to a continual pipeline of innovation.

Net sales growth in Uganda was 7% with strong growth in Uganda Waragi of 13% and an improving performance in Bell lager, supported by a successful consumer marketing campaign.

Tanzania delivered robust net sales growth of 17% with particularly strong performance in the emerging beer category driven by Kibo Gold Lager. This was supported by an increasing focus on spirits and innovation, such as Jebel Coconut and Serengeti Platinum.

EABL's export markets grew net sales by 118%, despite currency challenges, with strong growth across premium beer, especially in can format and premium spirits. This has been supported by the establishment of the local depot in Juba.

The growth of 9% in gross profit was supported by the focus on driving EABL's costs down to contain the increase in cost of sales to 9%. Selling and distribution was 5% above last year as EABL continues with its strategy to invest ahead to grow the market share of its brands. Administrative expenses reduced by 2% year on year benefiting from last year's reorganization and continual focus on driving down costs to support growth.

Net capital expenditure for the 6 months was KES2.3 billion including the new furnace at Central Glass Industries Limited, the upgrade of the effluent treatment plant in Uganda and installation of cereal cookers in Tanzania.

Total group borrowings increased by KES5.5 billion over the period to finance operations and capital expenditure, funded mostly by the commercial paper issue which has now matured. There was a net reduction in average interest costs by 7% year on year.

As a result of these items, EABL's profit before taxation grew by 12% to KES6.8 billion.

# 11 Statutory and general information

## 11.1 Authorisation

EABL has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes, including but not limited to a resolution of the Board of Directors passed on12 February 2015.

## 11.2 Incorporation

**Table 17: EABL's incorporation details, registered offices and principal objects**

| | |
|---|---|
| **Incorporation** | EABL was incorporated in Kenya under the Companies Act as private company under the name Kenya Breweries Limited on 8 September 1922. The Company was converted to a public (non-private) company in 1934 under registration number 5/34. |
| **Registered Office** | Corporate Centre, Tusker House, Ruaraka<br>P.O. Box 30161-00100, Nairobi, Kenya |
| **Principal Objects** | The principal objects of EABL are contained in clause 3 of its Memorandum of Association, which *inter alia* provide as follows:<br>3(a) To carry out the business of brewers and malsters in all its branches; and<br>3(p) To subscribe for, take, purchase or otherwise acquire and hold shares or other interests in or securities of any other company having objects altogether or in part similar to those of this Company, or carrying on any business capable of being conducted so as, directly or indirectly, to benefit this Company. |

## 11.3 Administration

**Table 18: Advisers and Bankers**

| Name | Address |
|---|---|
| Legal Advisers/Advocates | Coulson Harney, Advocates<br>5th Floor, West Wing, ICEA Lion Centre<br>Riverside Park, Chiromo Road, Nairobi<br>PO Box 10643-00100, Nairobi<br><br>Kaplan & Stratton<br>Williamson House, 4th Ngong Avenue,<br>P.O. Box 40111-00100, Nairobi |
| Auditors | KPMG Kenya<br>ABC Towers, 8th Floor<br>ABC Place, Waiyaki Way<br>P.O. Box 40612 – 00100 Nairobi |
| Bankers | Barclays Bank of Kenya Ltd<br>Barclays Westend Building, off Waiyaki Way<br>P.O. Box 30120 – 00100<br>Nairobi<br><br>Citibank NA<br>Citibank House<br>Upper Hill<br>P.O. Box 30711 – 00100<br>Nairobi<br><br>Standard Chartered Bank Kenya Limited,<br>Head Office,<br>48 Westlands Road<br>P.O. Box 30003 – 00100<br>Nairobi |

## 11.4 Share Capital and Net Assets

As at the date of this Information Memorandum and prior to the public offering and listing of the Notes, the Issuer's issued and fully paid up share capital and net assets exceeded the statutory eligibility limit of fifty million Kenya shillings and one hundred million Kenya shillings respectively.

**Table 19: Share Capital**

| | KShs'000 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
|---|---|---|---|---|---|
| **Authorised** | | | | | |
| At 1 July<br>(1billion ordinary shares with a par value of KES 2 per share) | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| At 30 June<br>(1 billion ordinary shares with a par value of KES 2 per share) | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| | | | | | |
| **Issued and fully paid** | | | | | |
| At 1 July (790,774 ordinary shares with a par value of KES 2 per share) | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 |
| Issued during the year | - | - | - | - | - |
| At 30 June (790,774 ordinary shares with a par value of KES 2 per share) | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 |
| | | | | | |
| Net assets | | | | | |
| **Net assets of EABL** | **9,100,848** | **7,598,600** | **8,302,835** | **26,725,446** | **23,810,195** |

Source: Reporting Accountant's Report, dated 03 March 2015

As at the date of this Information Memorandum, and save as disclosed herein:

- there were no different classes of shares outstanding and all shareholders have equal voting rights;
- the Company has not made any commitments to issue any of its unissued shares to any person, nor does any person have preferential subscription rights to the unissued shares;
- there are no material founders or management shares in the capital of the Issuer;
- there is no un-issued share or loan capital of EABL that is under option or agreed conditionally or unconditionally to be put under option;
- there is no share or loan capital of EABL that has been issued, or agreed to be issued, within the two years preceding the date of this Information Memorandum, or is now proposed to be issued, fully or partly paid, for a consideration other than cash;

- save as disclosed no commissions, discounts, brokerages or other special terms have been granted by EABL, within the two years preceding the date of this Information Memorandum, in connection with the issue or sale of any share or loan capital of the Company;

- there has been no significant change in the Issuer's major shareholders during the past three financial years; and

- the Issuer is not aware of any arrangement which may result in a change in control of the Issuer.

## 11.5 Working Capital

As at the date of this Information Memorandum, in the opinion of the Directors, the Group has sufficient working capital for its present requirements.

## 11.6 Approvals

### 11.6.1 Capital Markets Authority

A copy of this Information Memorandum has been delivered to the Capital Markets Authority, and approval has been granted to offer the Notes for subscription and sale in Kenya.

### 11.6.2 Listing of the Notes on the Nairobi Securities Exchange

The Issuer has obtained authorisation of the NSE for the Notes to be admitted to the FISMS.

### 11.6.3 Dematerialised Security

The Notes have been prescribed as a dematerialised security by the CDSC under section 24 of the Central Depositories Act.

### 11.6.4 Registrar of Companies

A copy of this Information Memorandum (together with the other documents required to be attached) has been delivered to the Registrar of Companies in Nairobi pursuant to section 43(1) of the Companies Act.

## 11.7 Allotment

The allotment of the Notes shall be determined by the Issuer and the Arrangers.

The Issuer reserves the right to decline any application in whole or in part and, in the event of oversubscription, to make the allotment as it deems fit in accordance with the applicable Pricing Supplement and in consultation with the Arrangers and Placing Agents. Any applications not accepted will be given reasons for non-acceptance.

All applicants will be notified by email or telephone of their allotment and or non-acceptance by no later than the allotment and the notification date specified in the applicable Pricing Supplement. Telephone communication will be followed by written notice to the successful investors on the allocation results.

## 11.8 Significant or Material Changes

Save as disclosed in this Information Memorandum, there has been no material change in the business of the Group in the five years up to 30 June 2014.

## 11.9 Material Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) which may have or have had in the recent past (covering at least the previous four months) a significant effect on the Issuer's financial position.

## 11.10 Related party transactions

### 11.10.1 Intercompany finance

The Company is under the control of Diageo which is the ultimate holding company. Diageo is a holding company for various companies around the world and as a result there are other companies that are related to EABL through common shareholdings or common directorships.

The following material transactions were carried out with related companies:

**Table 20: EABL Intercompany transactions**

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| **(a) Sale of goods and services** | | | | | |
| Other related parties | - | - | - | 9,480 | 54,020 |
| **(b) Purchase of goods and services** | | | | | |
| Parent company | 1,988,749 | 11,557 | - | 602,727 | 1,613,736 |
| Fellow subsidiaries | 2,290,845 | 2,995,019 | 1,948,563 | 1,456,753 | 1,628,911 |
| | 4,279,594 | 3,006,576 | 1,948,563 | 2,059,480 | 3,242,647 |
| **(c) Outstanding balances arising from sale and purchase of goods/services** | | | | | |
| Receivables from related parties | 25,184 | 177,701 | 77,329 | 133,710 | 305,619 |
| Payable to related parties | 683,266 | 3,722,331 | 4,135,691 | 2,066,380 | 1,130,760 |

Source: Reporting Accountant's Report dated 03 March 2015

### 11.10.2 Loans to directors

As at 30 June 2014, there were no outstanding loans to Directors.

## 11.11 Material contracts

As at the date of this Information Memorandum and for a period of two years immediately preceding the publication of this Information Memorandum, no member of the Group had entered into material contracts (being a contract entered into outside the ordinary course of business).

## 11.12 Conflicts of interest

At the date of this Information Memorandum, there are no potential conflicts of interest between any duties to the Issuer of the members of its administrative, management or supervisory bodies, any of the experts named in this Information Memorandum and their private interests or other duties. None of the experts named in the Information Memorandum owns an amount of shares in the Issuer or its subsidiaries which is material to that person. However, it cannot generally be ruled out that such persons have interests at the time of the offer or issue of Notes; whether this is the case will depend upon the facts at the time of the offer or issue. A description of any potential conflicting interests that are of importance to an offer or issue of Notes will be included in the applicable Pricing Supplement, specifying the persons involved and the types of interests.

## 11.13 Debt of Issuer

As at 30 June 2014, the Group's total long-term and short-term borrowings amounted to KES 36,598,028,000 with an average annual interest rate of 12.19%. These borrowings included:

- commercial paper notes of KES 4,665,500,000 and secured liabilities (bank and collateralised borrowings) of KES 980,459,000. The commercial paper notes matured in January 2015 and attracted a weighted average annual interest rate of 11.52%.
- collateralised borrowings are secured by land, industrial property and bank guarantee.
- a related party loan of KES 22,294,103,000 attracts a variable interest rate equivalent to the annual yield on 364-day Government of Kenya Treasury bills plus 1.5 percentage points. The loan is repayable after a period of five years from the draw down date in 2012.

## 11.14 Contingent liabilities, leases and material commitments

In the normal course of business the Group is faced with litigation. In the opinion of its directors, these cases are unlikely to crystallise hence no accrual has been made in the financial statements for the financial year ended 30 June 2014.

As at 30 June 2014, total contingent liabilities and leases were KES 356,368,000 and KES 1,661,017,000 respectively.

As at 30 June 2014, and save as disclosed in this Information Memorandum, the Issuer had:

- no off-balance sheet financing arrangements;
- no guarantees outstanding; and
- no material commitments.

## 11.15 Expenses

The indicative expenses for the Issue are as set out in the expenses schedule below and will be borne by the Issuer.

**Table 21: Professional Fees and Related Costs**

| | % of Programme Amount | KES |
|---|---|---|
| Advisory and placing fees | 0.495% | 54,450,000 |
| **Regulatory fees** | | |
| NSE Listing fees | 0.0125% | 1,375,000 |
| CMA Approval fees | 0.10% | 11,000,000 |
| CDSC fees | 0.01% | 1,000,000 |
| **TOTAL*** | **0.62%** | **67,825,000** |

*Assumes 100% utilisation of the Principal Amount and takes into account the first year of recurring annual fees and costs only, including but not limited to:

- NSE annual listing fees: The annual listing fees on the NSE shall be based on the total value outstanding as at November 30 of each year.
- CDSC fees: the annual fees are chargeable at KES 90 per transaction subject to a minimum of KES 50,000 and a maximum of KES 1,000,000. The fees is payable quarterly in arrears.

## 11.16 Auditors

As at the date of this Information Memorandum, the auditors of EABL were KPMG Kenya, Certified Public Accountants located at 8th Floor, ABC Towers, Waiyaki Way, Westlands, P.O. Box 40612-00100 Nairobi GPO. The auditors have audited EABL's annual accounts for the years ended 30 June 2010 to 30 June 2014 in accordance with International Accounting Standards and have not resigned or been removed. The last audited accounts and financial statements were in respect of the 12-month period ending 30 June 2014, whereupon the auditors gave an unqualified audit opinion.

## 11.17 Consents

The firm of PricewaterhouseCoopers, Certified Public Accountants, acting as Reporting Accountants in respect of the Issue, has given and had not withdrawn its consent to the issue of this Information Memorandum with the inclusion in it of their reports in the form and context in which they are included.

The firm of Coulson Harney, Advocates acting as transaction Legal Counsel in respect of the Issue, has given and not withdrawn its written consent to the issue of this Information Memorandum with the inclusion in it of their legal opinion in the form and context in which it is included.

## 11.18 Borrowing powers

Under Article 113 of the Company's Articles of Association the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and to issue debentures, debenture stock and other securities.

As at the date of this Information Memorandum and for a period of three years prior to its publication, the borrowing powers of the Issuer as exercised by its Directors had not been exceeded.

The borrowing powers may be varied by a special resolution of the shareholders of the Company.

## 11.19 Documents Available for Inspection

As long as any Note remains outstanding, copies of the following documents will, when published, be available for inspection at the offices of the Issuer in Nairobi, Kenya and the Specified Office of the Fiscal Agent and Registrar:

1. the Memorandum of Association and the Articles of Association of EABL;
2. audited financial statements of EABL for the financial years ended 30th June 2010 to 30th June 2014;
3. the audited consolidated financial statement of EABL Group for the three financial years ended 30 June 2014;
4. the limited review of the financial statements for the six (6) months ended 31 December 2014;
5. the most recently available published unaudited interim financial statements (if any) of the Issuer;
6. resolution of the Board of Directors approving the Issue;
7. the Reporting Accountant's report as reproduced in this Information Memorandum;
8. a copy of the legal opinion of transaction Legal Counsel;
9. a copy of the Agency Agreement between the Issuer and the Fiscal Agent and Registrar;
10. a copy of the Placing Agreement between the Placing Agents and the Issuer;
11. a copy of this Information Memorandum;
12. a copy of the approval of the Capital Markets Authority in respect of the Issue;
13. a copy of the authorisation of the Nairobi Securities Exchange in respect of listing of Notes;
14. a copy of the communication from the Central Depository and Settlement Corporation prescribing the Notes as dematerialised securities; and
15. the latest certified appraisals or valuations relative to movable and immovable property and items of a similar nature, if applicable.

## Appendix A: Legal Opinion

CH Coulson Harney
ADVOCATES

Member of Bowman Gilfillan Africa Group

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| | | | |
|---|---|---|---|
| Our Reference: | **RTH/tm/6140660** | Your Reference: | **TBA** |
| Direct Line: | **+254 20 289 9000** | Date: | **03 March 2015** |
| E-mail Address: | **r.harney@coulsonharney.com** | | |

The Directors
East African Breweries Limited
Corporate Centre
Ruaraka
P.O. Box 30161-00100
Nairobi
**KENYA**

*For the attention of: Charles Muchene, Group Chairman*

Dear Sirs

**Legal opinion issued pursuant to regulation 6(3) of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 in respect of the offer of unsecured medium term notes of up to eleven billion Kenya Shillings (KES 11,000,000,000.00) by East African Breweries Limited**

We are the legal advisers to East African Breweries Limited (the "**Company**") in connection with the offer of unsecured medium term notes of up to eleven billion Kenya Shillings (KES 11,000,000,000) (the "**Notes**") by the Company.

The Company is a Kenyan incorporated holding company with a number of subsidiaries having operations in the East African region. Information on the Company and its subsidiaries (the "**Subsidiaries**") (where the context requires all such companies are referred to in this opinion as "the **Group**") is contained, *inter alia*, in the Information Memorandum dated 3 March 2015 (the "**Information Memorandum**") that has been prepared for the purposes of the offer of the Notes to the public.

The terms and conditions of the Notes are contained in the Information Memorandum. Unless otherwise defined herein the definitions and interpretation applied in the Information Memorandum shall have the same meaning where used in this opinion. The Information Memorandum includes particulars given in compliance with the requirements of the Companies Act (Chapter 486 of the Laws of Kenya), the requirements of the Capital Markets Act (Chapter 485A of the Laws of Kenya), as well as the applicable rules and regulations made thereunder including in particular the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

1. **DOCUMENTS**

1.1 In arriving at the opinions expressed below, we have examined and relied on:

1.1.1 the final proof of the agency agreement to be entered into between the Company and CfC Stanbic Bank Limited (the "**Agency Agreement**"); and

1.1.2 the final proof of the placing agreement to be entered into by the Company and Barclays Bank of Kenya Limited, CfC Stanbic Bank Limited and SBG Securities Limited (the "**Placing Agreement**"),

(together the "**Issue Agreements**").

1.2 We have also examined:

1.2.1 a copy of the Memorandum and Articles of Association of the Company (certified as a true and up-to-date copy);

1.2.2 a copy (certified as a true copy) of the resolution of the Company's Board of Directors dated 12 February 2015 authorising (i) the issuance of the Notes (ii) the execution and delivery of the Issue Agreements and any other documents as may be contemplated or required under, or associated with, or related to the Issue Agreements (iii) the performance of all such other acts for and on behalf of the Company as are required for purposes of the issuance of the Notes;

1.2.3 a certified copy of the approval issued by the Capital Markets Authority dated 23 February 2015 in connection with the Issue and the Information Memorandum;

1.2.4 the final proof of the Information Memorandum dated 3 March 2015;

1.2.5 such other documents such other records and documents as we have considered necessary or appropriate for the purposes of this opinion and have made such other investigations as we have considered necessary for this opinion.

2. **ASSUMPTIONS**

3. **Assumptions**

3.1 We have assumed:

3.1.1 that all the information supplied to us by the Company and the Arrangers and their respective officers is true, accurate and up to date;

3.1.2 the authenticity of documents submitted as originals, the conformity with the original documents of all documents submitted as copies and the authenticity of the originals of such latter documents;

3.1.3 the genuineness of all signatures on all documents;

3.1.4 that the certified resolution of the board of directors of the Company as examined by us was duly passed at a properly convened meeting of duly appointed directors of Company;

3.1.5 the capacity, power and authority of the Arrangers to enter into the Issue Agreements and the due execution and delivery of the Issue Agreements by the Arrangers;

3.1.6 that all information contained in the Information Memorandum and all information in respect of the Group supplied to us by the Company, its officers and advisers is true, accurate and is up to date as of the date hereof; and

3.1.7 there are no facts or circumstances in existence and no events have occurred which would render the Issue Agreements void or voidable or capable of rescission for any reason.

3.2 With respect to matters of fact, we have relied on the representations contained in the Information Memorandum, the Issue Agreements and the representations of the Company and its officers.

3.3 This opinion is given on the basis of all documents provided to us by the Company in respect of the Group.

4. **OPINION**

4.1 Based upon and subject to the foregoing, and to the qualifications set out below, we are of the opinion that:

4.1.1 The Company is a public (non-private) limited liability company incorporated in the Republic of Kenya under the Companies Act (Chapter 486 Laws of Kenya) under company registration number C.5/34. The Company's registered office is at Plot No. 10119, Tusker House, Ruaraka, P.O. Box 30161-00100, Nairobi, Kenya.

4.1.2 The existing authorised nominal share capital of the Company is KES 2,000,000,000 divided into 1,000,000,000 ordinary shares of KES 2.00 each, of which 790,774,356 ordinary shares of KES 2.00 are in issue. The existing capital of the Company is in conformity with Kenyan law and has received all necessary authorisations.

4.1.3 All material licenses and material consents required by each member of the Group to carry on their respective businesses have been duly obtained and are in full force and effect.

4.1.4 The public offer and listing of the Notes has been duly authorised by the Board of Directors of the Company.

4.1.5 The Information Memorandum and the public offer and listing of the Notes has been approved by the Capital Markets Authority through the issue of a letter of approval dated 23 February 2015.

4.1.6 The listing of the Notes has been approved by the Nairobi Securities Exchange through the letter of approval dated 25 February 2015.

4.1.7 The Notes have been prescribed as a dematerialized security under the Central Depositories Act, 2000.

4.1.8 The Company and the Subsidiaries own or lease all of the material assets, land and property required for the purposes of the Group's business and we are satisfied, after such enquiry as we deemed necessary for the purposes of this opinion, that the each member of the Group has good and valid title or rights to or in such material assets, land and property for the purposes of the business of the Group as carried on at the date hereof.

4.1.9 The Issue Agreements have been duly authorised, executed and delivered by the Company and are valid and legally binding upon the Company in accordance with their terms except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by general principles of equity.

4.1.10 Upon the assumption that permission is granted to list the Notes on the NSE before they are issued, no stamp duty will be payable in Kenya in respect of the issue, or on transfers, of the Notes.

4.1.11 The issue of the Notes has been duly authorised and when issued, the Notes will constitute valid, legally binding, direct and unconditional obligations of the Company in accordance with their terms except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by general principles of equity.

4.1.12 The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank *pari passu* in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the Company, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

4.1.13 The Notes and the Issue Agreements are in proper legal form for enforcement against the Company and the execution and delivery of the Issue Agreements, the Notes and the consummation of the transactions therein contemplated and compliance with their terms and conditions will not contravene any existing Kenyan law or public policy, governmental rule, regulation or order applicable to the Company in Kenya.

4.1.14 Interest (including any commission or discount) payable in respect of the Notes is subject to income tax in Kenya. Unless the Noteholder enjoys specific exemption, payments of interest are subject to withholding tax at the rates from time to time in force in Kenya. At present, the applicable rate is

15%. The rate of withholding tax may be limited by applicable double taxation treaties, which may also permit the Noteholder to obtain relief outside Kenya. The Notes do not provide for interest to be grossed-up where withholding tax applies.

4.1.15 With effect from 1 January 2015 any capital gain which accrues on a disposal of the Notes will constitute a chargeable gain in accordance with the applicable requirements of the Eighth Schedule of the Income Tax Act (Chapter 470 of the Laws of Kenya) and may be taxable accordingly.

4.1.16 To the best of our knowledge, information and belief after due enquiry, there are no legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) which may have had or had in the past twelve months preceding the date of this legal opinion a significant adverse effect on the financial position or the operations of the Group.

4.1.17 To the best of our knowledge, information and belief, and after due enquiry, there has been no material prosecution or other civil or criminal legal action in which the Company or any of its directors is involved;

4.1.18 Save for registration of the Information Memorandum at the Companies Registry under section 43(1) of the Companies Act (Chapter 486 of the Laws of Kenya), there are no governmental or regulatory consents, approvals, authorisations or orders registration, filing or similar formalities required to be carried out in Kenya by the Company in connection with the issuance of the Notes and the performance by the Company of its obligations under the Issue Agreements.

4.1.19 Except as noted below it is not necessary under Kenyan law (a) in order to enable any person to exercise or enforce its rights under the Issue Agreements or the Notes, or (b) by reason of any such person being or becoming the holder of any of the Notes or a party to the Issue Agreements, or the performance by any such person of its obligations thereunder, that any such person should be licensed, qualified or otherwise entitled to carry on business in Kenya, nor will any such performance violate any law applicable in Kenya. Brokers, dealers and investment advisers carrying on business as such in Kenya require a license from the Capital Markets Authority.

4.1.20 No holder of the Notes and none of the parties to the Issue Agreements will be deemed to be resident, domiciled or carrying on business in Kenya by reason only of its holding of the Notes or by reason of its execution, performance or enforcement of the Notes or the Issue Agreements.

4.1.21 We are not aware of any other material items that relate to the legal status of the Issuer and the Issue.

5. **QUALIFICATIONS**

5.1 The Issue Agreements must be stamped in accordance with the Stamp Duty Act

(Chapter 480 of the Laws of Kenya) within thirty (30) days of their execution in order to be admissible in evidence in a Kenyan court. We will attend to stamping within the prescribed period.

5.2 Any provision requiring any party to pay default interest may be unenforceable in the Kenyan courts on the grounds (i) that such default interest would constitute a penalty and (ii) that penalties are not generally enforceable under common law. We consider it likely that the Kenyan courts would now follow the decision by the High Court in England in *Lordsvale Finance plc v. Issuer of Zambia* [1996] Q.B. 752, permitting recovery by a creditor of default interest, such decision being of persuasive value in Kenya.

5.3 If any provision of the Issue Agreements is held to be illegal, invalid or unenforceable by the Kenyan courts, severance of such provision from the remaining provisions of the Issue Agreements would be subject to the exercise of the discretion of the Kenyan courts.

5.4 Any provision to the effect that certain calculations or certificates will be conclusive and binding will not be effective if such calculations or certificates are fraudulent or erroneous on their face and will not prevent judicial enquiry by the Kenyan courts into the merits of any claim by an aggrieved party.

5.5 If any party is vested with any discretion or may determine a matter in its opinion, the Kenyan courts may require that such discretion be exercised reasonably or that such opinion be based on reasonable grounds.

5.6 Nothing in this opinion is to be taken as indicating that the remedy of an order for specific performance or the issue of an injunction would be available in a Kenyan court in respect of the obligations arising under any agreement since such remedies are available only at the discretion of the court. Specific performance is not usually granted and an injunction is not usually issued where damages would be an adequate alternative.

5.7 A Kenyan court may refuse to give effect to a provision to pay the costs of another party in respect of any successful action brought against that party before a Kenyan court and the Kenyan court may not award by way of costs all of the expenditure incurred by a successful litigant in proceedings brought before that court.

5.8 Payments between residents and non-residents of Kenya must be made through authorised banks in Kenya in accordance with the provisions of the Central Bank of Kenya Act (Chapter 491 of the Laws of Kenya).

## 6. MISCELLANEOUS

6.1 As legal advisers to the Company, we have issued and have not withdrawn our consent to the inclusion in the Information Memorandum of this legal opinion in the form and context in which it appears.

6.2 This opinion relates to the laws of Kenya in force at the date hereof. No opinion is expressed as to the laws of any other jurisdiction.

6.3 This opinion is given as of the date hereof. No opinion is expressed in relation to facts or circumstances arising after the date hereof.

6.4 This opinion is addressed to the Company and may be relied upon for the purposes of the issue of the Notes by (i) the Company, (ii) the Arrangers named in the Information Memorandum in their capacity as arrangers, and (ii) the initial Subscribers for the Notes. It may not be relied upon by any other person or used for any other purpose.

Yours faithfully

**COULSON HARNEY**

# Appendix B:  Reporting Accountant's Report

**EAST AFRICAN BREWERIES LIMITED**

**ACCOUNTANTS' REPORT**

**FOR EACH OF THE FIVE YEARS ENDED 30 JUNE 2014**

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

4 March 2015

## Accountant's report – East African Breweries Limited

Dear Sirs

We are pleased to submit our Accountant's Report in accordance with Section 19 of the Third Schedule of the Companies Act 486, and Part A of the Third Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (hereafter referred to as "the Regulations").

**Responsibility of the directors**

As directors of East African Breweries Limited ("the Company" or ''the Group''), you are responsible for the Information Memorandum to be issued on or about 4 March 2015 and for all information contained therein, and for the financial statements and information to which this Accountant's Report relates and from which it has been prepared.

The financial information included in this report was based on the audited consolidated financial statements of the Group for the accounting periods ended 30 June 2014, 2013, 2012, 2011 and 2010.

**Our responsibility**

You required us to prepare and produce an Accountant's Report to be included in the Information Memorandum to be issued to support the Medium Term Note Programme of East African Breweries Limited.

Our responsibility is detailed in our letter of engagement dated 24 November 2014. The objective of the engagement was to enable us to state whether, on the basis of our review procedures which do not provide all the evidence that would be required in an audit, anything has come to our attention that causes us to believe that the financial statements were not prepared, in all material respects, in accordance with International Financial Reporting Standards.

**Criteria and procedures used**

The financial information set out in this report has been compiled in accordance with the International Standard on Related Services 4410 – Engagements to Compile Financial Statements ("ISRS 4410") and the International Standard on Review Engagements 2400 (Revised) – Engagement to review historical financial statements ("ISRE 2400").

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To enable us prepare an Accountant's Report, we carried out procedures to satisfy ourselves that the information presented in the financial statements was in accordance with Section 19 of the Third Schedule of the Companies Act 486, and Part A of the Third Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002. To this end we carried out the following procedures:

- reviewed the financial statements of the Group for each of the five years ended 30 June 2014, 2013, 2012, 2011, and 2010 for compliance with International Financial Reporting Standards (IFRS) and consistency of application of accounting policies;
- made enquiries of the Group's management with respect to significant matters relevant to the financial information;
- Held in depth discussions with the current auditors in respect of areas of significant judgement and their audit approach;
- reviewed other evidence relevant to the Group's financial statements;
- reviewed the rest of the Information Memorandum document for consistency with the financial information included in our Accountant's Report.; and
- reviewed eligibility ratios included in Appendix B to ensure they have been correctly computed based on the audited financial statements for the respective periods.

A review carried out in accordance with ISRS 4410 and ISRE 2400 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Financial information**

We have presented the consolidated financial statements of the Group for each of the five years ended 30 June 2014, 2013, 2012, 2011, and 2010, including notes to the financial statements. We identified the following matters during the course of our review:

**1. Presentation of financial information**

A number of International Financial Reporting Standards have been amended or introduced in the period under review as summarised in the table below:

| **Standard** | **Years affected** | **Impact** |
|---|---|---|
| Amendment to IAS 1, Presentation of items of other comprehensive income (OCI)<br><br>*(effective 1 July 2012)* | 2010-2012 | The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassification adjustments).<br><br>The presentation of the financial statements for periods ended 30 June 2010, 2011 and 2012 have been amended to comply with the amendment. |
| IFRS 10. 'Consolidated financial statements'<br>*(effective 1 January 2013)* | 2010-2012 | IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Additional guidance is given to explain when an investor has control over an investee.<br><br>The application of this standard has had no material impact on the financial statements of the Group. |
| IFRS 12, 'Disclosure of interests in other entities'<br>*(effective 1 January 2013)* | 2010-2012 | IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11 and it replaced the disclosure requirements previously found in IAS 28, 'Investments in associates'. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects |

| Standard | Years affected | Impact |
|---|---|---|
| | | associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.<br><br>The additional disclosures required by the standard for entities with material non-controlling interests have been added to the financial statements for the years 2010 to 2012. |
| IFRS 13, 'Fair value measurement'<br>*(effective 1 January 2013)* | 2010 -2012 | The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.<br><br>The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 has increased the extent of fair value disclosures in the financial statements. This has no material impact on the financial statements of the Group. |
| Amendments to IAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets<br>*(effective 1 January 2013)* | 2010-2012 | This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.<br>The amendment has no material impact on the financial statements of the Group. |
| IFRS 11, 'Joint arrangements'<br>*(effective 1 January 2013)* | 2010-2012 | IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.<br><br>The application of this standard has no material impact on the financial statements of the Group. |
| IAS 24 (Revised) 'Related party disclosures'<br><br>*(effective 1 January 2011)* | 2011-2014 | The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard requires, the subsidiaries of the Group to disclose any transactions between itself and associates of its parent Company. The additional disclosures required by the standard have no material impact on the financial statements of the Group. |
| The amendments to IFRS 7, 'Financial Instruments - Disclosures'<br><br>*(effective 1 January 2011)* | 2011-2014 | The amendments emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment removed the requirement to disclose maximum exposure to credit risk if the carrying amount best represents the |

| Standard | Years affected | Impact |
|---|---|---|
| | | maximum exposure to credit risk; Fair value of collaterals; and renegotiated assets that would otherwise be past due but not impaired.<br>The Group has maintained the disclosure for maximum exposures. No impact is expected in terms of collateral and renegotiated assets. |

The financial information set out in this report is based on the audited financial statements after making the adjustments, we considered appropriate, to make all the financial statements compliant with International Financial Reporting Standards applicable for the accounting period ended 30 June 2014.

## 2. Statement of adjustments

### *a) Summary of adjustments*

#### *i) Adjustments to net profit in the audited statement of comprehensive income:*

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | Shs 000 | Shs 000 | Shs 000 | Shs 000 | Shs 000 |
| Net profit reported in the audited financial statements | 6,858,608 | 6,522,200 | 11,186,113 | 9,023,660 | 8,837,560 |
| Adjustments due to revaluation surplus adjustment | - | | 383,310 | (29,735) | - |
| Net profit as reported in Appendix A | 6,858,608 | 6,522,200 | 10,802,803* | 8,993,925 | 8,837,560 |

*The effect of the prior period adjustment of Shs 383M included in the 2012 statutory financial statements has been applied retrospectively to the earliest period in 2011.

#### *ii) Adjustments to Group net assets*

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | Shs 000 | Shs 000 | Shs 000 | Shs 000 | Shs 000 |
| Net assets as per audited financial statements | 9,100,848 | 7,598,600 | 8,302,835 | 26,725,446 | 23,810,195 |
| Adjustment due to revaluation surplus adjustment | - | - | 29,735 | (29,735) | - |
| Net assets as reported in Appendix A | 9,100,848 | 7,598,600 | 8,332,570 | 26,695,711 | 23,810,195 |

#### *iii) Adjustments to earnings per share arising from adjustments to profit*

Basic earnings per share

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | Shs' 000 | Shs' 000 | Shs' 000 | Shs' 000 | Shs' 000 |
| Earnings per share as reported in the audited financial statements | 8.22 | 8.55 | 13.20 | 9.30 | 9.08 |
| Adjustment due to revaluation surplus adjustment | - | - | 0.01 | (0.01) | - |
| Earnings per share as reported in Appendix A | 8.22 | 8.55 | 13.21 | 9.29 | 9.08 |

**Review conclusion**

A review carried out in accordance with ISRS 4410 and ISRE 2400 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. However based on our review, nothing has come to our attention that causes us to believe that the audited financial statements of East African Breweries Limited for the five accounting years to 30 June 2014 do not give a true and fair view in accordance with International Financial Reporting Standards.

We have reviewed the Capital Market Authority's eligibility ratios set out in Appendix B and confirm that these ratios are based on the audited financial statements of the respective period ends.

We also confirm that other than as disclosed in our Accountants Report, we are not aware of any material circumstances not mentioned in the Information Memorandum regarding the additional listing, represented to us by the directors, which would influence the evaluation by investors of the assets, liabilities, financial position and prospects of the Group.

**Consent**

We consent to the inclusion of this report in the Information Memorandum in support of the Medium Term Note Programme of East Africa Breweries Limited to be issued on or about 4 March 2015 in the form and context in which it appears.

Certified Public Accountants
Nairobi, Kenya

4th March 2015

## Consolidated statement of comprehensive income

| | Note | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| Revenue | 6 | 61,292,176 | 59,061,875 | 55,522,166 | 44,895,037 | 38,679,196 |
| Cost of Sales | 7 | (31,098,550) | (31,562,560 ) | (28,657,047) | (22,828,144) | (19,536,924) |
| **Gross profit** | | **30,193,626** | **27,499,315** | **26,865,119** | **22,066,893** | **19,142,272** |
| Selling costs | 8 | (5,761,488) | (5,085,402 ) | (4,588,896) | (3,491,554) | (2,570,619) |
| Administrative expenses | 9 | (9,344,130 | (7,555,030 ) | (7,450,204) | (6,474,500) | (4,842,028) |
| Other (expenses)/income | 10 | (422,462) | 140,540 | 3,797,208 | 320,673 | (473,756) |
| Finance income | 13 | 84,942 | 174,154 | 1,192,359 | 109,633 | 358,585 |
| Finance costs | 13 | (4,343,869) | ( 4,058,658 ) | (4,562,537) | (272,156) | (190,365) |
| **Profit before income tax** | 11 | **10,406,619** | **11,114,919** | **15,253,049** | **12,258,989** | **11,424,089** |
| Share of associate's profit after tax | | **-** | **-** | - | - | 1,143,998 |
| Income tax expense | 14 | (3,548,011) | (4,592,719) | (4,450,246) | (3,265,064) | (3,730,527) |
| **Profit for the year** | | **6,858,608** | **6,522,200** | **10,802,803** | **8,993,925** | **8,837,560** |
| **Profit attributable to:** | | | | | | |
| Equity holders of the Company | | 6,498,725 | 6,763,609 | 10,448,099 | 7,347,510 | 7,179,029 |
| Non controlling interest | 18 | 359,883 | (241,409) | 354,704 | 1,646,415 | 1,658,531 |
| **Profit for the year** | | **6,858,608** | **6,522,200** | **10,802,803** | **8,993,925** | **8,837,560** |
| **Earnings per share for profit attributable to the equity holders of the Company** | | | | | | |
| - Basic (Kshs per share) | | 8.22 | 8.55 | 13.21 | 9.29 | 9.08 |
| - Diluted (Kshs per share) | 15 | 8.21 | 8.54 | 13.20 | 9.28 | 9.08 |

## Consolidated statement of other comprehensive income

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Profit for the year** | **6,858,608** | **6,522,200** | **10,802,803** | **8,993,925** | **8,837,560** |
| **Other comprehensive income, net of tax:** | | | | | |
| **a)Items that may be reclassified to profit or loss** | | | | | |
| Exchange differences from translation of net foreign operations | (25,059) | (189,700) | (362,871) | 179,466 | 200,341 |
| **a)Items that may not be reclassified to profit or loss** | **-** | **-** | - | - | **-** |
| **Total comprehensive income for the year** | **6,833,549** | **6,332,500** | **10,439,932** | **9,173,391** | **9,037,901** |
| **Total comprehensive income for the year attributable to:** | | | | | |
| Equity holders of the Company | 6,488,000 | 6,667,909 | 10,322,116 | 7,402,606 | 7,379,691 |
| Non-controlling interest | 345,549 | (335,409) | 117,816 | 1,770,785 | 1,658,210 |
| **Total comprehensive income for the year** | **6,833,549** | **6,332,500** | **10,439,932** | **9,173,391** | **9,037,901** |

**Consolidated statement of financial position**

| | Notes | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Equity attributable to the owners of parent** | | | | | | |
| Share capital | 17 | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 | 1,581,547 |
| Share premium | 17 | 1,691,151 | 1,691,151 | 1,691,151 | 1,691,151 | 1,691,151 |
| Revaluation Surplus | 36(a) | 1,285,324 | 1,285,324 | 1,285,324 | 1,285,324 | 1,285,324 |
| Retained earnings | | 22,501,939 | 20,352,473 | 19,717,366 | 11,246,203 | 10,817,969 |
| Other reserves | 36 | (18,292,037) | (18,292,037) | (18,292,037) | - | - |
| Proposed dividends | | - | - | - | 4,942,340 | 4,942,340 |
| Share based payment reserve | 36(b) | 73,387 | 71,373 | 67,046 | - | - |
| Translation reserve | 36(c) | 177,666 | 184,612 | 280,312 | 406,295 | 351,199 |
| | | **9,018,977** | **6,874,443** | **6,330,709** | **21,152,860** | **20,669,530** |
| Non controlling interest | 18 | 81,871 | 724,157 | 1,972,126 | 5,572,586 | 3,140,665 |
| **Total Equity** | | **9,100,848** | **7,598,600** | **8,302,835** | **26,725,446** | **23,810,195** |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 21 | 37,254,785 | 33,715,088 | 31,246,602 | 28,304,026 | 16,935,217 |
| Intangible asset - software | 22 | 434,439 | 424,076 | 249,649 | 380,026 | 531,226 |
| Intangible asset - Goodwill | 23 | 3,577,191 | 3,577,191 | 3,577,191 | 3,577,191 | 648,664 |
| Intangible asset – Brand | 23 | 563,005 | 563,005 | 563,005 | 563,005 | - |
| Prepaid operating lease rentals | 24 | 10,957 | 11,248 | 10,934 | 29,715 | 30,262 |
| Investment in associate company | 37 | 0 | 0 | 0 | 0 | 2,465,213 |
| Financial assets | | - | - | - | 97,961 | 97,562 |
| Other investments | 26 | 10,000 | 10,400 | 10,400 | 10,400 | 10,400 |
| Deferred income tax | 20 | 1,208,412 | 826,352 | 455,717 | 206,850 | 141,023 |
| | | **43,058,789** | **39,127,360** | **36,113,498** | **33,169,174** | **20,859,567** |
| **Current assets** | | | | | | |
| Inventories | 28 | 9,703,689 | 7,470,607 | 7,957,272 | 4,399,365 | 3,465,054 |
| Trade and other receivables | 29 | 7,716,617 | 9,015,822 | 8,189,805 | 7,066,073 | 5,593,453 |
| Current income tax | 14 | 1,285,448 | 700,582 | 912,723 | 740,353 | 405,251 |
| Term deposits | 33 | - | - | - | - | 6,570,036 |
| Cash and bank balances | 33 | 1,101,400 | 1,406,091 | 997,973 | 1,649,453 | 1,325,079 |
| | | **19,807,154** | **18,593,102** | **18,057,773** | **13,855,244** | **17,358,873** |
| Disposal assets held for sale | | - | - | - | 2,465,213 | - |
| | | **19,807,154** | **18,593,102** | **18,057,773** | **16,320,457** | **17,358,873** |
| **Total assets** | | **62,865,943** | **57,720,462** | **54,171,271** | **49,489,631** | **38,218,440** |
| **Non-current liabilities** | | | | | | |
| Borrowings | 34 | 22,294,103 | 19,841,923 | 19,982,236 | 3,917,688 | - |
| Deferred income tax | 20 | 4,010,342 | 3,673,093 | 3,402,418 | 3,337,311 | 2,723,855 |
| | | **26,304,445** | **23,515,016** | **23,384,654** | **7,254,999** | **2,723,855** |
| **Current liabilities** | | | | | | |
| Trade and other payables | 30 | 12,351,560 | 14,194,970 | 15,327,378 | 13,581,299 | 9,922,149 |
| Dividends payable | 16 | 800,180 | 717,922 | 615,420 | 345,145 | 308,048 |
| Current income tax | 14 | 4,985 | 449,688 | 492,442 | 352,772 | 1,454,193 |
| Borrowings | 34 | 12,545,500 | 4,951,344 | 4,856,500 | 258,622 | - |
| Bank overdraft | 34 | 1,758,425 | 6,292,922 | 1,192,042 | 971,348 | - |
| | | **27,460,650** | **26,606,846** | **22,483,782** | **15,509,186** | **11,684,390** |
| **Total liabilities** | | **53,765,095** | **50,121,862** | **45,868,436** | **22,764,185** | **14,408,245** |
| **Net assets** | | **9,100,848** | **7,598,600** | **8,302,835** | **26,725,446** | **23,810,195** |

Financial information for East African Breweries Limited for each of the five years ended 30 June 2014

**Consolidated statement of changes in equity**

| Year ended 30 June 2014 | Notes | Share capital | Share premium | Revaluation Surplus | 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 2013 | | **1,581,547** | **1,691,151** | **1,285,324** | **184,612** | **20,352,473** | **71,373** | **(18,292,037)** | **6,874,443** | **724,157** | **7,598,600** |
| **Comprehensive income** | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | 6,498,725 | - | - | 6,498,725 | 359,883 | 6,858,608 |
| Other comprehensive income | | - | - | - | (10,725) | - | - | - | (10,725) | (14,334) | (25,059) |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **(10,725)** | **6,498,725** | **-** | **-** | **6,488,000** | **345,549** | **6,833,549** |
| **Transactions with owners of the company** | | | | | | | | | | | |
| Share based payment reserve | | - | - | - | - | - | 2,014 | - | 2,014 | - | 2,014 |
| Dividends: | | | | | | | | | | | |
| - 2013 final paid | 15 | - | - | - | - | (3,163,097) | - | - | (3,163,097) | (987,835) | (4,150,932) |
| - 2014 interim paid | 15 | - | - | - | - | (1,186,162) | - | - | (1,186,162) | - | (1,186,162) |
| **Total transactions with owners of the company** | | **-** | **-** | | **-** | **(4,349,259)** | **2,014** | **-** | **(4,343,466)** | **(987,835)** | **(5,331,301)** |
| **Balance at 30 June 2014** | | **1,581,547** | **1,691,151** | **1,285,324** | **173,887** | **22,501,939** | **73,387** | **(18,292,037)** | **9,018,977** | **81,871** | **9,100,848** |

**Consolidated statement of changes in equity (continued)**

| **Year ended 30 June 2013** | **Notes** | **Share capital** | **Share premium** | **Revaluation Surplus** | **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** | **1,285,324** | **280,312** | **19,717,366** | **67,046** | **(18,292,037)** | **6,330,709** | **1,972,126** | **8,302,835** |
| **Comprehensive income** | | | | | | | | | | | |
| Profit for the year | | - | - - | - | - | 6,763,609 | -- | - | 6,763,609 | (241,409) | 6,522,200 |
| Other comprehensive income | | - | - | - | (95,700) | - | - | - | (95,700) | (94,000) | (189,700) |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | (95,700) | 6,763,609 | **-** | **-** | **6,667,609** | **(335,409)** | 6,332,500 |
| **Transactions with owners** | | | | | | | | | | | |
| Share based payment reserve | | - | - | - | - | - | 4,327 | - | 4,327 | - | 4,327 |
| Dividends: | | | | | | | | | | | |
| - 2012 final paid | 15 | - | - | - | - | (4,942,340) | - | - | (4,942,340) | (912,560) | (5,854,900) |
| - 2013 interim paid | 15 | - | - | - | - | (1,186,162) | - | - | (1,186,162) | - | (1,186,162) |
| **Total transactions with owners** | | **-** | **-** | **-** | **-** | **(6,128,502)** | **4,327** | **-** | **(6,124,175)** | **(912,560)** | **(7,036,735)** |
| **Balance at 30 June 2013** | | **1,581,547** | **1,691,151** | **1,285,324** | **184,612** | **20,352,473** | **71,373** | **(18,292,037)** | **6,874,443** | **724,157** | **7,598,600** |

Financial information for East African Breweries Limited for each of the five years ended 30 June 2014

**Consolidated statement of changes in equity (continued)**

| **Year ended 30 June 2012** | **Notes** | **Share capital** | **Share premium** | **Revaluation Surplus** | **Translation reserves** | **Retained earnings** | **Proposed dividends** | **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** | **Kshs'000** |
| As at 1 July 2011 | | 1,581,547 | 1,691,151 | 1,285,324 | 406,295 | 11,246,203 | 4,942,340 | - | - | 21,152,860 | 5,572,586 | 26,725,446 |
| **Comprehensive income** | | | | | | | | | | | | |
| Profit for the year | | - | - | | - | 10,448,099 | | - | - | 10,448,099 | 354,704 | 10,802,803 |
| Other comprehensive income | | - | - | | (125,983) | - | | - | - | (125,983) | (236,888) | (362,871) |
| **Total comprehensive income for the year** | | **-** | **-** | | (125,983) | 10,488,099 | (125,983) | - | - | 10,322,116 | 117,816 | 10,439,932 |
| **Transactions with owners** | | | | | | | | | | | | |
| 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 | 15 | - | - | - | - | - | (4,942,340) | - | - | (4,942,340) | (1,891,062) | (6,833,402) |
| - 2012 interim paid | 15 | - | - | - | - | (1,976,936) | | - | - | (1,976,936) | - | (1,976,936) |
| **Total transactions with owners** | | **-** | **-** | **-** | **-** | **(1,976,936)** | **(4,942,340)** | **67,046** | **(18,292,037)** | **(25,144,267** | **(3,718,276)** | **(28,862,543)** |
| **At 30 June 2012** | | **1,581,547** | **1,691,151** | **1,285,324** | **280,312** | **19,717,366** | **-** | **67,046** | **(18,292,037)** | **6,330,709** | **1,972,126** | **8,302,835** |

## Consolidated statement of changes in equity (continued)

| Year ended 30 June 2011 | Notes | Share capital | Share premium | Revaluation reserves | Translation reserves | Retained earnings | Proposed dividends | Total | Non controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| As at 1 July 2010 | | 1,581,547 | 1,691,151 | **1,285,324** | 351,199 | 10,817,969 | 4,942,340 | 20,669,530 | 3,140,665 | 23,810,195 |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | | - | - | - | - | 7,347,510 | - | 7,347,510 | 1,646,415 | 8,993,925 |
| Other comprehensive income | - | | | | 55,096 | | | 55,096 | 124,370 | 179,466 |
| **Total comprehensive income for the year** | | **-** | **-** | - | 55,096 | 7,347,510 | - | 7,402,606 | 1,770,785 | 9,173,391 |
| **Transactions with owners** | | | | | | | | | | |
| NCI arising on business combination | | - | - | - | - | | - | - | 1,935,472 | 1,935,472 |
| Dividends: | | | | | | | | | | |
| - 2010 final paid | 15 | - | - | - | - | - | (4,942,340) | (4,942,340) | (1,274,336) | (6,216,676) |
| - 2011 interim paid | 15 | - | - | - | - | (1,976,936) | - | (1,976,936) | - | (1,976,936) |
| - 2011 final proposed | 15 | - | - | - | - | (4,942,340) | 4,942,340 | - | - | - |
| **Total transactions with owners** | | **-** | **-** | **-** | **-** | **(6,919,276)** | **-** | **(6,919,276)** | **661,136** | **(6,258,140)** |
| **At 30 June 2011** | | **1,581,547** | **1,691,151** | **1,285,324** | **406,295** | **11,246,203** | **4,942,340** | **21,152,860** | **5,572,586** | **26,725,446** |

Financial information for East African Breweries Limited for each of the five years ended 30 June 2014

**Consolidated statement of changes in equity (continued)**

| Year ended 30 June 2010 | Notes | Share capital | Share premium | Revaluation reserves | Translation reserves | Retained earnings | Proposed dividends | Total | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **At start of year** | | **1,581,547** | **1,691,151** | **1,285,324** | **150,537** | **10,558,216** | **4,388,798** | **19,655,573** | **2,650,519** | **22,306,092** |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | | - | - | - | - | 7,179,029 | - | 7,179,029 | 1,658,531 | 8,837,560 |
| **Other comprehensive income** | | - | - | - | 200,662 | - | - | 200,662 | (321) | 200,341 |
| Total comprehensive income for the year | | - | - | - | 200,662 | 7,179,029 | - | 7,379,691 | 1,658,210 | 9,037,901 |
| **Transactions with owners** | | | | | | | | | | |
| Dividends: | | | | | | | | | | |
| - 2009 final paid | 15 | - | - | - | - | - | (4,388,798) | (4,388,798) | (1,168,064) | ) (5,556,862) |
| - 2010 interim paid | 15 | - | - | - | - | (1,976,936) | - | (1,976,936) | | (1,976,936) |
| - 2010 final proposed | 15 | - | - | - | - | (4,942,340) | 4,942,340 | - | - | - |
| Total transactions with owners | | - | - | - | - | (6,919,276) | 553,542 | (6,365,734) | (1,168,064) | (7,533,798) |
| **At end of year** | | **1,581,547** | **1,691,151** | **1,285,324** | **351,199** | **10,817,969** | **4,942,340** | **20,669,530** | **3,140,665** | **23,810,195** |

Financial information for East African Breweries Limited for each of the five years ended 30 June 2014

## Consolidated statements of cash flow

| | Note | For the year ended 30 June | | | | |
|---|---|---|---|---|---|---|
| | | **2014** | **2013** | **2012** | **2011** | **2010** |
| | | **Kshs 000** | **Kshs 000** | **Kshs 000** | **Kshs 000** | **Kshs 000** |
| **Operating activities** | | | | | | |
| Cash generated from operations | 33 | 15,180,597 | 16,871,259 | 14,611,881 | 11,808,172 | 13,188,092 |
| Interest received | 13 | 24,072 | 39,268 | 1,192,359 | 97,711 | 358,585 |
| Interest paid | 13 | (4,343,869) | (4,057,989) | (4,317,432) | (272,156) | (9,584) |
| Income tax paid | 14 | (4,667,510) | (4,549,673) | (4,652,253) | (5,136,026) | (1,361,025) |
| **Net cash generated from operating activities** | | **6,193,290** | **8,302,865** | **6,834,555** | **6,497,701** | **12,176,068** |
| **Investing activities** | | | | | | |
| Purchase of property, plant and equipment | | (6,940,638) | (6,693,173) | (6,475,085) | (6,372,916) | (3,786,659) |
| Purchase of intangible assets – software | | - | - | (625) | - | - |
| Dividends received from Associate | | - | - | - | - | 453,205 |
| Cash outflow on acquisition of subsidiary | | - | - | (20,570,963) | (4,579,402) | - |
| Proceeds from disposal of leasehold land and buildings | | - | 18,000 | 740,927 | 1,217,812 | - |
| Proceeds from disposal of property, plant and equipment | | 152,507 | 627,350 | - | - | 97,838 |
| Proceeds on disposal of investment | | 50,000 | - | 6,111,552 | - | - |
| Proceeds from disposal of financial assets | | - | - | 97,961 | - | **-** |
| **Net cash used in investing activities** | | **(6,738,131)** | **(6,047,823)** | **(20,096,233)** | **(9,734,506)** | **(3,235,616)** |
| **Financing activities** | | | | | | |
| Dividends paid to company's shareholders | 16 | (4,267,000) | (6,026,000) | (6,649,001) | (6,882,179) | (6,365,734) |
| Dividends paid to non-controlling interests | | (987,835) | (912,560) | (1,891,062) | (1,274,336) | (1,168,064) |
| Proceeds from borrowings | 34 | 10,605,366 | 165,000 | 26,370,332 | 4,176,310 | - |
| Loan repayments | 34 | ( 575,884) | (174,244) | (5,440,765) | - | |
| **Net cash generated from/(used in) financing activities** | | **4,774,647** | **(6,947,804)** | **12,386,504** | **(3,980,205)** | **(7,533,798)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,229,806** | **(4,692,762)** | **(872,174)** | **(7,217,010)** | **1,406,654** |
| **Movement in cash and cash equivalents** | | | | | | |
| Cash and cash equivalents at start of year | | (4,886,831) | (194,069) | 678,105 | 7,895,115 | 6,488,461 |
| Net increase/(decrease) in cash and cash equivalents | | 4,229,806 | (4,692,762) | ( 872,174) | (7,217,010) | 1,406,654 |
| **Cash and cash equivalents at end of year** | 33(b) | **(657,025)** | **(4,886,831)** | **(194,069)** | **678,105** | **7,895,115** |

# 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 2014 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

*(i) Basis of accounting*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Kenyan Companies Act. The financial statements have been prepared under the historical cost convention except where otherwise stated in the accounting policies.

*(ii) Functional and presentation currency*

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' except where otherwise indicated.

*(iii) Use of judgement and estimates*

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.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

a. *Standards, amendments and interpretations to existing standards effective in 2014 and relevant to the Group*

| New standard or amendments | Effective for annual periods beginning on or after |
|---|---|
| • IAS 1: Presentation of Financial Statements | 1 January 2013 |
| • Amendments to IFRS 7 – Disclosures - Offsetting Financial Assets and Financial Liabilities. | 1 January 2013 |
| • IFRS 10-Consolidated Financial Statements | 1 January 2013 |
| • IFRS 11-Joint Arrangements | 1 January 2013 |
| • IFRS 12-Disclosure of Interests in Other Entities | 1 January 2013 |
| • IFRS 13-Fair value measurement | 1 January 2013 |
| • IAS 19-Employee Benefits (2011) | 1 January 2013 |
| • IAS 27-Separate Financial Statements (2011) | 1 January 2013 |
| • IAS 28-Investments in Associates and Joint Ventures (2011) | 1 January 2013 |

Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2014 are as follows:

***(i) IFRS 10: Consolidated Financial Statements***

IFRS 10 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements. The IFRS replaces the requirements previously in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 Consolidation-Special Purpose Entities.

The Standard defines the principle of control and establishes control as a basis of consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee, sets out the accounting treatment for the preparation of consolidated financial statements and defines an investment entity and sets out an exception to consolidating particular subsidiaries of an entity.

An investor controls an investee if and only if the investor has all of the following:

- power over the investee
- exposure, or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns

The Group reassessed its control conclusions as of 1 July 2013. Following the reassessment, there was no impact on the Group Financial Statements.

***(ii) IFRS 12: Disclosure of Interests in Other Entities***

IFRS 12 requires 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.

To meet the disclosure requirements, the IFRS requires an entity to present information relating to:

- Significant judgments and assumptions it has made in determining the nature of its interests in another entity or arrangement,

- Information about interests in subsidiaries, joint arrangements and associates and structured entities that are not controlled by the entity (unconsolidated structured entities).

The Group has made adequate disclosures about its interests in subsidiaries in line with IFRS 12.

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

*Standards, amendments and interpretations to existing standards effective in 2014 and relevant to the Group (continued)*

***(iii) IFRS 13: Fair Value Measurements***

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The IFRS explains that a fair value measurement requires an entity to determine the following:

- the particular asset or liability being measured;
- for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- the market in which an orderly transaction would take place for the asset or liability; and
- the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximise the use of relevant observable inputs and minimise unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Some IFRSs require or permit entities to measure or disclose fair value of assets, liabilities or their own equity instruments. Because those IFRS were developed over many years, the requirement for measuring fair value and for disclosing information about fair value measurements were dispersed and in many cases did not articulate a clear measurement or disclosure objective. There was hence not always consistent guidance across the IFRSs that refer to fair value hence hampering comparability of information reported in financial statements. IFRS 13 remedies the situation.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

***(iv) Amendments to IFRS 7: Disclosures-Offsetting Financial Assets and Financial Liabilities***

Amends the disclosure requirements in IFRS 7 Financial Instruments disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements of similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set off associated with an entity's recognised financial assets and financial liabilities on the entity's financial position.

As a result of the amendments to IFRS 7, the Group has expanded disclosures about offsetting financial assets and financial liabilities.

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

*(iv) Standards, amendments and interpretations to existing standards effective in 2014 and relevant to the Group (continued)*

***(v) IAS 1: Presentation of Financial Statements***

As a result of amendment to IAS 1, the group has modified the presentation of items of Other Comprehensive Income (OCI) in its statement of profit and loss and OCI to present separately items that would be reclassified to profit and loss from those that would never be. Comparative information has been re-presented accordingly.

***vi) IAS 27: Separate Financial Statements***

The amended IAS 27-Separate Financial Statements now only deals with requirements for separate financial statements which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated Financial Statements are now contained in IFRS 10-Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9, Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations, and includes a number of disclosure requirements.

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

| New standard or amendments | Effective for annual periods beginning on or after |
|---|---|
| • IFRS 9 Financial Instruments (2010) | 1 January 2018 |
| • Amendments to IAS 32-Offsetting Financial Assets and Financial Liabilities (2011) | 1 January 2014 |
| • Investment Entities -Amendments to IFRS 10, IFRS 12, and IAS 27- (2012) | 1 January 2014 |
| • Amendments to IAS 36-Recoverable Amount Disclosures for Non-Financial Assets (2013) | 1 January 2014 |
| • IFRIC 21 Levies (2013) | 1 January 2014 |
| • IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |

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

The following are new standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group.

**(a) Investment entities *(Amendments to IFRS 10, IFRS 12 and IAS 27)***

*Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*.
These amendments will become effective for financial year commencing on 1 January 2014.

The parent company does not qualify to be classified as an *Investment Entity* as defined in the new amendments. These amendments will therefore have no effect on the Group's financial statements or the separate financial statements of the company.

**2 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

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

**(b) Financial Assets and Financial Liabilities *(Amendments to IAS 32)***

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32 Financial Instruments: Presentation) — These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Disclosures — Offsetting Financial Assets and Financial liabilities (amendments to IFRS 7 *Financial instruments: Disclosures*) — These disclosures, would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position and analysing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

These amendments will become effective for financial year commencing on 1 July 2014.

The Group's policy is to offset financial assets and financial liabilities when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The clarification contained in these amendments reinforces the Group's policy and would not alter the manner in which offsetting arrangements are accounted for. The additional disclosure requirements in IFRS 7 would require the Group to disclose gross amounts before any offsetting arrangement.

**(c) Recoverable amount disclosures for Non-Financial assets *(Amendments to IAS 36)***

The amendments eliminate the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendments require the disclosure of the recoverable amount of an asset (including goodwill) or cash-generating unit when a material impairment loss is recognized or reversed during the period for that asset or unit.

These amendments will become effective for financial year commencing on 1 July 2014.

**(d) Novation of Derivatives and continuation of Hedge Accounting *(Amendments to IAS 39)***

IAS 39 requires hedge accounting to be discontinued when the hedging instrument expires or is sold, terminated or exercised, unless the replacement or rollover of a hedging instrument into another hedging instrument is part of the entity's documented hedging strategy. The amendments clarify that an entity is required to discontinue the hedge accounting for a derivative that has been designated as a hedging instrument in an existing hedging relationship if the derivative is novated to a Central Counter Party.
These amendments will become effective for financial year commencing on 1 July 2014.

The Group does not have any derivatives and is currently not employing hedge accounting. Consequently these changes would have no impact of the Group's financial statements.

**(e) IFRIC 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

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

**(e ) IFRIC 21 Levies (Continued)**

These interpretations will become effective for annual periods commencing on 1 July 2014.

The legislation regarding levies in the jurisdictions where the Group operates provide for specific dates when these levies are due and payable. There is no ambiguity when the liability arises. The Group therefore complies with the interpretations proposed in IFRIC 21.

**(f) Defined Benefit Plans: Employee Contributions *(Amendments to IAS 19)***

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application being permitted.

The adoption of these changes would not affect the amounts and disclosures of the Group's defined benefits obligations.

**(g) IFRS 15 Revenue from Contracts with Customers (Effective 31 December 2017)**

The IFRS specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and Recognise revenue when (or as) the entity satisfies a performance obligation.

**(h) IFRS 9 Financial Instruments**

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. In addition IFRS 9 has introduced new requirements on accounting for impairment based on expected credit losses on an entity's financial assets and commitments to extend credit. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. IASB has also issued a new general hedge accounting standard which aligns hedge accounting more closely with risk management, and establishes a more principle based approach to hedge accounting.

The standard is effective for annual period beginning on or after 1 January 2018. Management is still evaluating the impact of the new standard to the group

**Notes (continued)**

## 2 Summary of significant accounting policies (continued)

### (b) Basis of Consolidation

The Group accounts for business combinations using the acquisition method when the control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchases is recognised in profit or loss immediately. Transactions costs are expensed as incurred except if related to the issue of debt or equity securities.

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are accounted for at cost in the separate financial statements.

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

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

#### (iii) Transactions eliminated at consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (c) Revenue recognition

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

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

Revenue is recognised as follows:

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

### (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 profit or loss within 'other income'.

**Notes (continued)**

## 2 Summary of significant accounting policies (continued)

### (e) Foreign currency translation

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

**Consolidation of group entities**

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to NCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into presentational currency at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentational currency at spot exchange rates at the dates of the transactions.

### (f) Property, plant and equipment

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

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

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

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

| | |
|---|---|
| Buildings | 25 years or the unexpired period of the lease if less than 25 years |
| Plant and machinery | 5 – 33 years |
| Equipment and motor vehicles | 4 – 5 years |
| Returnable packaging (bottles and crates) | 5 – 15 years |

Freehold land is not depreciated.

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

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

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(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.

**(ii) 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.

**(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 are reviewed at least annually for impairment and adjusted to the recoverable amount if required.

**(h) Financial instrument**

***(i) Classification***

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

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

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

*Other financial liabilities*
Other financial liabilities are non-derivative financial liabilities that are recognized on the date the Group becomes party to the contractual provisions of the instruments. Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. These include trade and other payables, loans and borrowings and intercompany balances. Other financial liabilities are measured at amortized cost.

***(ii) Recognition***

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

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

***(iii) Measurement***

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

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

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(h)** Financial instruments ( Continued)

***De-recognition***

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

***Offsetting of financial assets and 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 offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**(i) Leases**

Payments made under operating leases are recognised in the profit or loss 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.

The leased assets are not recognised in the Group's statement of financial position.

**(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) 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 profit or loss in the year to which they relate. The Company has no further obligation once the contributions have been paid.

(ii) 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.

*(iii)* 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.

*(iv)* Short-*term employee benefits*

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

**(l) Current and deferred tax**

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

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(l) Current and deferred tax (continued)**

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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.

**(m) Dividends**

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

**(n) 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.

**(o) Impairment**

**(i) Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost such as trade and other receivables is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

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

**(ii) Impairment of non-financial assets**

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

**Notes (continued)**

**2 Summary of significant accounting policies (continued)**

**(ii) Impairment of non-financial assets (Continued)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
An impairment loss in respect of goodwill is note reversed. For other assets, an impairment of loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

**(p) 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.

**(q) 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.

**(r) 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.

**(s) Comparative information**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, and to correct errors in prior years.

**(t) Other investments**

Other investments are measured at cost.

**3 Critical accounting estimates and judgements**

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

*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 and other indefinite lived intangible assets*

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 as stated in Note 23.

**Notes (continued)**

**3 Critical accounting estimates and assumptions (continued)**

*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.

*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 4a.

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. Credit limits are established for each customer, which represents the maximum open amount. These limits are reviewed quarterly.

**Notes (continued)**

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

**(a) Credit risk (continued)**

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.

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

| | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| Trade receivables (Note 29) | 5,027,035 | 4,832,776 | 4,031,932 | 3,047,778 | 2,033,684 |
| Other receivables (Note 29) | 1,321,108 | 3,391,585 | 3,546,225 | 2,524,909 | 3,107,845 |
| Receivables from related parties (Note 29) | 25,184 | 177,701 | 77,329 | 133,710 | 305,619 |
| Cash and bank balances (Note 33(b)) | 1,101,400 | 1,406,091 | 997,973 | 1,649,453 | 1,325,079 |
| Term deposit | - | - | - | - | 6,570,036 |
| | **7,474,727** | **9,808,153** | **8,653,459** | **7,355,850** | **13,342,263** |

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

| **2014** | **Gross** | **Impairment** | **Net** |
|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| Current | 4,826,193 | - | 4,826,193 |
| *Past Due* | | | |
| 0-30 days | 640,284 | - | 640,284 |
| 31-120 days | 429,333 | ( 35,312) | 394,021 |
| 120 days and above | 1,195,878 | (683,049) | 512,829 |
| | **7,091,688** | **(718,361)** | **6,373,327** |

| **2013** | **Gross** | **Impairment** | **Net** |
|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| Current | 6,458,278 | - | 6,458,278 |
| *Past Due* | | | |
| 0-30 days | 657,635 | ( 27,279) | 630,356 |
| 31-120 days | 130,754 | ( 2,687) | 128,067 |
| 120 days and above | 1,789,270 | (603,909) | 1,185,361 |
| | **9,035,937** | **(633,875)** | **8,402,062** |

**Notes (continued)**

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

**(a) Credit risk (continued)**

| **2012** | **Gross Kshs'000** | **Impairment Kshs'000** | **Net Kshs'000** |
|---|---|---|---|
| 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 |
| | **8,279,467** | **(623,981)** | **7,655,486** |

| **2011** | **Gross Kshs'000** | **Impairment Kshs'000** | **Net Kshs'000** |
|---|---|---|---|
| Current | 4,871,545 | (54,716) | 4,816,829 |
| 0-30 days | 589,727 | (6,630) | 583,097 |
| 31-120 days | 279,023 | (39,861) | 239,162 |
| 120 days and above | 587,164 | (519,855) | 67,309 |
| | **6,327,459** | **(621,062)** | **5,706,397** |

| **2010** | **Gross Kshs'000** | **Impairment Kshs'000** | **Net Kshs'000** |
|---|---|---|---|
| Current | 4,673,853 | (102,640) | 4,571,213 |
| 0-30 days | 199,811 | (11,601) | 188,210 |
| 31-120 days | 60,312 | (15,135) | 45,177 |
| 120 days and above | 1,152,410 | (509,862) | 642,548 |
| | **6,086,386** | **(639,238)** | **5,447,148** |

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

| | **2014 KShs'000** | **2013 KShs'000** | **2012 KShs'000** | **2011 KShs'000** | **2010 KShs'000** |
|---|---|---|---|---|---|
| At start of year | 633,875 | 623,981 | 621,062 | 639,238 | 477,872 |
| Impairment loss recognised in profit or loss | 248,462 | 33,172 | 168,249 | 46,323 | 231,148 |
| Write off/reversals in the year | (163,976) | (23,278) | (165,330) | (64,499) | (69,782) |
| **At end of year** | **718,361** | **633,875** | **623,981** | **621,062** | **639,238** |

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.

**Notes (continued)**

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

**(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 2014. The facilities include up to Kshs 43 billion (2013: Kshs 32 billion) in intercompany facilities, commercial paper, bank overdrafts and short term loans with various banks across East Africa.

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

| **2014**<br>**Financial liabilities** | **Total amount** | **Current** | **0 – 30 days** | **31 – 120 days** | **121 + days** |
|---|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| Trade and other payables (Note 30) | 12,351,560 | 8,211,030 | 3,113,239 | 1,027,291 | - |
| Dividends payable | 800,180 | - | - | - | 800,180 |
| Borrowings (Note 34) | 36,598,028 | - | - | - | 36,598,028 |
| | **49,749,768** | **8, 211,030** | **3,113,239** | **1,027,291** | **37,398,208** |

| **2013**<br>**Financial liabilities** | **Total amount** | **Current** | **0 – 30 days** | **31 – 120 days** | **121 + days** |
|---|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| Trade and other payables (Note 30) | 14,194,970 | 13,446,664 | 458,602 | 289,704 | - |
| Dividends payable | 717,922 | - | - | - | 717,922 |
| Borrowings (Note 34) | 31,086,189 | - | - | - | 31,086,189 |
| | **45,999,081** | **13,446,664** | **458,602** | **289,704** | **31,804,111** |

| **2012**<br>**Financial liabilities** | **Total amount** | **Current** | **0 – 30 days** | **31 and above** |
|---|---|---|---|---|
| | **KShs'000** | **KShs'000** | **KShs'000** | **KShs'000** |
| Trade and other payables (Note 30) | 15,327,378 | 9,550,317 | 4,214,844 | 1,562,217 |
| Borrowings (Note 34) | 26,030,778 | - | - | 26,030,778 |
| | **41,358,156** | **9,550,317** | **4,214,844** | **27,592,995** |

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

**(b) Liquidity risk (Continued)**

| **2011** **Financial liabilities** | **Total amount** | **Current** | **0 – 30 days** | **31 and above** |
|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| Trade and other payables (Note 30 (a) | 13,581,299 | 9,343,837 | 516,127 | 3,721,335 |
| Borrowings (Note 34) | 5,147,658 | - | - | 5147,658 |
| | **18,728,957** | **9,343,837** | **516,127** | **8,868,993** |

| **2010** **Financial liabilities** | | | | |
|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| Trade and other payables | 9,922,149 | 7,376,386 | 289,796 | 2,255,967 |

**(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 in the respective foreign currency:

| **2014** | **EUR '000** | **GBP '000** | **TZS '000** | **UGX '000** | **USD '000** | **SSP '000** |
|---|---|---|---|---|---|---|
| **Monetary assets** | | | | | | |
| Cash and bank balances | 43 | 122 | - | 1,731,479 | 2,896 | 18,160 |
| Trade and other receivables | 64 | 5,859 | 20,487,476 | 11,826,647 | 21,587 | 3,466 |
| | 107 | 5,981 | 20,487,476 | 13,558,126 | 24,483 | 21,626 |
| **Monetary liabilities** | | | | | | |
| Trade and other payables | (1,794) | (5,290) | (25,245,764) | (8,992,418) | (5,402) | (1,201) |
| Borrowings | ( 794) | (2,661) | (11,930,807) | - | - | - |
| | (2,588) | (7,951) | (37,176,571) | (8,992,418) | (5,402) | (1,201) |
| **Net open position** | (2,481) | (1,970) | (16,689,095) | 4,565,708 | 19,081 | 20,425 |

**Notes (Continued)**

**(c) (i) Foreign currency risk (continued)**

| **2013** | **EUR ’000** | **GBP ’000** | **TZS ’000** | **UGX ’000** | **USD ’000** | **ZAR ’000** |
|---|---|---|---|---|---|---|
| **Monetary assets** | | | | | | |
| 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 | - |
| **Monetary liabilities** | | | | | | |
| 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) |
| **Net open position** | **(11,381)** | **(35,782)** | **8,564,820** | **5,465,635** | **14,615** | **(3,900)** |

| **2012** | **EUR ’000** | **GBP ’000** | **TZS ’000** | **UGX ’000** | **USD ’000** | **ZAR ’000** |
|---|---|---|---|---|---|---|
| **Monetary assets** | | | | | | |
| 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 | - |
| **Monetary liabilities** | | | | | | |
| 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) |
| **Net open position** | **578** | **(10,581)** | **(2,059,700)** | **(43,396,842)** | **9,071** | **(278)** |

| **2011** | **EUR ’000** | **GBP ’000** | **TZS ’000** | **UGX ’000** | **USD ’000** | **ZAR ’000** |
|---|---|---|---|---|---|---|
| **Monetary assets** | | | | | | |
| Cash and bank balances | 1,500 | 15 | - | - | 3,265 | - |
| Trade and other receivables | 701 | 503 | 383,222 | 1,828,819 | 12,845 | 2,798 |
| **Monetary liabilities** | | | | | | |
| Trade and other payables | (1,532) | (6,263) | (10) | (3,192,749) | (6,830) | (826) |
| **Net open position** | **669** | **(5,745)** | **383,212** | **(1,363,930)** | **9,280** | **1,972** |

| **2010** | **EUR ’000** | **GBP ’000** | **TZS ’000** | **UGX ’000** | **USD ’000** | **ZAR ‘000** |
|---|---|---|---|---|---|---|
| **Monetary assets** | | | | | | |
| Cash and bank balances | 74 | 108 | - | - | 4,728 | - |
| Trade and other receivables | 16,833 | 22 | 6,468,690 | 23,585,468 | 10,130 | - |
| **Monetary liabilities** | | | | | | |
| Trade and other payables | (7,441) | (9,407) | (1,222,718) | (4,857,769) | (6,139) | (2,522) |
| **Net open position** | **9,466** | **(9,277)** | **5,245,972** | **18,727,699** | **8,719** | **(2,522)** |

**Notes (continued)**

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

**(c) (i) Foreign currency risk (continued)**

The following exchange rates were applied during the year:

| | Average rate | | Closing rates | | Average rate | Closing rate |
|---|---|---|---|---|---|---|
| **Currency** | **2014** | **2013** | **2014** | **2013** | **2012** | **2012** |
| EUR – KSHS | 118.12 | 110.7 | 119.85 | 111.69 | 118.73 | 106.61 |
| GBP – KSHS | 142.07 | 133.86 | 149.81 | 130.68 | 140.8 | 132.2 |
| SSP – KSHS | 27.90 | - | 29.67 | 28.04 | - | - |
| TZS – KSHS | 0.05 | 0.05 | 0.05 | 0.05 | 18.33 | 18.65 |
| UGX – KSHS | 0.03 | 85.26 | 0.03 | 85.97 | 28.8 | 29.24 |
| USD – KSHS | 86.72 | 30.44 | 87.61 | 30.18 | 88.67 | 84.2 |
| ZAR – KSHS | 8.33 | 9.59 | 8.24 | 8.69 | 11.46 | 10.3 |

| | Average rates | | Closing rates | |
|---|---|---|---|---|
| **Currency** | **2011** | **2010** | **2011** | **2010** |
| | | | | |
| EUR-KSHS | 117.44 | 106.11 | 129.26 | 99.86 |
| EUR-UGX | 3,223.50 | 2,808.37 | 3,746.96 | 2,796.36 |
| GBP-KSHS | 131.56 | 121.08 | 143.48 | 122.02 |
| GBP-UGX | 3,737.75 | 3,201.64 | 4,161.35 | 3,411.56 |
| KSHS-TZS | 18.43 | 17.64 | 18.08 | 17.82 |
| USD-KSHS | 82.41 | 76.88 | 89.12 | 81.80 |
| USD-UGX | 2,341.01 | 2,034.39 | 2,584.69 | 2,274.37 |
| KSHS-UGX | 28.40 | 26.44 | 29 | 27.86 |
| ZAR- UGX | 337.64 | 268.41 | 383.18 | 297.95 |
| KSHS-ZAR | 11.88 | 10.11 | 13.21 | 10.63 |

**Sensitivity analysis on foreign currency rates**

A 5 percent strengthening of the Kenya shilling against the following currencies as at 30 June 2014 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 as for prior years.

| Effect in Kenya shillings thousands | **Profit or loss** | | | | |
|---|---|---|---|---|---|
| **As at 30 June** | **2014** | **2013** | **2012** | **2011** | **2010** |
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| EUR | 14,867 | 63,557 | 3,081 | (4,325) | (47,264) |
| GBP | 14,756 | 233,800 | (69,940) | 41,215 | 56,599 |
| TZS | 41,723 | (22,634) | 5,522 | (1,060) | (14,018) |
| UGX | ( 6,849) | ( 9,055) | 74,208 | 2,352 | (33,610) |
| USD | (83,584) | (62,823) | (38,188) | (41,352) | (35,661) |
| SSP | (30,286) | - | (143) | (1,303) | 1,340 |
| ZAR | - | 1,695 | | | |
| | **(49,373)** | **204,540** | **(25,460)** | **(4,473)** | **(72,614)** |

**Notes (continued)**

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

***(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. An increase/decrease of 1 percentage point would have resulted in a decrease/increase in consolidated post tax profit in 2014 of Kshs 256,186,000, 2013: Kshs 217,603,000, 2012: Kshs 108,028,00, 2011: Kshs 90,236,000, and 2010: Kshs 88,375,000 mainly as a result of higher/lower interest charges on variable rate borrowings. The table below summarises the interest rate profile of the Group's financial assets and liabilities.

| As at 30 June | Effective interest rate | Total | On demand | Due between three and twelve months | Due in over twelve months |
|---|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | |
| **2014** | | | | | |
| Borrowings | 11.91% | 36,598,028 | 1,758,425 | 12,545,500 | 22,294,103 |
| **2013** | | | | | |
| Borrowings | 12.27% | 31,086,189 | 6,292,922 | 4,951,344 | 19,841,923 |
| **2012** | | | | | |
| Borrowings | 17.62% | 26,030,778 | 1,192,042 | - | 24,838,736 |
| **2011** | | | | | |
| Borrowings | 12.27% | 5,147,658 | 971,348 | | 4,176,310 |
| **2010** | | | | | |
| Deposit | 4.31% | 6,667,598 | 6,667,598 | - | - |

***(ii) 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 an approximate of 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).

**Notes (continued)**

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

**(e) Fair value (continued)**

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | **Loans and receivables** | **Other amortized cost** | **Total carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Fair value** |
| **2014** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Assets** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank balances | 1,101,400 | - | 1,101,400 | - | - | - | - |
| Trade and other receivables | 6,373,327 | - | 6,373,327 | - | - | - | - |
| Other investments | 10,000 | - | 10,000 | - | - | 10,000 | 10,000 |
| **Total financial assets** | **7,484,727** | **-** | **7,484,727** | **-** | **-** | **10,000** | **10,000** |
| **Liabilities** | | | | | | | |
| Borrowings | - | 36,598,028 | 36,598,028 | - | - | - | - |
| Trade and other payables | - | 11,925,409 | 11,925,409 | - | - | - | - |
| Dividends payable | - | 800,180 | 800,180 | - | - | - | - |
| **Total financial liabilities** | **-** | **49,323,617** | **49,323,617** | **-** | **-** | **-** | **-** |

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | **Loans and receivables** | **Other amortized cost** | **Total carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Fair value** |
| **2013** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Assets** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank balances | 1,406,091 | - | 1,406,091 | - | - | - | - |
| Trade and other receivables | 8,402,062 | - | 8,402,062 | - | - | - | - |
| Other investments | 10,400 | - | 10,400 | - | - | 10,400 | 10,400 |
| **Total financial assets** | **9,818,553** | **-** | **9,818,553** | **-** | **-** | **10,400** | **10,400** |
| **Liabilities** | | | | | | | |
| Borrowings | - | 31,086,189 | 31,086,189 | - | - | - | - |
| Trade and other payables | - | 14,194,970 | 14,194,970 | - | - | - | - |
| Dividends payable | - | 717,922 | 717,922 | - | - | - | - |
| **Total financial liabilities** | **-** | **45,999,081** | **45,999,081** | **-** | **-** | **-** | **-** |

**Notes (continued)**

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | Loans and receivables | Other amortized cost | Total carrying amount | Level 1 | Level 2 | Level 3 | Fair value |
| **2012** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Assets** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank balances | 997,973 | - | 997,973 | - | - | - | - |
| Trade and other receivables | 7,655,486 | - | 7,655,486 | - | - | - | - |
| Other investments | 10,400 | - | 10,400 | - | - | 10,400 | 10,400 |
| **Total financial assets** | **8,663,859** | **-** | **8,663,859** | **-** | **-** | **10,400** | **10,400** |
| **Liabilities** | | | | | | | |
| Borrowings | - | 26,030,778 | 26,030,778 | - | - | - | - |
| Trade and other payables | - | 15,327,378 | 15,327,378 | - | - | - | - |
| Dividends payable | - | 615,420 | 615,420 | - | - | - | - |
| **Total financial liabilities** | **-** | **41,973,576** | **41,973,576** | **-** | **-** | **-** | **-** |

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | Loans and receivables | Other amortized cost | Total carrying amount | Level 1 | Level 2 | Level 3 | Fair value |
| **2011** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Assets** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank balances | 1,649,453 | - | 1,649,453 | - | - | - | - |
| Trade and other receivables | 5,706,397 | - | 5,706,397 | - | - | - | - |
| Other investments | 10,400 | - | 10,400 | - | - | 10,400 | 10,400 |
| **Total financial assets** | **7,366,250** | **-** | **7,366,250** | **-** | **-** | **10,400** | **10,400** |
| **Liabilities** | | | | | | | |
| Borrowings | - | 5,147,658 | 5,147,658 | - | - | - | - |
| Trade and other payables | - | 13,581,299 | 13,581,299 | - | - | - | - |
| Dividends payable | - | 345,145 | 345,145 | - | - | - | - |
| **Total financial liabilities** | **-** | **19,074,102** | **19,074,102** | **-** | **-** | **-** | **-** |

**Notes (continued)**

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | **Loans and receivables** | **Other amortized cost** | **Total carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Fair value** |
| **2010** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Assets** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank balances | 1,325,079 | - | 1,325,079 | - | - | - | - |
| Trade and other receivables | 5,447,148 | - | 5,447,148 | - | - | - | - |
| Other investments | 10,400 | - | 10,400 | - | - | 10,400 | 10,400 |
| **Total financial assets** | **6,782,627** | **-** | **6,782,627** | **-** | **-** | **10,400** | **10,400** |
| **Liabilities** | | | | | | | |
| Borrowings | - | - | - | - | - | - | - |
| Trade and other payables | - | 9,922,149 | 9,922,149 | - | - | - | - |
| Dividends payable | - | 308,048 | 308,048 | - | - | - | - |
| **Total financial liabilities** | **-** | **10,230,197** | **10,230,197** | **-** | **-** | **-** | **-** |

## 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, South Sudan 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.

**Notes (continued)**

**5 Segmental reporting (continued)**

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

| | **Kenya and South Sudan** | | **Uganda** | | **Tanzania** | | **Eliminations** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| External sales | 43,157,783 | 42,184,290 | 11,086,372 | 9,771,054 | 7,048,021 | 7,106,532 | - | - | 61,292,176 | 59,061,875 |
| Inter segment sales | 7,362,905 | 7,696,139 | 667,966 | 695,233 | 63,186 | 381,594 | (8,094,057) | (8,772,966) | - | - |
| **Total sales** | **50,520,688** | **49,880,429** | **11,754,338** | **10,466,286** | **7,111,207** | **7,488,125** | **(8,094,057)** | **(8,772,966)** | **61,292,176** | **59,061,875** |
| Segment profit from operations | 21,911,102 | 15,483,752 | 1,635,999 | 1,001,859 | (612,412) | (1,486,189) | (8,411,490) | - | 14,523,199 | 14,999,423 |
| Net finance income/costs | (3,036,268) | (2,551,941) | (61,338) | (99,595) | (1,018,975) | (1,232,968) | - | | (4,116,580) | (3,884,504) |
| **Profit before income tax** | **18,874,834** | **12,931,811** | **1,574,661** | **902,264** | **(1,631,387)** | **(2,719,157)** | **(8,411,490)** | **-** | **10,406,619** | **11,114,919** |
| Income tax expense | (3,507,288) | (4,511,444) | (516,485) | (313,740) | 475,763 | 232,466 | - | - | (3,548,011) | (4,592,719) |
| **Segment results** | **15,367,546** | **8,420,367** | **1,058,175** | **588,525** | **(1,155,624)** | **(2,064,241)** | - | - | **6,858,608** | **6,522,200** |
| Profit attributable to non-controlling interest | | | | | | | | | (359,883) | 241,409 |
| **Equity holders of the company** | | | | | | | | | **6,498,725** | **6,763,609** |

**Notes (continued)**

## 5 Segmental reporting (continued)

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

| OTHER INFORMATION | Kenya | | Uganda | | Tanzania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 Kshs'000 | 2013 Kshs'000 | 2014 Kshs'000 | 2013 Kshs'000 | 2014 Kshs'000 | 2013 Kshs'000 | 2014 Kshs'000 | 2013 Kshs'000 | 2014 Kshs'000 | 2013 Kshs'000 |
| Segment assets | 89,724,907 | 79,246,994 | 7,976,653 | 7,701,616 | 13,479,779 | 14,379,764 | (48,315,396) | (43,607,912) | 62,865,943 | 57,720,462 |
| Segment liabilities | 54,745,494 | 48,480,176 | 6,292,749 | 4,569,923 | 11,505,439 | 14,647,258 | (18,778,098) | (17,575,496) | 53,765,094 | 50,121,861 |
| Capital expenditure | 5,186,578 | 4,712,723 | 774,383 | 720,422 | 979,677 | 1,260,028 | - | - | 6,940,638 | 6,693,173 |
| Depreciation expense and amortisation | 1,968,043 | 1,840,852 | 507,287 | 385,049 | 762,059 | 750,729 | - | - | 3,237,389 | 2,976,630 |

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 arms 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.

## Notes (continued)

### 5 Segmental reporting (continued)

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

| | Kenya | | Uganda | | Tanzania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012 Kshs'000** | **2011 Kshs'000** | **2012 Kshs'000** | **2011 Kshs'000** | **2012 Kshs'000** | **2011 Kshs'000** | **2012 Kshs'000** | **2011 Kshs'000** | **2012 Kshs'000** | **2011 Kshs'000** |
| External sales | 38,196,055 | 33,338,703 | 10,310,980 | 7,567,541 | 7,015,131 | 3,988,793 | - | - | 55,522,166 | 44,895,037 |
| Inter segment sales | 6,588,152 | 5,523,805 | 399,846 | 249,428 | - | 88,522 | (6,987,998) | (5,861,755) | - | - |
| **Total sales** | **44,784,207** | **38,862,508** | **10,710,826** | **7,816,969** | **7,015,131** | **4,077,315** | **(6,987,998)** | **(5,861,755)** | **55,522,166** | **44,895,037** |
| Segment profit from operations | 17,172,180 | 12,325,155 | 1,866,801 | 700,337 | (415,754) | (603,980) | - | - | 18,623,227 | 12,421,512 |
| Net finance income/costs | (2,300,424) | 10,798 | (137,656) | 5,539 | (932,098) | (178,860) | - | - | (3,370,178) | (162,523) |
| | | | | | | | | - | | - |
| **Profit before income tax** | **14,871,756** | **12,326,468** | **1,729,145** | **705,876** | **(1,347,852)** | **(782,840)** | **-** | | **15,253,049** | **12,258,989** |
| Income tax expense | (4,048,558) | (3,249,130) | (531,123) | (256,862) | 512,745 | 270,663 | - | **-** | (4,450,246) | (3,265,064) |
| | | | | | | | | - | | |
| **Segment results** | **10,823,198** | **9,077,338** | **1,198,022** | **449,014** | **(835,107)** | **(512,177)** | - | | **10,802,803** | **8,993,925** |
| | | | | | | | | - | | |
| Profit attributable to non-controlling interest | | | | | | | | | 354,704 | 1,646,415 |
| **Equity holders of the company** | | | | | | | | | **10,448,099** | **7,347,510** |

**Notes (continued)**

**5 Segmental reporting (continued)**

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

| OTHER INFORMATION | Kenya | | Uganda | | Tanzania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 Kshs'000 | 2011 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 |
| Segment assets | 37,505,906 | 32,196,779 | 7,606,967 | 5,818,359 | 9,831,520 | 11,503,881 | - | - | 54,944,393 | 49,519,019 |
| Segment liabilities | 36,857,417 | 10,436,610 | 7,270,021 | 4,215,254 | 3,708,832 | 8,172,139 | - | - | 47,836,270 | 22,824,003 |
| Capital expenditure | 3,588,331 | 2,583,582 | 1,587,924 | 1,747,364 | 1,520,149 | 2,042,020 | - | - | 6,696,404 | 6,372,966 |
| Depreciation expense and amortisation | 2,066,515 | 1,802,916 | 436,323 | 330,863 | 622,577 | 537,477 | - | - | 3,125,415 | 2,671,256 |

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 arms 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.

**Notes (continued)**

**5 Segmental reporting (continued)**

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

| | Kenya 2010 Kshs'000 | Uganda 2010 Kshs'000 | Tanzania 2010 Kshs'000 | Eliminations 2010 Kshs'000 | Consolidated 2010 Kshs'000 |
|---|---|---|---|---|---|
| External sales | 31,208,044 | 6,748,881 | 722,271 | - | 38,679,196 |
| Inter segment sales | 4,070,816 | 510,329 | - | (4,581,145) | - |
| **Total sales** | **35,278,860** | **7,259,210** | **722,271** | **(4,581,145)** | **38,679,196** |
| Segment profit from operations | 10,743,316 | 470,783 | 41,770 | - | 11,255,869 |
| Net finance income/costs | 128,495 | 39,725 | - | - | 168,220 |
| Share of associate profits | - | - | 1,143,998 | - | 1,143,998 |
| **Profit before income tax** | **10,871,811** | **510,508** | **1,185,768** | **-** | **11,424,089** |
| Share of associate's profit after tax | | | | | 1,143,998 |
| Income tax expense | ( 3,547,328) | (170,668) | (12,531) | - | (3,730,527) |
| **Segment results** | **7,324,483** | **339,840** | **1,173,237** | - | **8,837,560** |
| Profit attributable to non-controlling interest | | | | | 1,658,531 |
| **Equity holders of the company** | | | | | **7,179,029** |

**Notes (continued)**

**5 Segmental reporting (continued)**

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

| **OTHER INFORMATION** | **Kenya** | **Uganda** | **Tanzania** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|---|
| | **2010 Kshs'000** | **2010 Kshs'000** | **2010 Kshs'000** | **2010 Kshs'000** | **2010 Kshs'000** |
| Segment assets | 32,690,485 | 4,616,506 | 1,113,700 | - | 38,420,691 |
| Segment liabilities | 10,000,592 | 3,388,320 | 1,079,153 | - | 14,468,065 |
| Capital expenditure | 2,982,087 | 801,310 | 3,262 | - | 3,786,659 |
| Depreciation expense and amortisation | 1,565,829 | 369,048 | - | - | 1,934,877 |

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 arms 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 statement

## Notes (continued)

| 6 | Revenue | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|---|
| (a) | | | | | | |
| | Gross sales | 92,871,253 | 98,335,557 | 89,846,567 | 75,569,595 | 65,432,452 |
| | Indirect taxes | (31,579,077 | (39,273,682) | (34,324491) | (30,674,558) | (26,753,256) |
| | | **61,292,176** | **59,061,875** | **55,522,166** | **44,895,037** | **38,679,196** |

| 7 | Cost of sales | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|---|
| | Raw materials and consumables | 14,332,205 | 13,840,791 | 13,699,199 | 9,491,314 | 8,866,748 |
| | Distribution and warehousing | 5,246,892 | 5,306,978 | 4,817,783 | 4,550,798 | 3,385,243 |
| | Maintenance and other costs | 5,046,050 | 6,419,038 | 4,403,607 | 3,793,182 | 3,503,523 |
| | Staff costs (including travel) | 3,409,776 | 3,163,712 | 2,907,229 | 2,632,340 | 2,112,488 |
| | Depreciation | 3,063,627 | 2,832,041 | 2,829,229 | 2,360,510 | 1,668,922 |
| | | 31,098,550 | 31,562,560 | 28,657,047 | 22,828,144 | 19,536,924 |

| 8 | Selling costs | | | | | |
|---|---|---|---|---|---|---|
| | Advertising and promotion costs | 5,761,488 | 5,085,402 | 4,588,896 | 3,491,554 | 2,570,619 |

| 9 | Administrative expenses | | | | | |
|---|---|---|---|---|---|---|
| | Staff costs | 4,757,206 | 5,598,101 | 5,759,300 | 5,039,632 | 3,513,450 |
| | Travelling and entertainment | 398,513 | 312,681 | 303,301 | 297,125 | 285,376 |
| | Office supplies and other costs | 2,833,569 | 1,499,659 | 1,222,941 | 988,229 | 920,581 |
| | Depreciation on property | 173,762 | 144,589 | 164,662 | 149,514 | 122,621 |
| | Restructuring costs | 1,181,080 | - | - | - | - |
| | | **9,344,130** | **7,555,030** | **7,450,204** | **6,474,500** | **4,842,028** |

## Notes (Continued)

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| **10 Other (expenses)/income** | | | | | |
| Profit on disposal of investment (Note 26) | 49,600 | - | 3,646,339 | - | - |
| Profit on disposal of leasehold land and buildings | - | 17,783 | 643,659 | - | 97,828 |
| Profit on disposal of property, plant and equipment | 41,604 | 63,568 | - | 1,186,523 | - |
| Sundry (expenses)/income | (283,818) | (77,268) | 86,028 | (52,167) | (305,745) |
| Impairment losses on trade receivables | (84,486) | (9,894) | (2,919) | 18,176 | (161,365) |
| Impairment of inventories | (119,892) | (1,086) | 8,510 | | |
| Rental income | 2,138 | 23,470 | 3,719 | 11,904 | 23,223 |
| Impairment losses on property plant and equipment | (154,330) | (217,577) | (329,816) | (546,154) | (108,827) |
| Transactional foreign exchange gains/(losses) | 126,722 | 341,544 | (258,312) | (297,609) | (18,870) |
| **Other (expense)/ income** | **(422,462)** | **140,540** | **3,797,208** | **320,673** | **(473,756)** |

## 11 Profit before income tax

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

| | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|
| Depreciation on property, plant and equipment (Note 21) | 3,183,114 | 2,945,976 | 2,993,891 | 2,510,024 | 1,791,543 |
| Amortisation of intangible asset – software (Note 22) | 53,969 | 30,347 | 131,002 | 151,200 | - |
| Amortisation of prepared operating lease (Note 24) | 306 | 307 | 523 | 547 | - |
| Staff costs (Note 12(a)) | 4,757,206 | 5,598,101 | 5,759,300 | 5,039,632 | 3,513,450 |
| Auditors' remuneration – current year | 29,150 | 32,919 | 27,256 | 29,160 | 20,054 |
| - Prior year under provision | - | 1,109 | 8,497 | - | - |

| | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|
| **12 Staff costs** | | | | | |
| Salaries and wages | 3,155,946 | 3,487,533 | 4,760,551 | 4,106,326 | 2,620,850 |
| Defined contribution scheme | 302,828 | 253,960 | 188,181 | 141,592 | 113,846 |
| National Social Security Funds | 90,666 | 116,982 | 94,279 | 78,182 | 29,318 |
| Share based payments expense | 33,980 | 7,385 | 67,046 | -- | |
| Other staff costs | 1,173,786 | 1,732,241 | 649,243 | 713,532 | 749,436 |
| | **4,757,206** | **5,598,101** | **5,759,300** | **5,039,632** | **3,513,450** |

**Notes (Continued)**

**13 Net finance cost**

| | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|
| Finance income | | | | | |
| Interest income | 24,072 | 39,268 | 1,192,359 | 97,711 | 358,585 |
| Foreign exchange gains on cash and cash equivalents | 60,870 | 134,886 | - | 11,922 | - |
| | 84,942 | 174,154 | 1,192,359 | 109,633 | 358,585 |
| Finance cost | | | | | |
| Interest expense | (4,343,869) | (4,057,989) | (4,317,432) | (272,156) | (9,584) |
| Forex loss on deffered consideration | | | ( 218,886) | - | - |
| Foreign exchange losses on cash and cash equivalents | - | (669) | (26,219) | - | (180,781) |
| | (4,343,869) | (4,058,658) | (4,562,537) | (272,156) | (190,365) |
| | **(4,258,927)** | **(3,884,504)** | **(3,370,178)** | **(162,523)** | **168,220** |

**14 Income tax expense**

| | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|
| **Profit before income tax** | **10,406,619** | **11,114,919** | **15,253,049** | **12,258,989** | **11,424,089** |
| Share of associate's profit after tax | - | - | - | - | 1,143,998 |
| Income tax expense | (3,548,011) | (4,592,719) | (4,450,246) | (3,265,064) | (3,730,527) |
| **Profit for the year** | **6,858,608** | **6,522,200** | **10,802,803** | **8,993,925** | **8,837,560** |

**a)**

| | 2014 Kshs '000 | 2013 Kshs '000 | 2012 Kshs '000 | 2011 Kshs '000 | 2010 Kshs '000 |
|---|---|---|---|---|---|
| **i) Income tax expense** | | | | | |
| Current income tax | | | | | |
| - Charge for the year | 3,695,114 | 4,610,604 | 4,457,165 | 4,085,900 | 3,590,428 |
| - (Over)/under provision of current tax in prior year | (52,647) | 109,458 | 162,388 | (173,145) | 4,676 |
| Current income tax expense | 3,642,467 | 4,720,062 | 4,619,553 | 3,912,755 | 3,595,104 |
| Deferred income tax (Note 20) | | | | | |
| - Credit for the year | (53,908) | (540,388) | (552,617) | (617,956) | 116,077 |
| - (Over)/under provision of deferred tax in prior year | ( 40,548) | (413,045) | 383,310 | (29,735) | 19,346 |
| Deferred income tax charge/(credit) | (94,456) | (127,343) | (169,307) | (647,691) | 135,423 |
| | **3,548,011** | **4,592,719** | **4,450,246** | **3,265,064** | **3,730,527** |

**Notes (Continued)**

### 14 Income tax expense (Continued)

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

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Profit before income tax | 10,406,619 | 11,114,919 | 15253,049 | 12,258,989 | 11,424,089 |
| Share of associate's profit after tax | | | | | 1,143,998 |
| Tax calculated at the domestic statutory of 30% (2013 - 30%) | 3,121,986 | 3,334,476 | 4,575,915 | 3,677,697 | 3,770,426 |
| Tax effects of: | | | | | |
| Expenses not deductible for tax | 650,256 | 760,145 | 601,937 | 181,303 | 305,171 |
| Income not subject to tax | (131,036) | (24,405) | (1,273,304) | (391,056) | (25,893) |
| Effect of share of associate profit | - | - | - | | (343,199) |
| (Over)/under provision in prior year – income tax | (52,647) | 109,458 | 162,388 | (173,145) | 4,676 |
| (Over)/Under provision in prior year – deferred tax | (40,548) | 413,045 | 383,310 | (29,735) | 19,346 |
| **Income tax expense** | **3,548,011** | **4,592,719** | **4,450,246** | **3,265,064** | **3,730,527** |

| 2. **Current income tax recoverable** | **2014 Kshs'000** | **2013 Kshs'000** | **2012 Kshs'000** | **2011 Kshs'000** | **2010 Kshs'000** |
|---|---|---|---|---|---|
| Opening balance | 250,894 | 420,281 | 387,581 | (1,048,942) | 1,185,137 |
| Tax paid during the year | 4,667,510 | 4,549,673 | 4,652,253 | 5,136,026 | 1,361,025 |
| Current tax charge | (3,695,114 ) | (4,610,604 ) | (4,457,165) | (4,085,900) | (3,590,428) |
| Prior year over/(under) provision | 52,647 | (109,458 ) | (162,388) | 173,145 | (4,676) |
| Translation difference | 4,526 | 1,002 | | 213,252 | |
| | 1,280,463 | 250,894 | 420,281 | 387,581 | (1,048,942) |
| **Analysed as follows** | | | | | |
| Income tax recoverable | 1,285,448 | 700,582 | 912,723 | 740,353 | 405,251 |
| Income tax payable | (4,985 ) | ( 449,688 ) | (492,442 ) | (352,772) | (1,454,193) |
| | 1,280,463 | 250,894 | 420,281 | 387,581 | (1,048,942) |

### 15 Earnings per share

**Basic earnings per share**

The calculation of basic earnings per share was based on profit attributable to ordinary shareholders, 2014:Kshs 6,498,725,000 2013: Kshs 6,763,609,000, 2012: Kshs 10,448, 099, 2011: Kshs 7,347,510,000, 2010: Kshs 7,179,029,000. The weighted average number of ordinary shares outstanding during the 5 years is as shown in the table below.

**Notes (continued)**

15 **Earnings per share (Continued)**

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Issued ordinary shares at 1 July (Note 17) | 790,774,356 | 790,774,356 | 790,774,356 | 790,774,356 | 790,774,356 |
| Effects of share options exercised (Note 27) | 10,678 | 20,594 | 32,860 | - | - |
| | 790,785,034 | 790,794,950 | 790,807,216 | 790,774,356 | 790,774,356 |

**Diluted earnings per share**

The calculation of diluted earnings per share was based on profit attributable to ordinary shareholders 2014: Kshs 6,498,725,000 ,2013: Kshs 6,763,609,000, 2012 :Kshs 10,448,099,000, 2011: Kshs 7,347,510,000, 2010: Kshs 7,179,029,000 and a weighted average number of ordinary shares outstanding during the year ended 30 June 2014:791,530,463 , 30 June 2013 – 791,551,087, 30 June 2012 -791,773,957, 30 June 2011 -790,774,356 and 30 June 2010- 790,774,356.

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Weighted number of ordinary shares | 790,785,004 | 790,794,950 | 790,807,216 | 790,774,356 | 790,774,356 |
| Effects of share options on issue (Note 27) | 745,459 | 756,137 | 966,741 | - | - |
| | 791,530,463 | 791,551,087 | 791,773,957 | 790,774,356 | 790,774,356 |

**16** **Dividends per share**

A final dividend in respect of the year ended 30 June 2014 of Kshs 4.00 per share, 2013: Kshs 4.00, 2012: Kshs 6.25 2011 : Kshs 6.25, 2010: Kshs 6.25 amounting to a total of Kshs 3,163,097,000,2013: Kshs 3,163,097,000 2012: Kshs 4,942340,000 , 2011: Kshs 4942,339,725, 2010: Kshs 4,942,339,725 has been proposed. During the year an interim dividend 2014 :Kshs1.50 , 2013 : Kshs 1.5 , 2012:Kshs 2.5, 2011: Kshs 2.5, 2010: Kshs 2.5 amounting to a total of 2014: Kshs 1,186,162,000, 2013: Kshs1,186,162,000 ,2012: Kshs1,976,935,890, 2011: Kshs1,976,935,890, 2010:Kshs1,976,935,890 was paid. The total dividend per share for 2014: Kshs 5.50, 2013: Kshs 5.50, 2012: Kshs 8.75, 2011: Kshs 8.75, 2010: Kshs 8.75 amounting to a total in 2014:Kshs 4,349,259,000 ,2013: Kshs 4,349,259,000, 2012 Kshs 6,919,275,615, 2011: Kshs 6,919,275,615 and 2010: Kshs 6,919,275,615.

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** | **2014 Kshs'000** | **2013 Kshs'000** | **2012 Kshs'000** | **2011 Kshs'000** | **2010 Kshs'000** |
|---|---|---|---|---|---|
| Opening balance | 717,922 | 615,420 | 345,145 | 308,048 | 285,173 |
| Dividend declared during the year | 4,349,258 | 6,128,502 | 6,919,276 | 6,919,276 | 6,388,609 |
| Dividends paid | (4,267,000) | (6,026,000) | (6,649,001) | (6,882,179) | (6,365,734) |
| **Closing balance** | **800,180** | **717,922** | **615,420** | **345,145** | **308,048** |

17 **Share capital and share premium**

| | Number of shares (Thousands) | Ordinary shares Kshs'000 | Share premium Kshs'000 |
|---|---|---|---|
| Issued and fully paid up | | | |
| Balance at 30 June 2014, 30 June 2013, 30 June 2012, 30 June 2011, 30 June 2010 | 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.

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.

## 18 Non-controlling interest

The following table summarises the information relating to the Group's subsidiaries that have material non controlling interests (NCI).

**30 June 2014**

| | UDV (Kenya) Limited | Serengeti Breweries Limited | Other Subsidiaries with immaterial NCI | Total |
|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Non controlling interest percentage** | **53.68%** | **49%** | **1% - 1.8%** | |
| Non-current assets | 742,189 | 10,770,316 | 5,193,259 | |
| Current assets | 2,696,103 | 2,670,602 | 3,423,073 | |
| Non-current liabilities | - | 12,035,644 | 1,246,126 | |
| Current liabilities | 1,675,589 | 3,239,831 | 5,462,630 | |
| **Net assets/(liabilities)** | **1,762,703** | **(1,834,557)** | **1,907,576** | |
| Carrying amount of Non controlling interest | 946,219 | ( 898,933) | 34,585 | **81,871** |
| Revenue | 7,815,186 | 7,111,205 | 13,244,093 | |
| Profit/(loss) | 1,686,324 | (1,155,624) | 1,238,928 | |
| **Total comprehensive income** | **1,686,324** | **(1,155,624)** | **1,238,928** | |
| In respect of Non controlling interest | 905,219 | (566,256) | 20,920 | **359,883** |
| Cash flows generated / (used in) from operating activities | 2,245,519 | (1,690,177) | 1,744,962 | |
| Cash flows used in investment activities | (510,021) | (967,867) | (783,278) | |
| Cash flows (used in)/generated from financing activities | (1,760,099) | 4,823,490 | (568,519) | |
| **Net (decrease) / increase in cash and cash equivalents** | **(24,601)** | **2,165,446** | **393,165** | |

**Notes (Continued)**

**18 Non controlling interest (continued)**

**30 June 2013**

| | UDV (Kenya) Limited | Serengeti Breweries Limited | Other Subsidiaries with immaterial NCI | Total |
|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **NCI percentage** | **53.68%** | **49%** | **1% - 1.8%** | |
| Non-current assets | 292,151 | 10,938,009 | 4,887,950 | |
| Current assets | 3,128,252 | 3,826,392 | 2,522,003 | |
| Non-current liabilities | - | 7,176,932 | 1,382,568 | |
| Current liabilities | 1,583,925 | 6,939,712 | 2,930,896 | |
| **Net assets** | **1,836,478** | **( 647,757)** | **3,096,489** | |
| Carrying amount of Non controlling interest | 985,821 | (317,401) | 55,737 | **724,157** |
| Revenue | 6,342,090 | 7,488,125 | 10,043,709 | |
| Profit/(loss) | 1,759,993 | (2,441,647) | 568,519 | |
| **Total comprehensive income** | **1,759,993** | **(2,441,647)** | **(568,519)** | |
| In respect of Non controlling interest | 944,765 | (1,196,407) | 10,233 | **(241,409)** |
| Cash flows generated / (used in) from operating activities | 1,922,531 | (1,701,789) | 787,698 | |
| Cash flows used in investment activities | ( 510,021) | (974,517) | (720,528) | |
| Cash flows (used in)/generated from financing activities | (1,760,099) | 4,856,632 | (184,790) | |
| **Net increase/(decrease) in cash and cash equivalents** | **(347,589)** | **2,174,326** | **(117,620)** | |

**Notes (Continued)**

**18 Non controlling interest (continued)**

**30 June 2012**

| | UDV (Kenya) Limited | Serengeti Breweries Limited | Other Subsidiaries with immaterial NCI | Total |
|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **NCI percentage** | **53.68%** | **49%** | **1% - 1.8%** | |
| Non-current assets | 232,334 | 10,057,123 | 4,780,981 | |
| Current assets | 3,362,425 | 3,228,973 | 2,766,610 | |
| Non-current liabilities | - | 6,380,814 | 1,244,260 | |
| Current liabilities | 1,820,380 | 4,435,202 | 3,698,471 | |
| **Net assets** | **1,774,379** | **1,985,208** | **2,604,860** | |
| Carrying amount of Non controlling interest | 952,487 | 972,752 | 46,887 | **1,972,126** |
| Revenue | 5,717,808 | 6,996,840 | 10,604,173 | |
| Profit/(loss) | 1,766,038 | (1,254,774) | 1,196,322 | |
| **Total comprehensive income** | **1,766,038** | **(1,254,774)** | **1,196,322** | |
| In respect of Non controlling interest | 948,009 | (614,839) | 21,534 | **354,704** |
| Cash flows generated / (used in) from operating activities | 1,960,236 | (2,525,510) | 1,903,830 | |
| Cash flows used in investment activities | (153,501) | (1,519,222) | (1,586,979) | |
| Cash flows (used in)/generated from financing activities | (1,840,135) | 2,421,702 | (260,448) | |
| **Net increase/(decrease) in cash and cash equivalents** | **(33,400)** | **(1,623,030)** | **56,403** | |

**Notes (Continued)**

**18 Non controlling interest (continued)**

**30 June 2011**

| | **Kenya Breweries Limited** | **UDV (Kenya) Limited** | **Serengeti Breweries Limited** | **Other Subsidiaries with immaterial NCI** | **Total** |
|---|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| **NCI percentage** | **20%** | **53.68%** | **49%** | **1% - 1.8%** | |
| Non-current assets | 13,040,146 | 112,262 | 9,462,372 | 3,740,772 | |
| Current assets | 9,488,691 | 2,768,298 | 1,525,993 | 1,669,479 | |
| Non-current liabilities | 1,912,929 | - | 3,928,041 | 1,220,702 | |
| Current liabilities | 7,006,992 | 1,030,084 | 3,322,412 | 2,751,227 | |
| **Net assets** | **13,608,916** | **1,850,476** | **3,737,912** | **1,438,321** | |
| Carrying amount of Non controlling interest | 2,721,783 | 993,336 | 1,831,577 | 25,890 | **5,572,586** |
| Revenue | 27,866,887 | 4,069,972 | 5,939,481 | 7,762,876 | |
| Profit/(loss) | 6,454,245 | 1,124,910 | (523,149) | 447,641 | |
| **Total comprehensive income** | **6,454,245** | **1,124,910** | **(523,149)** | **447,641** | |
| In respect of Non controlling interest | 1,290,849 | 603,852 | (256,343) | 8,058 | **1,646,415** |
| Cash flows generated / (used in) from operating activities | 8,959,303 | 139,444 | 429,386 | 594,853 | |
| Cash flows used in investment activities | (2,068,999) | (26,373) | (1,833,993) | (1,784,244) | |
| Cash flows (used in)/generated from financing activities | (6,371,682) | - | 1,368,331 | 1,056,207 | |
| **Net increase/(decrease) in cash and cash equivalents** | **518,622** | **113,071** | **(36,277)** | **(133,183)** | |

**Notes (Continued)**

**18 Non controlling interest (continued)**

**30 June 2010**

| | **Kenya Breweries Limited** | **UDV (Kenya) Limited** | **Other Subsidiaries with immaterial NCI** | **Total** |
|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| **NCI percentage** | **20%** | **53.68%** | **1% - 1.8%** | |
| Non-current assets | 12,497,115 | 110,158 | 2,514,255 | |
| Current assets | 10,981,848 | 1,362,097 | 1,525,444 | |
| Non-current liabilities | 2,267,721 | - | 197,323 | |
| Current liabilities | 7,638,804 | 746,689 | 1,803,857 | |
| **Net assets** | **13,572,438** | **725,566** | **2,038,519** | |
| Carrying amount of Non controlling interest | 2,714,488 | 389,484 | 36,693 | **3,140,665** |
| Revenue | 26,862,517 | 2,585,956 | 6,604,197 | |
| Profit | 6,347,102 | 715,225 | 287,653 | |
| **Total comprehensive income** | **6,347,102** | **715,225** | **287,653** | |
| In respect of Non controlling interest | 1,269,420 | 383,933 | 5,178 | **1,658,531** |
| Cash flows generated / (used in) from operating activities | 5,002,715 | 450,289 | 810,417 | |
| Cash flows used in investment activities | (2,455,654) | 88,195 | (780,256) | |
| Cash flows (used in)/generated from financing activities | (3,928,000) | (680,601) | (860,890) | |
| **Net increase/(decrease) in cash and cash equivalents** | **(1,380,938)** | **(142,117)** | **(830,729)** | |

**Notes (continued)**

**18 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 became a wholly owned subsidiary of the Group from that date.

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 accounting standards.

**19 Unconsolidated structured entities**

The Group has interest in Tusker Football Club, EABL Foundation and East African Breweries Limited Employee Share Options Plan. The group provides financial infrastructure but is not involved in the day to day operations. These structured entities have therefore not been consolidated as the Group does not have control over them.

**Notes (Continued)**

## 20 Deferred income tax

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

| **Net deferred income tax** | **30 June 2014 Kshs '000** | **30 June 2013 Kshs '000** | **30 June 2012 Kshs '000** | **30 June 2011 Kshs '000** | **30 June 2010 Kshs '000** |
|---|---|---|---|---|---|
| **(a)** | | | | | |
| At 1 July | 2,846,741 | 2,946,701 | 3,130,461 | 2,582,832 | 2,457,512 |
| Credit to profit or loss | (53,908) | (540,388) | (552,617) | (617,956) | 116,077 |
| Acquisition of subsidiary | - | - | - | 1,208,749 | - |
| (Over)/under provision of deferred tax in prior year | (40,548) | 413,045 | 383,310 | (29,735) | 19,346 |
| Effect of exchange rate changes | 49,645 | 27,383 | (14,453) | (13,429) | (10,102) |
| At 30 June | **2,801,930** | **2,846,741** | **2,946,701** | **3,130,461** | **2,582,832** |

Presented in the statement of financial position as follows:

| | **30 June 2014 Kshs '000** | **30 June 2013 Kshs '000** | **30 June 2012 Kshs '000** | **30 June 2011 Kshs '000** | **30 June 2010 Kshs '000** |
|---|---|---|---|---|---|
| Deferred income tax liabilities | 4,010,342 | 3,673,093 | 3,402,418 | 3,337,311 | 2,723,855 |
| Deferred income tax assets | (1,208,412) | (826,352) | (455,717) | (206,850) | (141,023) |
| At end of year | **2,801,930** | **2,846,741** | **2,946,701** | **3,130,461** | **2,582,832** |

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

**(a) Year ended 30 June 2014**

| | **Balance at 1.7.2013 Kshs '000** | **Charged/ (credited) to profit or Loss Kshs '000** | **Effect of exchange rate Changes Kshs '000** | **Balance at 30.06.2014 Kshs '000** |
|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | |
| Property, plant and equipment on historical cost basis | 3,551,867 | 386,616 | 16,159 | 3,954,642 |
| Intangible assets | 168,901 | - | - | 168,901 |
| Unrealised exchange gain/(losses) | 52,783 | (24,613) | (579) | 27,591 |
| Tax losses carried forward | (21,029) | (29,215) | ( 570) | (50,814) |
| Provisions | (79,429) | (9,891) | (658) | (89,978) |
| **Deferred income tax liability** | **3,673,093** | **322,897** | **14,352** | **4,010,342** |
| **Deferred income tax assets** | | | | |
| Property, plant and equipment on historical cost basis | 1,773,053 | (204,155) | 50,213 | 1,619,111 |
| Unrealised exchange gain/(losses) | (548) | 27,388 | (583) | 26,257 |
| Tax losses carried forward | (2,500,360) | (245,339) | (13,670) | (2,759,369) |
| Provisions | (98,497) | 4,754 | (668) | (94,411) |
| **Deferred income tax assets** | **( 826,352)** | **(417,352)** | **35,292** | **(1,208,412)** |

**Notes (Continued)**

**20. Deferred income tax (Continued)**

| **Year ended 30 June 2013** | **Opening Balance 30.6.2012 Kshs '000** | **Restatement in 2013 Kshs '000** | **Charged/ (credited) to profit or loss Kshs '000** | **Effect of exchange rate changes Kshs '000** | **Balance at 30.6.2013 Kshs '000** |
|---|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | | |
| 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 | - | 38,631 | (118) | 52,783 |
| Tax losses carried forward | 1,309 | - | (22,215) | (123) | (21,029) |
| Provisions | (149,348) | - | 68,580 | 1,339 | (79,429) |
| **Deferred income tax liability** | **3,402,418** | **-** | **248,009** | **22,666** | **3,673,093** |
| **Deferred income tax assets** | | | | | |
| Property, plant and equipment | 350,349 | 413,045 | 1,023,487 | (13,828) | 1,773,053 |
| Unrealised exchange gain | (25,271) | - | 24,808 | (84) | (547) |
| Tax losses carried forward | (709,106) | - | (1,808,494) | 17,240 | (2,500,360) |
| Provisions | (71,689) | - | (28,198) | 1,389 | (98,498) |
| **Deferred income tax asset** | **(455,717)** | **413,045** | **(788,397)** | **4,717** | **(826,352)** |

| **Year ended 30 June 2012** | **30.6 .2011 Kshs '000** | **Charged/ (credited) to profit or loss Kshs '000** | **Effect of exchange rate changes Kshs '000** | **30.6 .2012 Kshs '000** |
|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | |
| 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) |
| **Deferred income tax liability** | **3,337,309** | **80,227** | **(15,118)** | **3,402,418** |
| **Deferred income tax assets** | | | | |
| Property, plant and equipment | (144,327) | 494,676 | - | 350,349 |
| 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) |
| **Deferred income tax asset** | **(206,848)** | **(632,844)** | **665** | **(455,717)** |

**Notes (Continued)**

**20. Deferred income tax (Continued)**

| **Year ended 30 June 2011** | **1.7.2010** | **On acquisition** | **Charged/ (credited) to Profit or loss** | **Effect of exchange rate changes** | **30.6 .2011** |
|---|---|---|---|---|---|
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Deferred income tax liabilities** | | | | | |
| Property, plant and equipment: | 3,107,189 | 1,039,848 | (542,519) | (23,184) | 3,581,334 |
| Intangible asset | - | 168,901 | - | - | 168,901 |
| Unrealised exchange gain | (49,511) | | 42,396 | 719 | (6,396) |
| Tax losses carried forward | (128,715) | | (79,099) | 5,038 | (202,776) |
| Provisions | (205,108) | | (1,757) | 3,113 | (203,752) |
| **Deferred income tax liability** | **2,723,855** | **1,208,749** | **(580,979)** | **(14,314)** | **3,337,311** |
| **Deferred income tax assets** | | | | | |
| Property, plant and equipment | (94,470) | - | (49,857) | | (144,327) |
| Unrealised exchange gain | (21,575) | - | (12,573) | 235 | (33,913) |
| Tax losses carried forward | (2,573) | - | - | 96 | (2,478) |
| Provisions | (22,405) | - | (4,282) | 554 | (26,133) |
| **Deferred income tax asset** | **(141,023)** | **-** | **(66,712)** | **887** | **(206,850)** |

| **Year ended 30 June 2010** | **1.7.2009** | **Charged/ (credited) to Profit or loss** | **Effect of exchange rate changes** | **30.6 .2010** |
|---|---|---|---|---|
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Deferred income tax liabilities** | | | | |
| Property, plant and equipment: | 2,791,312 | 335,735 | (19,858) | 3,107,189 |
| Unrealised exchange gain | 26,060 | (76,290) | 719 | (49,511) |
| Tax losses carried forward | (8,096) | (125,658) | 5,039 | (128,715) |
| Provisions | (202,922) | (5,297) | 3,111 | (205,108) |
| **Deferred income tax liability** | **2,606,354** | **128,490** | **(10,989)** | **2,723,855** |
| **Deferred income tax assets** | | | | |
| Property, plant and equipment | (88,885) | (5,585) | - | (94,470) |
| Unrealised exchange gain | 56,775 | (78,585) | 235 | (21,575) |
| Tax losses carried forward | (99,295) | 96,626 | 96 | (2,573) |
| Provisions | (17,437) | (5,524) | 556 | (22,405) |
| **Deferred income tax asset** | **(148,842)** | **6,932** | **887** | **(141,023)** |

## 21 Property, plant and equipment

| Year ended 30 June 2014: | Freehold Property | Leasehold buildings | Plant & equipment | Motor vehicles | Returnable packaging materials | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Cost** | | | | | | | |
| At 1 July 2013 | 2,010,355 | 3,169,552 | 32,880,634 | 90,180 | 10,700,005 | 3,090,401 | 51,941,127 |
| Additions | 896,948 | 1,138 | 1,188,040 | 17,457 | 1,222,409 | 3,614,646 | 6,940,638 |
| Transfers from work in progress | 770,768 | 55,497 | 1,935,454 | - | 224,243 | (2,985,962) | - |
| Disposals | (65,798) | - | (341,793) | - | (124,987) | (8,388) | (540,966) |
| Assets written off | - | - | - | - | (505,667) | - | (505,667) |
| Transfers to inventory | - | - | - | - | - | (11,436) | (11,436) |
| Transfers to software (Note 22(a)) | - | - | (66,333) | - | - | (6,701) | (73,034) |
| Effect of exchange rate changes | (468) | 17,271 | 106,897 | 1,461 | 28,047 | 2,331 | 155,539 |
| **At 30 June 2014** | **3,611,805** | **3,243,458** | **35,702,899** | **109,098** | **11,544,050** | **3,694,891** | **57,906,201** |
| **Depreciation and impairment** | | | | | | | |
| At 1 July 2013 | 768,377 | 586,044 | 12,399,654 | 58,744 | 4,413,220 | - | 18,226,039 |
| Revaluation reserve adjustment | - | (3,779) | - | - | - | - | (3,779) |
| Charge for the year | 95,092 | 119,308 | 1,516,512 | 1,057 | 1,451,145 | - | 3,183,114 |
| On assets disposed | (32,006) | - | (308,525) | (73) | (100,896) | - | (441,500) |
| On assets written off | - | - | - | - | (351,337) | - | (351,337) |
| Transfers to software (Note 22(a)) | - | - | ( 9,319) | - | - | - | (9,319) |
| Effect of exchange rate changes | - | 3,050 | 34,801 | 69 | 10,278 | - | 48,198 |
| **At 30 June 2014** | **831,463** | **704,623** | **13,633,123** | **59,797** | **5,422,410** | **-** | **20,651,416** |
| **Carrying amount as at 30 June 2014** | **2,780,342** | **2,538,835** | **22,069,776** | **49,301** | **6,121,640** | **3,694,891** | **37,254,785** |

During the year a physical asset verification of assets exercise was conducted by a third party which led to assets write offs. There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 34. Collateralised borrowings are secured by land, industrial property and bank guarantee.

The capital work in progress is mainly due to the additional spirit line in Kenya.

## 21 Property, plant and equipment (Continued)

| Year ended 30 June 2013: | Freehold Property | Leasehold buildings | Plant & equipment | Motor vehicles | Returnable packaging materials | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Cost** | | | | | | | |
| 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 24(a)) | - | (840) | - | - | - | - | (840) |
| Transfers to software (Note 22(a)) | - | - | - | - | - | (205,924) | (205,924) |
| Effect of exchange rate changes | - | (47,460) | (240,133) | (29) | (62,900) | (58,344) | ( 408,866) |
| **At 30 June 2013** | **2,010,355** | **3,169,552** | **32,880,634** | **90,180** | **10,700,006** | **3,090,401** | **51,941,127** |
| **Depreciation and impairment** | | | | | | | |
| 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 (Note 24(a)) | - | ( 8) | - | - | - | - | ( 8) |
| Effect of exchange rate changes | - | (7,515) | (83,669) | - | (27,086) | - | (118,270) |
| **At 30 June 2013** | **768,377** | **586,044** | **12,399,654** | **58,744** | **4,413,220** | **-** | **18,226,039** |
| **Carrying amount as at 30 June 2013** | **1,241,978** | **2,583,508** | **20,480,980** | **31,436** | **6,286,785** | **3,090,401** | **33,715,088** |

During the year a physical asset verification of assets exercise was conducted by a third party which led to assets write offs. There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 34. Collateralised borrowings are secured by land, industrial property and bank guarantee.

**Notes (continued)**

### 21 Property, plant and equipment (Continued)

| Year ended 30 June 2012: | Freehold Property Kshs'000 | Leasehold buildings Kshs'000 | Plant & equipment Kshs'000 | Motor vehicles Kshs'000 | Returnable packaging materials Kshs'000 | Capital work in progress Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 July 2011 | 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) |
| **At 30 June 2012** | **2,026,329** | **3,200,192** | **31,396,676** | **98,580** | **8,359,138** | **3,395,338** | **48,476,253** |

**Notes (continued)**

**21 Property, plant and equipment (Continued)**

| **Year ended 30 June 2012:** | **Freehold Property Kshs'000** | **Leasehold buildings Kshs'000** | **Plant & equipment Kshs'000** | **Motor vehicles Kshs'000** | **Returnable packaging materials Kshs'000** | **Capital work in progress Kshs'000** | **Total Kshs'000** |
|---|---|---|---|---|---|---|---|
| **Depreciation and impairment** | | | | | | | |
| At 1 July 2011 | 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) |
| **At 30 June 2012** | **781,599** | **494,411** | **12,002,265** | **66,059** | **3,885,317** | **-** | **17,229,651** |
| **Net book value as at 30 June 2012** | **1,244,730** | **2,705,781** | **19,394,411** | **32,521** | **4,473,821** | **3,395,338** | **31,246,602** |

**Notes (continued)**

**21 Property, plant and equipment (Continued)**

| Year ended 30 June 2011: | Freehold property Kshs'000 | Leasehold buildings Kshs'000 | Plant & equipment Kshs'000 | Motor vehicles Kshs'000 | Returnable packaging materials Kshs'000 | Capital work in progress Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At 1 July 2010 | 1,711,667 | 1,168,608 | 19,218,355 | 9,930 | 3,033,009 | 2,161,860 | 27,303,429 |
| Acquisition of subsidiaries | 191,604 | 1,306,704 | 4,869,570 | 79,320 | 1,788,380 | 2,967,805 | 11,203,383 |
| Additions | - | 15,151 | 191,216 | - | 2,726,437 | 3,440,112 | 6,372,916 |
| Transfers from work in progress | 1,547 | 17,193 | 2,177,700 | - | - | (2,196,440) | - |
| Disposals | (25,097) | - | - | - | (685,352) | - | (710,449) |
| Assets written off | - | - | (109,850) | - | (331,443) | (1,075) | (442,368) |
| Exchange differences | (11,786) | (33,395) | (301,811) | (60) | (82,712) | (24,696) | (454,460) |
| **At 30 June 2011** | **1,867,935** | **2,474,261** | **26,045,180** | **89,190** | **6,448,319** | **6,347,566** | **43,272,451** |

**Notes (continued)**

**21 Property, plant and equipment (Continued)**

| | Freehold property | Leasehold buildings | Plant & equipment | Motor vehicles | Returnable packaging materials | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2011:** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| **Depreciation and impairment** | | | | | | | |
| At 1 July 2010 | 621,632 | 245,930 | 7,930,105 | 9,924 | 1,560,621 | - | 10,368,212 |
| On acquisition of subsidiary | 3,780 | 132,078 | 1,317,900 | 55,315 | 1,062,710 | - | 2,571,783 |
| Exchange differences | - | (6,691) | (70,695) | - | (34,445) | - | (111,831) |
| Charge for the year | 76,285 | 73,229 | 1,536,796 | - | 823,714 | - | 2,510,024 |
| Charge on assets written off | - | - | (19,971) | - | (248,542) | - | (268,513) |
| On assets disposed off | (302) | - | - | - | (100,948) | | (101,250) |
| **At 30 June 2011** | **701,395** | **444,546** | **10,694,135** | **65,239** | **3,063,110** | **-** | **14,968,425** |
| **Net book value as at 30 June 2011** | **1,166,540** | **2,029,715** | **15,351,045** | **23,951** | **3,385,209** | **6,347,566** | **28,304,026** |

**Notes (continued)**

**21 Property, plant and equipment (Continued)**

| Year ended 30 June 2010: | Freehold property Kshs'000 | Leasehold buildings Kshs'000 | Plant & equipment Kshs'000 | Motor vehicles Kshs'000 | Returnable packaging materials Kshs'000 | Capital work in progress Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At 1 July 2009 | 1,711,667 | 1,166,279 | 17,895,514 | 9,930 | 2,992,427 | 303,877 | 24,079,694 |
| Exchange differences | - | (8,057) | (57,205) | - | - | (850) | (66,112) |
| Additions | - | - | 453,363 | - | 337,404 | 2,995,892 | 3,786,659 |
| Transfers from work in progress | - | 10,386 | 1,077,918 | - | 20,542 | (1,108,846) | - |
| Assets written off | - | - | (151,235) | - | (317,364) | (28,213) | (496,812) |
| **At 30 June 2010** | **1,711,667** | **1,168,608** | **19,218,355** | **9,930** | **3,033,009** | **2,161,860** | **27,303,429** |

**Notes (continued)**

**21 Property, plant and equipment (Continued)**

| Year ended 30 June 2010: | Freehold property Kshs'000 | Leasehold buildings Kshs'000 | Plant & equipment Kshs'000 | Motor vehicles Kshs'000 | Returnable packaging materials Kshs'000 | Capital work in progress Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|---|---|
| **Depreciation and impairment** | | | | | | | |
| At 1 July 2009 | 535,575 | 211,295 | 6,843,005 | 9,924 | 1,285,396 | - | 8,885,195 |
| Exchange differences | - | (1,929) | (25,920) | - | - | - | (27,849) |
| Charge for the year | 86,057 | 36,564 | 1,183,640 | - | 485,282 | - | 1,791,543 |
| Charge on assets written off | - | - | (70,620) | - | (210,057) | - | (280,677) |
| At 30 June 2010 | 621,632 | 245,930 | 7,930,105 | 9,924 | 1,560,621 | - | 10,368,212 |
| **Net book value as at 30 June 2010** | **1,090,035** | **922,678** | **11,288,250** | **6** | **1,472,388** | **2,161,860** | **16,935,217** |

**Notes (continued)**

**22 Intangible asset – Software**

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July | 1,469,814 | 1,265,040 | 1,264,415 | 1,264,415 | 1,264,415 |
| Additions | - | - | 625 | - | - |
| Transferred from property, plant and equipment (Note 21(a)) | 73,034 | 205,924 | - | - | - |
| Effect of exchange rate changes | 392 | (1,150) | - | - | - |
| Carrying amount as 30 June | 1,543,240 | 1,469,814 | 1,265,040 | 1,264,415 | 1,264,415 |
| **Amortisation** | | | | | |
| At start of year | (1,045,738) | (1,015,391) | (884,389) | (733,189) | (581,989) |
| Amortisation during the year | (53,969) | (30,347) | (131,002) | (151,200) | (151,200) |
| Transferred from property, plant and equipment (Note 21(a)) | (9,319) | - | - | - | - |
| Effect of exchange rate changes | 225 | - | - | - | - |
| Carrying amount as 30 June | (1,108,801) | (1,045,738) | (1,015,391) | (884,389) | (733,189) |
| **Carrying amount as 30 June** | **434,439** | **424,076** | **249,649** | **380,026** | **531,226** |

**23 (a) Goodwill**

| | At 1 July Kshs'000 | Cumulative impairment Kshs'000 | Carrying amount at 30 June Kshs'000 |
|---|---|---|---|
| **Year ended 30 June 2014** | | | |
| 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 |
| **Total** | **3,650,513** | **73,322** | **3,577,191** |
| **Year ended 30 June 2013** | | | |
| 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 |
| **Total** | **3,650,513** | **73,322** | **3,577,191** |

| **Year ended 30 June 2012** | At start of the year cost Kshs'000 | On disposal Kshs'000 | Cumulative impairment Kshs'000 | Net book amount Kshs'000 |
|---|---|---|---|---|
| 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 |
| **Total** | **6,230,598** | **(2,129,421)** | **(523,986)** | **3,577,191** |

**Notes (continued)**

**23 (a) Goodwill (Continued)**

**Year ended 30 June 2011**

| | At start of the year cost Kshs'000 | On acquisition of subsidiary Kshs'000 | Impairment Kshs'000 | Net book amount Kshs'000 |
|---|---|---|---|---|
| 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 |
| **Total** | **3,302,071** | **2,928,527** | **(2,653,407)** | **3,577,191** |

**Year ended 30 June 2010**

| | Cost at start of the year Kshs'000 | Amortisation/Impairment Kshs'000 | Net book amount Kshs'000 |
|---|---|---|---|
| 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 |
| **Total** | **3,302,071** | **(2,653,407)** | **648,664** |

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.

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| On acquisition of subsidiary | 563,005 | 563,005 | 563,005 | 563,005 | - |
| Deferred income tax thereon | (168,901) | (168,901) | (168,901) | (168,901) | - |

**Notes (Continued)**

## 24 Prepaid operating lease rentals

Leases of land have been classified as operating leases.

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At start of year | 16,969 | 16,382 | 37,915 | 37,915 | 37,925 |
| Transferred from property, plant and equipment (Note 21(a)) | - | 840 | - | - | - |
| Disposal | - | ( 259) | (21,533) | - | (10) |
| Effect of exchange rate changes | (123) | 6 | - | - | - |
| | 16,846 | 16,969 | 16,382 | 37,915 | 37,915 |
| **Amortisation and impairment** | | | | | |
| At start of year | (5,721) | (5,448) | (8,200) | (7,653) | (7,111) |
| Amortisation for the year | ( 306) | ( 307) | (523) | (547) | (542) |
| Transferred from property, plant and equipment (Note 21(a)) | - | ( 8) | - | - | - |
| Eliminated on disposal | - | 42 | 3,275 | - | - |
| Effect of exchange rate changes | 138 | - | - | - | - |
| | ( 5,889) | (5,721) | (5,448) | (8,200) | (7,653) |
| **Carrying amount At 30 June** | **10,957** | **11,248** | **10,934** | **29,715** | **30,262** |

**Notes (continued)**

**25 Investments in subsidiaries**

| | **Country of incorporation** | **Effective incorporation interest** | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|---|---|
| | | | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| Kenya Breweries Limited | Kenya | 100% (2011 & 2010 – 80%) | 22,377,809 | 22,377,809 | 22,377,809 | 1,806,847 | 1,806,847 |
| Salopia Limited | Kenya | 100% | 200 | 200 | 200 | 200 | 200 |
| Allsopps (EA) Sales Limited | Kenya | 100% | 2 | 2 | 2 | 2 | 2 |
| East African Breweries (Mauritius) Limited | Mauritius | 100% | - | - | 389 | 389 | 389 |
| Central Glass Industries Limited | Kenya | 100% | 790,288 | 790,288 | 790,288 | 790,288 | 790,288 |
| Uganda Breweries Limited | Uganda | 98.20% | 687,648 | 687,648 | 687,648 | 687,647 | 687,647 |
| International Distillers Uganda Limited | Uganda | 100% | 300,000 | 300,000 | 300,000 | 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 | 589,410 | 589,410 | 589,410 |
| EABL International Limited | Kenya | 100% | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| EABL Tanzania Limited | Tanzania | 100% | 5,610 | 5,610 | 5,610 | 5,610 | 5,610 |
| Serengeti Breweries Limited | Tanzania | 51% | 4,942,998 | 4,942,998 | 4,942,998 | 4,942,998 | - |
| East African Beverages (South Sudan) Limited | South Sudan | 99% | 272 | - | - | - | - |
| 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% | - | - | - | - | - |
| | | | - | | | | |
| | | | **29,844,237** | **29,843,965** | **29,844,354** | **9,273,391** | **4,330,393** |

**Notes (continued)**

**26 a) Other investments**

| | 2014<br>Kshs'000 | 2013<br>Kshs'000 | 2012<br>Kshs'000 | 2011<br>Kshs'000 | 2010<br>Kshs'000 |
|---|---|---|---|---|---|
| **Unquoted: at cost** | | | | | |
| 4,000 ordinary shares (representing 20%) in Sen-Tech Limited | - | 400 | 400 | 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 | 10,000 | 10,000 | 10,000 |
| | **10,000** | **10,400** | **10,400** | **10,400** | **10,400** |

**Movement during the year**

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Opening balance as at 1 July | **10,400** | **10,400** | **10,400** | **10,400** | **10,400** |
| Disposal during the year | ( 400) | - | - | - | - |
| Closing balance as at 30 June | **10,000** | **10,400** | **10,400** | **10,400** | **10,400** |

During the year, the Group disposed off its investment in Sen Tech Limited. The proceeds on disposal amounted to Kshs 50,000,000 and the gain on disposal recorded in other income Kshs 49,600,000.

This entity is not listed and the amounts are not material to warrant investment in complex valuation models.

**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**

| | 2014<br>Kshs'000 | 2013<br>Kshs'000 | 2012<br>Kshs'000 | 2011<br>Kshs'000 | 2010<br>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) | - | - |
| Gain on disposal of investment (Note 10) | - | - | 3,646,339 | - | - |

**Notes (continued)**

## 27 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 Securities 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 securities exchange.

**i) Executive share option scheme**

Movements in the number of share options held for the employees under the Executive Option Scheme are as follows:

| | 2014 Number of shares | 2013 Number of shares | 2012 Number of shares | 2011 Number of shares | 2010 Number of shares |
|---|---|---|---|---|---|
| Outstanding at start of year | 756,137 | 966,741 | 1,047,746 | 1,148,319 | - |
| Granted during the year | | | | 153,771 | - |
| Lapsed | - | (9,010) | (48,145) | (56,276) | - |
| Exercised | (10,678) | (201,594) | (32,860) | (198,068) | - |
| | | | | | - |
| **Outstanding at end of year** | **745,459** | **756,137** | **966,741** | **1,047,746** | - |
| | | | | | - |
| **Exercise price per share – Kshs** | **135** | **169** | **160.00** | **169.00** | - |

Options may be exercised at prices ranging between Kshs 74 and Kshs 135 (2013 – Kshs 74 and Kshs 169). (2012 – KShs 75.80 and KShs 160). (2011 – KShs . 87.72 and KShs.157.40). (2010 – nil). The trading price of EABL share as at 30 June 2014 on the Nairobi Securities Exchange was Kshs 283 (2013: Kshs 331), (2012; Kshs 225), (2011: Kshs 181), (2010: Kshs181)

**(ii) Employee share save scheme**

As at 30 June 2014, the Trust's obligation to members under the employee share save scheme stood at 773,690 shares (2013 – 834,276), (2012:- 1359,191), (2011:-1,324,607), (2010:-1,493,081) During the year nil (2013 – 954,127), (2011-Nil), (2010-139,175) shares were exercised by employees.

## 28 Inventories

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Raw materials and consumables | 5,148,525 | 4,725,032 | 5,201,284 | 2,617,689 | 2,387,639 |
| Work In Progress | 593,093 | 470,865 | 302,843 | 414,686 | 282,625 |
| Finished goods | 3,726,554 | 2,255,618 | 2,188,850 | 1,152,427 | 780,460 |
| Goods in transit | 235,517 | 19,092 | 264,295 | 214,563 | 14,330 |
| | **9,703,689** | **7,470,607** | **7,957,272** | **4,399,365** | **3,465,054** |

The cost of inventory consumed is recognised as an expense and included in cost of sales this amounted to
Kshs 14,359,111,000 (2013: Kshs 13,840,791,000), (2012: Kshs 19,109,880,000), (2011; Kshs 15,874,685,101), (2010: Kshs 10,227,686,068)

**Notes (continued)**

**29 Trade and other receivables**

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Trade receivables | 5,745,396 | 5,461,906 | 4,594,689 | 3,603,341 | 2,598,356 |
| Less: Provision for impairment loss | ( 718,361) | (629,130) | (562,757) | (555,563) | (564,672) |
| | 5,027,035 | 4,832,776 | 4,031,932 | 3,047,778 | 2,033,684 |
| Other receivables | 1,321,108 | 3,396,330 | 3,607,449 | 2,590,408 | 3,182,411 |
| Less: Provision for impairment loss | - | (4,745) | (61,224) | (65,499) | (74,566)) |
| Prepayments | 1,343,290 | 613,760 | 534,319 | 1,359,676 | 146,305 |
| Receivable from related parties (Note 35(c)) | 25,184 | 177,701 | 77,329 | 133,710 | 305,619 |
| | **7,716,617** | **9,015,822** | **8,189,805** | **7,066,073** | **5,593,453** |

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

| | 30 June 2014 Kshs'000 | 30 June 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| At start of year | 633,875 | 623,981 | 621,062 | 639,238 | 639,238 |
| Charge/(reversed) in the year | 84,486 | 9,894 | 2,919 | (18,176) | - |
| At end of year | **718,361** | **633,875** | **623,981** | **621,062** | **639,238** |

**30 Trade and other payables**

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Trade payables | 3,689,886 | 3,412,678 | 2,792,351 | 4,975,995 | 2,170,920 |
| Other payables | 7,978,408 | 7,059,961 | 8,399,336 | 5,724,224 | 6,620,469 |
| Payable to related parties (Note 35(c)) | 683,266 | 3,722,331 | 4,135,691 | 2,066,380 | 1,130,760 |
| Deferred consideration | | | - | 814,700 | - |
| | **12,351,560** | **14,194,970** | **15,327,378** | **13,581,299** | **9,922,149** |

**31 Contingent liabilities**

In the normal course of business the company and its subsidiaries are faced with litigation. In the opinion of directors, these cases are unlikely to crystallise hence no accrual has been made in the financial statements. The potential exposure that may arise from these legal cases is quantified below.

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Guarantees | 12,000 | 12,000 | 18,368 | 1,782,400 | 876,868 |
| Pending legal cases | 344,368 | 148,874 | 122,100 | 45,877 | 350,885 |
| | **356,368** | **160,874** | **140,468** | **1,828,277** | **1,227,753** |

**Notes (Continued)**

**32 Commitments**

**i) Capital commitments**

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

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Contracted but not yet delivered | 5,104,726 | 3,260,400 | 1,881,960 | 1,790,192 | 1,300,446 |
| Authorised but not contracted for | 1,906,190 | 1,601,600 | 894,893 | 696,240 | 925,235 |

**ii) Operating lease commitments**

**(a) 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:

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Not later than 1 year | 915,723 | 1,380,761 | 1,230,063 | 1,177,740 | 666,588 |
| Later than 1 year and not later than 5 years | 720,136 | 2,784,164 | 2,169,735 | 2,031,201 | 1,157,998 |
| Later than 5 years | | | | 23,884 | |
| | **1,635,859** | **4,164,925** | **3,399,798** | **3,232,825** | **1,824,586** |

**(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:

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Not later than 1 year | - | 1,811 | 31,775 | 31,775 | 26,653 |
| Later than 1 year and not later than 5 years | 25,158 | 21,952 | 80,098 | 80,098 | 59,106 |
| | **25,158** | **23,763** | **111,873** | **111,873** | **85,759** |

**Notes (continued)**

**33 Cash generated from operations**

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

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Profit before income tax | 10,406,619 | 11,114,919 | 15,253,049 | 12,258,989 | 11,424,089 |
| Adjustments for: | | | | | |
| Interest income | (24,072) | (39,268) | (1,192,359) | (97,711) | (358,585) |
| Interest expense | 4,343,869 | 4,057,989 | 4,317,432 | 272,156 | 9,584 |
| Depreciation (Note 21 (a)) | 3,183,114 | 2,945,976 | 2,993,891 | 2,510,024 | 1,791,543 |
| Share of associate's profit after tax | - | - | - | - | 1,143,998 |
| Employee Share Ownership Plan reserve | 2,014 | 4,327 | 67,046 | - | - |
| Amortisation of intangible asset – software (Note 22) | 53,969 | 30,347 | 131,002 | 151,200 | 151,200 |
| Amortisation of prepaid operating lease rentals (Note 24(a)) | 306 | 307 | 523 | 547 | 542 |
| Gain on disposal of leasehold land and buildings | - | (17,783) | (643,659) | (1,186,523) | - |
| Gain on disposal of prepaid operating lease rentals | - | - | - | - | (97,828) |
| Gain on disposal of property, plant and equipment | (41,604) | (63,568) | - | - | - |
| Gain on disposal of investment | (49,600) | - | (3,646,339) | - | (106,626) |
| Impairment of property, plant and equipment | 154,330 | 217,577 | 329,816 | 706,571 | 108,827 |
| Exchange differences | (71,061) | 92,197 | ( 62,961) | 218,341 | 134,468 |
| Changes in working capital: | | | | | |
| – trade and other receivables | 1,299,205 | ( 826,017) | (1,123,732) | (1,472,620) | (1,432,619) |
| – inventories | (2,233,082) | 486,665 | (3,557,907 | (5,211,952) | (467,821) |
| – trade and other payables | (1,843,410) | (1,132,409) | 1,746,079 | 3,659,150 | 887,320 |
| **Cash generated from operations** | **15,180,597** | **16,871,259** | **14,611,881** | **11,808,172** | **13,188,092** |

**(b) Cash and cash equivalents**

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Cash and bank balances | 1,101,400 | 1,406,091 | 997,973 | 1,649,453 | 1,325,079 |
| Bank overdraft (Note 34) | (1,758,425) | (6,292,922) | (1,192,042) | (971,348) | - |
| Term deposit | - | - | - | - | 6,570,036 |
| | **( 657,025)** | **(4,886,831)** | **(194,069)** | **678,105** | **7,895,115** |

**Notes (Continued)**

## 34 Borrowings

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| The borrowings are made up as follows: | | | | | |
| **Non-current** | | | | | |
| Bank borrowings | - | 372,687 | 513,000 | 3,917,688 | - |
| Related party borrowings | 22,294,103 | 19,469,236 | 19,469,236 | - | - |
| | 22,294,103 | 19,841,923 | 19,982,236 | 3,917,688 | - |
| **Current** | | | | | - |
| Bank overdraft | 1,758,425 | 6,292,922 | 1,192,042 | 971,348 | - |
| Other Borrowings | 12,545,500 | 4,951,344 | 4,856,500 | 258,622 | - |
| | 14,303,925 | 11,244,266 | 6,048,542 | 1,229,970 | - |
| **Total borrowings** | **36,598,028** | **31,086,189** | **26,030,778** | **5,147,658** | - |

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:

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| At start of year | 31,086,189 | 26,030,778 | 5,147,658 | - | - |
| Advanced in the year | 10,605,366 | 165,000 | 6,901,096 | 1,268,926 | - |
| Advanced on acquisition of non controlling interest in subsidiary | - | - | 19,469,236 | 2,907,384 | - |
| Repayments | (575,884) | ( 174,244) | (5,440,765) | - | - |
| Movement in bank overdrafts | (4,534,497) | 5,100,880 | 220,694 | 971,348 | - |
| Effect of exchange rate changes | 16,854 | (36,225) | (267,141) | - | - |
| **At the end of the year** | **36,598,028** | **31,086,189** | **26,030,778** | **5,147,658** | - |

Bank borrowings mature between June 2013 and June 2015 and at average annual interest rates of 2014: 12.19%, 2013: 15.58%, 2012: 16.06% and 2011: 12.27. There were no bank borrowings in year ended 30 June 2010.

Total borrowings include commercial papers of Kshs 4,665,500,000 and secured liabilities (bank and collateralised borrowings) of Kshs 980,459,000 in 2014 and Kshs 588,614,000 in 2013. The Group did not have secured liabilities in 2010, 2011 and 2012. Collateralised borrowings are secured by land, industrial property and bank guarantee. The commercial paper matures in January 2015 and at a weighted average annual interest rate of 11.52%.

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

**Notes (continued)**

## 35 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:

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| **(a) Sale of goods and services** | | | | | |
| Other related parties | **-** | **-** | **-** | **9,480** | **54,020** |
| **(b) Purchase of goods and services** | | | | | |
| Parent company | 1,988,749 | 11,557 | - | 602,727 | 1,613,736 |
| Fellow subsidiaries | 2,290,845 | 2,995,019 | 1,948,563 | 1,456,753 | 1,628,911 |
| | **4,279,594** | **3,006,576** | **1,948,563** | **2,059,480** | **3,242,647** |

.

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

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Receivables from related parties | 25,184 | 177,701 | 77,329 | 133,710 | 305,619 |
| Payable to related parties | 683,266 | 3,722,331 | 4,135,691 | 2,066,380 | 1,130,760 |

### (d) Directors' remuneration

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Fees for services as a director | 14,313 | 8,728 | 9762 | 8,311 | 3,720 |
| Other emoluments included in key management compensation in (e) below | 247,427 | 214,870 | 188,590 | 175,015 | 167,847 |
| | **261,740** | **223,598** | **198,352** | **183,326** | **171,567** |

**Notes (Continued)**

**(e) Key management compensation**

| | 2014 Kshs'000 | 2013 Kshs'000 | 2012 Kshs'000 | 2011 Kshs'000 | 2010 Kshs'000 |
|---|---|---|---|---|---|
| Salaries and other short-term employment benefits | 639,975 | 628,164 | 503,758 | 334,489 | 354,916 |
| Termination benefits | 24,150 | 11,478 | 20,737 | 15,400 | 21,817 |
| Post-employment benefits | 30,392 | 26,066 | 19,535 | 16,863 | 57,889 |
| | **694,517** | **665,708** | **544,030** | **366,752** | **434,622** |

**36 Reserves**

**(a) Revaluation surplus**

The revaluation surplus represents the surplus on the revaluation of property, plant, and equipment net of deferred income tax and is non-distributable. The reserve relates to the period before the group adopted the cost basis for all its Property, Plant and Equipment classes. It is released upon impairment or derecognition of the related item of property, plant and equipment

**(b) Share based payment reserve**

Share based payment reserve is the benefit granted to employees arising from equity settled Employee Share Ownership Plan. During the 5 year period presented, a fair value charge of Kshs 2,014,000 in 2014, Kshs 4,327,000 in 2013 and Kshs 67,046,000 in 2012 was recognised in respect of the employees in the Employee Share Ownership Plan (ESOP).

**Translation reserve**

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

**(c) Other reserves**

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. The other reserves of Kshs 18,292,037,000 relates to 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 accounting standards.

**37 Investment in Associates and Subsidiaries**

**(a) Investment in associates**

| | Effective interest | 2010 Kshs'000 |
|---|---|---|
| Tanzania Breweries Limited | 20% | **2,465,213** |
| At start of year | | 1,680,387 |
| Group's share of profit after tax | | 1,143,998 |
| Currency translation adjustment | | 94,033 |
| Dividend received by the Group | | (453,205) |
| **At 30 June** | | **2,465,213** |

**(b) Acquisition of Serengeti Breweries**

On 22 October 2010, East African Breweries Limited completed the acquisition of a 51% equity stake in Serengeti Breweries Limited (SBL), a beer brewing and distribution business based in Tanzania. As a result of the acquisition, the group consolidated its leadership position in the East Africa region adult beverages market. The fair value consideration was Kshs 4,943 million.

The goodwill of Kshs 2,928,527,000 arising from the acquisition was attributed to the acquired customer base, the value of the local employees and the economies of scale expected from combining the operations of the group with Serengeti Breweries Limited.

None of the goodwill arising on consolidation is expected to be deductible for income tax purposes.

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| | | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| 1 | Earnings before interest and taxes interest cover (times) | 3.44 | 3.86 | 5.53 |
| 2 | Funds from operations to total debt (%) | 31 | 43 | 64 |
| 3 | Free cash flow to total debt (%) | 24 | 36 | 51 |
| 4 | Total free cash flow to short term obligation (%) | 73 | 134 | 245 |
| 5 | Net profit margin (%) | 11 | 11 | 19 |
| 6 | Post-tax return (before financing on capital employed) (%) | 33 | 33 | 45 |
| 7 | Long term debt to capital employed (%) | 63 | 63 | 38 |
| 8 | Total debt to equity (times) | 4.05 | 3.59 | 0.89 |

The funds from the bond issue are targeted to be used by East African Breweries Limited in the following areas:

| | Bond proceeds | Proportion |
|---|---|---|
| **Uses of Funds** | **Kshs'000** | % |
| Capital Expenditure | 5,100,000 | 46.4% |
| Working capital investments and general commercial purposes | 5,900,000 | 53.6% |
| **TOTAL** | **11,000,000** | **100%** |

# Appendix C: Interim Financial Statement for 6 Months ended 31 December 2014

**EAST AFRICAN BREWERIES LIMITED**

**INTERIM FINANCIAL INFORMATION (UNAUDITED)**

**FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2014**

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

4 March 2015

## Report on the Interim Financial Statement for 6 Months ended 31 December 2014 – East African Breweries Limited

Dear Sirs

We have reviewed the accompanying financial statements of East Africa Breweries Limited, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended.

### Management's Responsibility for the Interim Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of East African Breweries Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

**Certified Public Accountants**
Nairobi, Kenya

4th March 2015

## Consolidated income statement

| | 6 months ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | **Kshs'M** | **Kshs'M** |
| **Revenue** | **34,768** | **31,858** |
| Cost of sales | (17,657) | (16,127) |
| **Gross profit** | **17,111** | **15,731** |
| Selling and distribution costs | (3,188) | (3,047) |
| Administrative expenses | (4,397) | (4,507) |
| Other expenses | (536) | (50) |
| **Operating profit** | **8,990** | **8,127** |
| Net finance costs | (2,187) | (2,043) |
| **Profit before income tax** | 6,803 | 6,084 |
| Income tax expense | (2,181) | (1,923) |
| **Profit for the period** | 4,622 | 4,161 |
| **Profit attributable to:** | | |
| Equity holders of the Company | 4,143 | 3,949 |
| Non-controlling interest | 479 | 212 |
| **Profit for the period** | **4,622** | **4,161** |
| **Earnings per share for profit attributable to the equity holders of the Company** | | |
| - Basic (Kshs per share) | 5.24 | 4.99 |
| - Diluted (Kshs per share) | 5.23 | 4.99 |

## Consolidated statement of other comprehensive income

| | 6 months ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | **Kshs'M** | **Kshs'M** |
| **Profit for the period** | 4,622 | 4,161 |
| **Other comprehensive income net of tax:** | | |
| **Items that may be reclassified to profit or loss:** | | |
| Currency translation differences | 18 | 7 |
| Total comprehensive income for the period | 4,640 | 4,168 |
| **Attributable to:** | | |
| Equity holders of the company | 4,145 | 3,975 |
| Non controlling interest | 495 | 193 |
| **Total comprehensive income for the period** | 4,640 | 4,168 |

## Consolidated statement of financial position

| | As at | |
|---|---|---|
| | **31 December 2014** | **30 June 2014** |
| | **Kshs'M** | **Kshs'M** |
| **Capital and reserves attributable to the Company's equity holders** | | |
| Share capital and reserves | 13,164 | 9,019 |
| Non – controlling interests | 577 | 82 |
| **Total equity** | **13,741** | **9,101** |
| **Non-current assets** | | |
| Property, plant and equipment | 37,270 | 37,255 |
| Intangible assets – Software | 413 | 434 |
| Intangible assets – Goodwill | 3,577 | 3,577 |
| Intangible assets – Brand | 563 | 563 |
| Prepaid operating lease rentals | 11 | 11 |
| Other investments | 10 | 10 |
| Deferred tax asset | 555 | 1,208 |
| | **42,399** | **43,059** |
| **Current assets** | | |
| Inventories | 10,593 | 9,704 |
| Trade and other receivables | 9,220 | 7,717 |
| Tax recoverable | 1,079 | 1,285 |
| Cash and cash equivalents | 3,509 | 1,101 |
| | **24,401** | **19,807** |
| **Total Assets** | **66,800** | **62,866** |
| **Non-current liabilities** | | |
| Long term borrowings | 22,294 | 22,294 |
| Deferred tax liabilities | 3,907 | 4,010 |
| | **26,201** | **26,304** |
| **Current Liabilities:** | | |
| Trade and other payables | 15,814 | 12,352 |
| Tax payable | 4 | 5 |
| Short term borrowings | 9,674 | 12,546 |
| Bank overdrafts | 566 | 1,758 |
| Dividend payable | 800 | 800 |
| | **26,858** | **27,461** |
| **Total liabilities** | **53,059** | **53,765** |
| **Net assets** | **13,741** | **9,101** |

## Consolidated statement of changes in equity

| **Year ended 30 June 2014** | **Share capital** | **Share premium** | **Capital reserve** | **Translatio n reserves** | **Retained earnings** | **Share based payment reserve** | **Other reserves** | **Total** | **Non controlling interest** | **Tota Equit** |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Kshs'M** | **Kshs' M** | **Kshs' M** | **Kshs' M** | **Kshs' M** | **Kshs' M** | **Kshs' M** | **Kshs' M** | **Kshs' M** | **Kshs'** |
| As at 1 July 2013 | | | | | | | | | | |
| As previously stated | 1,582 | 1,691 | 1,285 | 188 | 20,779 | 71 | (18,292) | 7,304 | 1,134 | 8,43 |
| Prior period adjustment | - | - | - | - | (426) | - | - | (426) | (409) | (83 |
| **At 1 July 2013 – As restated** | **1,582** | **1,691** | **1,285** | **188** | **20,353** | **71** | **(18,292)** | **6,878** | **725** | **7,59** |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | - | - | - | - | 6,499 | - | - | 6,499 | 360 | 6,85 |
| Other comprehensive income | - | - | - | (11) | - | - | - | (11) | (14) | (2 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **(11)** | **6,499** | **-** | **-** | **6,488** | **346** | **6,83** |
| **Transactions with owners of the company** | | | | | | | | | | |
| Share based payment reserve | - | - | - | - | - | 2 | - | 2 | - | [illegible] |
| Dividends: | | | | | | | | | | |
| - 2013 final paid | - | - | - | - | (3,163) | - | - | (3,163) | (988) | (4,15 |
| - 2014 interim paid | - | - | - | - | (1,186) | - | - | (1,186) | - | (1,18 |
| **Total transactions with owners of the company** | **-** | **-** | **-** | **-** | **(4,349)** | **2** | **-** | **(4,347)** | **(988)** | **(5,33** |
| **Balance at 30 June 2014** | **1,582** | **1,691** | **1,285** | **177** | **22,502** | **73** | **(18,292)** | **9,019** | **82** | **9,10** |

## Consolidated statement of changes in equity (continued)

| 6 Months Period ended 31 December 2014 | Share capital | Share premium | Capital reserve | Translation reserves | Retained earnings | Share based payment reserve | Other reserves | Total | Non controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Kshs'M | Kshs' M | Kshs' M | Kshs' M | Kshs' M | Kshs' M | Kshs' M | Kshs' M | Kshs' M | Kshs' M |
| As at 1 July 2014 | 1,582 | 1,691 | 1,285 | 177 | 22,502 | 73 | (18,292 ) | 9,019 | 82 | 9,101 |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the period | - | - | | - | 4,143 | - | - | 4,143 | 479 | 4,622 |
| Other comprehensive income/(loss) | - | - | | 2 | - | - | - | 2 | 16 | 18 |
| **Total comprehensive income for the period** | **-** | **-** | | 2 | 4,143 | - | - | 4,145 | 495 | 4,640 |
| **Transactions with owners** | | | | | | | | | | |
| Dividends: | | | | | | | | | | |
| - 2014 final paid | - | - | - | - | - | - | - | - | - | - |
| **Total transactions with owners** | - | - | - | - | - | - | - | - | - | - |
| **At 31 December 2014** | **1,582** | **1,691** | **1,285** | **179** | **26,645** | **73** | **(18,292)** | **13,164** | **577** | **13,741** |

## Consolidated statement of cash flows

| 6 months ended 31 December | 2014 Kshs'M | 2013 Kshs'M |
|---|---|---|
| **Cash generated from operating activities** | **7,570** | **4,804** |
| **Investing activities:** | | |
| Purchase of property, plant and equipment | (1,097) | (4,535) |
| Proceeds from disposal of leasehold land and buildings | - | 8 |
| Proceeds from disposal of investment | - | 20 |
| **Net cash used in investing activities** | **(1,097)** | **(4,507)** |
| **Financing activities:** | | |
| Dividends paid to shareholders | - | (3,100) |
| Dividends paid to minority interest | - | (988) |
| Proceeds from Borrowings | - | 6,150 |
| Repayment of Borrowings | (2,873) | (193) |
| **Net cash generated from/(used in) financing activities** | **(2,873)** | **1,869** |
| **Increase in cash and cash equivalents** | **3,600** | **2,166** |
| **Movement in cash and cash equivalents** | | |
| Cash and cash equivalents at 1 July | (657) | (4,887) |
| Increase during the period | 3,600 | 2,166 |
| **Cash and cash equivalents at 31 December** | **2,943** | **(2,721)** |

## 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 31 December 2014 and for the period 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

*(i) Basis of accounting*

The condensed financial statements have been prepared in accordance with International Accounting Standard no 34; Interim Financial Reporting.

*(ii) Functional and presentation currency*

The financial statements are presented in Kenya Shillings which is the Company's functional currency. All financial information presented in Kenya Shillings has been rounded to the nearest million except when otherwise indicated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates 'the functional currency' except where otherwise indicated.

*(iii) Accounting policies*

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2014 unless otherwise stated. These unaudited interim financial statements should be read in conjunction with the 30 June 2014 annual financial statements.

## Notes

### 3 Revenues

The Group delivered net sales growth of 9% and profit before income tax of 12% driven by the growth in spirits, premium beer and ready to drink brands which are attributed to innovation. There has also been improved performance in the Tanzania and Uganda subsidiary with the growth in the respective local brands. The export markets grew by over 100% largely due to the increased sales in the premium beers and premium spirits as well as a move to canned beer.

### 4 Cost of sales Expenses

Costs have been managed in the year with only a 9% growth, key savings being around improved raw material usage, better energy prices and greater production efficiencies.

### 5 Expenses

Selling and distribution expenses are in line with the Group's strategy to invest ahead to grow market share. Administrative expenses on the other hand benefited from the previous reorganization resulting in a 2% decline.

### 6 Capital expenditure

A net spend of Kshs 2.3 billion incurred on the new furnace at Central Glass Industries, the upgrade of the effluent treatment plant in Uganda and installation of Cereal Cookers in Tanzania.

### 7 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, South Sudan 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.

## Notes

### 7 Segmental reporting (continued)

| | Kenya | Uganda | Tanzania | South Sudan | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **Revenue** | **Kshs 'M** | **Kshs 'M** | **Kshs 'M** | **Kshs 'M** | **Kshs 'M** | **Kshs 'M** |
| External sales, net | 22,677 | 6,198 | 5,105 | 800 | (12) | 34,768 |
| Inter-segment sales | 3,935 | 101 | | | (4,036) | - |
| **Net sales** | **26,612** | **6,299** | **5,105** | **800** | **(4,048)** | **34,768** |
| Profit before income tax | 5,894 | 858 | (259) | 310 | | 6,803 |
| Income tax expense | (1,907) | (293) | 65 | (46) | | (2,181) |
| | | | | | | - |
| Segment results | 3,987 | 565 | (194) | 264 | | 4,622 |
| Segment assets | **86,970** | **9,359** | **13,202** | **1,701** | **(44,432)** | **66,800** |
| Segment liabilities | **50,123** | **5,115** | **11,853** | **1,194** | **(15,226)** | **53,059** |

# Appendix D:  Form of Pricing Supplement

**EAST AFRICAN BREWERIES LIMITED**

(Incorporated in Kenya under the Companies Act, Chapter 486, Registration Number C.5/34)

**ISSUE OF [Tranche number] [Aggregate Principal Amount of Tranche] [Title of Notes] UNDER THE UP TO KSHS 11,000,000,000 MEDIUM TERM NOTE PROGRAMME**

This document constitutes the applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated [*] 2015, as updated and amended from time to time. This applicable Pricing Supplement must be read in conjunction with such Information Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Information Memorandum, the provisions of this Pricing Supplement shall prevail.

## 1. Description of the Notes

| | |
|---|---|
| 1.1 Issuer | [*] |
| 1.2 Status of the Notes | [*] |
| 1.3 Issue: | |
| a. Series Number* | [*] |
| b. Tranche Number | [*] |
| * explanation of the Series number | |
| 1.4 Redemption/Payment Basis | [Redemption at par] |
| 1.5 Principal Amount | [*] |
| 1.6 Form of Notes | [Registered] [Book-entry] |
| 1.7 Issue Date | [*] |
| 1.8 Trade Date | [*] |
| 1.9 Business Centre | [*] |
| | [*] |

| | |
|---|---|
| 1.10 Specified Denomination of the Notes | |
| 1.11 Issue Price | [*] |
| 1.12 Interest Commencement Date | [*] |
| 1.13 Interest Termination Date | [*] |
| 1.14 Redemption Date | [*] |
| 1.15 Specified Currency | [*] |
| 1.16 Applicable Business Day convention | [*] |
| 1.17 Paying Agent, Fiscal Agent and Registrar | [*] |
| 1.18 Specified office | |
| i. Of the Paying Agent, Fiscal Agent and Registrar | [*] |
| ii. Of the Issuer | [*] |
| 1.19 Final Redemption Amount | [*] |
| 1.20 Record Date | [*] |
| **2. Provisions relating to Interest Payable** | |
| 2.1 Fixed Rate Note Provisions | [If not applicable delete] |
| i. Fixed Rate of Interest | [ ]% per annum payable [semi-annually] in arrear |
| ii. Interest Payment Dates | [[ ] and [ ]] in each year up to and including the Maturity Date |
| iii. Default Rate | [* basis points] |
| iv. Other terms relating to the method of calculating interest for the Fixed Rate Notes | [Not applicable/give details] |
| 2.2 Floating Rate Notes | [If not applicable delete] |
| i. Interest Periods | Each period from and including one Interest Payment Date to, but excluding the next Interest Payment Date provided that the first Interest Period shall commence on the Interest Commencement Date ([ ]) and the last Interest Period shall conclude on, but exclude the |

| | |
|---|---|
| | last Interest Payment Date ([ ]). |
| ii. Interest Payment Dates | Each [[ ], [ ], [ ] and [ ]] until the Maturity Date, with the first Interest Payment Date being [ ]. |
| iii. Interest Determination Date | [*] |
| iv. Interest Rate | [Reference Rate plus the Floating Rate Margin/other (insert details)] |
| v. Reference Rate | [Give details of the applicable benchmark] |
| vi. Floating Rate Note Margin | [* basis points] |
| vii. Minimum Interest Rate | [*] |
| viii. Maximum Interest Rate | [*] |
| ix. Business Day Convention | [Applicable/Not Applicable] |
| x. Day Count Fraction | [*] |
| xi. Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest for Floating Rate Notes | [*] |
| xii. Default Rate | [* basis points] |
| xiii. Other terms relating to the method of calculating interest if different from Condition 4 *(Interest)* | [*] |
| **3. Provisions regarding Redemption** | |
| 3.1 Redemption at the option of the Issuer | [Applicable/Not applicable] |
| If applicable, | |
| a. Optional Redemption Dates | [*] |
| b. Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) | [*] |
| c. Minimum period of notice (if different from Condition 6 *(Redemption and Purchase)* | |
| d. If redeemable in part | |
| | [*] |

| | |
|---|---|
| i. Minimum Redemption Amount | |
| ii. Higher Redemption Amount | [*] |
| e. Other terms applicable on Redemption | [*] |
| **GENERAL** | |
| 4. Other terms or special conditions | [*] |
| 5. Board approval for issuance of the Notes | [*] |
| 6. Additional Selling Restrictions | [*] |
| 7. Allotment policy | [*] |
| 8. Listing | |
| a. International Securities Identification Numbering (ISIN) | [*] |
| b. Financial Exchange | [*] |
| c. Relevant sub-market of the Financial Exchange | [*] |
| 9. Settlement Procedures and Settlement Instructions | [*] |
| 10. Details of bank account(s) to which payments are to be made in respect of the Notes Settlement Procedures and Settlement Instructions | [*] |
| 11. Last Day to Register, which shall mean that the "books closed period" (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption | |
| 12. Method of Distribution | [Public]/[Private] |
| 13. Total Notes in issue (excluding the current issue) | [*] |
| 14. Rights of Cancellation | [The Notes will be delivered to investors on the Issue Date/Settlement Date by registration in the CDSC |

| | |
|---|---|
| | Account as book entry provided that:<br><br>(i) no event occurs prior to the settlement process being finalised on the Issue Date/Settlement Date which the Issuer (in its sole discretion) consider to be a *force majeure* event; or<br><br>(ii) no event occurs which the Issuer (in its sole discretion) considers may prejudice the issue, the Issuer or the Notes,<br><br>(each a **Withdrawal Event**).<br><br>If the Issuer decides to terminate this transaction due to the occurrence of a Withdrawal Event, this transaction shall terminate and no party hereto shall have any claim against any other party as a result of such termination. In such event, the Notes, if listed, will immediately be de-listed. |
| 15. Tax | Interest earned on the Notes is subject to 15% withholding tax (Attach copy of certificate of exemption where applicable). |
| 16. Material Change | Save as disclosed in the Information Memorandum as read together with this applicable Pricing Supplement, there has been no significant change in the Issuer's financial position since the date of the Issuer's last audited financial statements. |
| 17. Responsibility Statement | The Issuer and the Board of Directors accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum [and the supplemental Information Memorandum] referred to above, contains all information that is material in the context of the issue of the Notes. |
| **ADDITIONAL INFORMATION** | |
| 18. Additional steps that may be taken following approval of the Extraordinary Resolution (in accordance with the Conditions) | [*] |
| 19. Specify Agents and Specified Offices if new or other Agents appointed | [*] |

**LISTING APPLICATION**

[This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the up to KES 11,000,000,000 Medium Term Note Programme of East African Breweries Limited.]

| **Salient Dates** | |
|---|---|
| Offer Opens | [*] |
| Offer Closes | [*] |
| Allotment Date | [*] |
| Notification Date (via email/telephone) | [*] |
| Payment Date | [*] |
| Issue Date | [*] |
| CDS Account upload date | [*] |
| | |

Application is hereby made to list this issue of Notes pursuant to the listing of the KShs [*] Medium Term Note Programme of East African Breweries Limited as from [date of issue of Notes].

**EABL Authorised Signatories**

# Appendix E: Form of Application Form

**Application List Opening Date [insert date]**

**Application List Closing Date [insert date]**

**Up to [*] MEDIUM TERM NOTE PROGRAMME**
**For the offering of East African Breweries Limited Notes**

I/We, the undersigned hereby apply to purchase the amount specified below of the Fixed Rate and/or Floating Rate Notes (the "Notes") to be issued by East African Breweries Limited ("EABL") upon the terms and conditions set out in this application form and the Information Memorandum dated [♦].
(please tick appropriate box)

| | | | |
|---|---|---|---|
| **[insert type of Notes]** | | **[insert type of Notes]** | |

**Applications must be made in accordance with the instructions set out in this document. Care must be taken to follow these instructions as applications that do not comply may be rejected. If you are in any doubt, please consult the Arrangers or Placing Agents for guidance.**

**Please complete all relevant sections of this Form USING BLOCK LETTERS WHERE APPLICABLE**

| PARTICIPANT STATUS (PLEASE TICK √) | DATE (DD/MM/YYYY) | CONTROL NO. (FOR REGISTRARS' USE ONLY) |
|---|---|---|
| | / / | |

PARTICIPANT STATUS (PLEASE TICK √)

| | |
|---|---|
| | Resident |
| | Non Resident |
| | Tax Exempt |
| | Taxable |

PARTICIPANT TYPE (PLEASE TICK √)

| | |
|---|---|
| | Pension Fund Manager |
| | Unit Trust |
| | Insurance Company |
| | Corporate |
| | Bank |
| | Individual |
| | [other] |

**DECLARATION** (PLEASE TICK √)

- ☐ I/We note that the Issuer and the Placing Agents are entitled in their absolute discretion to accept or reject this application.
- ☐ I/We confirm that I/we have read the Information Memorandum dated [*] *[year]* and that my/our application(s) is/are made on the terms set therein.
- ☐ I/We agree to accept the Principal Amount as may be allocated to me/us subject to the terms in this Pricing Supplement.
- ☐ I/We authorise you to enter my/our name on the Register of Noteholders of the Notes that may be allotted to me/us and to register my/our address as given below.
- ☐ I/We hereby irrevocably undertake and confirm my/our application(s) for Notes is on the terms outlined in the relevant Pricing Supplement.

PARTICIPANT DETAILS (INDIVIDUAL/CORPORATE/JOINT) (Please use one box for one alphabet leaving one box blank between first word and second)

**All applications must be for a minimum amount of *[currency] [insert amount in figures] [insert amount in words]* and in multiples of [*] thereafter.**

**SURNAME/CORPORATE NAME**

**FIRST NAME (FOR INDIVIDUALS ONLY)** **OTHER NAMES (FOR INDIVIDUALS ONLY)**

**JOINT APPLICANT'S FIRST NAME (IF APPLICABLE)** **OTHER NAMES (FOR JOINT APPLICANT ONLY)**

**CONTACT PERSON (FOR CORPORATE APPLICANT)/ NEXT OF KIN (FOR INDIVIDUAL APPLICANT)**

**ADDRESS IN FULL (PLEASE DO NOT REPEAT APPLICANT(S)' NAME). POST BOX NO. ALONE IS NOT SUFFICIENT**

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | TEL. | |
| CITY | | COUNTY | | EMAIL | |

**PARTICIPATION AND ALLOTMENT DETAILS**

| | | |
|---|---|---|
| **FACE VALUE:** | **KES** | |

Please credit my/our CDSC Account as detailed below to the extent of the Notes are allotted:

| | |
|---|---|
| **PARTICIPANT'S CDSC ACCOUNT NO:** | |

| BANK DETAILS FOR INTEREST PAYMENTS | | | |
|---|---|---|---|
| BANK NAME | | BRANCH | |
| ACCOUNT NO: | | CITY/COUNTY | |

| SIGNATURES | | |
|---|---|---|
| SIGNATURES | 2ND SIGNATURE (CORPORATE/JOINT) | OFFICIAL STAMP |
| | | |
| NAME OF AUTHORISED SIGNATORY *(Corporate only)* | NAME OF AUTHORISED SIGNATORY (Corporate/Joint): | |
| | | |
| DESIGNATION *(Corporate only)*: | DESIGNATION (Corporate only): | |
| | | |

**Notes:**

1. Completing the form

This completed form should be forwarded by fax, email or by hand to the Arrangers or Placing Agents at the following address:

**Head, Debt Capital Markets: East Africa,**
**CfC Stanbic Bank Limited**
**58 Westlands Road**
**1st Floor, CfC Stanbic Centre**
**P.O. Box 72833-00100**
**Nairobi**
**tel : +254 (20) 3638 965**
**email : eablbond@stanbic.com**

**OR**

**Attention: Head, Global Corporates**
**Barclays Bank of Kenya Limited**
**The West End Building**
**4th Floor, Waiyaki Way**
**Fax number: +254 20 425 4495**
**Email address: ProjectBora@barclayscapital.com**

Application lists will close at [*]h00 on [*]

- All alterations to this application form must be authenticated by full signature. All applications must be made without any conditions stated by applicants.
- Under no circumstances whatsoever may the name of the applicant be changed and if this is done then the application form will be invalid.
- Applications are made subject to the provisions of the Information Memorandum to which this form is attached
- Applications are irrevocable and may not be withdrawn or amended without the written consent of the Issuer
- Individual applicants must be 18 years of age or older.

**2. Acceptance**

By signing an application form the applicant undertakes

(i) For Non Professional Investors: to pay to the Issuer on the date the offer closes, in same day funds, the purchase price for the Notes subscribed for;

(ii) For Professional Investors: to pay to the Issuer on the Issue Date in same-day funds the purchase price for the Notes allotted to it in accordance with the provisions of the Agency Agreement.

For the purposes of this clause and clause 3 below, a Professional Investor refers to (i) any person licensed under the CMA Act; (ii) an authorized scheme or collective investment scheme; (iii) a bank or subsidiary of a bank, insurance company, cooperative, statutory fund, pension or retirement fund; or (iv) a person including a company, partnership, association or a trustee on behalf of a trust which, either alone, or with any associates on a joint account subscribes for Notes with an issue price of at least ten million shillings

**3. Settlement procedure**

Payment of the purchase price for the Notes may be made:

a. Non Professional Investors: by bank transfer/remittance using real time gross settlement (RTGS), to be made on application for subscription of the Notes, to the Issuer's KES Account No. [*] or such other accounts as may be provided in the books of the Fiscal Agent and Registrar [*] branch, not later than [*]h00 (Nairobi time) on the date the offer closes; and

b. Professional Investors: by bank transfer/remittance using real time gross settlement (RTGS), to be made on the instructions of the successful applicant to his bank of the funds for credit of the Issuer's KES Account No. [*] or such other accounts as may be provided in the books of the Fiscal Agent and Registrar, [*] branch, not later than [*]h00 (Nairobi time) on the settlement date of each issue.

**4. General**

The Information Memorandum and any contracts resulting from an acceptance of an application for the Notes shall be governed and construed in accordance with Kenyan law

# Appendix F: Advisers to the Transaction

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|---|---|---|
| Arrangers | CfC Stanbic Bank Limited<br><br>Barclays Bank Kenya and Barclays Financial Services Limited and Absa Corporate and Investment Bank, a division of Absa Bank Limited | CfC Stanbic Centre<br>58 Westlands Road<br>P.O. Box 30550, 00100,<br>Nairobi<br><br>The West End Building<br>Waiyaki Way<br>Po Box 30120-0100<br>Nairobi |
| Placing Agents | CfC Stanbic Bank Limited<br><br>Barclays Bank Kenya and Barclays Financial Services Limited | CfC Stanbic Centre<br>58 Westlands Road<br>P.O. Box 30550, 00100,<br>Nairobi<br><br>The West End Building<br>Waiyaki Way<br>Po Box 30120-0100<br>Nairobi |
| Sponsoring Stockbroker, Placing Agent and Arranger | SBG Securities Limited | CfC Stanbic Centre<br>58 Westlands Road<br>P.O. Box 47198, 00100,<br>Nairobi |
| Fiscal Agent and Registrar | CfC Stanbic Bank Limited | CfC Stanbic Centre<br>58 Westlands Road<br>P.O. Box 30550, 00100,<br>Nairobi |
| Transaction Legal Counsel | Coulson Harney, Advocates | 5th floor, West Wing,<br>ICEA Lion Centre,<br>Riverside Park<br>Chiromo Road<br>PO Box 10643-00100<br>Nairobi |
| Reporting Accountants | PricewaterhouseCoopers, Certified Public Accountants | PwC Tower<br>Corner of Waiyaki Way and Chiromo Road<br>Westlands<br>Nairobi |