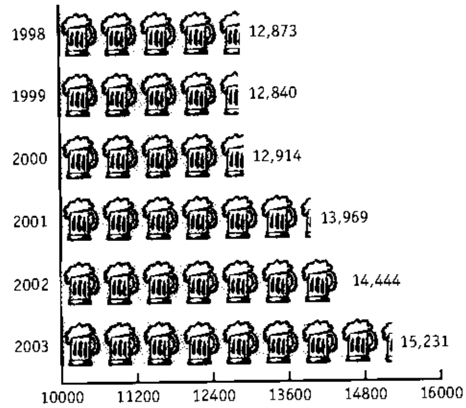
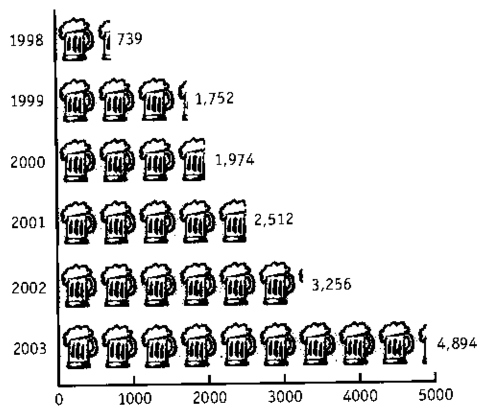
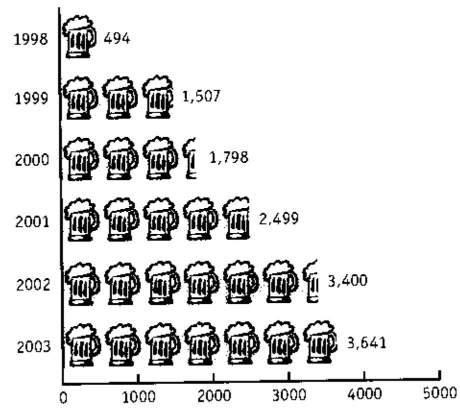
contents



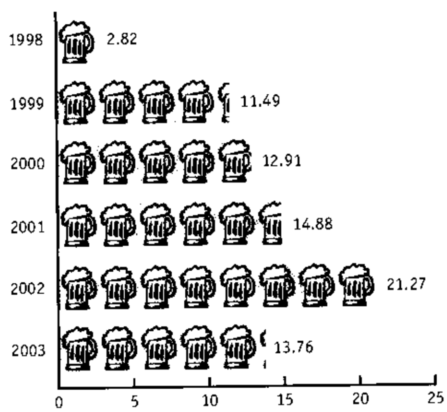
NET SALES VALUE (KShs M)



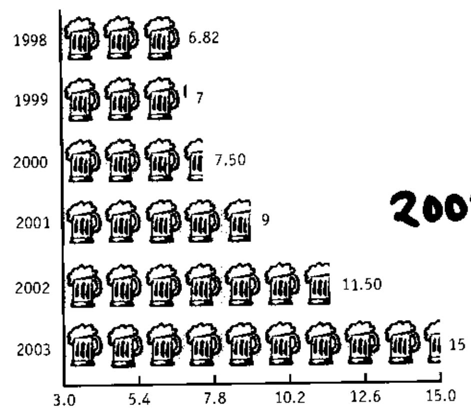
OPERATING PROFIT (KShs M)



PROFIT BEFORE TAX (KShs M)



EARNINGS PER SHARE (KShs)



DIVIDEND PER SHARE (KShs)

2007|085

corporate information

FINANCIAL CALENDAR
For the year ended 30 June 2003

RESULTS
Half Year Results announced on 24 February 2003
Full Year Results announced on 1 September 2003

Annual Report
Issued on 1 October 2003
81st Annual General Meeting:
31 October 2003

Dividends

Interim
Announced on 24 February 2003
Paid on 30 April 2003

Final
To be declared on 31 October, 2003
Payable on or about 14 November 2003

Register
Closing date: 16 October 2003

CORPORATE INFORMATION

DIRECTORS, OFFICERS & ADMINISTRATION

DIRECTORS
Group Chairman
J G Kiereini EGH, EBS, SS

Group Deputy Chairman
D H C Hampshire **

Group Managing Director
P G Healy *

Group Finance Director
P D Fullam * (Appointed 20 February 2003)
G K Mahinda (Resigned 6 December 2002)

Non Executive Directors
I K Cheluget
W S Kalema (Dr) ***
R Kemoli
W Mugane (Ms)
J K Mwangi
E Mwaniki
B A Savage **** (Appointed 29 November 2002)

Group Company Secretary
M N Nderu (Ms) (Appointed 22 April 2003)
J B Rukanyangira (Resigned 28 February 2003)

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Corporate Centre, Ruaraka
Off Thika Road
P O Box 30161 - 00100
Nairobi
Telephone: 864000
Fax: 802054/861090
E-mail: kbl@kenyabreweries.co.ke
Website: www.eabrew.com

REGISTRAR

Barclays Advisory & Registrar
Services Limited
1st Floor, Bank House
Moi Avenue
P O Box 30120
Nairobi

AUDITORS

KPMG Kenya
Lonrho House, 16th Floor
Standard Street
P O Box 40612
Nairobi

BANKERS

Standard Chartered Bank
Kenya Limited
Kenyatta Avenue Branch
P O Box 30003, Nairobi

Commercial Bank of Africa Limited
CBA Building
Wabera/Standard Street
P O Box 30437, Nairobi

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

ADVOCATES

Kaplan & Stratton
Queensway House, Kaunda Street
P O Box 40111, Nairobi

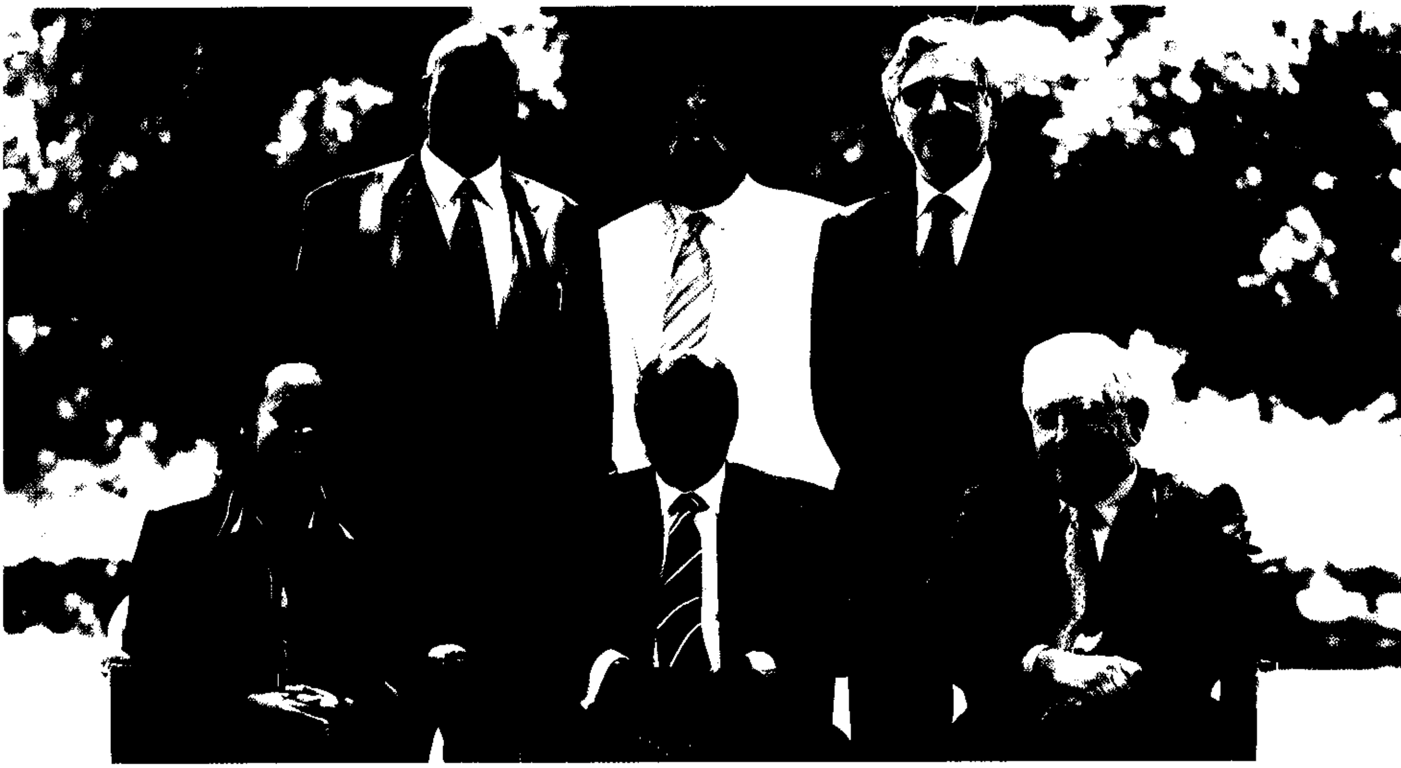
* Irish **British ***Ugandan ****Nigerian

Standing from left:

J K Mwangi: joined the Board in 1988, currently Chief Executive Officer, Equity Building Society with over 20 years experience.

R Kemoli HSC, MBE: joined the Board in 1989, Chairman, Unga Group of Companies and Housing Finance Company of Kenya Ltd. (HFCK) and Bamburi Cement; also a director of CMC Holdings Ltd, Hima Cement Uganda and several other companies in Kenya, Tanzania and Uganda.

P D Fullam (Group Finance Director): appointed the Group Finance Director in 2003 after undertaking various assignments in different fields and serving with AT&T and the Guinness Group in Ireland.



Sitting from left:

M N Nderu (Ms), (Group Company Secretary): appointed the Group Company Secretary in 2003 after serving as Regional Company Secretary in Tourism Promotion Services Limited (Serena Hotels).

J G Kiereini EGH, EBS, SS, (Group Chairman): appointed Chairman in 1988 after serving the Kenya Civil Service in various senior positions for over 30 years; Chairman, CMC Holdings Group of Companies, Director of CFC Bank Ltd. and Director of several other companies in Kenya, Tanzania and Uganda.

P G Healy (Group Managing Director): appointed the Group Managing Director in 1998 after serving as Managing Director of Guinness Ghana and Guinness Nigeria; has worked for Guinness for 50 years in various African countries; also director of Kenya Breweries, Central Glass Industries, Uganda Breweries, Kenya Maltings and UDV (Kenya).

board of the directors (cont'd)

Standing from left:

E Mwaniki: joined the Board in 2000, Chairman of British American Tobacco (BAT-Kenya) Ltd. and a director of Kenya Shell Limited, Lion of Kenya Insurance Company Limited, East Africa Packaging Industries and several other companies in Kenya.

D H C Hampshire (Group Deputy Chairman): joined the Board in 1989, has worked for Guinness for over 35 years in senior positions in various countries; currently responsible for Guinness/UDV interests in Africa and Chairman of Guinness Ghana and Seychelles Breweries, Vice Chairman of Guinness Nigeria and a Director of Monrovia Breweries among others.

B A Savage: joined the Board in 2002, currently the Corporate Affairs Director and Company Secretary of Guinness Nigeria Plc.

Sitting from left:

W S Kalema (Dr): joined the Board in 2000, Chairman, Uganda Investment Authority, the DFCU Group in Uganda and Board of Trustees of Uganda Gatsby Trust, Managing Director of Simba Blankets and a director of several other companies in Uganda.

W Mugane (Ms): joined the Board in 2001, currently Managing Director of First Africa Capital Limited.

I K Cheluget: joined the Board in 1989 after working in the civil service of Kenya in various capacities for over 25 years; Chairman of Tea Hotel Limited and a director of Central Agricultural Board of Kenya and Uganda Breweries Ltd.

NOTICE IS HEREBY GIVEN that the EIGHTY FIRST ANNUAL GENERAL MEETING of East African Breweries Limited will be held at Tusker Sports Ground, Ruaraka, Nairobi on Friday, 31st October 2003 at 10.00 a.m. for the following purposes:

1. FINANCIAL STATEMENTS

a) to receive and adopt the audited financial statements for the year ended 30 June 2003 together with the report of the Directors and the Auditors' report thereon (Resolution 1);

b) to confirm the interim dividend of KShs 3.00 and declare a final dividend of KShs 12.00 per ordinary share payable on or about 14 November 2003 to members on the Register at the close of business on 16 October 2003 (Resolution 2);

2. DIRECTORS

a) Elections

i) to re-elect Mr. Babatunde A Savage who retires under Article 108 and, being eligible, offers himself for re-election as a director of the company (Resolution 3);

ii) to re-elect Mr. Peter D Fullam who retires under Article 108 and being eligible, offers himself for re-election as a director of the company (Resolution 4);

iii) to re-elect Mr. John K Mwangi who retires under Article 109 and, being eligible, offers himself for re-election as a director of the company (Resolution 5);

iv) to re-elect Mr. Jeremiah G Kiereini a director of the company, special notice having been given, pursuant to section 186(5) of the Companies Act, of the intention to propose the following resolution as an ordinary resolution (Resolution 6):

RESOLUTION

"That Mr. Jeremiah G Kiereini, who is over the age of 70 years, be and is hereby re-elected a director of the company."

b) Remuneration

To approve an increase in the directors' fees to a total of KShs 5,760,000 per annum for all the non-executive Directors together (Resolution 7);

3. AUDITORS

To appoint KPMG Kenya, the company's Auditors for the period ending with the next annual general meeting of the company and to authorise the directors to determine their remuneration (Resolution 8).

4. To transact any other business that may legally be transacted at the meeting.

By Order of the Board,

M N Nderu (Ms)
Secretary

29 August 2003

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member. A tear-out form of Proxy is given on page 61 for use by members who do not propose to be present at the meeting.

notice of annual general meeting

tangazo la mkutano mkuu wa mwaka

TANGAZO LINATOLEWA HAPA kwamba MKUTANO MKUU WA MWAKA HUU UKIWA NI WA THEMANINI NA MOJA wa kampuni ya East African Breweries Limited utafanyika katika uwanja wa michezo wa Tusker, Ruaraka, Nairobi siku ya Ijumaa tarehe 31 Oktoba, 2003 saa nne asubuhi kwa minajili ifuatayo:

1) TAARIFA ZA KIFEDHA

a) Kupokea na kuidhinisha taarifa za kifedha ambazo zimechunguzwa kwa mwaka uliomalizika tarehe 30 Juni, 2003 pamoja na ripoti ya Wakurugenzi na ya Wakaguzi wa Hesabu wa kampuni, zilizoambatanishwa (Azimio la kwanza);

b) Kuthibitisha malipo ya mgawo wa muda wa shilingi 3.00 za Kenya na kutangaza mgawo wa mwisho wa shilingi 12.00 za Kenya kwa kila hisa ya kawaida, utakaolipwa mnamo au kabla ya tarehe 14 Novemba 2003, kwa wenyehisa ambao majina yao yatakuwa kwenye Daftari kufikia wakati wa kumalizika kwa shughuli, tarehe 16 Oktoba, 2003 (Azimio la pili);

2) WAKURUGENZI

a) Uchaguzi

i) Kumchagua Bw. Babatunde A Savage ambaye atastaafu kulingana na kifungu cha 108 cha kanuni za kampuni, na kwa vile inakubaliwa kumchagua tena, anajitolea achaguliwe kama mkurugenzi wa kampuni (Azimio la tatu);

ii) Kumchagua Bw. Peter D Fullam ambaye atastaafu kulingana na kifungu cha 108 cha kanuni za kampuni, na kwa vile inakubaliwa kumchagua tena, anajitolea achaguliwe kama mkurugenzi wa kampuni (Azimio la nne);

iii) Kumchagua Bw. John K Mwangi ambaye atastaafu kulingana na kifungu cha 109 cha kanuni za kampuni, na kwa vile inakubaliwa kumchagua tena, anajitolea achaguliwe kama mkurugenzi wa kampuni (Azimio la tano);

iv) Kumchagua Bw. Jeremiah G Kiereini kama mkurugenzi wa kampuni, notisi maalum ikiwa imetolewa, kulingana na kifungu cha 186(5) cha sheria zinazosimamia makampuni, kwa kusudi la kupendekeza azimio lifuatalo kama azimio la kawaida (Azimio la sita):

AZIMIO

"Kwamba Bw. Jeremiah G Kiereini, aliye na umri wa zaidi ya miaka 70, achaguliwe na amechaguliwa tena kama mkurugenzi wa kampuni."

b) Malipo

Kuidhinisha nyongeza kwa malipo ya wakurugenzi, kufikia jumla ya shilingi 5,760,000 za Kenya kwa mwaka, kwa wakurugenzi wote wasio waajiriwa wa kampuni kwa pamoja (Azimio la saba);

3) WAKAGUZI WA HESABU

Kuwateua KPMG Kenya, kama Wakaguzi wa Hesabu wa kampuni kwa muda utakaomalizika na mkutano mkuu wa kampuni wa mwaka ujao na kuwapa wakurugenzi idhini ya kuamua malipo yao (Azimio la nane).

4) Kushughulikia mambo mengine ambayo yanaweza kujadiliwa kihalali katika mkutano huo.

Kwa Amri ya Halmashauri,

M N Nderu (Bi.)
Katibu

29 Agosti, 2003

Mwanahisa aliye na haki ya kuhudhuria na kupiga kura mkutanoni, ana haki ya kumteua mwakilishi mmoja au zaidi kuhudhuria na kupiga kura kwa niaba yake. Fomu ya mwakilishi inayoweza kutolewa inapatikana katika ukurasa wa 61 kwa matumizi ya wanahisa wasiotarajiwa kuhudhuria mkutano.

Corporate Governance and the Board of Directors
Corporate governance is the process by which companies are directed and controlled with the ultimate aim of achieving shareholders' long-term value while taking into account the interest of the other stakeholders. Your Board continues to recognize the need to conduct the business of the Company in accordance with generally accepted corporate practices and principles of corporate governance and business ethics.

The Board meets quarterly to give general policy direction and oversee the Group's internal controls on operational, financial, strategic and compliance issues. At least one-third of the directors are non-executive and independent. All the non-executive directors are subject to periodic retirement and re-election in accordance with the Company's Articles of Association. The directors bring a wealth of experience and knowledge to the Board's deliberations.

Board Committees
In line with the guidelines issued by the Capital Markets Authority on Corporate Governance Practices by Public Listed Companies in Kenya, the Group has established the following Board Committees composed of non-executive directors:

1. Board Audit and Risk Management Committee which ensures that the internal control systems are effectively administered and reviews the financial results
2. Board Remuneration Committee which is responsible for senior executive and non-executive directors' remuneration, succession planning and terms of employment for staff within the Group
3. Board Corporate Governance Committee which reviews the Group's compliance on Corporate Governance issues and provides guidance to directors and officers on dealings in the Company's securities
4. Board Nomination Committee which proposes new nominees to the Board and ensures the Board has the necessary mix of skills and expertise for effective performance.

Internal Controls
The Group has a clearly defined organizational structure with identifiable roles and responsibilities. The Group operates within set out policies and procedures in conducting its business operations. These policies include guidelines for authorization and approval of revenue and capital expenditure.

Corporate Social Responsibility
The Group remains committed to improving the communities in which it operates in and has contributed to various charities and appeals throughout the region. It has focused on three key areas for more impact and efficiency : Education, Water of Life, and Health. Furthermore, the Group continuously reviews its operations so as to maintain world-class standards in the area of Safety and Environmental policies.

Awards
The Company maintained its leadership position by securing various awards during the course of the year 2002/2003. These included:

- First prize in the PricewaterhouseCoopers East Africa's Most Respected Company Survey 2002
- ISO 9001-2000 quality certification awarded to Kenya Breweries, Kenya Maltings and Central Glass Industries.

Uongozi Bora na Halmashauri ya Wakurugenzi.
Uongozi bora ni jinsi ambavyo makampuni yanaelekezwa na kusimamiwa, huku lengo la kimsingi likiwa ni kufanikisha thamani ya muda mrefu kwa wanahisa, huku ikizingatia maslahi ya washikadau. Halmashauri yenu inazidi kutambua haja ya uendeshaji wa shughuli za kampuni kulingana na desturi na kanuni za uongozi zinazokubalika, za uongozi bora na maadili ya kikazi.

Halmashauri hukutana mara nne kwa mwaka ili kutoa sera ya jumla ya uongozi na kusimamia mamlaka katika kampuni juu ya mambo yanayohusiana na utendaji kazi, fedha, mikakati na utekelezaji. Angalau thuluthi moja ya wakurugenzi ni wale walio huru na wasio waajiriwa wa kampuni. Wakurugenzi wote wasio waajiriwa wa kampuni wanapaswa kustaafu kwa muda kisha wachaguliwe tena kulingana na Kanuni za Kampuni. Wakurugenzi hawa wana ukwasi mwingi wa tajriba na maarifa, wanayochangia katika mashauriano ya Halmashauri.

Kamati za Halmashauri
Kulingana na miongozo iliyotolewa na Capital Markets Authority juu ya Desturi za Uongozi Bora kwa Makampuni ya Umma Yaliyoorodheshwa, nchini Kenya, Kampuni imeanzisha Kamati za Halmashauri zifuatazo, zilizo na wakurugenzi wasio waajiriwa wa kampuni:

1. Kamati ya Uchunguzi ya Halmashauri na Uongozi dhidi ya Hatari, ambayo itahakikisha kwamba mfumo wa usimamizi wa Kampuni unaendeshwa vilivyo na matokeo ya kifedha kupitiwa upya.
2. Kamati ya Ujira ambayo ina jukumu kwa maafisa wakuu na wakurugenzi wasio waajiriwa wa kampuni, juu ya malipo yao, mipango ya urithi na masharti ya uajiri kwa wafanyikazi katika Kampuni.
3. Kamati ya Halmashauri ya Uongozi Bora inayochunguza ukubaliano wa Kampuni na maswala ya Uongozi Bora, inayotoa mwongozo kwa wakurugenzi na maafisa juu ya mipango ya amana za Kampuni.
4. Kamati ya Uchaguzi ambayo huwakilisha kwenye kamati kuu majina ya wajumbe walioteuliwa kwa uchaguzi, itahakikisha kuwa wajumbe hao ni lazima wawe na sifa zinazohitajika ikiwa ni pamoja na uwezo na ujuzi wa kufanya kazi kwa ufanisi.

Mamlaka za Ndani
Kampuni imebainisha waziwazi utaratibu wa kimuundo ulio na nafasi na majukumu yanayotambulika. Kampuni inaongozwa kulingana na sera na utaratibu uliopangwa ili kuendesha shughuli zake. Sera hizi ziko pamoja na miongozo ya kuamuru na kuidhinisha mapato ya serikali na matumizi ya mitambo.

Jukumu la Uongozi katika Jamii
Kampuni inazidi kutoa ahadi kuendelea kuboresha hali ya maisha katika jamii mbalimbali, ambapo hufanya biashara na imechangia kwa mashirika mbalimbali ya kutoa misaada na kuitikia wito kwa maombi ya misaada, katika eneo lote. Kampuni imeangazia sehemu tatu muhimu kwa ufanisi zaidi: Elimu, Maji ya Uhai, na Afya. Mbali na hayo, Kampuni huendelea kupitia upya utendaji kazi wake ili kudumisha viwango vya kimataifa katika nyanja zinazohusiana na sera za Usalama na Mazingira.

Zawadi
Kampuni ilizidi kushikilia nafasi yake ya uongozi kwa kunyakua zawadi kadhaa kwa kipindi cha mwaka 2003/2003. Hizi zilikuwa:

- Nafasi ya kwanza kama Kampuni inayoheshimiwa Zaidi katika Afrika Mashariki, kupitia kwa uchunguzi uliofanywa na Pricewaterhouse Coopers, mwaka wa 2002.
- Hati ya uthibitisho ya ISO 9001-2000 iliyotunikiwa Kenya Breweries, Kenya Maltings na Central Glass Industries.

chairman's statement

taarifa ya mwenyekiti

Dear Shareholders,

This financial year was one of great change and challenge for East African Breweries Limited.

During the year, your company concluded several significant acquisitions. In December 2002, the Group acquired 20% of the issued share capital of Tanzania Breweries Limited in exchange for 20% of the issued share capital of Kenya Breweries Limited to SABMiller Africa. Discussions with the Tanzania Revenue Authority on the treatment of the transaction in Tanzania for tax purposes are ongoing.

The Group also disposed of its entire holding of shares in Kibo Breweries Limited and acquired Castle Brewing Kenya Limited in December 2002. Kenya Breweries Limited has agreed to brew, market and distribute some of the SABMiller brands in Kenya and Tanzania Breweries Limited has undertaken to brew, market and distribute some of the Group's brands for the Tanzania market.

Negotiations to purchase 46.32% of the issued share capital of United Distillers & Vintners in Kenya {UDV(K)} were also successfully completed in June 2002. The Group took over the management of the company in September 2002.

In July 2002, the Group acquired the entire share capital of International Distillers Uganda Limited (IDU). IDU is a non-trading company in Uganda, which owns spirits brands and a distillery in Kampala.

We have re-organised and diversified our business and have achieved success in the execution of the strategic initiatives that we set out to accomplish. As a Group, we are better positioned to benefit from the structural and positive changes that we have executed and are poised to take advantage of any upturn in the economy of the region in which we operate.

May I take this opportunity to thank our shareholders for supporting management in implementing these initiatives, which have proven to be successful. This year's results demonstrate that with effective corporate strategies, the Group can still maintain good profits even in a challenging operating environment.

Wanahisa Wapendwa,

Mwaka huu wa kifedha umekuwa wenye mabadiliko makuu na changamoto kwa East African Breweries Limited.

Katika mwaka huu, kampuni yenu ilikamilisha mapato kadhaa muhimu. Mwezi wa Desemba 2002, Kampuni ilijipatia asilimia 20 ya hisa zilizotoka katika Tanzania Breweries Limited, ikiwa ni matokeo ya mabadilishano ya asilimia hiyo hiyo, 20, kati ya Kenya Breweries Limited kwa SABMiller Africa. Majadiliano na Halmashauri ya Ukusanyaji Ushuru ya Tanzania juu ya utendaji wa mapatano ya kibiashara nchini Tanzania kwa minajili ya ushuru, yanaendelea.

Kampuni pia imejiondoa katika umiliki wake wa hisa zote za Kibo Breweries Limited na kumiliki Castle Brewing Kenya Limited, mwezi wa Desemba 2002. Kenya Breweries Limited imekubali kuchukua jukumu la upikaji pombe, utafutaji soko na ugawaji wa baadhi ya vinywaji vya aina mbalimbali vya SABMiller, kwa soko la Kenya, na Tanzania Breweries Limited itashugulikia upikaji pombe, utafutaji soko na ugawaji kwa baadhi ya vinywaji vya aina mbalimbali vya Kampuni, katika soko la Tanzania.

Mashauriano juu ya ununuzi wa asilimia 46.32 ya fedha za mgawo zilizotolewa, za United Distillers na Vintners, nchini Kenya, yalifanikiwa kumalizika mwezi Juni, 2002. Kampuni ilichukua hatamu ya uongozi wa Kampuni, mwezi Septemba, 2002.

J.G. Kiereini
Chairman (Mwenyekiti)

Mwezi wa Julai 2002, Kampuni ilipata fedha zote za mgawo za International Distillers Uganda Limited (IDU). IDU ni kampuni isiyo ya kibiashara nchini Uganda, inayomiliki vinywaji vya aina mbalimbali na kiwanda cha utoneshaji mjini Kampala.

Matokeo mazuri yamepatikana baada ya kufanya mabadiliko na upanuzi kwenye kampuni. Hii ni pamoja na kuhakikisha tunafuatilia ipasavyo na kutimiza mipango kabambe tuliyojiwekea. Kama kampuni, ni hakika kuwa tumefanikiwa

RESULTS

I am happy to report that the Group achieved a profit of KShs. 5,383 million before a one-off KShs. 1,742 million expense for group integration and reorganisation costs. The increase over prior year is to a great extent attributable to the strategic initiatives and improved profitability measures taken during the year.

Guinness Funded Water project in Thika District

DIVIDENDS

As a Group, we are committed to creating value for our shareholders. The Board is happy to recommend a final dividend of KShs. 12.00 per share, which together with the interim dividend of KShs. 3.00 per share in April 2003, brings the full dividend for the year to KShs. 15.00, up by 30% above last year's dividend.

TAXATION

KShs. 15.3 billion was paid to the national exchequers of the countries we operate in through direct and indirect taxes. We are continuing the campaign for a regional reduction in excise duties, particularly in Kenya, where excise duty is 85% (specific equivalent rate) and Value Added Tax is 16%. We believe that a reduction will not only benefit our company and brands but will also benefit consumers.

We have continued to request the governments of Kenya and Uganda to move to the specific excise duty system rather than the ad valorem system. The Kenyan government made the change in June 2003. While the rate remains high, this is a very strategic and positive change, which is most welcome. In Uganda, the government has introduced a new tax category of beer brewed from locally sourced raw materials at a reduced excise duty rate of 20%. This is also a welcome move, which we expect will benefit our consumers and the company.

The introduction of 100% relief on capital investments in Kenya is a very encouraging decision by the new government.

kutokana na ufanisi wa mipangilio na mabadiliko na tuko tayari kuchukua upenyo wowote wa mabadiliko ya uchumi katika sehemu yetu ya biashara.

Ningependa kuchukua fursa hii kuwashukuru wanahisa wetu kwa kuunga mkono uongozi wa Kampuni katika utekelezaji wa mipango hiyo, ambayo imeendelea kufaulu. Matokeo ya mwaka huu yanaonyesha kwamba kukiwa na mikakati inayofaa ya uongozi, Kampuni bado inaweza kupata faida nzuri hata katika mazingira ya uongozi yenye changamoto.

MATOKEO

Nina furaha kuripoti kwamba Kampuni ilipata faida ya shilingi milioni 5,383 za Kenya kabla ya nyingine ya malipo ya shilingi milioni 1,742 za Kenya kwa minajili ya gharama za uunganishaji na upangaji upya wa Kampuni. Nyongeza ya mwaka uliotangulia inatokana hasa na mikakati iliyopangwa na hatua za kustawisha faida zilizochukuliwa kwa kipindi cha mwaka huo.

MGAWO WA FEDHA

Kama Kampuni, tumejitolea kuzidisha thamani kwa wanahisa wetu. Halmashauri ina furaha kupendekeza mgawo wa mwisho wa shilingi 12.00 za Kenya kwa kila hisa, ambayo pamoja na mgawo wa muda wa shilingi 3.00 za Kenya kwa kila hisa, uliolipwa mwezi wa Aprili mwaka huu, unafanya jumla wa mgawo wa shilingi 15.00 za Kenya, nyongeza ya asilimia 30 juu ya mgawo wa mwaka jana.

USHURU

Shilingi bilioni 15.3 za Kenya, zililipwa kama ushuru kwa hazina za kitaifa, katika nchi ambazo tunaendeleza kazi yetu. Tunaendelea na kampeni ya kupunguza ushuru katika eneo hili, hasa nchini Kenya, ambapo ushuru ni asilimia 85 (kiwango maalum kinacholingana) na Ushuru Ulioongezewa Thamani ni asilimia 16. Tunaamini kwamba kupunguzwa kwa

The Group intends to invest approximately KShs. 4 billion in Kenya over the next three years and this incentive is therefore very attractive to investors.

FINANCIAL MARKET AND INDUSTRY PERFORMANCE

Our financial market performance continues to grow from strength to strength. We are now the 2nd largest company, by capitalization, on the Nairobi Stock Exchange. It is noteworthy that the East African business community continued to view the company positively resulting in our ating for the third successive year as "The Most Respected ompany in East Africa" through a survey conducted by ricewaterhouseCoopers and the Nation Media Group. We are roud of this remarkable achievement, which is a direct result f our efforts to continually deliver consistent performance nd innovation to meet our consumers' needs.

IE BOARD

. Babatunde A Savage was appointed a director of the mpany to replace Mr. Juma V Mwapachu who resigned from Board in July 2002 after he was appointed his country's bassador to France. Mr. Savage joined Guinness Nigeria Plc 1983 as a Management Accountant and has wide erience in the brewing industry. He is now the Corporate irs Director and Company Secretary Guinness Nigeria Plc.

Peter D Fullam was appointed the Group Finance Director eplace Mr. Gerald K Mahinda, who resigned from the Board take up a secondment to Guinness Nigeria. accountant by training, Fullam is a Fellow of Chartered Association of fied Accountants as as a Fellow of the ered Institute of gement Accountants. widely experienced and ndertaken assignments rious fields such as g, software technology, mmunications and al services.

National Wetlands project in Uganda

ushuru hakutafaidi tu Kampuni yetu na vinywaji vya aina mbalimbali, bali pia kutawafaidi wateja.

Tumeendelea kutoa maombi yetu kwa serikali za Kenya na Uganda ili zibadilishe mfumo wa ushuru uwe ule wa ushuru maalum badala ya ule unaofuatana na thamani ya kitu (ad valorem). Serikali ya Kenya ilifanya mabadiliko haya mwezi wa Juni, 2003. Ingawa kiwango bado kinabakia kuwa cha juu, haya ni mabadiliko mazuri na yenye mikakati, ambayo yanafurahiwa sana. Nchini Uganda, serikali imeanzisha aina mpya ya ushuru ya bia iliyopikwa kutoka kwa mali ghafi inayopatikana humo nchini, kwa kupunguza kiwango cha ushuru hadi asilimia 20. Hii pia ni hatua nzuri, ambapo tunatarajia itawafaidi wateja wetu na Kampuni.

Kuanzishwa kwa mpango wa kupunguza uwekaji rasilimali kwa asilimia 100 nchini Kenya, ni uamuzi wenye matumaini, hasa kutoka kwa serikali mpya. Kampuni inanuia kuweka rasilimali ya takriban shilingi bilioni 4 za Kenya, nchini Kenya kwa miaka mitatu ijayo na marupurupu haya yanawavutia sana wawekezaji.

SOKO LA KIFEDHA NA UTEKELEZAJI KATIKA KIWANDA

Tunaendelea kufanya vyema katika soko la kifedha. Kwa sasa tumeshikilia nafasi ya pili kama Kampuni kubwa zaidi kifedha, katika Soko la Hisa la Nairobi. Ni jambo la kujivunia kuona kwamba jumuiya ya kibiashara ya Afrika Mashariki, iliendelea kuiangazia Kampuni yetu kwa njia nzuri, matokeo yake yakiwa ni, kuteuliwa kwa mwaka wa tatu mfululizo kama "Kampuni Inayoheshimiwa Zaidi katika Afrika Mashariki" kupitia kwa uchunguzi uliofanywa na PricewaterhouseCoopers na Nation Media Group. Tunajivunia ushindi huu, ambao ni matokeo ya moja kwa moja ya juhudi zetu za kuendeleza utekelezaji na uvumbuzi ili kutosheleza matakwa ya wateja wetu.

HALMASHAURI

Bw Babatunde A Savage aliteuliwa kama mkurugenzi wa Kampuni ili kujaza nafasi iliyoachwa na Bw Juma V Mwapachu ambaye alijiuzulu

OUR PEOPLE

We believe that in order to provide consumers with quality products, we must invest not only in systems and equipment but also our people.

During the year, the second intake of eleven graduate management trainees joined us. This is a most important project as it is an investment in the future of the company.

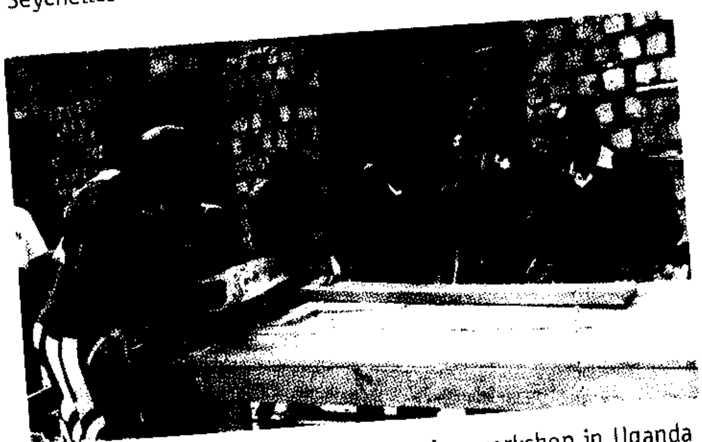
We also completed over six thousand five hundred training days in the Group covering a wide range of skills. We have carried out an extensive programme of HIV/Aids training and awareness and the company is a member of various organizations dealing with the disease.

We are pleased that three brewers at Uganda Breweries Limited have successfully completed the Diploma Master Brewer professional course. We also have personnel on secondment in Nigeria, Ghana, Seychelles and the United Kingdom.

In the future, we plan to further increase our training investment in order to equip our people to deal with the increasingly complex nature of the business environment.

MARKETING

As a market driven organization, we continue to invest in our sales and marketing force. The effectiveness of our retail sales force, marketing function and distribution network is constantly monitored to ensure it delivers the Group's business objectives. Strong visibility of our brands, both old and new, and investment in high quality packaging of products are critical.



Pilsner Funded Kamwokya Art & Design workshop in Uganda

kutoka kwa Halmashauri, mwezi Julai 2002 baada ya kuteuliwa kama balozi wa nchi yake, huko Ufaransa. Bw Savage alijiunga na Guinness Nigeria Plc mwaka wa 1983 kama Mhasibu Msimamizi na ana tajriba ya muda mrefu inayohusiana na kazi ya upikaji pombe. Kwa sasa ndiye Mkurugenzi wa Mambo ya Uongozi na Katibu wa Kampuni ya Guinness Nigeria Plc.

Bw Peter D Fullam aliteuliwa kuwa Mkurugenzi wa Kifedha wa Kampuni ili kujaza nafsi iliyoachwa na Bw Gerald K Mahinda, aliyejiuzulu kutoka kwa Halmashauri baada ya kutumwa kuihudumia Guinness Nigeria. Bw Fullam ambaye alisomea Uhasibu, pia ni Mshiriki wa Chartered Insitute of Management Accountants. Ana tajriba ndefu na amefanya kazi katika nyanja mbalimbali kama upikaji pombe, teknolojia ya programu ya tarakilishi, mawasiliano na huduma za kifedha.

WAFANYIKAZI WETU

Tunaamini kwamba, ili kuwatosheleza wateja wetu kw bidhaa za hali ya juu, ni lazim tuweke rasilimali, sio tu katik mifumo yetu na vifaa bali p kwa watu wetu.

Mwaka huu tuliwapok wakurufunzi kumi na mmo walio na digrii, kwa mafun ya uongozi. Huu ni mpan muhimu sana kwa sababu kitega-uchumi kwa siku usoni, kwa Kampuni.

Pia tulikamilisha zaidi ya elfu sita na mia tano mafunzo katika Kamp tukizingatia ujuzi wa mbalimbali. Tulikuwa mpango kabambe juu ya mafunzo na utambuzi wa HIV/ na Kampuni ni mwanachama wa mashirika mbali yanayohusiana na ugonjwa huu.

Tuna furaha kwa sababu wapikaji pombe watatu wal kumaliza mafunzo ya Diploma Master Brewer. Pia mpango wa kubadilishana wafanyikazi na baadhi yao

During the year, we launched Citizen Special beer in Uganda, which was well received by the discerning consumer. With the acquisition of UDV(K) and IDU, our spirits portfolio has been further strengthened. Under the deal with SABMiller, Kenya Breweries brews some of SABMiller's brands under license, markets and distributes them in Kenya. This year, we ventured into the non-alcoholic, carbonated soft drinks market with the launch of Malta Guinness in Kenya. The brand has achieved very high awareness and it is already the market leader in the non-alcoholic malt category.

CORPORATE SOCIAL RESPONSIBILITY

During the year, we enhanced our efforts o support the community around us in ur key markets in the region. This is in ine with our overriding commitment as a orporate citizen, to make a positive ontribution to the wellbeing of our takeholders, and to the economic, social nd environmental sustainability of the societies in which we perate. We focused on three key areas for more impact and fficiency. These included: Education, Water of Life, and ealth. The year saw us award 10 Business Scholarships to 10 ight albeit needy students at the Strathmore University to e tune of KShs. 8.3 million. This was the second year nning for the scholarship programme, that has so far nefited 18 students towards a 4-year degree programme.

e company donated 50 more computers under its 'KShs. 20 llion Computers for schools project'. This is a project that s been on for the past three years and so far more than 200 mputers have been disbursed to more than 60 schools who e also seen their IT teachers receive intensive training rtesy of Kenya Breweries.

part of an initiative to educate our customers and sumers on responsible drinking, we initiated a Bartender ning program, which is an on-going initiative, and to-date covered over 2000 people working in retail outlets. As a ling drinks company, our primary objective in this area, is

Kenya Health Minister Charity Ngilu inspecting some of the beds during the launch of the 'Kenya Breweries Hospital Beds for Kenya' community project

nchini Nigeria, Ghana, Seychelles na Uingereza.

Siku zijazo, tuna mipango ya kuongeza zaidi matumizi ya pesa katika utoaji wa mafunzo ili kuwaboresha wafanyikazi wetu kukabiliana na hali inayozidi kuwa ngumu katika mazingira ya kibiashara.

UUZAJI NA UTANGAZAJI

Kwa sababu shirika letu linaongozwa na utafutaji soko, tunaendelea kutumia pesa katika nyanja za uuzaji na utangazaji. Matokeo ya mauzo yetu ya rejareja, uuzaji na utangazaji, na ugawaji hufuatiliwa mara kwa mara kuhakikisha kwamba yanatekeleza wajibu wa Kampuni, kibiashara.

Ni muhimu kwa vinywaji vyetu vya aina mbalimbali, vikiwemo vinywaji vya zamani na vya kisasa, kuonekana waziwazi na uwekaji wa hali ya juu kuwapo, kwa upakiaji wa bidhaa zetu.

Mwaka huu, tulianzisha bia ya Citizen Special nchini Uganda, ambayo ilipokelewa vizuri na wateja watambuzi. Kutokana na umiliki wa UDV(K) na IDU, uuzaji wa vinywaji vikali umeimarika zaidi. Chini ya mkataba wa SABMiller, Kenya Breweries Limited hupika baadhi ya vinywaji mbalimbali vya SABMiller kwa kibali, na huhusika na uuzaji, utangazaji na ugawaji wavyo nchini Kenya. Mwaka huu tuliingia katika soko la vinywaji visovyo na kileo na vyenye dioksidi ya kaboni, kwa kuanzisha Malta Guinness nchini Kenya. Chapa hii imefanikiwa kupata utambuzi katika soko, katika kiwango cha kimea cha pombe isiyo na kileo.

JUKUMU LA UONGOZI KATIKA JAMII

Mwaka huu tulizidisha juhudi zetu za usaidizi kwa jumuiya inayotuzingira katika maeneo yaliyo na masoko yetu muhimu. Hii inalingana na kujitolea kwetu kama mwananchi aliye katika mstari wa mbele katika uongozi, ili kuchangia vilivyo kuinua hali ya maisha ya washikadau, na pia kuinua hali ya kiuchumi, kijamii na kimazingira katika jumuiya ambayo tunafanya shughuli zetu. Tuliangazia sehemu tatu muhimu kwa ufanisi zaidi. Hizi zikiwa: Elimu, Maji ya Uhai, na Afya.

to sensitise our customers and consumers on responsible drinking, and this is an initiative that we continue to drive aggressively.

Within the health sector, Kenya Breweries launched its latest in a series of community projects dubbed 'Kenya Breweries Hospital Beds for Kenya'. This is a KShs. 4 million project, which received partnership from the Ministry of Health and within its first round, 19 needy Provincial, and District Hospitals from all the 8 provinces countrywide received beds and bedding.

Further to contributing to the betterment of the Kenyan society, Kenya Breweries invested a total of KShs. 3.7 million through a Guinness funded water project in Thika area – Guinness Water of Life. The water project comprising of a gravity scheme and 5 shallow wells, are expected to be commissioned in the next financial year, and it will benefit more than 20,000 area residents.

Our commitment to high standards of corporate behaviour therefore continues to be an integral part of our operating tradition. Through our Appeals Committee, we donated significantly to a range of projects and charities across the nation, including the Red Cross Floods Appeal, Budalang'i floods appeal, Kenya Wildlife Service and the Aberdare Forest Appeal, to name but a few. In total, in the last financial year, Kenya Breweries donated over KShs. 10 million to community projects that benefited thousands of Kenyans.

During the past year, Uganda Breweries continued with its on-going project targeting the National Wetlands. Our aim was to produce and disseminate information to various stakeholders on the need to safeguard the country's wetlands, which are currently being depleted at a fast rate. The project benefited from an investment of approximately GBP. 25,000 in a range of activities that included production of media advertisements, holding exhibitions, preparation of wetlands bulletins and guidelines among others.

Mwaka huu, tulifadhili nafasi kumi kwa mafunzo ya Somo la Biashara kwa wanafunzi ambao ni werevu lakini hawajiwezi kifedha, katika Chuo Kikuu cha Strathmore, zenye thamani ya shilingi milioni 8.3 za Kenya. Huu ulikuwa mwaka wa pili mfululizo wa mpango huu wa msaada wa masomo, ambao hadi sasa umewanufaisha wanafunzi 18 kwa masomo ya digrii ya miaka minne.

Kampuni ilitoa msaada wa tarakilishi zaidi ya 50, chini ya mpango wake wa 'Shilingi milioni 20 za Kenya kwa Tarakilishi Shuleni.' Mradi huu umeendelea kwa miaka mitatu iliyopita na hadi sasa zaidi ya tarakilishi 200 zimegawiwa kwa zaidi ya shule 60, ambazo pia walimu wake wamepata mafunzo kabambe, kwa hisani ya Kenya Breweries Limited.

Kama sehemu ya mpango wa kuwaelimisha wateja wetu juu ya unywaji unaofaa, tulianzisha mpango wa mafunzo kwa wasimamizi wa mabaa, ambao ni mpango unaoendelea na kufikia sasa, tumewafikia zaidi ya watu 2000 wanaofanya kazi katika vituo vya rejareja. Kama Kampuni inayoongoza katika soko la vinywaji, madhumuni yetu ya msingi katika nyanja hii, ni kuwahamasisha wateja wetu juu ya unywaji unaofaa, na huu ni mpango ambao tunazidi kusisitiza kwa nguvu.

Katika sekta ya afya, Kenya Breweries Limited ilianzish mpango mpya, katika mkururo wa miradi katika jami unaojulikana kama 'Vitanda vya Hospitali nchini Kenya kutok kwa Kenya Breweries Limited.' Huu ni mradi wa shiling milioni 4, ambao uliungwa mkono na Wizara ya Afya na baad ya awamu ya kwanza, hospitali 19 za Mkoa na Wilay zinazohitaji msaada, kutoka kwa mikoa yote 8 nchin zilipokea vitanda na malazi.

Mbali na kuchangia katika kuinua hali ya maisha ya Wakeny Kenya Breweries Limited imetumia jumla ya shilingi milio 3.7 za Kenya kupitia kwa mradi wa maji uliofadhiliwa Guinness, katika sehemu ya Thika – Guinness Maji ya Uh Mradi huu wa maji ulio na utaratibu wa mvutano na visima vyenye kina kifupi, unatarajiwa kukabidhiwa rasmi k wananchi mwaka ujao na utawafaidi zaidi ya wakaaji 20,0 wa sehemu hiyo.

our brand Pilsner in Uganda, we constructed an Art
gn workshop for the Kamwokya Christian Caring
unity Center. The UShs. 34 million investment is aimed
ving close to 40,000 area residents. Kamwokya, which
community based NGO, seeks to improve the quality of
through provision of social services, empowering the
munity, promoting spiritual and human values for the
st disadvantaged and vulnerable groups in Kamwokya II
rish. The year also saw Uganda Breweries through our
inness Brand continue with the support of the Sickle Cell
ssociation of Uganda.

HIGHLIGHTS FROM OUR SUBSIDIARIES

KENYA BREWERIES

Kenya Breweries continued to be heavily affected by the recession in the Kenyan economy. Despite a reduction in the overall beer market in Kenya, KBL increased its volumes as a result of the acquisition of Kenya Ex-Castle Brewing Brands. The company was able to achieve good results, increasing its profit by 20.5% compared to the previous year. This was due mainly to cost saving initiatives and favourable brand mix.

Some of the Guinness Scholars at Strathmore University

Premium brands Tusker, Pilsner and Guinness gained 8% market share points from the value sector compared to same period in the previous year. The company made history this year through its entry into the non-alcoholic, carbonated soft drinks market, with the launch of Malta Guinness.

The company is installing a new state of the art packaging line with a capacity of 66,000 bottles per hour. Installation is ahead of schedule and the Line is expected to be commissioned in September 2003. The new line will enable the company to continue producing and satisfying the market with World Class quality brands at reduced production costs.

The company was also certified to the new ISO 9001-2000 during the year.

Kujitolea kwetu ili kudumisha viwango vya juu vya uongozi, kunaendelea kuwa sehemu muhimu ya desturi yetu ya utendaji kazi. Kupitia kwa Kamati yetu ya Kukata Rufaa, tulichangia vilivyo kwa miradi mbalimbali na mashirika ya kutoa misaada humu nchini, ikiwemo Maombi ya Mafuriko kutoka kwa Msalaba Mwekundu, Maombi ya Mafuriko ya Budalang'i, Huduma ya Wanyama wa Pori, na Maombi ya Msitu wa Aberdare, kutaja tu kwa ufupi. Kwa jumla, mwaka uliopita, Kenya Breweries Limited ilitoa msaada wa zaidi ya shilingi milioni 10 za Kenya kwa miradi ya kijamii iliyowafaidi maelfu ya Wakenya.

Mwaka uliopita, Uganda Breweries iliendelea na mradi wake unaolenga Sehemu Nyevunyevu za Kitaifa. Lengo letu lilikuwa ni kutoa na kusambaza habari kwa washikadau mbalimbali juu ya umuhimu wa kulinda sehemu zilizo nyevunyevu nchini, ambazo kwa sasa zinatumiwa kwa kiasi cha kumalizika kwa haraka. Mradi huu ulinufaika kutokana na uwekezaji wa takriban GBP. 25,000 katika shughuli mbalimbali, zikiwemo utengenezaji wa matangazo katika vyombo vya habari, kutayarisha maonyesho, taarifa rasmi za habari juu ya sehemu zilizo nyevunyevu, na miongozo, baadhi ya mengine mengi.

Kupitia kwa kinywaji chetu cha Pilsner nchini Uganda, tulijenga karakana ya Sanaa na Uchoraji kwa minajili ya Kituo cha Jumuiya ya Wakristo wa Kamwokya. Uwekezaji wa shilingi milioni 34 za Uganda una lengo la kuwahudumia takriban wakaazi 40,000 wa sehemu hiyo. Kamwokya, ambayo ni Shirika lisilo la Kiserikali linaloihudumia jamii, ina lengo la kuinua hali ya maisha kupitia kwa utoaji wa huduma za kijamii, kuipa jamii mamlaka, kukuza maadili ya kiroho na kibinadamu kwa vikundi vinavyokumbwa na hali ngumu ya maisha katika Parokia II ya Kamwokya. Mwaka huu, Uganda Breweries, kupitia kwa kinywaji chetu cha Guinness, iliendelea kutoa msaada kwa Chama cha Ugonjwa wa Anaemia Selimundu (Sickle Cell) cha Uganda.

UGANDA BREWERIES

The beer market in Uganda grew during the year as a result of the introduction of value beers and we maintained our market share above 50% of the overall market.

Bell maintained its position as one of the leading brands in Uganda and sales of Tusker Malt Lager and Guinness grew strongly. Citizen was very successful with demand exceeding expectations. The introduction of reduced excise duty on beer brewed from locally produced raw materials is expected to continue to attract consumers.

Spirits have continued to do well as a result of the integration between UBL and IDU and volumes have grown strongly mainly as a consequence of the access to the UBL distribution network with Uganda Waragi, in particular, showing a strong performance.

We continue to invest in our production facilities in Port Bell in order to meet the increasing demand. In 2004, the brewery will be further improved by completion of a raw materials handling project and there will also be a major investment in environmental protection through the installation of an effluent treatment plant.

KENYA MALTINGS

As in the previous year, Kenya Maltings recorded very good harvesting, with around 54,000 tonnes of maltable barley being delivered to the company for processing. The new barley variety KARNE, which had performed impressively during its first year's harvest continued to perform very impressively, giving some very good yields indeed. Being resistant to Barley Yellow Dwarf Virus, this variety has the additional advantage of reducing the needs for inputs at farm level, and thus is of particular value in helping the farmers to maximise their financial yield from barley growing.

The company is continuing to work on its diversification programme into wheat so as to both broaden its service to the farmer and to make use of its breeding expertise.

As planned last year, the company's Agriculture department, based in Molo, completed the work necessary for it to be evaluated and awarded certification for ISO 9001-2000. We were very proud to receive the certificate in early 2003.

MACHACHE YA UMUHIMU KUTOKA KWA MAKAMPUN

KENYA BREWERIES

Kenya Breweries iliendelea kuathiriwa sana na kushuka uchumi nchini Kenya huku uzalishaji ukipungua kwa asil 4.2, ikilinganishwa na mwaka uliopita.

Licha ya kupunguka kwa mauzo ya jumla katika soko la b nchini Kenya, KBL iliongeza uuzaji wake kutokana na kumili vinywaji mbalimbali vilivyokuwa vya Castle Brewing Kenya Kampuni bado iliweza kuwa na matokeo mazuri, huku faida ikiongezeka kwa asilimia 20.5 ikilinganishwa na mwaka uliopita. Hii ilitokana hasa na mipango mbalimbali ya uokoaji gharama na mchanganyiko unaopendeza wa vinywaji vya aina mbalimbali.

Vinywaji vya aina mbalimbali vya Premium kama Tusker, Pilsner na Guinness viliongeza asilimia 8 kwa alama za hisa za soko kutoka kwa sekta ya thamani, ikilinganishwa na kipindi hicho, mwaka uliopita. Mwaka huu, Kampuni ilifanya jambo la kihistoria kwa kuingia katika soko la vinywaji visivyo na kileo na vyenye dioksidi ya kaboni, kwa kuanzisha Malta Guinness nchini Kenya.

Kampuni inaweka mtambo mpya wa kisasa wa uwekaji pombe machupani, ulio na uwezo wa kujaza chupa 66,000 kwa saa moja. Uwekaji wa mtambo huu utafanyika kabla ya wakati uliopangwa na unatarajiwa kukabidhiwa rasmi katika mwezi wa Septemba 2003. Mtambo huu mpya utaiwezesha Kampuni kuendeleza utengenezaji na kuliridhisha soko kwa bidhaa za hali ya kimataifa kwa gharama ya chini ya utendaji.

Mwaka huu, Kampuni pia ilituzwa hati ya uthibitisho ya ISO 9001-2000 mpya.

UGANDA BREWERIES

Soko la bia nchini Uganda, limeongezeka mwaka huu kutokana na kuanzishwa kwa bia zenye thamani na tumedumisha soko letu kwa zaidi ya asilimia 50, kwa jumla.

Bell imedumisha nafasi yake kama mojawapo ya kinywaji kinachoongoza nchini Uganda na mauzo ya Tusker Malt Lager na Guinness yanazidi kuimarika. Citizen ilifana sana huku kuhitajika kwake kukizidi jinsi ilivyotarajiwa. Kuanzishwa kwa ushuru uliopunguzwa kwa bia iliyopikwa kutokana na mali ghafi inayozalishwa humu nchini, kunatarajiwa kuendelea kuwavutia wateja.

the year, the company invested in rley drying equipment in Molo and veighing equipment at Kampala Further capital investment is ed to help the company to become singly competitive and effective.

g the year, the company uctured its purchasing, barley racting and general operations at sites to help it reduce its cost base.

so expanded its export operations to nda.

Group will continue to invest in the ning and rural sectors through Kenya tings.

NTRAL GLASS INDUSTRIES

ntral Glass Industries enjoyed another ccessful year with volumes growing ompared to previous period. This rowth was achieved despite a weak domestic demand for lass brought about by lack of growth in both the alcoholic nd soft drinks sectors.

Exports from Kenya grew by 34% over the previous year and new markets were opened up in Ethiopia and Democratic Republic of Congo. The dominant destination of our export products continued to be Rwanda, Burundi and Uganda. We also have a strong presence in Mauritius, the Seychelles and Tanzania. The export market now contributes 47% of our business volumes against 35% the previous year.

We will continue growing the domestic market and more so, the non-traditional lines of jars which are experiencing resurgence for quality packaging of honey, jams and vegetables like beans, sweet corn and pickles.

After certification to the ISO 9001 2000 quality system, the company is now working on the Environmental Management System for certification to ISD 14001. Quality is central to our values and we believe that it drives the growth in our business. The quality of our products has continued to attract customers from far and wide and we will continue to invest in systems that guarantee consistent quality.

Beer rolling out of the newly installed KShs 1.4 billion packaging line.

Vinywaji vikali vimeendelea kufanya vyema kutokana na kuunganishwa kwa UBL na IDU na uuzaji umezidi kuimarika, kutokana na kufikika kwa urahisi na ugawaji wa UBL, hasa wa Uganda Waragi, unaonyesha utekelezaji ulioimarika.

Tunazidi kutega uchumi kupitia kwa vifaa vyetu vya uzalishaji huko Port Bell ili kukabiliana na mahitaji yanayooengezeka. Katika mwaka wa 2004, kiwanda kitaboreshwa zaidi baada ya kumalizika kwa mradi unaoshughulika na mali ghafi na kutakuwa na uwekezaji muhimu katika ulinzi wa mazingira kupitia kwa kuwekwa kwa mtambo unayoyasafisha maji machafu yanayotoka kwenye kiwanda.

KENYA MALTINGS

Kama ilivyokuwa miaka iliyopita, Kenya Maltings ilirekodi mavuno mazuri, ambapo ilivuna takriban tani 54,000 za shayiri iwezayo kugeuzwa kuwa kimea cha pombe, iliyopelekwa kwa Kampuni ili kutengenezwa. Aina mpya ya shayiri, KARNE, ambayo ilifanikiwa sana katika mwaka wake wa kwanza wa mavuno, iliendelea kutia fora, kwa kutoa mapato mwafaka.

Kwa kutoweza kupata madhara kutokana na virusi vya aina ya 'Barley Yellow Dwarf' (mbilikimo manjano kwa shayiri), aina hii ya shayiri ina manufaa zaidi ya kupunguza mahitaji ya nyongeza katika kiwango cha shamba, hivyo basi ni yenye thamani kuu hasa kwa usaidizi kwa wakulima, ili kuzidisha mapato yao ya kifedha yanayotokana na ukuzaji wa shayiri.

Kampuni inazidi kuendelea na mpango wake wa upanuzi wa aina mbalimbali wa ngano, ili kusambaza huduma zake kwa wakulima na kuutumuia ujuzi wake katika uzalishaji.

Kama ilivyopangwa mwaka jana, Idara ya Kilimo katika kampuni iliyoko Molo, ilikamilisha kazi iliyotakikana ili iweze kutathminiwa na kutunukiwa hati ya uthibitisho ya ISO 9001-2000. Tulijivunia kupokea cheti hicho, mapema mwaka huu.

Mwaka huu, Kampuni ilikuwa na uwekezaji katika vifaa vipya vya kukausha shayiri huko Molo na vifaa vipya vya kupimia

UDV (KENYA)

At the end of the last financial year, EABL acquired a 46.32% interest in the company. EABL was then granted a management contract to manage the UDV(K) business. As a consequence of the new business arrangements, the route to market for UDV(K) products was enhanced by integrating the sales, marketing and distribution functions of both UDV(K) and Kenya Breweries, with synergies being harvested in the form of cost savings and increased selling opportunities. Additional synergies were harvested through linking together the back-office operations of UDV(K) Finance and Human Resources with those of the Group.

Bartenders at a Bartender training session

Sales of UDV(K) products have generally been very satisfactory over the year. Despite the generally depressed economic environment, sales of premium products like Smirnoff Vodka and Johnnie Walker whisky have held up well, and the company has achieved very good growth from those more competitively priced products like Kenya Cane, Richot Brandy and Popov Vodka. It is evident that the main period of growth has been in the second half of the year, which can be attributed to the new business arrangements and routes to market.

uzito huko Kampala Road. Uwekaji rasilimali zaidi umep kuisaidia kampuni kuzidi kuwa yenye mashindano na ku matokeo ya kufaa.

Mwaka huu, kampuni imefanyia marekebisho shughu ununuzi, mkataba juu ya shayiri na utendaji kazi kwa katika maeneo yote ili kusaidia kupunguza gharam kimsingi. Pia ilipanua shughuli za utendaji wa mauzo nchi za nje hadi Uganda.

Kampuni itaendelea na uwekezaji katika sekta za ukulim sehemu za mashambani, kupitia kwa Kenya Maltings.

CENTRAL GLASS INDUSTRIES

Central Glass Industries imefurahia mwaka mwingine we mafanikio ya nyongeza katika uuzaji, ikilinganishwa kipindi kilichopita. Nyongeza hii ilipatikana licha ya mahit hafifu ya humu nchini ya glasi, yaliyosababishwa na ukose wa ongezeko katika sekta ya vinywaji vinavyolevya visivyolevya.

Mauzo kutoka nchini Kenya yaliongezeka kwa asilimia 34 zai ya mwaka uliopita, na masoko mapya yalifunguliwa nchi Ethiopia na Jamuhuri ya Kidemokrasia ya Kongo. Masoko yet yaliyoimarika kwa bidhaa zetu zinazouzwa kwa nchi za kigeni yameendelea nchini Rwanda, Burundi na Uganda. Pia tuna uwepo uliokita mizizi nchini Seychelles na Tanzania. Soko la mauzo kwa nchi za kigeni kwa sasa linachangia asilimia 47 kwa uuzaji wa biashara yetu dhidi asilimia 35, mwaka uliopita.

Tutazidi kulikuza soko la humu nchini na zaidi ya hayo, mitungi ya glasi isiyo ya desturi, iliyofufuliwa tena kutokana na upakiaji wa hali ya juu wa asali, jamu, mboga kama maharagwe, mahindi matamu na achari.

Baada ya kutunukiwa hati ya uthibitisho ya mpango wa ISO 9001-2000, kwa sasa kampuni inashughulikia Mfumo wa Uongozi wa Mazingira kwa uthibitisho wa ISO 14001. Tunathamini sana hali bora na tunaamini kwamba hali hii itaipa msukumo kukua kwa biashara yetu. Kiwango cha bidhaa zetu kimeendelea kuwavutia wateja kutoka sehemu mbalimbali hivyo basi tutazidi na uwekezaji katika mifumo inayotuhakikishia hali bora iliyo thabiti.

UDV (KENYA)

Kufikia mwisho wa mwaka wa kifedha, EABL ilijipatia asilimia

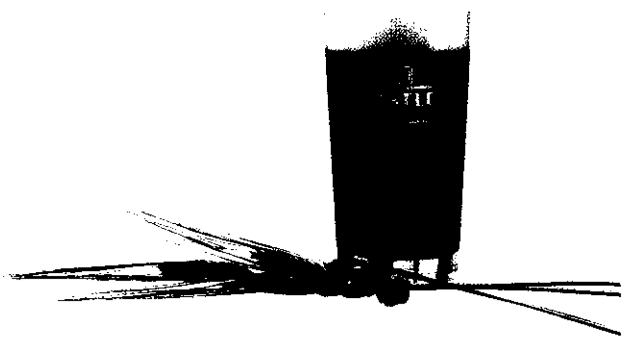
THE FUTURE

The level of beer consumption in the East African region is under threat partly due to low consumer purchasing power. The Group continues to identify new initiatives to maintain and strengthen its market position. We will also continue to improve our operations so that we are in a good position to benefit when the upturn arrives. The Group will continue to pursue viable strategic alliances and partnerships to further strengthen its leadership position in the region.

APPRECIATION

I would like to express my gratitude to my colleagues on the Board of Directors, management and staff for their invaluable support during the year. I would also like to pay tribute to our distributors and consumers for their continued loyalty and support. Without all of you, these positive results would not have been possible.

J G Kiereini
Chairman



46.32 ya hisa katika Kampuni. EABL ilipewa kibali cha mkataba wa uongozi ili kusimamia shughuli za UDV(K). Kutokana na mipango hii mipya ya kibiashara, njia ya utafutaji soko kwa bidhaaa za UDV(K) iliimarishwa kwa kuyajumlisha mauzo, uuzaji, utangazaji na ugawaji,wa UDV(K) na Kenya Breweries Limited, pamoja na faida inayotarajiwa kutoka kwa idara mbalimbali inayovunwa kwa hali ya kuthibiti matumizi na kuongeza nafasi za mauzo.

Faida zaidi ilivunwa kupitia kwa kuunganishwa pamoja, utendaji kazi ulio katika ofisi za nyuma za Rasilimali ya Kifedha na Wafanyikazi UDV(K), pamoja na zile za Kampuni.

Mauzo ya bidhaa za UDV(K) yamekuwa ya kuridhisha kwa mwaka huu. Licha ya mazingira magumu ya kiuchumi, mauzo ya bidhaa za Premium kama Smirnoff Vodka na pombe kali ya Johnnie Walker yamekuwa mazuri, na Kampuni imepata mafanikio kutokana na bidhaa zilizo na bei inayoshindaniwa, kama Kenya Cane, Richot Brandy na Popov Vodka. Ni wazi kwamba wakati hasa ambao maendeleo yalipatikana, ulikuwa ni katika sehemu ya pili ya mwaka, na inaweza kuelezeka kutokana na mipango mipya ya kibiashara na njia za utafutaji soko.

KUENDELEA MBELE

Kiwango cha unywaji wa bia katika eneo la Afrika Mashariki kinazidi kudidimia na hii inasababishwa na kiwango cha chini cha ununuzi, cha wateja. Kampuni inaendelea kutambua jitihada za kudumisha na kuimarisha nafasi yake katika soko.

Pia tunaendelea kuboresha utendaji kazi wetu ili tuwe katika nafasi nzuri ya kuweza kunufaika, mabadiliko yajapo. Kampuni itaendelea kufuatilia miungano yenye mikakati na inayojitosheleza, na pia ushirikiano ili kuimarisha zaidi nafasi yake ya uongozi katika eneo hili.

SHUKRANI

Ningependa kuwashukuru wenzangu walio katika Halmashauri ya Wakurugenzi, maafisa wakuu na wafanyikazi wote kwa kuzidi kutuunga mkono, mwaka huu. Pia ningependa kutoa shukrani kwa wagawaji wa pombe zetu na wateja wetu kwa kuendelea kutuunga mkono. Bila nyinyi nyote matokeo haya mazuri hayangepatikana.

J G Kiereini
Mwenyekiti

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE, 2003

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2003.

Activities

East African Breweries Limited remains a holding company with subsidiaries involved in the marketing, brewing/manufacturing, and selling of drinks, glass containers, malt and barley.

Trading Results

The results for the year are set out on page 24.

Dividends

The directors recommend a final dividend of Kshs 12.00 per ordinary share to be paid on or about 14 November 2003 to those members on the register at the close of business on 16 October 2003. This, together with the interim dividend of Kshs 3.00 per ordinary share paid in April 2003, brings the total dividend for the year to Kshs 15.00 per issued ordinary share.(2002- Total dividend per share KShs 11.50).

Directors

The directors who served since 1 July 2002 are set out on page 3.

Auditors

The auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

RIPOTI YA WAKURUGENZI KWA MWAKA ULIOMALIZIKA 30 JUNI, 2003

Wakurugenzi wana furaha ya kuwasilisha ripoti yao pamoja na taarifa za kifedha, ambazo zimekaguliwa, kwa mwaka uliomalizika tarehe 30 Juni, 2003.

Shughuli za Kampuni

East African Breweries Limited bado inaendelea kumiliki makampuni mengine yanayoshughulikia upikaji na uuzaji wa vinywaji, vyombo vya asili ya chupa, shayiri kimea na shayiri.

Matokeo ya Biashara

Matokeo ya utekelezaji wa Kampuni katika mwaka huo, umeorodheshwa katika kurasa 24.

Mgawo wa Fedha

Wakurugenzi wanapendekeza mgawo wa mwisho wa shilingi 12.00 za Kenya kwa kila hisa ya kawaida, zitakazolipwa mnamo tarehe 14 Novemba, 2003, kwa wale wanahisa watakaokuwa kwenye daftari itakapofungwa tarehe 16 Oktoba, 2003. Mgawo huu, pamoja na mgawo wa muda wa shilingi 3.00 za Kenya uliolipwa mwezi wa Aprili mwaka huu, unafanya jumla wa mgawo wa shilingi 15.00 za Kenya kwa hisa, kwa mwaka huu (2002-Jumla ya mgawo kwa kila hisa KShs 11.50).

Wakurugenzi

Majina ya waliokuwa wakurugenzi wa kampuni kutokea tarehe 1 Julai 2002, yanapatikana katika ukurasa wa 3.

Wakaguzi wa Hesabu

Wakaguzi, KPMG Kenya, wamedokeza kwamba wako tayari kuendelea na wadhifa wao, kuambatana na kifungu cha 159(2) cha Sheria zinazosimamia Makampuni (Cap. 486).

report of the directors (cont'd)

Employees

The directors are pleased, once again, to record their appreciation for the untiring efforts of all employees of the company and its subsidiaries.

Approval of financial statements

The financial statements were approved at a meeting of the directors held on 29 August 2003.

BY ORDER OF THE BOARD

M N Nderu (Ms)
Secretary

Date: 29 August 2003

Wafanyikazi

Kwa mara nyingine, wakurugenzi wanawashukuru kwa furaha tele wafanyikazi wote wa kampuni na makampuni yake tanzu.

Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanywa tarehe 29 Agosti 2003.

KWA AMRI YA HALMASHAURI

M N Nderu (Bi)
Katibu

Tarehe: 29 Agosti 2003

The Companies Act requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the group and the company as at the end of each financial year and of the operating results of the group for that year. It also requires the directors to ensure that the group and the company keep proper accounting records, which disclose with reasonable accuracy the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards promulgated by the International Accounting Standards Board and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its continuing subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

Director: P G Healy

Director: P D Fullam

Date: 29 August 2003

Sheria zinazoyasimamia makampuni zinawahitaji wakurugenzi kutayarisha taarifa za kifedha ambazo ni sahihi na zinazoonyesha kwa ukweli hali ya shughuli za kampuni ilivyo, kwa pekee na ikiwa na makampuni yake tanzu, na matokeo ya shughuli hizo hadi kufikia mwisho wa mwaka huo. Wakurugenzi vilevile wanahitajiwa kuhakikisha kuwa kampuni na makampuni yake tanzu inaweka kumbukumbu za uhasibu zilizo sawa na ambazo zinaonyesha kwa usahihi wa kutosha, hali ya kifedha ya kampuni na makampuni yake tanzu ilivyo. Pia wanawajibika kulinda rasilimali ya kampuni.

Wakurugenzi wanakubali jukumu lao juu ya taarifa za kifedha za mwaka huu, ambazo zimetayarishwa kwa kutumia sera za uhasibu zinazofaa na zinazothibitishwa kwa uamuzi wa makadirio ya kutosha na yenye busara kuambatana na Viwango vya Uhasibu vya Kimataifa na inavyohitajika na sheria zinazosimamia makampuni. Wakurugenzi wanaonelea kwamba taarifa hizi za kifedha zinaonyesha kwa ukweli hali ya shughuli za kifedha ya kampuni kwa pekee na ikiwa na makampuni zake tanzu, ilivyo. Wakurugenzi pia wanakubali kuchukua jukumu la kudumisha kumbukumbu za uhasibu ambazo zinaweza kutegemewa wakati wa matayarisho ya taarifa za kifedha pamoja na utaratibu unaofaa wa uthibiti wa kifedha wa kindani.

Hakuna chochote kinachojulikana kwa wakurugenzi ambacho kingewaonyesha kwamba kampuni na makampuni yake tanzu yanayoendelea, haitoweza kufanya biashara kwa angalau muda wa miezi kumi na miwili ijayo kutoka tarehe ya kuandikwa kwa taarifa hii.

Mkurugenzi: P G Healy

Mkurugenzi: P D Fullam

Tarehe: 29 Agosti 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST AFRICAN BREWERIES LIMITED

We have audited the financial statements set out on pages 24 to 58 which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The balance sheet of the company is in agreement with the books of account.

Respective responsibilities of the directors and the independent auditors

As stated on page 22, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group, and of the group's operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and the group at 30 June 2003 and of the group's operating results and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and comply with the requirements of the Kenyan Companies Act.

KPMG KENYA
CERTIFIED PUBLIC ACCOUNTANTS
PO Box 40612, NAIROBI.
Date: 29 August 2003

TAARIFA YA WAKAGUZI HURU WA HESABU KWA WANAHISA WA (KAMPUNI YA) EAST AFRICAN BREWERIES LIMITED.

Tumekagua taarifa za kifedha zilizo kwenye kurasa 24 hadi 58 ambazo zimetayarishwa kwa misingi ya sera za uhasibu zinazoelezwa katika nambari moja ya ufafanuzi. Tumepata habari zote na maelezo ambayo kwa kadiri ya ujuzi wetu kamili na maarifa yetu, yalihitajika kwa minajili ya ukaguzi wetu na kutupa msingi unaofaa kwa kutoa maoni yetu. Mizani ya hesabu za kampuni inakubaliana na vitabu vya hesabu.

Majukumu mbalimbali ya wakurugenzi na ya wakaguzi huru wa hesabu.

Kama ilivyoelezwa katika ukurasa wa 22, ni wajibu wa wakurugenzi kutayarisha taarifa za kifedha zilizo sahihi na zinazoonyesha kwa ukweli, hali ya shughuli za kampuni, kwa pekee na ikiwa na makampuni yake tanzu, ilivyo. Jukumu letu ni kuwaelezea maoni yetu juu ya taarifa za kifedha, ambayo hayapendelei upande wowote tukizingatia ukaguzi wetu na kuwaripotia maoni yetu.

Msingi wa Maoni

Tulitekeleza ukaguzi wetu kuambatana na Viwango vya Kimataifa vya Ukaguzi. Viwango hivyo vinahitaji tupange na kutekeleza uchunguzi wetu ili tupate thibitisho tosha kwamba taarifa za kifedha hazina upotofu wa aina yoyote. Ukaguzi ni pamoja na uchunguzi, kwa msingi wa majaribio, kwa ushahidi unaothibitisha kiasi na matangazo yanayotolewa kwenye taarifa za kifedha. Pia, ukaguzi huwa ni pamoja na tathmini ya maadili ya uhasibu, yaliyotumika na makadirio muhimu yanayofanywa na wakurugenzi, pamoja na tathmini jumla ya uwasilishaji wa taarifa za kifedha. Tuna imani kwamba ukaguzi wetu unatoa msingi unaofaa wa maoni yetu.

Maoni

Kwa maoni yetu, vitabu vya hesabu vimehifadhiwa vizuri na taarifa za kifedha zinaonyesha kwa ukweli, hali halisi ya kifedha ya kampuni yenyewe, ikiwa na makampuni yote yanayohusika, ilivyokuwa kufikia tarehe 30 Juni, 2003 na fedha zilivyopokelewa na kutumika kwa mwaka uliomalizika hapo, kuambatana na Viwango vya Uhasibu vya Kimataifa na kukidhi mahitaji ya sheria zinazosimamia Makampuni.

KPMG KENYA
CERTIFIED PUBLIC ACCOUNTANTS
S.L.P. 40612, NAIROBI.
Tarehe: 29 Agosti 2003

consolidated profit and loss account

	Note	Continuing operations 2003 KShs'000	Discontinuing operations 2003 KShs'000	Total consolidated 2003 KShs'000	Continuing operations 2002 KShs'000	Discontinuing operations 2002 KShs'000	Total consolidated 2002 KShs'000
Gross revenue		28,918,151	-	28,918,151	26,153,908	1,580,771	27,734,679
Indirect taxes		(13,687,260)	-	(13,687,260)	(12,901,341)	(389,592)	(13,290,933)
Net revenue		15,230,891	-	15,230,891	13,252,567	1,191,179	14,443,746
Cost of sales		(5,209,763)	-	(5,209,763)	(4,688,790)	(562,707)	(5,251,497)
Gross profit		10,021,128	-	10,021,128	8,563,777	628,472	9,192,249
Other operating income	4	257,500	-	257,500	143,812	24,392	168,204
Selling and distribution costs		(959,068)	-	(959,068)	(1,281,584)	(194,374)	(1,475,958)
Administrative expenses		(4,425,198)	-	(4,425,198)	(3,803,968)	(618,866)	(4,422,834)
Profit from operations		4,894,362	-	4,894,362	3,622,037	(160,376)	3,461,661
Net finance income	6	42,388	-	42,388	167,725	(23,595)	144,130
Income from associate		446,527	-	446,527	-	-	-
Profit before integration and reorganisation costs		5,383,277	-	5,383,277	3,789,762	(183,971)	3,605,791
Group integration and reorganisation	3(d)	692,666	(2,435,159)	(1,742,493)	-	(204,715)	(204,715)
Profit before taxation	7	6,075,943	(2,435,159)	3,640,784	3,789,762	(388,686)	3,401,076
Income tax expense	8	(1,676,638)	-	(1,676,638)	(1,099,617)	-	(1,099,617)
Profit after taxation		4,399,305	(2,435,159)	1,964,146	2,690,145	(388,686)	2,301,459
Minority interest		(464,138)	-	(464,138)	18,456	-	18,456
Net profit for the year		3,935,167	(2,435,159)	1,500,008	2,708,601	(388,686)	2,319,915
Basic earnings per share	9			KShs 13.76			KShs 21.28
Diluted earnings per share	9			KShs 13.66			KShs 21.15
Dividend per share				KShs 15.00			KShs 11.50

The notes set out on pages 31 to 58 form an integral part of these financial statements.

consolidated balance sheet

AS AT 30 JUNE 2003

	Note	2003 KShs'000	2002 Restated KShs'000
SSETS			
Ion current assets			
roperty, plant and equipment	10(a)	5,941,841	7,483,551
repaid operating lease rentals	11(a)(i)	35,495	15,719
nvestment in associates	12(a)	1,515,531	214,054
ther investments	13	10,400	400
oodwill	3(c)	696,555	453,749
eferred tax	14(a)	80,988	45,602
efined benefit asset	15(b)	123,247	116,616
ue from related companies	18(a)	453,773	-
		8,857,830	**8,329,691**
urrent assets			
tocks	16	3,503,493	4,101,915
ebtors	17(a)	1,350,484	1,284,209
ue from related companies	18(a)	472,616	-
erm deposits		2,094,948	3,018,870
ash and bank balances		1,018,266	1,251,551
		8,439,807	9,656,545
OTAL ASSETS		**17,297,637**	**17,986,236**
EQUITY AND LIABILITIES			
Share Capital and Reserves (Page 28 & 29)		11,086,296	11,121,592
Minority interest		1,504,826	26,318
Non Current liabilities			
Deferred tax	14(b)	805,130	751,069
Provision for staff gratuity		456,419	430,542
		1,261,549	1,181,611
Current liabilities			
Creditors	20(a)	3,163,777	3,101,086
Due to related companies	18(a)	-	411,300
Short term bank loans	21	-	1,834,945
Taxation payable		2,132	43,441
Dividends payable		218,003	180,066
Bank overdraft	21	61,054	85,877
		3,444,966	5,656,715
TOTAL EQUITY, MINORITY INTEREST AND LIABILITIES		**17,297,637**	**17,986,236**

The financial statements on pages 24 to 58 were approved by the Board of Directors on 29 August 2003 and were signed on its behalf by:

Director: J G Kiereini

Director: P D Fullam

The notes set out on pages 31 to 58 form an integral part of these financial statements.

	Note	2003 KShs'000	2002 Restated KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	10(b)	124,602	166,792
Prepaid operating lease rentals	11(a)(ii)	1,955	1,987
Investment in subsidiaries	22	4,324,783	3,256,224
Investment in associated company	12(b)	3,644,952	667,803
Other investments	13	10,400	400
Due from related companies	18(b)	453,773	-
Deferred tax	14(c)	43,096	-
		8,603,561	**4,093,206**
Current assets			
Debtors	17(b)	35,627	9,960
Dividend receivable		1,041,600	2,400,000
Due from subsidiaries	23	1,528,511	2,685,852
Due from related companies	18(b)	304,696	-
Taxation		107,809	30,066
Term deposits		857,368	1,710,930
Cash and bank balances		2,787	10,778
		3,878,398	6,847,586
TOTAL ASSETS		**12,481,959**	**10,940,792**
EQUITY AND LIABILITIES			
Share Capital and Reserves (Page 30)		9,522,831	9,294,484
Non current liabilities			
Deferred tax	14(c)	-	10,546
Provision for staff gratuity		24,552	24,229
		24,552	34,775
Current liabilities			
Creditors	20(b)	986,829	13,654
Due to group companies	18(b)	1,738,580	-
Due to related companies	18(b)	-	114,963
Short term bank loans	21	-	1,302,850
Dividends payable		209,167	180,066
		2,934,576	1,611,533
TOTAL EQUITY AND LIABILITIES		**12,481,959**	**10,940,792**

The financial statements on pages 24 to 58 were approved by the Board of Directors on 29 August 2003 and were signed on its behalf by:

Director: J G Kiereini

Director: P D Fullam

The notes set out on pages 31 to 58 form an integral part of these financial statements.

consolidated cash flow statement

FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 KShs'000	2002 KShs'000
ash flows from operating activities	24(a)	**2,502,032**	**3,177,923**
NVESTING ACTIVITIES			
roceeds from disposal of property, lant and equipment		65,178	127,393
roceeds from disposal of prepaid perating lease rentals		22,258	-
urchase of plant and equipment		(548,153)	(371,132)
nvestment in subsidiaries, net of ash acquired	3(b)	46,081	(85,526)
nvestment in associated company	3(b)	-	(667,803)
nvestment in unquoted companies		(10,000)	-
ash flows from investing activities		**(424,636)**	**(997,068)**
INANCING ACTIVITIES			
hort term loans received		-	1,692,385
ividend paid to shareholders		(1,270,430)	(1,002,102)
nterest received		169,746	179,302
ividend paid to minority interest		(274,151)	-
hort term loans repaid		(1,834,945)	(457,001)
ash flows from financing activities		**(3,209,780)**	**412,584**
et (decrease)/increase in cash and cash equivalents	24(b)	**(1,132,384)**	**2,593,439**

he notes set out on pages 31 to 58 form an integral part of these financial statements.

consolidated statement of changes in equity

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
2003:						
At 1 July 2002 as previously reported	1,090,305	2,188,534	2,477,038	4,434,689	981,275	11,171,841
Reversal of revaluation surplus on leasehold land and accumulated depreciation thereon (Note 11(a)(i))	-	-	(73,441)	8,975	-	(64,466)
Reversal of deferred tax on leasehold land (Note 14(b))	-	-	14,217	-	-	14,217
As restated	1,090,305	2,188,534	2,417,814	4,443,664	981,275	11,121,592
Realised on disposal of subsidiary - Kibo Breweries Limited	-	-	(12,415)	12,415	-	-
Exchange differences on translation of foreign subsidiaries	-	-	(49,167)	(174,747)	-	(223,914)
Net profit for the year	-	-	-	1,500,008	-	1,500,008
Excess depreciation transfer	-	-	(39)	39	-	-
Reversal on impairment of property, plant and equipment	-	-	(5,086)	-	-	(5,086)
Deferred tax on impairment of property, plant and equipment	-	-	2,063	-	-	2,063
Revaluation reserve realised on sale of 20% of shares of subsidiary, Kenya Breweries Limited, to minority interest	-	-	(298,139)	298,139	-	-
Dividend:						
- 2002 declared and paid	-	-	-	-	(981,275)	(981,275)
- 2003 interim paid	-	-	-	(327,092)	-	(327,092)
- 2003 final proposed	-	-	-	(1,308,366)	1,308,366	-
At 30 June 2003	**1,090,305**	**2,188,534**	**2,055,031**	**4,444,060**	**1,308,366**	**11,086,296**

The notes set out on pages 31 to 58 form an integral part of these financial statements.

consolidated statement of changes in equity (cont'd)

FOR THE YEAR ENDED 30 JUNE 2003

02:	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
1 July 2001 as previously reported	1,090,305	2,188,534	2,658,553	3,641,353	735,956	10,314,701
ustments with respect to deferred tax	-	-	(86,050)	86,050	-	-
ustment with respect to vision for staff gratuity	-	-	-	(394,958)	-	(394,958)
ustment with respect to or year's deferred tax on staff gratuity	-	-	-	118,488	-	118,488
ersal of revaluation surplus leasehold land and reciation thereon (Note 11(a)(i))	-	-	(73,441)	8,310	-	(65,131)
ersal of deferred tax on sehold land (Note 14(b))	-	-	14,217	-	-	14,217
restated	1,090,305	2,188,534	2,513,279	3,459,243	735,956	9,987,317
hange differences on translation oreign subsidiaries	-	-	(32,339)	(95,054)	-	(127,393)
profit for the year - restated	-	-	-	2,319,915	-	2,319,915
aluation surplus realised on posal of assets	-	-	(13,411)	13,411	-	-
erred tax on realisation of aluation surplus on disposal of assets	-	-	4,023	-	-	4,023
ersal on impairment of perty, plant and equipment	-	-	(74,640)	-	-	(74,640)
erred tax on reversal of pairment of property, plant and equipment	-	-	20,902	-	-	20,902
idend:						
2001 declared and paid	-	-	-	-	(729,526)	(729,526)
Transferred to liabilities	-	-	-	-	(6,430)	(6,430)
2002 interim paid	-	-	-	(272,576)	-	(272,576)
2002 final proposed	-	-	-	(981,275)	981,275	-
30 June 2002	**1,090,305**	**2,188,534**	**2,417,814**	**4,443,664**	**981,275**	**11,121,592**

notes set out on pages 31 to 58 form an integral part of these financial statements.

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
At 1 July 2001 as previously reported	1,090,305	2,188,534	36,276	3,842,308	735,956	7,893,379
Adjustments with respect to Provision for staff gratuity	-	-	-	(22,500)	-	(22,500
Adjustment with respect to prior year's deferred tax on staff gratuity	-	-	-	6,750	-	6,750
Reversal of revaluation surplus and depreciation thereon on leasehold land (Note 11(a)(ii))	-	-	(2,680)	349	-	(2,331
As restated	1,090,305	2,188,534	33,596	3,826,907	735,956	7,875,298
Net profit for the year	-	-	-	2,427,718	-	2,427,718
Dividend:						
- 2001 declared and paid	-	-	-	-	(729,526)	(729,526
- Transferred to liabilities	-	-	-	-	(6,430)	(6,430
- 2002 interim paid	-	-	-	(272,576)	-	(272,576
- 2002 final proposed	-	-	-	(981,275)	981,275	-
At 30 June 2002	**1,090,305**	**2,188,534**	**33,596**	**5,000,774**	**981,275**	**9,294,484**
At 1 July 2002 As previously reported	1,090,305	2,188,534	36,276	5,000,368	981,275	9,296,758
Reversal of revaluation surplus and depreciation thereon on leasehold land (Note 11(a)(ii))	-	-	(2,680)	406	-	(2,274
As restated	1,090,305	2,188,534	33,596	5,000,774	981,275	9,294,484
Net profit for the year	-	-	-	1,536,714	-	1,536,714
Dividend:						
- 2002 declared and paid	-	-	-	-	(981,275)	(981,275
- 2003 interim paid	-	-	-	(327,092)	-	(327,092
- 2003 final proposed	-	-	-	(1,308,366)	1,308,366	-
At 30 June 2003	**1,090,305**	**2,188,534**	**33,596**	**4,902,030**	**1,308,366**	**9,522,831**

The notes set out on pages 31 to 58 form an integral part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

) Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, and financial instruments carried at amortised cost.

)) Consolidation principles

The consolidated financial statements include the company and its subsidiaries and associate made up to the end of the financial year. A listing of the major subsidiaries is set out on Note 22.

:) Basis of consolidation

i) *Subsidiaries*
Subsidiaries are those enterprises controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain the benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) *Associates*
An associated company is that in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associated company on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. Consolidation adjustments are also made to ensure consistency with the group's accounting policies.

1) Revenue recognition

Revenue is recognised when goods are supplied to and accepted by the customer. Turnover represents the proceeds from the sale of goods to customers and includes excise duty and output value added tax.

(e) Translation of foreign currencies

i) *Foreign currency transactions*
All assets and liabilities expressed in foreign currencies are converted into Kenya Shillings at the exchange rate ruling at the balance sheet date. Transactions during the year in foreign currencies are converted at the rates ruling at the date of transaction. The resulting differences are dealt with in the profit and loss account.

ii) *Financial statements of foreign operations*
The financial statements of foreign subsidiaries are consolidated using the net investment method. The exchange rate ruling at the balance sheet date is used and the exchange differences resulting from the translation of net investments in the subsidiaries are recognised directly in equity. All inter-company balances and transactions, including unrealised inter-company profits, are eliminated on consolidation.

(f) 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 arms length basis.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is charged on a straight line basis over the estimated useful lives of the assets.

The rates of depreciation used are:-

Freehold land	Nil
Buildings	2% or over the un-expired period of the land lease
Plant, machinery and equipment	3 - 20%
Motor vehicles:	
Commercial	20%
Others	25%

(h) Impairment

The carrying amounts of the group's assets other than stocks (Note 1(k)) and deferred tax (Note 1(p)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and an impairment loss recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairmen loss had been recognised.

However, an impairment loss on a revalued asset recognised directly against any revaluation surplu for the asset to the extent that the impairment lo does not exceed the amount held in the revaluatio surplus for the same asset.

(i) Operating leases

Leases where a significant portion of the risks an rewards of ownership are retained by the lessor, a classified as operating leases.

Payments made under operating lease arrangement (whether prepaid or post paid) are recognised as a expense in the income statement on a straight-lin basis over the term of the lease.

(j) Goodwill

Goodwill arising on acquisition of subsidiaries an associates is charged to the income statement ove its estimated useful life. Useful life is the bes estimate of the period during which future economi benefits are expected to flow to the enterprise an does not exceed twenty years. Goodwill is stated a cost less accumulated amortisation and impairmen losses (Note 1(h)).

In respect of associates, the carrying amount of goodwi is included in the carrying amount of the investment i associate net of any impairment losses.

(k) Stocks

Raw materials, bottles and crates and other stocks ar valued at purchase cost. Work in progress and beer ar valued at production cost including direct productio cost and an appropriate proportion of production ove heads. The cost of inventories is based on the weighte average cost. If the purchase or production cost i higher than net realisable value, stocks are written dow to net realisable value. Net realisable value is th estimated selling price in the ordinary course of busines less estimated cost of completion and selling expenses

(l) Trade and other debtors

Trade and other receivables are stated at cost les impairment losses (Note 1(h)).

(m) Trade and other payables

Trade and other payables are stated at their cost.

(n) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.

(i) Classification

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the group has the interest and ability to hold to maturity. These mainly include term deposits.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the group, or held to maturity. Available-for-sale instruments include cash and bank balances and other investments.

(ii) Recognition

The group recognises available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised in the profit and loss account.

Held to maturity assets are recognised on the day they are transferred to the group.

(iii) Measurement

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

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value can not be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their market price at the balance sheet date without any deduction for transaction costs.

(v) Gains and lasses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets and trading instruments are recognised in the profit and loss account.

(vi) Derecognition

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

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the group commits to sell the assets. The group uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments are derecognised on the day they are transferred by the group.

(o) Employee benefits

The Group operates two retirement benefit plans for majority of its employees. The assets of the schemes are held in separate funds.

(i) Defined contribution plan

Some of the group's employees are eligible for retirement benefits under a defined contribution scheme. Contributions to the defined contribution scheme are charged to the income statement as incurred.

(ii) Defined benefit plan

Management staff are eligible for retirement benefits under a defined benefit scheme. The group's net obligation is calculated by estimating the amount of future benefits due to employees in return for their service in current and prior periods. The fair value of plan assets is deducted to obtain the net obligation. The calculation is carried out by an independent actuary based on the projected unit credit method.

Where the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any future refunds from the plan; or reduction in future contributions to the plan. Actuarial gains and losses are charged to the profit and loss account over the average remaining working lives of employees participating in the scheme.

(iii) Equity compensation benefits

The stock option programme allows Group employees to acquire shares of the company. When the options are exercised, equity is increased by the value of the units allotted.

(iv) Staff gratuity

On normal retirement after completion of continuous and meritorious service with the group, both management and unionisable staff are entitled to 30 days pay for each completed year of service, after first completing three years of service, by way of gratuity, based on wage or salary at the time of such resignation or termination of services. A provision for the service gratuity is recognised in the financial statements as it accrues to each employee.

(p) Taxation

Tax on the operating results for the year comprises both current and change in deferred tax. Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is calculated on the basis of the tax rates currently enacted. Deferred tax assets and liabilities have not been offset as there is no legally enforceable right of set off between the individual subsidiaries.

(q) Cash and Cash equivalents

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

(r) Dividends

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity.

(s) Related party transactions

In the normal course of business, transactions have been entered with certain related parties. These transactions are on an arm's length basis.

(t) Discontinuing Operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

(u) Comparatives

Where necessary, comparative figures have been adjusted to take into account the effects of adjustments relating to changes in accounting for leasehold land (Note 11).

SEGMENTAL REPORTING

	Continuing operations				Discontinuing operations					
	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2003 KShs'000	2002 KShs'000	2003 KShs'000	2002 KShs'000	2003 KShs'000	2002 KShs'000	2003 KShs'000	2002 KShs'000	2003 KShs'000	2002 KShs'000
ternal sales	24,013,129	21,147,036	4,905,022	5,006,872	-	1,580,771	-	-	28,918,151	27,734,679
ter-segment sales	1,700,252	836,805	-	-	-	-	(1,700,252)	(836,805)	-	-
tal sales	25,713,381	21,983,841	4,905,022	5,006,872	-	1,580,771	(1,700,252)	(836,805)	28,918,151	27,734,679
gment profit m operations	4,531,491	3,531,835	362,871	294,917	-	(365,091)	-	-	4,894,362	3,461,661
finance income/ sts)	35,976	199,867	6,412	(32,142)	-	(23,595)	-	-	42,388	144,130
re of associate fits	446,527	-	-	-	-	-	-	-	446,527	-
up integration and ganisation	692,666	-	-	-	(2,435,159)	(204,715)	-	-	(1,742,493)	(204,715)
ome tax expense	(1,547,064)	(1,046,712)	(129,574)	(52,905)	-	-	-	-	(1,676,638)	(1,099,617)
nent results	4,159,596	2,684,990	239,709	209,870	(2,435,159)	(593,401)	-	-	1,964,146	2,301,459
rity interest									(464,138)	18,456
profit for the year									1,500,008	2,319,915
ER INFORMATION:										
ent assets	15,038,339	13,785,221	2,265,280	2,413,141	-	1,787,874	-	-	17,303,619	17,986,236
ent liabilities	3,920,501	3,991,817	791,996	969,708	-	1,876,801	-	-	4,712,497	6,838,326
al expenditure	487,909	326,340	60,244	10,736	-	34,056	-	-	548,153	371,132
ciation expense	552,409	495,979	135,049	102,317	-	122,368	-	-	687,458	720,664
red assets n (back)/down	(14,038)	(137,704)	-	492	(1,018,721)	-	-	-	(1,032,759)	(137,212)

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

nt revenue is based on the geographical location of both customers and assets.

3 GROUP INTEGRATION AND REORGANISATION

a) Acquisition and Disposal of Subsidiaries and Associates

Acquisitions

Effective 12 December 2002, the Group acquired 20% of the issued share capital of Tanzania Breweries Limited (TBL), satisfied by a exchange of shares with Sab Miller Africa B.V. in Kenya Breweries Limited. The company's principal activities are the production distribution and sale of malt beer and alcoholic fruit beverages in Tanzania. It operates breweries in Dar es Saalam, Arusha an Mwanza and ten depots throughout the country. It also farms barley, which is used to produce malt at its malting plant in Moshi. Th acquisition was accounted for using the equity method of consolidation.

Effective 12 December 2002, the Group acquired all the shares in Castle Brewing Kenya Limited (CBKL) satisfied by an exchange shares with Sab Miller Africa B.V. in Kibo Breweries Limited. The company's principal activities was brewing and marketing of beer Kenya. However, the brewery ceased operations on 13 May 2002 and subsequently ceased trading on that date. The company has bee dormant from that date.

On 1 July 2002, the Group acquired all the shares in International Distillers Uganda Limited (IDU) for Kshs 300 million satisfied cash. The company leases its property and earns royalties for its brands in Uganda. The acquisition was accounted for using t equity method of consolidation.

On 30 June 2002, the Group acquired 46.32% in the issued share capital of UDV (Kenya) Limited (UDV(K)), for KShs 667,803,000 2002 and KShs 7,299,000 in 2003 satisfied in cash. The company manufactures and sells spirits in Kenya.

Disposals

On 12 December 2002, the Group disposed of its interest in Kibo Breweries Limited (Kibo) to TBL as noted above.

On 12 December 2002, the Group disposed of 20% of the issued share capital of Kenya Breweries Limited by an exchange of sha with Sab Miller Africa B.V. in TBL as mentioned above. The net financial effect of these additions and disposals is shown under Note 3 (d).

(b) Effect of acquisition and disposal of subsidiaries

The acquisition and disposals of subsidiaries had the following effect on the group's assets and liabilities.

		Acquisition of CBKL KShs '000	Acquisition of IDU KShs '000	Acquisition of UDV(K) KShs '000	Disposal of KIBO KShs '000
Property, plant and equipment		120,000	44,860	102,294	(484,249)
Prepaid operating lease rentals		30,000	1	12	-
Defined benefit asset		-	-	1,490	-
Stocks		-	-	172,775	-
Debtors		-	662	39,152	-
Due from related companies		-	35,151	52,360	-
Treasury bills		-	-	70,000	-
Cash and bank balances		-	106,931	176,449	-
Minority interest		-	-	(247,355)	-
Deferred tax liability		-	(5,951)	(4,728)	-
Provision for staff gratuity		-	-	(4,207)	-
Creditors		-	(9,743)	(71,978)	-
Due to related companies		-	(829)	(64,787)	-
Taxation payable		-	-	(8,037)	-
Dividends payable		-	(142,636)	-	-
Net identifiable assets and liabilities		**150,000**	**28,446**	**213,440**	**(484,249)**
Goodwill on acquisition	- 2002	-	-	453,749	-
	- 2003	334,249	271,554	7,913	-
		334,249	271,554	461,662	-
Consideration paid/(received) satisfied by swap of shares	- 2003	**484,249**	**-**	**-**	**(484,249)**
satisfied in cash	- 2002	-	-	667,803	-
	- 2003	-	300,000	7,299	-
		-	300,000	675,102	-
Cash and cash equivalent		-	(106,931)	(246,449)	-
Net cash outflow/(inflow)	- 2003	**-**	**193,069**	**(239,150)**	**-**
Net cash outflow - 2002		**-**	**-**	**667,803**	**-**

(c) Goodwill

Cost	**UBL KShs '000**	**UDV (K) KShs '000**	**IDU KShs '000**	**CBKL KShs '000**	**TBL KShs '000**	**Total KShs '000**
At 1 July 2002	116,415	453,749	-	-	-	570,164
Additional purchase consideration	-	7,299	-	-	-	7,299
Adjustment to fair value of net assets acquired	-	614	-	-	-	614
On acquisition during the year (Note 3(b) and 3 (d))	-	-	271,554	334,249	2,129,421	2,735,224
At 30 June 2003	**116,415**	**461,662**	**271,554**	**334,249**	**2,129,421**	**3,313,301**
Amortisation and impairment losses						
At 1 July 2002	116,415	-	-	-	-	116,415
Amortisation charge for the year	-	23,083	13,578	-	-	36,661
Charge to net gain/loss on acquisition and disposal of subsidiaries	-	-	-	334,249	2,129,421	2,463,670
At 30 June 2003	**116,415**	**23,083**	**13,57B**	**334,249**	**2,129,421**	**2,616,746**
Carrying amount						
At 30 June 2003	**-**	**438,579**	**257,976**	**-**	**-**	**696,555**
At 30 June 2002	**-**	**453,749**	**-**	**-**	**-**	**453,749**

The goodwill represents the excess of cost of acquisitions over the fair value of identifiable assets and liabilities of the respective companies. Goodwill has been amortised over its estimated useful life upto twenty years.

(d) Group integration and reorganisation

Continuing operations:	Sales proceeds /(purchase price) KShs '000	Fair value of net assets acquired/(disposed) KShs '000	Gain/ (loss) arising KShs '000
Sale of 20% interest in Kenya Breweries Limited	3,725,267	(903,180)	2,822,087
Acquisition of 20% interest in Tanzania Breweries Limited	(3,341,316)	1,211,895	(2,129,421)
Sub-total			**692,666**
Discontinuing operations:			
Acquisition of 100% interest in Castle Brewering Kenya Limited	(484,249)	150,000	(334,249)
Sale of 100% interest in Kibo Breweries Limited	484,249	(484,249)	-
Closure costs and impairment losses for Kibo Breweries Limited			(1,018,721)
Transaction costs including capital gains taxes relative to the reorganisation			(1,082,189)
Sub-total			**(2,435,159)**
Total			**(1,742,493)**

4 OTHER OPERATING INCOME

	2003 KShs'000	2002 KShs'000
Gain on disposal of leasehold land	22,223	-
Gain on disposal of property, plant and equipment	4,428	59,593
Royalty income from associate	67,232	-
Rental income	14,539	20,293
Sale of scrap items	65,158	54,879
Other	83,920	33,439
	257,500	**168,204**

8 INCOME TAX EXPENSE

	2003 KShs'000	2002 KShs'000
Current tax expense	1,589,895	1,119,111
Prior year (over)/under provision	(90,485)	(7,436)
	1,499,410	1,111,675
Deferred tax (Note 14)	34,337	(12,058)
Share of tax of associate	142,891	-
	1,676,638	**1,099,617**

The tax on the group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	2003 KShs'000	2002 KShs'000
Accounting profit	3,640,784	3,401,076
Tax at the standard rate of 30%	1,092,235	1,020,323
Tax effect of non deductible expenses and non-taxable income	674,888	86,730
Prior year (over)/under provision	(90,485)	(7,436)
	1,676,638	**1,099,617**

The current corporate tax rates in the three countries of operations are as follows:

Kenya	30%
Tanzania	30%
Uganda	30%

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on:
Basic earnings per share

	2003	2002
Net profit for the year – KShs'000	**1,500,008**	**2,319,915**
Weighted average number of ordinary shares in issue during the year	**109,030,506**	**109,030,506**
Basic earnings per share	**KShs 13.76**	**KShs 21.28**

Diluted earnings per share

	2003	2002
Weighted average number of ordinary shares in issue during the year	109,030,506	109,030,506
Options granted during the year:		
– under the Executive Option Scheme	314,136	244,759
– under the Share Save Scheme	431,731	431,731
	109,776,373	**109,706,996**
Diluted earnings per share	**KShs 13.66**	**KShs 21.15**

10 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold properties KShs'000	Leasehold buildings KShs'000	Plant and equipment KShs'000	Motor Vehicles KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost/Valuation						
As at 1 July 2002	1,701,305	1,617,219	7,500,757	264,337	68,499	11,152,117
Reclassification of leasehold land (Note 11(a)(i))	(85)	(92,260)	-	-	-	(92,345)
As restated	1,701,220	1,524,959	7,500,757	264,337	68,499	11,059,772
Exchange movement on foreign subsidiaries	-	(57,447)	(179,985)	(628)	(1,912)	(239,972)
Additions	-	183	19,064	13,047	515,859	548,153
Transfers	-	6,215	251,148	-	(257,363)	-
Disposals	-	(32,274)	-	(77,714)	-	(109,988)
Acquisition of subsidiaries	7,069	184,341	41,798	258,912	-	492,120
Eliminated on disposal of Kibo Breweries Limited	-	(425,813)	(1,162,584)	-	-	(1,588,397)
Reversal	-	-	(159,177)	-	-	(159,177)
Impairment loss adjustments	6,049	-	(151,923)	(60,304)	(53,677)	(259,855)
As at 30 June 2003	1,714,338	1,200,164	6,159,098	397,650	271,406	9,742,656
Comprising:						
Cost	563,331	341,352	4,781,949	397,650	271,406	6,355,688
Valuation	1,151,007	858,812	1,377,149	-	-	3,386,968
	1,714,338	1,200,164	6,159,098	397,650	271,406	9,742,656
Depreciation						
As at 1 July 2002						
As previously stated	262,468	96,942	2,991,939	237,032	-	3,588,381
Reclassification of leasehold land (Note 11(a)(i))	-	(12,160)	-	-	-	(12,160)
As restated	262,468	84,782	2,991,939	237,032	-	3,576,221
Exchange movement on foreign Subsidiaries	-	(7,951)	(54,416)	(592)	-	(62,959)
Charge for the year	40,329	34,222	591,771	21,136	-	687,458
Acquisition of subsidiaries	925	25,789	30,968	157,284	-	214,966
Eliminated on Kibo Breweries Ltd disposal	-	(28,308)	(1,075,840)	-	-	(1,104,148)
Dn disposals	-	(6,040)	-	(43,198)	-	(49,238)
Impairment loss adjustments	6,801	-	577,162	(45,44B)	-	53B,515
As at 30 June 2003	310,523	102,494	3,061,584	326,214	-	3,800,815
Net book value						
At 30 June 2003	**1,403,815**	**1,097,670**	**3,097,514**	**71,436**	**271,406**	**5,941,841**
At 30 June 2002 - restated	**1,438,752**	**1,440,177**	**4,508,818**	**27,305**	**68,499**	**7,483,551**

10 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Group

Property, plant and equipment in two of the subsidiaries were valued by independent professional valuers on the basis of open market value for existing use as at 30 June 1996 and 30 June 1988. The resulting surplus was credited to a revaluation surplus.

As a result of the on going re-organisation of the group operations, the directors have re-assessed the future economic benefits of some assets and adjusted their values as necessary.

As at 30 June 2003, there were no assets pledged by the Group to secure liabilities.

If the property, plant and equipment were stated on a historical cost basis, the amounts would be as follows:-

	Freehold properties KShs'000	Leasehold buildings KShs'000	Plant and equipment KShs'000	Motor Vehicles KShs'000	Total KShs'000
Cost	563,331	341,352	5,053,355	397,650	6,355,688
Accumulated depreciation	(102,038)	(29,136)	(2,502,461)	(326,214)	(2,959,849)
Net book value					
At 30 June 2003	**461,293**	**312,216**	**2,550,894**	**71,436**	**3,395,839**
At 30 June 2002	**465,329**	**449,956**	**3,386,549**	**26,572**	**4,328,406**

10 **PROPERTY, PLANT AND EQUIPMENT (cont'd)**
(b) Company

	Freehold properties KShs'000	Leasehold buildings KShs'000	Plant and Equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost/Valuation					
At 1 July 2002	5,500	49,300	122,945	-	177,745
Reclassification of leasehold land (Note 10(a)(ii))	-	(4,930)	-	-	(4,930)
As restated	5,500	44,370	122,945	-	172,815
Additions	-	-	-	6,956	6,956
Transfers	-	-	3,797	(3,797)	-
Group transfers	-	-	2,326	-	2,326
As at 30 June 2003	5,500	44,370	129,068	3,159	182,097
Comprising:					
Cost	85	1,000	129,068	3,159	133,312
Valuation	5,415	43,370	-	-	48,785
At 30 June 2003	**5,500**	**44,370**	**129,068**	**3,159**	**182,097**
Depreciation					
As at 1 July 2002					
As previously stated	-	6,692	-	-	6,692
Reclassification of leasehold land (Note 10(a)(ii))	-	(669)	-	-	(669)
As restated	-	6,023	-	-	6,023
Charge for the year	-	811	50,661	-	51,472
As at 30 June 2003	-	**6,834**	**50,661**	-	**57,495**
Net book value:					
At 30 June 2003	**5,500**	**37,536**	**78,407**	**3,159**	**124,602**
At 30 June 2002 as restated	**5,500**	**38,347**	**122,945**	**-**	**166,792**

Property, plant and equipment were professionally valued by Lloyd Masika on the basis of open market value for existing use as at 30 June 1996. The resulting surplus was credited to a revaluation surplus.

As at 30 June 2003, there were no assets pledged by the company to secure liabilities.

10 PROPERTY, PLANT AND EQUIPMENT (cont'd)
(b) Company

If the property and equipment were stated on a historical cost basis the amounts would be as follows:

	Freehold properties KShs'000	Leasehold Buildings KShs'000	Property & Equipment KShs'000	Total KShs'000
Cost	85	1,000	129,068	130,153
Accumulated depreciation	-	-	(50,661)	(50,661)
Net book value:				
At 30 June 2003	**85**	**1,000**	**78,407**	**79,492**
At 30 June 2002	**85**	**2,594**	**122,945**	**125,624**

11 LEASES

a) Prepaid operating lease rentals

Leases of land have been classified as operating leases whereas in previous years, such leases were classified as property, plant and equipment.

Previously, leasehold land was carried at revalued amounts. Following the reclassification, the net book value of leasehold land has been reclassified from property, plant and equipment to prepaid operating lease rentals and the revaluation surplus relating to leasehold land has been reversed.

(i) Group	2003 KShs'000	2002 KShs'000
At 1 July 2002 and 1 July 2001 as previously stated	Nil	Nil
Leasehold land value reclassified from property, plant and equipment (Note 10(a))	92,345	92,345
Reversal of revaluation surplus relating to leasehold land	(73,441)	(73,441)
	18,904	18,904
On acquisition of subsidiaries	20,013	-
On disposal	(35)	-
	38,882	18,904
Accumulated depreciation reclassified from property, plant and equipment (Note 10(a))	(12,160)	(11,365)
Reversed accumulated depreciation on surplus revaluation previously charged to profit and loss account	8,975	8,310

(i) Group	2003 KShs'000	2002 KShs'000
Accumulated amortisation at 1 July 2002 and 2001 - as restated	(3,185)	(3,055)
Amortisation for the year	(202)	(130)
	(3,387)	(3,185)
At 30 June	**35,495**	**15,719**

(ii) Company

	2003 KShs'000	2002 KShs'000
The effect of this change is as detailed below:		
At 1 July 2002 and 2001 – as previously stated	Nil	Nil
Leasehold land value reclassified from property, plant and equipment (Note 10(b))	4,930	4,930
Reversal of revaluation surplus relating to leasehold land	(2,680)	(2,680)
	2,250	2,250
Accumulated depreciation reclassified from property, plant and equipment (Note 10(b))	(669)	(581)
Reversed accumulated depreciation on revaluation surplus previously charged to profit and loss account	406	349
Accumulated amortisation at 1 July 2002 and 2001	(263)	(232)
Amortisation for the year	(32)	(31)
	(295)	(263)
At 30 June	**1,955**	**1,987**

b) Leases as lessee

Group

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. Lease payments cover principal rentals, maintenance fees, fleet management costs and insurance costs. Future minimum lease payments under these operating leases are as follows:

	2003 KShs'000	2002 KShs'000
Not later than one year	79,339	84,301
Later than one year and not later than five years	8,442	102,911
	87,781	**187,212**

During the year ended 30 June 2003, KShs 137,341,000 was recognised as an expense in the profit and loss account in respect of the operating leases (2002 – KShs 140,495,000).

c) **Leases as lessor**

Group

The group has entered into operating lease agreements for leasing part of its properties. The future minimum lease receipts under the operating lease is as follows:

	2003 KShs'000	2002 KShs'000
Not later than one year	10,709	10,816
Later than one year and not later than five years	24,233	34,942
	34,942	**45,758**

During the year ended 30 June 2003, KShs 14,539,000 was recognised as income in the profit and loss account in respect of the operating lease leases (2002 - KShs 20,293,000).

12 INVESTMENTS IN ASSOCIATES

a) **Group**

	Effective interest	2003 KShs'000	2002 KShs'000
Group share of net assets:			
UDV (Kenya) Limited	46.32%	-	214,054
Tanzania Breweries Limited	20.00%	1,515,531	-
		1,515,531	**214,054**

The above represents the Group share of net assets of the associated companies.

b) **Company**

	2003 KShs'000	2002 KShs'000
Tanzania Breweries Limited (58,985,693 ordinary shares of TShs 100 each)	3,644,952	-
UDV (Kenya) Limited (463,200 ordinary shares of KShs 20 each)	-	667,803
	3,644,952	**667,803**

Effective 12 December 2002, the company purchased 20% of the issued share capital of Tanzania Breweries Limited, which has been accounted for on an equity basis.

At 30 June 2002, UDV (Kenya) Limited was accounted for as an associate. During the year, a management and distribution agreement was concluded which effectively gave the group control and significant influence over the activities of the entity. The entity has therefore been accounted for as a subsidiary for the year ended 30 June 2003.

OTHER INVESTMENTS	2003 KShs'000	2002 KShs'000
Group and Company		
Unquoted: At cost 4,000 Ordinary shares (representing 20%) in Sen-Tech Limited	400	400
20% investment in Challenge Fund Limited who in turn have subscribed to 50% in Central Depository and Settlement Corporation Ltd	10,000	-
	10,400	**400**

DEFERRED TAX ASSET
Group

(a) Deferred tax asset

Movements during the year are as follows:

	At 1 July 2002 as previously reported KShs'000	Recognised in equity KShs'000	At 1 July 2002 Restated KShs'000	Currency changes KShs'000	Acquisitions during the year KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	Minority interest KShs'000	At 30 June 2003 KShs'000
Arising from:									
Property, plant & equipment	74,073	-	74,073	-	-	(14,456)	-	-	59,617
Tax losses carried forward	(99,479)	-	(99,479)	-	-	(14,969)	-	-	(114,448)
Staff gratuity provisions	(11,565)	-	(11,565)	-	-	(13,230)	-	-	(24,795)
Other provisions	(8,631)	-	(8,631)	-	-	7,269	-	-	(1,362)
Total	**(45,602)**	-	**(45,602)**	-	-	**(35,386)**	-	-	**(80,988)**

A deferred tax asset of KShs 841,435,000 associated with a subsidiary, Castle Brewing Kenya Limited, has not been recognised in the balance sheet as the directors do not expect the temporary difference to reverse in the foreseeable future.

14 DEFERRED TAX ASSET

(b) Deferred tax liability

Movements during the year are as follows:

Arising from:	At 1 July 2002 as previously reported KShs'000	Recognised in equity KShs'000	At 1 July 2002 Restated KShs'000	Currency changes KShs'000	Acquisitions during the year KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	Minority interest KShs'000	At 30 Jun 200 KShs'00
Property, plant & equipment	890,766	(14,217)	876,549	(29,254)	14,169	176,649	(2,063)	460	1,036,51
Tax losses carried forward	-	-	-	-	-	(130,118)	-	-	(130,118
Staff gratuity provisions	(108,186)	-	(108,186)	2,337	-	(4,434)	-	-	(110,283
Defined benefit asset	-	-	-	-	447	36,527	-	-	36,974
Other provisions	(17,294)	-	(17,294)	2,179	(3,937)	(8,901)	-	-	(27,953)
Total	**765,286**	**(14,217)**	**751,069**	**(24,738)**	**10,679**	**69,723**	**(2,063)**	**460**	**805,130**
Net recognition in profit and loss account						**34,337**			

Company

(c) Deferred tax liability/(asset)

Movements during the year are as follows:

Arising from:	At 1 July 2002 KShs '000	Recognised in income KShs'000	At 30 June 2003 KShs'000
Property, plant & equipment	11,065	(6,902)	4,163
Staff gratuity provisions	(519)	(6,847)	(7,366)
Tax losses	-	(39,893)	(39,893)
Total	**10,546**	**(53,642)**	**(43,096)**

18 RELATED COMPANY BALANCES

(a) Group

		2003 KShs'000	2002 KShs'000
Balances due (to)/from related companies			
Due from related companies	: long term	**453,773**	**-**
	: short term	**472,616**	**-**
Due to related companies		**-**	**(411,300)**

As part of the reorganisation strategy, the company has entered into an agreement relative to certain receivables due from Sab Miller B.V. whereby these will be settled by a future dividend waiver of Sab Miller B.V.'s 20% shareholding in Kenya Breweries Limited.

b) Company

	2003 KShs'000	2002 KShs'000
Due (to)/from related companies		
Long term		
Diageo PLC (formerly Guinness Ltd)	7,790	-
SAB Miller B.V.	445,983	-
	453,773	**-**
Short term		
SAB Miller B.V.	**304,696**	**-**
Diageo PLC (formerly Guinness Ltd)	**-**	**(114,963)**
Due to group companies		
Kenya Breweries Limited	**(1,738,580)**	**-**

c) Related party transactions

During the year the group purchased goods and services worth KShs 477,650,000 (2002 – KShs 871,678,672) from related companies. During the year, the group sold goods and services with KShs 64,446,000 to related companies (2002 – Nil). Transactions with related companies are priced on arm's length basis and are in the ordinary course of business. The group also paid management fees amounting to KShs 205,412,000 (2002 – KShs 207,680,666) and royalties amounting to KShs 13,216,000 (2002 – KShs 163,205,170) to related parties.

19 SHARE CAPITAL

Group and Company

	2003 KShs'000	2002 KShs'000
Authorised		
150,000,000 Ordinary shares of KShs.10 each	**1,500,000**	**1,500,000**
Issued and fully paid		
At 30 June		
109,030,506 Ordinary shares of Kshs.10 each	**1,090,305**	**1,090,305**

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 annual and other general meetings of the company.

20 CREDITORS

(a) Group	2003 KShs'000	2002 KShs'000
Trade creditors	911,683	1,503,907
VAT and Excise duty payable	800,565	973,757
Other creditors	484,753	623,422
Provision for costs of re-organisation	966,776	-
	3,163,777	**3,101,086**

(b) Company		
Other creditors	20,053	13,654
Provision for costs of reorganisation	966,776	-
	986,829	**13,654**

21 BANKING FACILITY

Group:

The group has been granted unsecured bank credit facilities by Standard Chartered Bank Kenya Limited, Citibank NA and Commercial Bank of Africa Limited which have a combined facility of KShs 3,225,000,000 and are repayable on demand.

Short term bank loans

This represents unsecured bank loans extended to the company and its subsidiaries in Uganda and Tanzania as follows:

	Country	2003 KShs'000	2002 KShs'000
East African Breweries Limited	Kenya	-	1,302,850
Kibo Breweries Limited	Tanzania	-	532,095
		-	**1,834,945**

22 INVESTMENT IN SUBSIDIARIES

Company	Effective interest	2003 KShs'000	2002 KShs'000
At cost:			
Kenya Breweries Limited	80% (2002 –100%)	1,806,847	405,000
Salopia Limited	100%	200	200
Allsopps (E.A.) Sales Limited	100%	2	2
East African Breweries (Mauritius) Limited	100%	389	389
Central Glass Industries Limited	100%	790,288	790,288
Kenya Maltings Limited	100%	-	-
Uganda Breweries Limited	98%	687,647	687,647
Kibo Breweries Limited	(2002 – 100%)	-	1,372,698
International Distillers Uganda Limited	100% (2002 – Nil)	300,000	-
UDV (Kenya) Limited	46.32%	589,410	-
Castle Brewing Kenya Limited	100%(2002 – Nil)	150,000	-
		4,324,783	**3,256,224**

23 DUE FROM SUBSIDIARIES

Company	2003 KShs'000	2002 KShs'000
Kenya Breweries Limited	-	215,494
Central Glass Industries Limited	125,493	86,228
Kenya Maltings Limited	1,378,677	1,375,757
Uganda Breweries Limited	6,778	42,706
Kibo Breweries Limited	-	965,667
UDV (Kenya) Limited	17,563	-
	1,528,511	**2,685,852**

24 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of net profit before tax to cash flows from operating activities

	2003 KShs'000	2002 Restated KShs'000
Net profit before tax	3,640,784	3,401,076
Adjustments for:		
Income from associate	(446,527)	-
Loss on disposal of interest in subsidiary	793,027	-
Gain on partial disposal of interest in subsidiary	(2,438,136)	-
Depreciation	687,458	720,664
Amortisation of prepaid operating lease rentals	202	130
Amortisation of goodwill	2,500,331	47,618
Exchange differences	(80,474)	(69,006)
Profit on disposal of operating lease rentals	(22,223)	-
Profit on disposal of property, plant & equipment	(4,428)	(59,593)
Property, plant and equipment written back	-	(137,212)
Net increase in defined benefit asset	(5,141)	(2,565)
Net increase in staff gratuity provision	21,670	35,584
Interest income	(169,746)	(179,302)
Interest expense	82,796	92,174
Operating profit before working capital changes	**4,559,593**	**3,849,568**
Decrease/(increase) in stocks	771,197	(191,365)
(Increase)/decrease in debtors	(26,461)	59,377
Increase in creditors	139,647	543,137
Net movement in balance with related companies	(1,315,294)	127,888
Cash generated from operations	**4,128,682**	**4,388,605**
Interest expense	(82,796)	(92,174)
Income taxes paid	(1,543,854)	(1,118,508)
Cash flows from operating activities	**2,502,032**	**3,177,923**

b) Movement in cash and cash equivalents

	2003 KShs'000	2002 KShs'000	Change in the year KShs'000
Cash and bank balances	1,018,266	1,251,551	(233,285)
Term deposits	2,094,948	3,018,870	(923,922)
Bank overdraft	(61,054)	(85,877)	24,823
	3,052,160	**4,184,544**	**(1,132,384)**

25 FINANCIAL INSTRUMENTS

(a) Effective interest rates and repricing analysis

In respect of the income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice:

	2003		2002	
	Effective interest rate %	**Less than 3 months KShs '000**	**Effective interest rate %**	**Less than 3 months KShs '000**
Term deposits	3.40%	2,094,948	10%	3,018,870
Cash and bank balances	3.14%	1,018,266	4.23%	1,251,551
Short term bank loans	-	-	7.5%	(1,834,945)
Bank overdraft	12.75%	(61,054)	13.5%	(85,877)
		3,052,160		**2,349,599**

(b) Foreign currency risk

The Group incurs foreign currency risks on sales, purchases and borrowings that are denominated in a currency other than Kenya shilling. The currencies giving rise to this risk are primarily Euros, Pounds Sterling, US Dollars and Uganda shillings.

In respect of other monetary assets and liabilities held in currencies other than the Kenya shilling, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

26 CAPITAL COMMITMENTS

	2003 KShs'000	**2002 KShs'000**
Contracted but not provided for	1,400,276	52,092
Authorised but not contracted	278,000	-

27 RELATED PARTY TRANSACTIONS

Directors and executive officers

As at 30 June 2003 there were no loans to directors or to executive officers.

Total directors' remuneration included in personnel expenses are as follows:

		2003 KShs'000	**2002 KShs'000**
Directors fees	- Fees (Group)	6,702	3,758
	- Fees (Company)	2,800	3,200
	- Dther (Group)	118,590	155,299
	- Other (Company)	14,563	42,359

Dther related party transactions are disclosed under Note 18.

Transactions with related companies were at terms and conditions similar to those offered to other customers and suppliers.

28 CONTINGENT LIABILITIES

Contingent liabilities incurred in the ordinary course of business:

	2003 KShs'000	2002 KShs'000
Guarantees in respect of bank		
Advances to barley farmers	14,367	14,367
Pending legal cases	291,412	57,036
Other guarantees	268,798	26,280
	574,577	**97,683**

29 ULTIMATE HOLDING COMPANY

The ultimate holding company is Diageo plc, which is incorporated in the United Kingdom.

30 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

31 CURRENCY

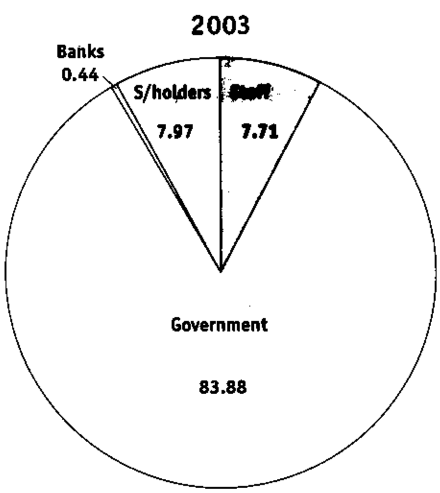
The financial statements are presented in Kenya Shillings (KShs).

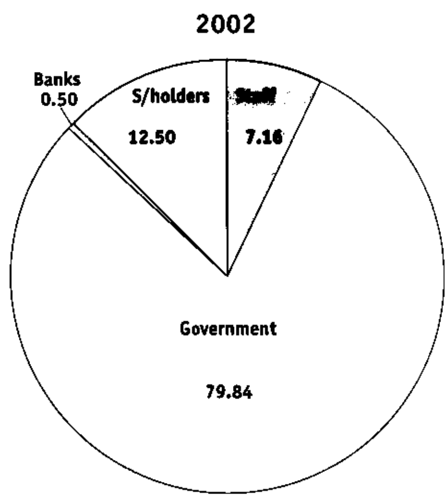
statement of value added

	2003 KShs'000	2002 KShs'000
Turnover	28,918,151	27,734,679
Cost of materials, supplies & services bought & depreciation and amortisation set aside	(9,657,876)	(9,253,973)
Profit on sale of property, plant and equipment and leasehold land	26,651	59,593
Minority share of profit in subsidiary	(464,138)	18,456
VALUE ADDED	**18,822,788**	**18,558,755**

THIS WAS SHARED AS FOLLOWS:

	2003 KShs '000	%	2002 KShs '000	%
Staff	1,450,726	7.71	1,330,213	7.16
Government as taxes	15,789,258	83.88	14,817,118	79.84
Banks and other lenders	82,796	0.44	92,174	0.50
Shareholders	1,500,008	7.97	2,319,250	12.50
	18,822,788	**100.00**	**18,558,755**	**100.00**





PRINCIPAL SHAREHOLDERS OF THE COMPANY AND THEIR RESPECTIVE SHAREHOLDINGS AS AT 30 JUNE 2003

NO	NAME OF SHAREHOLDER	NUMBER OF SHARES HELD	% TOTAL OF EABL SHARES
1.	Guinness Kenya Limited	46,630,325	42.77
2.	Board of Trustees – National Social Security Fund	6,474,287	5.94
3.	Diageo Holdings Netherlands B.V.	4,993,389	4.58
4.	Barclays (Kenya) Nominees Limited Non Resident A/c 9011	3,228,036	2.96
5.	Guinness Overseas Limited	2,865,112	2.63
6.	Barclays (Kenya) Nominees Limited Non Resident A/c 9002	2,598,433	2.38
7.	Kenya Reinsurance Corporation (Life Fund Investments)	2,194,494	2.01
8.	Barclays (Kenya) Nominees Limited Non Resident A/c 9057	1,761,478	1.62
9.	Mr Kanaksinh Karsandas Babla & Sandip Kanaksinh Babla	1,675,593	1.54
10.	Old Mutual Life Assurance Co. Limited	1,346,994	1.24
11.	ICDC Investment Company Limited	1,215,660	1.11
12.	Barclays (Kenya) Nominees Limited A/c 9230	1,200,000	1.10
13.	Barclays (Kenya) Nominees Limited A/c 1256	1,170,722	1.07
14.	UAP Provincial Insurance Company Limited	980,532	0.90
15.	Barclays (Kenya) Nominees Limited A/c 1856	805,578	0.74

DISTRIBUTION OF SHAREHOLDERS AS AT 30 JUNE 2003

Shareholding (Number of Shares)	Number of Shareholders	Number of Shares Held	% Shareholding
Less than 500	19,633	2,490,617	2.28
500 – 5,000	3,376	4,758,499	4.36
5,001 – 10,000	302	2,168,527	1.99
10,001 - 100,000	324	8,848,795	8.12
100,001- 1,000,000	45	13,085,267	12.00
Above 1,000,000	13	77,678,801	71.25
	23,693	**109,030,506**	**100**

proxy

/We ______________________________

____

hare A/c No. ______________________________
f (address) ______________________________

____

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

____

r failing him the duly appointed Chairman of the meeting to be ny/our proxy, to vote on my/our behalf at the 81st Annual General Meeting of the Company to be held on 31 October 2003 at 10.00 .m. or at any adjournment thereof.

s witness to my/our hands

this ____________ day of October 2003.

Signature(s) ______________________________

Notes:

1. This proxy is to be delivered to the Company Secretary not later than 10.00 a.m. on Wednesday 29 October 2003 failing which it will be invalid.

2. In case of a corporation, the proxy must be under its common seal.

Mimi/Sisi ______________________________

____

Nambari ya akaunti ya hisa ______________________________
anwani ______________________________

____

kama mwanahisa/wanahisa wa East African Breweries Limited, namteua/tunamteua ______________________________
wa (anwani) ______________________________
na akikosa yeye, namteua/tutamteua Mwenyekiti wa mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa mwaka wa 81 wa Mwaka wa Kampuni utakaofanyika tarehe 31 Oktoba 2003 saa nne za asubuhi ama siku yoyote ile endapo mkutano huo utaahirishwa.

Sahihi ______________________________

Sahihi hii/hizi imewekwa/zimewekwa tarehe ________ Oktoba 2003.

Maelezo muhimu:

1. Iwapo hutaweza kuhudhuria mkutano huu wewe mwenyewe binafsi, ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kufikishwa kwa Katibu wa Kampuni kabla ya saa nne za asubuhi ya Jumatano, tarehe 29 Oktoba 2003 na isipofikia wakati huo, uteuzi wako/wenu wa uwakilishi hautafaa.

2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo.

ADMISSION CARD

PLEASE ADMIT

To the Annual General Meeting of East African Breweries Limited which will be held at the Tusker Sports Ground, Ruaraka, Nairobi on Friday 31 October 2003 at 10.00 a.m.

This admission card must be produced by the Shareholder or proxy in order to obtain entrance to the Annual General Meeting.

M N Nderu (Ms)
Company Secretary

____
Name of Shareholder

____
Address of Shareholder

Number of shares held ______________________________

FOLD 2
PILI KUNJA HAPA

FOLD 1
KWANZA KUNJA HAPA

COMPANY SECRETARY
EAST AFRICAN BREWERIES LIMITED
PO BOX 30161 - 00100
NAIROBI, KENYA

FOLD 3
HALAFU KUNJA HAPA