









THE TASTE OF LEGENDS

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

EABL in 2020

East African Breweries Limited (EABL) is a regional leader in beverage alcohol with an exceptional collection of brands across beer and spirits. Although our business is concentrated in three core markets of Kenya, Uganda and Tanzania, our products are sold in more than 10 countries across Africa and beyond. Our brands are an outstanding combination of local beers and international premium spirits. These include: Tusker, Guinness, Bell Lager, Serengeti Lager, Kenya Cane, Uganda Waragi, Smirnoff and Johnnie Walker among others. Our performance ambition is to be among the best performing, most trusted and respected consumer products company in Africa. We are proud of the brands we make and the positive impact they have on society. We are passionate about alcohol playing a positive role in society as part of a balanced lifestyle.



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EABL Overview

East African Breweries Limited (EABL) is the leading branded alcohol beverage business in East Africa with an outstanding collection of brands that range from beer, spirits and adult non-alcoholic drinks (ANADs) reaffirming our standing as a total adult beverage (TAB) company. Our extensive network of breweries, distilleries, and distribution facilities span across the six markets within which we operate in East Africa, especially concentrated in the three core markets of Kenya, Uganda and Tanzania. Despite operating in East Africa, our unique products can be found in more than 10 countries across Africa and beyond. The group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors.

Our brands are an outstanding combination of local beers and international premium spirits. These include: Tusker, Guinness, Bell Lager, Serengeti Lager, Kenya Cane, Uganda Waragi, Smirnoff and Johnnie Walker among others. We are proud of the brands we make and the positive impact they have on society. We are passionate about alcohol playing a positive role in society as part of a balanced lifestyle.

Our Business Model

Our business operates with the simple purpose of supporting our consumers in 'Celebrating life every day, everywhere'. Hence, the consumer is at the heart of our business. Our performance ambition 'to create the best performing, most trusted and respected consumer products company in Africa', coupled with our vision 'to be the most celebrated business in every market in Eastern Africa', guide how we operate and every decision we make.

EABL operates across East Africa through the following subsidiaries: Kenya Breweries Limited (KBL), Uganda Breweries Limited (UBL), Serengeti Breweries Limited (SBL) in Tanzania, UDV (Kenya) Limited, East African Beverages (South Sudan) Limited and East African Maltings Limited (EAML) in Kenya. Although our business is concentrated in these markets, our brands are sold in more than 10 countries across Africa and



Despite operating in East Africa, our unique products can be found in more than 10 countries across Africa and beyond. The group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors.

beyond. Our portfolio and geographic reach enable us to deliver sustainable performance and create value for our shareholders.

We are proud of our long heritage of investing in individual markets within the region and enriching the community; as well as building brands that continue to meet consumer needs and provide enjoyment to millions. We have a broad portfolio across categories and price points to suit our consumers changing lifestyle. We continuously invest in building strong brands that play a positive role in society.

Our business model is centered on country specific strategies which allow us the agility to identify and shape consumer trends, as well as respond to market dynamics to support growth. We are a proud grain-to-glass business and remain steadfastly focused on:

- Producing quality beer, spirits and adult non-alcoholic beverages (ANADs).
- Investing in responsible marketing to build aspiration for high quality brands.
- Continuously innovating to unlock new opportunities and deliver new offerings that meet changing consumer demands.
- Transforming sales execution and extending our reach to ensure our consumers can access and enjoy our brands every day, everywhere.
- Sourcing and producing locally where viable to support local communities.
- Playing a positive role in society and delivering value to our stakeholders and shareholders.

Leading total adult beverage company in Eastern Africa



Scale Global Giants: Johnnie Walker, Smirnoff, Baileys and Guinness are among the global brands that we bring to market with scale.



98 years of experience, since 1922



Agility in Innovation: Focused on growing share by innovating new offerings that meet changing consumer needs



1% GDP contribution in Kenya



Extensive footprint in supply and distribution



Market leadership in 2 key markets.



Operating across 6 countries within East Africa, with 6 breweries and 1 malting plant



+2 million people impacted directly or indirectly



Working with a network of capable distribution partners and over 110,000 retailers



Strong iconic brands



Partnering with 60,000 farmers to supply our raw materials



A Winning Portfolio: Over 40 brands within spirits and beer, making up East Africa's largest and most diverse portfolio of brands.



Investing in capacity building from grain to glass.



Powerful Local Jewels: Some of the most iconic and loved brands in East Africa – Tusker, Serengeti & Bell Lager.



Our Strategy

Our strategy is underpinned by our passionate desire to serve our consumers with high quality brands to suit every occasion and economic levels, and our desire to deliver long term shareholder value to our investors. We are committed to serving the communities in which we operate by ensuring alcohol continues to play a positive role in society as part of a balanced lifestyle.

Our strategic ambition is to create the best performing, most trusted and respected consumer products company in Africa. We recently refreshed our strategic priorities to reflect the changing consumer trends and market dynamics, hence sharpening our focus on where to invest and win based

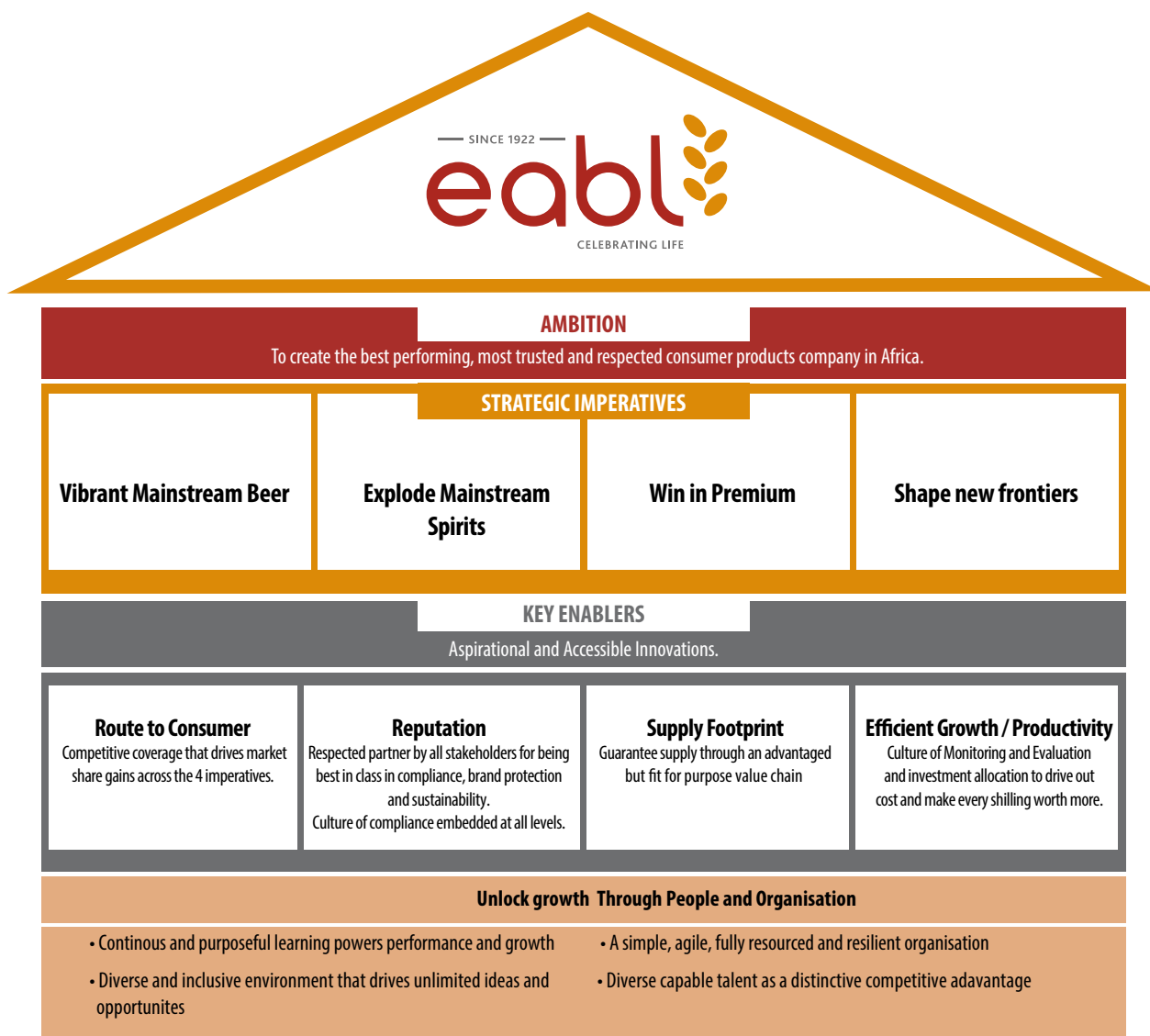
on an understanding of growth potential, profitability and our own right to win.

Our strategy is delivered through 4 executional priorities: Bringing vibrancy and dynamism to mainstream beer; exploding mainstream spirits with an affordable and aspirational portfolio; accelerating and winning in premium by building aspiration and availability of our brands; and shaping new frontiers by recruiting new consumers within total beverage alcohol.

Informal sector is still the largest source of growth in the region, with as high as 50% of alcohol consumed and sold through informal channels. Hence, we will continue to innovate at scale to provide safe and accessible alternatives to our value driven consumers. We are also committed to

partnering with governments across the region in addressing the health risks associated with consumption of illicit alcohol.





































Delivery of our ambition is further reinforced by our laser focus on: building an effective route to consumer ensuring our brands are highly accessible and available; investing across our supply chain from grain to glass guaranteeing supply through an advantaged but fit purposeful value chain; and enforcing a culture of continuous evaluation to optimize our costs for maximum returns. Lastly, we pride ourselves in the reputation we continue to build and solidify as a respected partner in the community by enforcing a culture of integrity and compliance across the business.



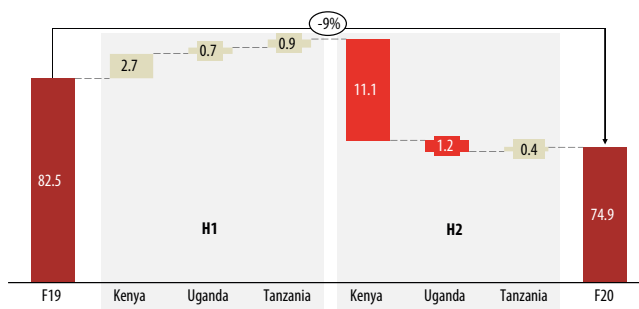
Our brands

Our broad portfolio consists of outstanding local jewels and international brands, reaching across categories, occasions and price points. We endeavor to participate where we believe there is great consumer opportunity and growth potential.

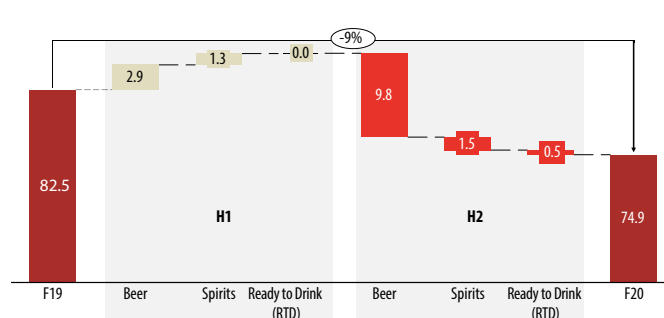
A selection of our brands is included in the table below.

Global giants							
Proud of our global iconic brands							
							
Beer Brands			Spirits Brands				
Can be individual to any one market and provide platform for our business to grow			Small selection from our extensive portfolio of spirit brands.				
							
							
							
							

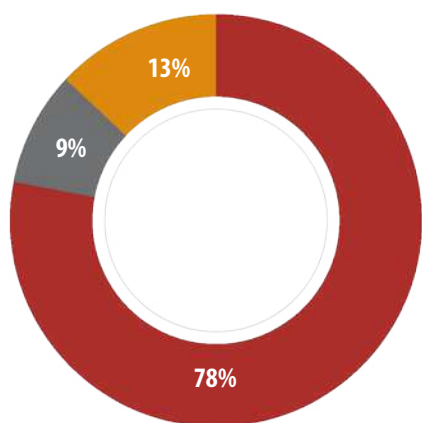
Revenue growth by country (Kshs billion)



Revenue growth by category (Kshs billion)

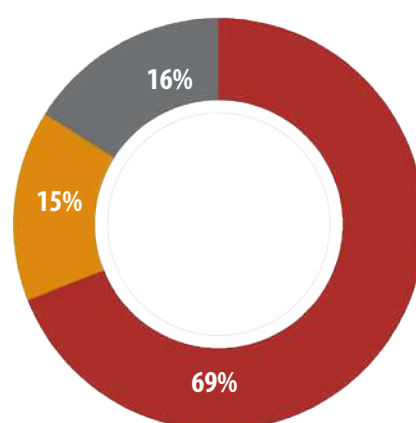


Contribution to earnings before interest and tax



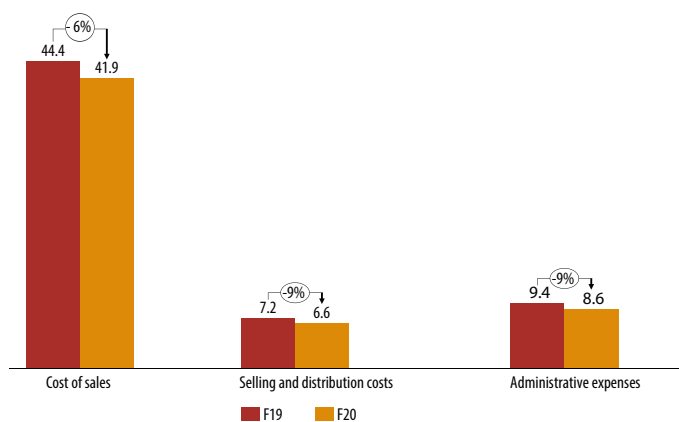
Kenya Uganda Tanzania

Contribution to revenue

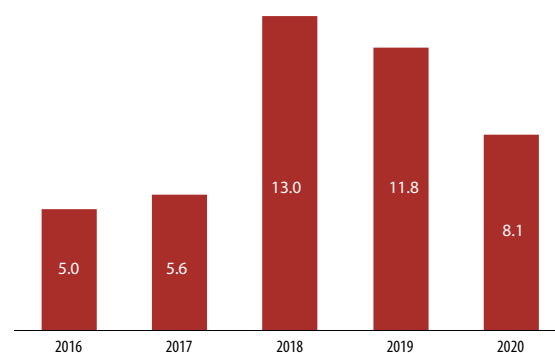


Kenya Uganda Tanzania

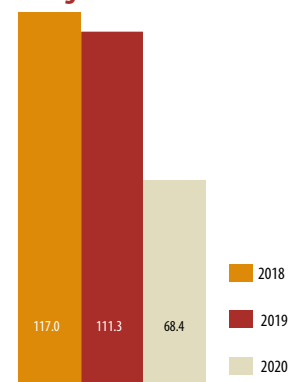
Reduction in cost base (Kshs billion)



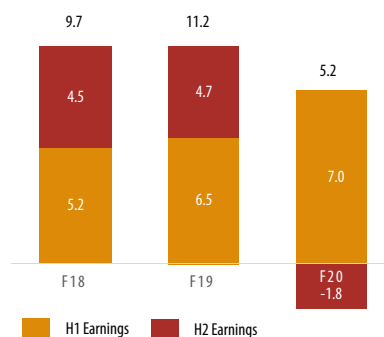
Capital expenditure (Kshs billion)



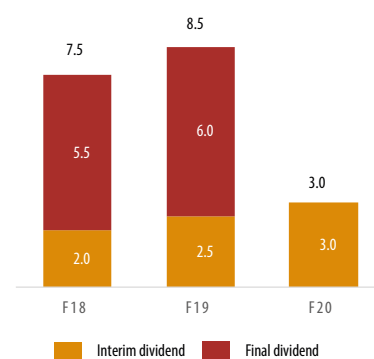
Operating cash conversion



Earnings per share (EPS)(Kshs)



Dividend per share (DPS)(Kshs)



A Promise Kept

Since 1950



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Executive Summary

Shifting our gears for consistent, sustainable EABL growth



East African Breweries Limited (EABL) recorded a 9% decline in net sales for the financial year ended 30 June 2020, as first half growth of 10% was offset by a 29% decline in the second half. The second half decline was due to the impact of the Covid-19 pandemic which saw containment measures implemented across East Africa from late March 2020. The pandemic impacted EABL's business performance after three consecutive double-digit halves of growth, with profit for the year declining by 39% to Kshs 7 billion from Kshs 11.5 billion in the previous year.

Markets Net Sales Highlights for the financial year 2020:

- **Kenya:** Declined 14% versus prior year. First half growth of 8% was offset by second half decline of 37%, as the partial lockdown from March to June led to closure of bars and restaurants. Mainstream and value spirits remained resilient and registered 2% growth versus prior year as the

9

The percentage by which EABL's full year net sales declined. First half growth of 10% was offset by a 29% decline in the second half

2

Percentage by which mainstream and value spirits grew in Kenya versus prior year as the category benefited from a shift of outlet consumption occasions to at home consumption

Kshs 3

Per share Interim dividend Amount paid in April 2020 will be the full and final dividend for the year

39

The percentage by which our profit for the year 2020 Declined compared to last year

Executive Summary



Despite the challenges, our EABL strategy which takes us to our fiscal 2022, remains unchanged. The business will leverage people's high-performance culture to emerge stronger, and continue creating value for our stakeholders.

category benefitted from a shift of outlet consumption occasions to at-home consumption

- **Uganda:** Declined 5% versus prior year, as first half growth of 10% was offset by the impact of a total lockdown from March to June resulting in a 21% decline in sales in the second half.
- **Tanzania:** Grew 14% versus prior year, as first half growth of 19% slowed down to 10% in the second half as Government restrictions in response to Covid-19 were limited. Double-digit growth in premium and mainstream beer segments and improved spirits performance supported a strong delivery for the financial year.

During this unwelcome pandemic, our top priority has been to safeguard the health and well-being of our people and support our communities, while taking necessary action to protect our business. Across the markets we have tracked changes in consumer behaviour and repurposed our execution plans in trade to continue serving our consumers where safe and possible to do so.

To protect our people and communities, we made a significant contribution through trade and community initiatives across the region. We helped East African communities tackle the effects of the pandemic by donating cash and funding provision of hand sanitisers and mattress distributed to frontline health workers and vulnerable communities. We also leveraged our expansive network and market presence to educate consumers about the pandemic.

To protect our business, we promptly reset our discretionary spend, chiefly advertising and promotions (A&P), that we believed would not be effective in the rapidly volatile environment. As the uncertainty presented by Covid-19 became increasingly complex, we reallocated resources to new and emerging channels in order to serve our consumers safely. However, the pandemic still impacted our business significantly, leading to a 39% drop in our profit for the year.

Our market teams reorganised their plans to help us emerge stronger from the crisis and continued to execute with discipline and invest prudently to ensure we are strongly positioned for a recovery in consumer demand.

In recognition of the uncertainty in the external environment in the face of the Covid-19 pandemic and the need to conserve cash to support the business, the

Executive Summary



Board of Directors do not recommend a final dividend. Consequently, the interim dividend of Kshs 3 per share paid in April 2020 will be the full and final dividend for the year. Despite the challenges, our EABL strategy which takes us to our fiscal 2022 remains unchanged and the business will leverage people's high-performance culture to emerge stronger and continue to create value for all our stakeholders.

During the year, EABL began another chapter with a new home adjacent to the previous headquarters in Ruaraka, Nairobi. This action has given a significant number of employees a new lease of life, enabling them to liberate their knowledge and talent in a collaborative, shared workspace, helping us make greater connections with each other to deliver better. Accompanying this positive change was a new-look logo that has helped refresh our corporate outlook representing the changing times and reflecting contemporary corporate brand image for EABL.

In line with our tradition, we involved hundreds of young and upcoming designers to deliver this new look, not only to appreciate but also help us imagine how our future corporate shape would look like. A 22-year old Kenyan design student brought this home and won Kshs 1 million for his outstanding talent and hard work.

In every sphere of our business, we have continued to sharpen the focus on the future in full understanding of unfolding realities in our marketplace. Yet, it is increasingly clear to us that our success will only be guaranteed by actions of what we do every day and the environment within which we operate. That is why, people and environment



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Executive Summary

remain critical to our business, as outlined in our sustainability agenda. During our 2020 financial period, we will invest significantly in sustainability to deliver renewable energy and recycle our water.

Whereas the fruit of these significant investments will be clear upon completion of these projects, we have made huge efforts to ensure that sustainability remains top of mind among our people and partners, wherever they are. EABL will continue to be at the vanguard of innovation and improvement of our processes, while measuring the impact of our investments and actions in the years to come.

And we are proud of various milestones achieved this year including:

- **Promoting positive drinking** where over 1.2 million East Africans have pledged to never drink and drive through our Join the Pact programme.
- **Build Positive Trust** through our Grain-to-Grass Sustainability, EABL, for example, surpassed our 2020 water replenishment



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Kenya target to deliver 171,000 cubic meters, reaching 176,438 cubic metres during the fiscal. Three significant projects in Manyara and Mara regions also helped Tanzania hit its target of 102,000 cubic meters. Uganda successfully launched its Running Out of Trees (ROOT) campaign to drive awareness and private sector partnership in national reforestation agenda to plant 40 million trees.

- **Brand protection Programme:** To safeguard growth through brand protection, EABL launched the Kaa Rada (Beware) campaign driving an employee-driven, cross-functional approach in Kenya to ensure our brands are protected from illicit trade (counterfeits and contrabands). While we have successfully leveraged market insights to drive commercial opportunities in Uganda the Tanzania market is taking lessons from other markets for local adoption.



Chairman's Statement



"The operating environment in F20 was challenging across the region and globally. However, we continue to face the pandemic head-on, with confidence that the breadth of our portfolio, the capability of our people, and clarity of our refreshed strategy remain key advantages to guide us through this period and emerge stronger."

Dr. Martin Oduor-Otieno
Group Chairman

400

Number of students who have already graduated from the Heshima programme which targets women and youth who risk falling prey to illicit brew.

Overview

I am delighted to present to you my first statement as Group Chairman of EABL, having taken over from Charles Muchene on 1st January 2020. I would like to thank Charles for his tremendous leadership of this business as Chairman over the past eight years and to wish him well in his future endeavours.

Covid-19 pandemic has presented the biggest challenge our markets have had to deal with in recent times. Much like everywhere else around the world, our people, business and communities have faced a difficult period – with many worried about their lives and livelihoods.

At such a challenging time, EABL has tapped into and relied on our people and culture to drive our organisation and deliver our performance ambition: to be the most trusted and respected business in Africa. I would therefore like to thank all our management and staff for their commitment and resolve during this time, and for rising to the occasion to support our communities across the region and deliver for the business and our shareholders.

Our people's sense of determination helped us face the market realities presented by the pandemic head-on during the year. Our confidence in the breadth of EABL brand portfolio, the capability and resilience of our employees and clarity of our refreshed strategy provided a reliable corporate compass amid the stormy waters of Covid-19. We were bold in our decision making to safeguard our people and steadfast in protecting our business, because we know the world – and EABL – will eventually emerge from the pandemic.

Having said this, we are reporting a much subdued performance for the last quarter of our financial year, and by extension for the year as a whole, due to the impacts of the pandemic. Our performance in the first three quarters of our financial year was solid, as we continued to implement our strategic plan. With the onset of Covid-19, the EABL management exercised prudent financial discipline with deliberate measures, including proactive management of our cost base and prioritising and expanding our e-commerce channels in order to protect our company during the crisis and beyond.

Business environment

The region's economic growth remained robust amid emerging challenges before the Covid-19 pandemic. East Africa faced relatively subdued economic growth in 2019 compared to the previous year with adverse weather conditions and fiscal consolidation constraining agriculture and the growth in public sector infrastructure projects, respectively. Overall, this resulted in lower incomes and therefore weaker purchasing power.

The Covid-19 crisis has had far-reaching and adverse impact across the region during the period. All economic sectors and activities have been affected because of restrictive measures taken by countries to protect their citizens against the pandemic. The cumulative impact of travel bans, lockdowns and general shutdown of the hospitality sector to allow social distancing, and stem spread of the pandemic has led to a significant economic slowdown across East Africa.

Tax Policy and Regulatory Environment

With governments facing fiscal pressure, we continued to experience a sometimes volatile regulatory and tax environment especially in Kenya and Uganda. These uncertain and ambiguous realities continue to pose potential challenges to affordability of our products.

On the positive side, and to soften the economic blow caused by Covid-19, the Kenyan and Ugandan governments introduced fiscal measures as well as monetary policy changes to support their economies.

Supporting our Communities

As a responsible corporate citizen, we have an important role to play in helping the communities where we live and work to thrive. Therefore, we are focused on the issues we believe matter most in the communities where we source our raw materials and where we make and sell our products. We take great care to build sustainable supply chains and work hard to protect the environment and the natural resources on which we rely. Our grain-to-glass sustainability strategy continues to directly support over 60,000 farmers across East Africa while many more rely on the value chain.

Further, our Water of Life programme continues to reach even more people. In Kenya, we surpassed our 2020 water replenishment target of 171,000 cubic meters to deliver 176,438 cubic metres. Three significant projects in Manyara and Mara regions also helped Tanzania hit its target of 102,000 cubic metres.

In Uganda, we successfully launched Running Out of Trees (ROOT) campaign to drive awareness and participated actively in the private sector partnership in national reforestation agenda to plant 40 million trees.

To promote positive drinking, we signed up 1.2 million East Africans who pledged to never drink and drive through our Join the Pact programme. Our focus on building thriving communities saw close to 400 students graduate from the Heshima programme which targets women and youth who risk falling prey to illicit alcohol. The programme aims to provide women with equal access to the skills and resources they need to build a better future for themselves and their families.

EABL has worked closely with the governments in the three markets during the Covid-19 outbreak to provide support to frontline health workers and vulnerable communities. We have extended help across our communities through funding donations of hand sanitiser and cash to the governments for purchase of health equipment and support to our suppliers and customers.

Emerging stronger

While the business continues to leverage on the strength and breadth of our portfolio to deliver sustainable shareholder return, we remain cautiously optimistic given the macro-economic headwinds post the Covid-19 outbreak. Our business model and strategy are resilient to ensure sustainability of the business in the medium to long term. We are staying the strategic course while implementing a comprehensive action plan to mitigate costs and tightly manage cash. We invested in

new capabilities to better connect with our customers, enabling us to provide broader and better options to consumers while leveraging technology to reach them on e-commerce platforms especially in the last quarter of the year.

Going forward, we will continue to protect our people, support our plans to emerge stronger and redouble our efforts to grow business across the region. We intend to achieve these through rebuilding our trade capability, increasing off trade share, growing alternative channels such as e-commerce as well as taking advantage of our recent investments in capacity expansion.

I know that our shareholders will be disappointed that we are not recommending the payment of a final dividend this year. Your board has deliberated on this matter and concluded that it is in the best interest of your company to conserve its cash resources and deploy a strategy that will ensure sustainability of the business in the future.

Board Changes

Since the last Annual General Meeting, Mr. Charles Muchene resigned from the Board as the chairman effective 31 December 2019. Dr. Gyorgy Geiszl previously Finance & Strategy Director also resigned on 30 April 2020 to take up a senior role within our parent company, Diageo. I want to unreservedly thank both Charles and Gyorgy once again for providing their vast experience and invaluable counsel, steering us through the years. I wish them all the best in the future.

During the year Mr. Leo Breen and Ms. Risper Ohaga joined the Board following their appointments effective 30 January 2020 and 1 May 2020 respectively. Ms. Kathryn Maundu was appointed as Company Secretary on 28 March 2020 and replaced Ms. Joyce Munene who resigned from office on 27 March 2020. We welcome them to the Board and look forward to their contribution in the months and years to come.

Appreciation

On behalf of the Board of Directors, I would like to recognise our customers, consumers, business partners as well as the governments of the respective countries we operate in for your continued support. We also wish to thank our management and employees for their continued agility and resilience through the crisis. They have demonstrated deep commitment to this business, and I have no doubt that, with their continued efforts, we will emerge stronger. I would also like to sincerely thank my fellow EABL Board members and members of the boards of our subsidiary companies for their counsel, support and dedication throughout the year and for delivering a strong Corporate Governance environment.

Dr. Martin Oduor-Otieno

Group Chairman

Taarifa ya Mwenyekiti



Katika kipindi kigumu hivyo, EABL imewategemea wafanyakazi wetu na utamaduni wetu kuendeleza shirika hili na kutimiza matokeo tunayoyalenga; kuwa biashara inayoaminika na kuheshimiwa zaidi Afrika.

Dkt. Martin Oduor-Otieno
Group Chairman

400

Juhudi zetu katika kutaka kuona jamii zinanawiri zilichangia wanafunzi karibu 400 kuhitimu kutoka kwenye mpango wetu wa Heshima unaowalenga wanawake na vijana ambao mara nyingi hutumbukia kwenye shimo la pombe haramu.

Kwa ufupi

Nina furaha kuwawasilishia taarifa yangu ya kwanza ya kifedha kama Mwenyekiti wa Kundi la EABL, baada ya kuchukua hatamu kutoka kwa Charles Muchene mnamo 1 Januari 2020. Ningependa kumshukuru Charles kwa uongozi wake wa busara katika biashara yetu kama Mwenyekiti kwa miaka 8 iliyopita na namtakia kila la heri katika lolote alifanyalo.

Janga la ugonjwa wa Covid-19 limeleta changamoto kubwa zaidi kibiashara kuwahi kushuhudiwa katika masoko yetu miaka ya karibuni. Sawa na ilivyokuwa kwa wengine duniani, wafanyakazi wetu, biashara na jamii tunazohudumia wote wamekabiliwa na kipindi kigumu – wengi wakiwa na wasiwasi kuhusu maisha yao na mapato yao.

Katika kipindi kigumu hivyo, EABL imewategemea wafanyakazi wetu na utamaduni wetu kuendeleza shirika hili na kutimiza matokeo tunayoyalenga; kuwa biashara inayoaminika na kuheshimiwa zaidi Afrika. Kwa hivyo, ningependa kuwashukuru wasimamizi na wafanyakazi wetu kwa kujitolea kwao na ukakamavu wao kipindi hiki, na kwa kuwajibika kuzisaidia jamii tunazohudumia kote katika kanda hii na kufanikisha matokeo mema kwa biashara yetu na wenye hisa wetu.

Kujitolea kwa watu wetu kulitusaidia kukabili vilivyo uhalisia ulioletwa na janga hilo mwaka huo. Imani yetu katika upana wa shughuli na bidhaa zinazotengenezwa na EABL; uwezo na ukakamavu wa wafanyakazi wetu pamoja na uwazi wa mkakati wetu mpya ulioboreshwa, vyote vilitupatia dira ya kutuelekeza kwenye mawimbi yaliyoletwa na Covid-19. Tulikuwa na ujasiri katika kuchukua maamuzi kuwalinda watu wetu na tulikuwa imara katika kuilinda biashara yetu, kwa sababu tunajua ulimwengu – na EABL – hatimaye

tutaondokea janga hili.

Baada ya kusema hayo, tunatangaza matokeo ambayo si ya kuridhisha sana kwa robo ya nne ya mwaka wa kifedha, na kwa mwaka wote kwa jumla, kutokana na athari za Covid-19. Matokeo yetu katika robo tatu za kwanza za mwaka wa kifedha zilikuwa imara, na tuliendelea kutekeleza mpango wetu wa mikakati. Baada ya kutokea kwa janga la Covid-19, wasimamizi wa EABL walitumia busara kifedha na kuchukua hatua kadha, ikiwa ni pamoja na hatua za kupunguza gharama na kupatia kipaumbele na kupanua njia za uuzaji kwa njia za kidijitali ili kuilinda kampuni yetu kipindi hiki cha janga hili na baadaye.

Mazingira ya Kibiashara

Ukuaji wa uchumi katika kanda hii ulikuwa imara licha ya changamoto zilizokuwa zinajitokeza kabla ya janga la Covid-19. Ukuaji wa uchumi Afrika Mashariki kwa kiwango fulani ulipunguza kasi 2019 ukilinganisha na mwaka uliotangulia kutokana na hali mbaya ya hewa iliyoathiri kilimo na hatua ya serikali kudhibiti matumizi ya fedha jambo lililoathiri miradi ya ujenzi ya miundo msingi inayotekelezwa na serikali. Kwa jumla, hili lilichangia kupungua kwa mapato kwa watu wengi na kuathiri uwezo wao wa kununua bidhaa.

Janga la Covid-19 limekuwa na athari na madhara zaidi kote katika kanda hii kipindi hicho. Sekta zote za kiuchumi na shughuli za kiuchumi zimeathirika kutokana na masharti yaliyowekwa na mataifa mbalimbali kuwalinda raia wake dhidi ya Covid-19. Athari za jumla za marufuku za usafiri, zuio la watu kufanya shughuli zao za kawaida na kufungwa kwa jumla kwa sekta ya vilabu, baa na hoteli kuwezesha watu kutokaribiana ili kuzuia kusambaa kwa virusi vya corona, zimechangia kupungua pakubwa kwa ukuaji

wa uchumi kote Afrika Mashariki.

Sera ya Ushuru na Mazingira ya Kisheria

Huku serikali zikikabiliwa na changamoto za kifedha, tuliendelea kushuhudia mazingira ya uchumi na kisheria ambayo yalikuwa hayatabiriki hasa Kenya na Uganda. Kutotabirika huku kunaendelea kuwa tishio kwa uwezo wa wateja wetu kumudu bei ya bidhaa zetu.

Habari nzuri hata hivyo, na katika hatua za kupunguza athari za kiuchumi kutokana na Covid-19, serikali za Kenya na Uganda zilianzisha hatua kadha za kifedha pamoja na kubadilisha sera za kifedha ili kusaidia uchumi wao.

Kusaidia jamii zetu

Kama kampuni inayowajibika, tuna mchango muhimu sana wa kutekeleza katika jamii katika maeneo tunamoishi na kufanya kazi, kusaidia jamii hizo kunawiri. Hivyo, tumeangazia masuala ambayo tunaamini ni ya muhimu zaidi kwa jamii maeneo ambayo tunanunua bidhaa ghafi na kutengenezea na kuuzia bidhaa zetu. Tunamakinika sana kujenga mifumo endelevu ya utoaji na usambazaji wa bidhaa na kufanya juhudi zaidi kulinda mazingira na maliasili tunayotegemea. Mkakati wetu endelevu wa kuanzia kwa nafaka hadi kwa gilasi unaendelea kuwafaa wakulima zaidi ya 60,000 kote Afrika Mashariki, huku wengine zaidi wakifaidi kutokana na mfumo wetu wa utengenezaji bidhaa.

Kadhalika, mpango wetu wa Maji ya Uhai unaendelea kuwafikia watu wengi zaidi. Nchini Kenya, tulipitisha lengo letu la kujaza tena maji la mwaka 2020 ambalo lilikuwa ni lita elfu 171,000 kwa kufikisha lita elfu 176,438. Miradi mitatu mikubwa katika mikoa ya Manyara na Mara pia ilisaidia Tanzania kutimiza lengo lake la lita elfu 102,000. Nchini Uganda, tulizindua kampeni ya Running Out of Trees (ROOT) kuwahamasisha watu kuhusu umuhimu wa miti na tulishiriki katika ubia wa sekta ya kibinafsi kwenye ajenda ya kitaifa ya kupanda miti 40 milioni.

Ili kujenga tabia ya unywaji pombe kwa kuwajibika, tuliwaandikisha watu 1.2 milioni Afrika Mashariki ambao waliahidi kutoendesha magari wakiwa wamelewa. Tulifanya hili kupitia mpango wetu wa Join the Pact yaani Jiunge na Ahadi. Juhudi zetu katika kutaka kuona jamii zinawawiri zilichangia wanafunzi karibu 400 kuhitimu kutoka kwenye mpango wetu wa Heshima unaowalenga wanawake na vijana ambao mara nyingi hutumbukia kwenye shimo la pombe haramu. Mpango huo unalenga kuwapa wanawake usawa katika kufikia ujuzi, maarifa na rasilimali wanazohitaji kujijengea maisha bora yao na familia zao.

EABL imefanya kazi kwa karibu na serikali katika mataifa yote matatu tunakohudumu kutoa usaidizi kwa madaktari, wauguzi na watu wengine wanaohusika moja kwa moja katika vita dhidi ya Covid-19 na pia kusaidia jamii zenye mahitaji mbalimbali. Tumeendeleza usaidizi wetu kwa jamii kupitia kufadhili utoaji wa vitakasa mikono yaani sanitaiza na pia kutoa fedha kwa serikali kusaidia ununuzi wa bidhaa za matibabu. Tumewasaidia pia wanaotuuza bidhaa na pia wateja wetu.

Kujitokeza imara zaidi

Huku biashara yetu ikiendelea kuimarika kupitia nguvu zetu na upana wa shughuli na bidhaa zetu ili kuendelea kutoa matokeo mazuri kwa wenyehisa wetu, tungali na matumaini ingawa kwa tahadhari kuhusu kuimarika baada ya janga la Covid-19 kuondoka. Mpangilio wa biashara yetu na mkakati wetu ni imara kuhakikisha uendelevu

wa biashara yetu katika kipindi cha wastani na kipindi kirefu. Tunaendelea kufuata mikakati yetu huku tukitekeleza hatua za kupunguza gharama na kusimamia vyema fedha tunazozipata. Tuliwekeza katika huduma mpya kutuwezesha kuwasiliana vyema na wateja wetu, na kuwezesha EABL kutoa suluhu pana na bora kwa wateja wetu huku tukitumia teknolojia kuwafikia kupitia biashara ya kidijitali na hasa robo ya mwisho wa mwaka. Tukisonga mbele, tutaendelea kuwalinda watu wetu, kusaidia mipango yetu ya kujitokeza tukiwa imara zaidi na kuongeza juhudi zetu maradufu katika kukuza biashara yetu katika kanda hii. Tunakusudia kutimiza haya kupitia kujenga uwezo wetu wa kibiashara, kuongeza mapato yasiyotokana na biashara ya moja kwa moja, kukuza mapato kutoka kwa njia mbadala kwa mfano kupitia dijitali na pia kutumia vyema uwekezaji wetu wa hivi majuzi katika uwezo wetu wa uzalishaji.

Ninafahamu kuwa wenyehisa wetu watasikitika kwamba hatupendekezi kulipwa kwa mgawo wa faida wa mwisho mwaka huu. Bodi yetu imejadiliana kuhusu hili na kuamua kwamba, itakuwa ni kwa maslahi mema ya kampuni yetu kuhifadhi fedha zilizopo na kutekeleza mkakati ambao utahakikisha uendelevu wa biashara yetu siku zijazo.

Mabadiliko kwenye bodi

Tangu kufanyika kwa Mkutano Mkuu wa Kila mwaka uliopita, Bw. Charles Muchene alijiuzulu wadhifa wake kama Mwenyekiti wa Bodi mnamo 31 Desemba 2019. Dkt. Gyorgy Geiszl ambaye awali alikuwa Mkurugenzi wa Fedha & Mikakati pia alijiuzulu 30 Aprili 2020 ili kuchukua wadhifa mkubwa katika kampuni yetu kuu, Diageo. Ningependa kuwashukuru kwa dhati Charles na Gyorgy kwa mara nyingine kwa kutoa ujuzi wao na ushauri wa busara na kwa kutuongoza katika miaka waliyokuwa nasi. Nawatakiwa kila la heri.

Katika mwaka huo, Bw. Leo Breen na Bi. Risper Ohaga walijiunga na Bodi baada ya kuteuliwa kuanzia 30 Januari 2020 na 1 Mei 2020 mtawalia. Bi. Kathryn Maundu aliteuliwa kuwa Katibu wa Kampuni mnamo 28 Machi 2020 na kuchukua nafasi ya Bi. Joyce Munene aliyejiuzulu mnamo 27 Machi 2020. Tunawakaribisha kwenye Bodi na tunasubiri kwa hamu mchango wao katika miezi na miaka ijayo.

Shukrani

Kwa niaba ya Bodi ya Wakurugenzi, ningependa kuwatambua wateja wetu, wanaotumia bidhaa zetu, washirika wetu wa kibiashara na serikali katika mataifa tunayohudumu kwa kuendelea kutuunga mkono. Tungependa pia kuwashukuru wasimamizi na wafanyakazi wetu kwa kujitolea kwao na ukakamavu wao wakati wa janga hili. Wamedhihirisha kujitolea kwao sana kwenye biashara hii, na sina shaka kwamba, kupitia juhudi zao, tutajitokeza tukiwa imara zaidi. Ningependa pia kuwashukuru sana wanachama wenzangu kwenye Bodi ya EABL na wanachama wa bodi za kampuni zetu tanzu kwa ushauri wao, uungaji mkono na kujitolea kwao mwaka huo na pia kwa kutoa mazingira bora ya Uongozi wa Kampuni.

Dkt. Martin Oduor-Otieno, CBS

Mwenyekiti

Group Managing Director's Statement



" Through these challenging times we have acted quickly to protect our people and our business, and to support our customers, partners, and communities. The decisions we have made and actions we have taken to strengthen EABL over the last three years of our F22 strategy have provided a solid foundation to respond to the impacts of the pandemic.

Andrew Cowan
Group Managing Director

Kshs 500 million

Amount we have committed towards 'Raising the Bar', an initiative to support bars and eateries after restrictions are lifted.

10%

Driven by the investment and the momentum we have had over the past two years, we experienced steady growth in key areas in the first half of the year, which resulted in revenue growth of 10%.

Overview

Our 2020 financial year at East African Breweries Limited (EABL) has been one of the most volatile for many decades. EABL's 2020 financial year was a period of two contrasting halves: after a strong, consistent performance in the first half, the arrival and spread of Covid-19 presented significant challenges for our business in half two, impacting the annual performance.

The pandemic brought about the need for social distancing and the need to safeguard the health and well-being of people and communities across East Africa as well as our consumers.

We also rose to the occasion, supporting our business partners and communities and to step up to the role a multi-national company like EABL should play as the world grapples with an unprecedented global crisis.

Through these challenging times we have acted quickly to protect our people and our business, and to support our customers, partners, and communities. The decisions we have made and actions we have taken to strengthen EABL over the last three years of our F22 strategy have provided a solid foundation to respond to the impacts of the pandemic.

The continued improvements reorganisation of our business has resulted to a more agile, efficient and effective operation business.

Performance

Driven by the investment and the momentum we have had over the past two years, we experienced steady growth in key areas in the first half of the year, which resulted in revenue growth of 10%.

But our operating environment changed in the second half of the year, with containment measures aimed at combating the spread of Covid-19 rolling back our commercial gains in the last quarter of our financial year. The net effect of these externalities undermined growth with our sales declining by 29% in the second half of the fiscal period. This resulted in full year decline in sales of 9%.

The impact of the pandemic on sales matched the different patterns of restriction across the region.

In Kenya, where the government initially stopped the sale of alcohol in bars and restaurants, first half growth of 8% was offset by a second half decline of 37%. As consumer trends shifted from on-premise to home consumption, spirits were more resilient than beers during the period with mainstream spirits registering a 2% growth and Scotch experiencing a 1% decline.

There was a total lockdown in Uganda from March to June, and net sales in this market reduced 5% compared to the previous year as first half growth of 10% was undermined by a 21% decline in the second half. The growth of premium beer, spirits and the

innovation categories in this market cushioned the business against the adverse impact of the pandemic.

Tanzania had limited restrictions in response to Covid-19, and the market continued its excellent performance, with net sales growing by 19% in H1, slowing down to 10% in the second half. Overall, net sales in Tanzania grew 14% with sustained growth of the Serengeti family at 19%, supported by double-digit growth in sales of Pilsner, Guinness, and mainstream spirits.

Taken together, EABL's net sales were down 9%, the first negative growth rate in many years which also followed three consecutive halves of double-digit growth. We adjusted to this by recalibrating our commercial and financial plans, redoubling our efforts to manage our resource allocation and cost as we shifted gears to reduce the pandemic's overall impact.

With these measures, the company met its pandemic-related short-term targets for the period: selling and administration costs declined 9% and our cost of sales were down 6%.

Strategy

Looking forward, the business has embarked on a rebuilding phase in our fiscal 2021. We share everyone's hopes of our health systems' ability to cope with the stretching effect in East Africa and a quick end to the pandemic, allowing normalcy to return. We are also encouraged by the prospects of a vaccine in coming months.

The business is set to rebuild the momentum in profitability we had before the unwelcome pandemic struck. This will be achieved through flexible planning and forecasting to adjust to the changing realities of the business as we go through this unpredictable period.

As economies open up, we have committed over Kshs500 million towards 'Raising the Bar', an initiative to support bars and eateries after restrictions are lifted. These funds will pay for the physical equipment needed for outlets to re-open, such as hygiene kits, and help for outlets to help establish partnerships for online reservations and cashless systems.

I am incredibly pleased by our employees' effort, dedication and commitment in delivering this performance internally, while externally cementing our connection with our communities supporting them especially during this crisis. It has been gratifying to see EABL pull fantastic projects together, from hand-sanitisers destined for our front-line health workers and vulnerable communities, to mattress donations in healthcare centers to general awareness to combat Covid-19 across East Africa.

Even as we embark on emerging stronger, we will prioritize keeping our employees and partners safe during this period. The business will also focus on data-driven and accelerated decision-making. This has been brought to great effect in enabling outlets to have home delivery. To conserve resources and reduce costs, we shall also focus on contingency-based resource allocation.

Andrew Cowan

Group Managing Director

Taarifa ya Mkurugenzi Mkuu wa Kundi



“Maamuzi tuliyoyafanya na hatua tulizochukua kuiimarisha EABL katika miaka 3 iliyopita pamoja na mkakati wetu wa F22 vilitupa msingi thabiti wa kukabiliana na athari za janga hili. Kubadilishwa kwa muundo wa biashara yetu kumeifanya biashara yetu kuweza kuchukua hatua haraka na kuendesha biashara kwa njia bora zaidi.”

Andrew Cowan

Mkurugenzi Mkuu wa Kundi

Kshs 500 milioni

Tumetenga zaidi ya Kshs 500 milioni katika mkakati wa ‘Raising the Bar’ (Kuinua Baa), ambao lengo lake ni kusaidia baa, hoteli na vilabu baada ya masharti kuondolewa.

10%

Tulishuhudia ukuaji mzuri katika maeneo muhimu ya biashara yetu nusu ya kwanza ya mwaka, jambo lililochangia ukuaji wa 10%

Kwa ufupi

Mwaka wa kifedha wa 2020 kwa East African Breweries Limited (EABL) umekuwa miongoni mwa miaka yenye changamoto zaidi kwa miongo mingi. Mwaka wa 2020 kwa EABL unaweza kugawanywa vipande viwili: baada ya matokeo mazuri nusu ya kwanza, kutokea na kusambaa kwa janga la ugonjwa wa Covid-19 kulitoa changamoto kubwa kwa biashara yetu na kuathiri matokeo nusu ya pili na mwaka huo kwa jumla.

Janga hili lilileta hitaji la watu kutokaribiana na haja ya kulinda afya na maslahi ya watu, ikiwa ni pamoja na wanaotumia bidhaa zetu. Tuliwajibika kwa kuwasaidia washirika wetu wa kibiashara pamoja na jamii na tukatekeleza wajibu ambao kampuni kubwa inayohudumu mataifa kadha kama EABL inafaa kutekeleza ulimwengu unapokabiliana na janga kama hili. Katika kipindi hiki kigumu, tumechukua hatua za haraka kuwalinda watu wetu na biashara pia, na kuwasaidia wateja, washirika wetu na jamii.

Maamuzi tuliyoyafanya na hatua tulizochukua kuiimarisha EABL katika miaka 3 iliyopita pamoja na mkakati wetu wa F22 vilitupa msingi thabiti wa kukabiliana na athari za janga hili. Kubadilishwa kwa muundo wa biashara yetu kumeifanya biashara yetu kuweza kuchukua hatua haraka na kuendesha biashara kwa njia bora zaidi.

Matokeo

Kwa kusaidiwa na uwekezaji na msukumo ambao tumekuwa nao katika kipindi cha miaka miwili iliyopita, tulishuhudia ukuaji mzuri katika maeneo muhimu ya biashara yetu nusu ya kwanza ya mwaka, jambo lililochangia ukuaji wa 10%.

Lakini mazingira ya uendeshaji shughuli yalibadilika katika nusu ya pili ya mwaka, huku hatua zilizochukuliwa na serikali kukabili kusambaa kwa virusi vya corona zikifuta baadhi ya mafanikio ya kibiashara tuliyokuwa tumeyapata katika robo ya mwisho ya mwaka. Matokeo ya haya yote ni kwamba ukuaji wetu uliathirika na mapato kutoka kwa mauzo ya bidhaa zetu yalishuka kwa 29% katika nusu ya pili ya mwaka huo wa kifedha.

Athari za janga hili kwenye mauzo yetu ziliendana na viwango vya hatua na masharti yaliyowekwa kwenye kanda. Nchini Kenya, ambapo awali serikali ilizuia uuzaji wa vileo kwenye baa na mahoteli, ukuaji wa nusu ya kwanza wa 8% ulifutwa na kupungua kwa 37% nusu ya pili. Habari njema kutoka kwenye soko hilo ni ukuaji wa 2% katika mauzo ya vileo vikali vya kawaida na vya thamani ya juu, kutokana na unywaji wa pombe kubadilika kutoka kwenye baa na mahoteli na kuwa zaidi nyumbani. Vileo vikali vilihimili zaidi changamoto hizo kuliko bia za kawaida katika kipindi hicho, huku vileo vikali vya kawaida vikiandikisha ukuaji wa 2% nayo wiski ya Scotch ikipungua ukuaji kwa 1%.

Kulikuwa na kufungiwa kabisa kwa watu nchini Uganda kuanzia Machi hadi Juni, na mauzo katika soko hilo yalipungua kwa 5% ukilinganisha na mwaka uliotangulia. Ukuaji wa 10% katika nusu ya kwanza ulifutwa na kushuka kwa 21% katika nusu ya pili. Ukuaji katika mauzo ya bia ya thamani, vileo vikali na bidhaa zingine za ubunifu vilisaidia kuikinga biashara yetu huko dhidi ya athari zaidi za janga hilo.

Tanzania haikuweka masharti mengi ya kuzuia watu kuhusiana na janga la Covid-19, na biashara yetu huko iliendelea kufanya vyema. Mapato kutoka kwa mauzo yaliongezeka kwa asilimia 19% nusu ya kwanza, ingawa kasi ilipungua na ukuaji ukawa wa 10% nusu ya pili. Kwa jumla mwaka huo, mapato kutoka kwa mauzo yalikua kwa 14% huku ukuaji mzuri ukishuhudiwa katika pombe za kundi la Serengeti ambapo ukuaji ulikuwa 19%, ukisaidiwa na ukuaji pia katika mauzo ya Pilsner, Guinness, na vileo vikali vya kawaida.

Kwa pamoja, mauzo ya EABL yalishuka kwa 9%, ambapo ni mara ya kwanza kwa mauzo kutoongezeka katika kipindi cha miaka mingi. Hii ilitokea baada ya baada ya nusu tatu za miaka kukua kwa zaidi ya asilimia kumi mtawalia. Tulifidia hili kwa kufanyia marekebisha mipango yetu ya kibiashara na kifedha, na kuongeza maradufu juhudi zetu katika kusimamia vyema ugawaji wa rasilimali tulizo nazo na gharama huku tukiangazia zaidi kupunguza athari za janga hili.

Kwa hatua hizi, kampuni ilitimiza malengo ya kipindi kifupi yaliyokuwa yamewekwa kuhusiana na janga hili: gharama za uuzaji na usimamizi zilipungua kwa 9% na gharama ya kufanikisha mauzo ikapungua pia kwa 6%.

Mkakati

Tukisonga mbele, biashara yetu imeanza awamu ya kujijenga upya katika mwaka wa kifedha wa 2021. Tuko pamoja na wengine katika kutumai kwamba mifumo yetu ya afya itaweza kuhimili changamoto zinazoletwa na janga hili Afrika Mashariki na kwamba janga litaisha haraka, na kuruhusu hali ya kawaida kurejea. Tunaongezewa matumaini na habari kwamba huenda chanjo ikapatikana katika miezi ijayo.

Biashara yetu iko tayari kurejesha tena kasi ya kuendelea kutengeneza faida ambayo tulikuwa nayo kabla ya janga hili kutokea. Hili litafanikishwa kupitia mipango inayozingatia hali iliyopo na ubashiri wa busara wa kuwezesha kubadilisha mambo kutokana na uhalisia wa biashara yetu tunapopitia kipindi hiki kigumu.

Mataifa yanavyoendelea kufungulia biashara na shughuli nyingine, tumetenga zaidi ya Kshs 500 milioni katika mkakati wa 'Raising the Bar' (Kuinua Baa), ambao lengo lake ni kusaidia baa, hoteli na vilabu baada

ya masharti kuondolewa. Fedha hizi zitalipia vifaa na mitambo inayohitajika na biashara hizi ili kufungua tena, kwa mfano vifaa vya usafi na afya, na pia kusaidia biashara hizi kujenga ushirikiano zaidi kuwezesha kwa mfano watu kuomba kuhifadhiwa bidhaa kupitia mtandaoni (online reservation) na pia watu kulipia bila kutumia pesa taslimu (cashless system).

Nimefurahishwa sana na juhudi za wafanyakazi wetu pamoja na kujitolea kwao kufanikisha matokeo haya ya kifedha ndani ya kampuni, na huku tukiendelea kujenga uhusiano wetu nje na jamii tunayofanya kazi kwa kuwasaidia hasa wakati wa janga hili. Imetia moyo kuona EABL ikifanikisha miradi mizuri kwa pamoja, kuanzia kwa vitakasa mikono (yaani sanitaiza) vya kutumiwa na madaktari, wauguzi na wengine wanaohusika moja kwa moja katika kukabiliana na virusi hivi. Kadhalika, usaidizi kwa jamii zinazohitaji. Pia, kutolewa kwa magodoro katika hospitali na vituo vya afya pamoja na kutoa uhamasisho kwa umma kuhusu kukabiliana na janga la Covid-19 kote Afrika Mashariki.

Tunapoanza safari ya kujiandaa kuondokea janga hili tukiwa imara zaidi, tutaangazia zaidi kuwaweka wafanyakazi na washirika wetu wakiwa salama kipindi hiki. Biashara yetu pia itaangazia zaidi kufanya maamuzi ya busara na kwa haraka kwa kutumia data. Hili limetumiwa sana katika kutuwezesha kuanzisha huduma ya kuwapelekea watu bidhaa manyumbani mwao. Ili kuhifadhi rasilimali tulizo nazo na kupunguza gharama, tutaangazia pia kutenga rasilimali zilizopo kwa busara na kwa kufuata mahitaji.

Andrew Cowan

Mkurugenzi Mkuu wa Kundi





Our
Leadership

BOARD OF DIRECTORS



Dr. Martin Oduor-Otieno, CBS (Age 64)

Independent Non-Executive Director & Group Chairman, Kenyan

Appointed to the Board in May, 2016 and appointed as Group Chairman in January 2020.

Dr. Martin Oduor-Otieno, CBS was appointed as the Group Chairman of EABL on 1st January 2020. He is also the Chairman of Kenya Breweries Limited and UDV (Kenya) Limited, both subsidiaries of EABL.

He is the founder and CEO of The Leadership Group Limited, a Nairobi-based consulting firm, which is involved in facilitating board practice, leadership training as well as providing executive coaching and business advisory services.

Dr. Oduor-Otieno has sat on many boards and currently holds non-executive directorships in BAT Kenya plc, Kenya Airways plc as well as Standard Bank Group. He previously worked with Deloitte East Africa as a Financial Services Partner, and with KCB Group as Chief Executive Officer among other senior private sector appointments. He has also served as Permanent Secretary, Treasury in the Government of Kenya.

Dr. Oduor-Otieno holds an honorary Doctor of Business Leadership degree from KCA University,

Executive MBA from ESAMI/Maastricht School of Management and Bachelor of Commerce degree from University of Nairobi. He is also an alumnus of the Harvard Business School's Advanced Management Program and a Fellow of the Kenya Institute of Bankers, Institute of Certified Public Accountants of Kenya, Institute of Directors Kenya and Institute of Certified Secretaries Kenya in addition to holding an International Coaching Federation Credential as an Associate Certified Coach.



Mr. John O'Keeffe (Age 48)

Non- Executive Director & Group Vice Chairman, Irish

Appointed to the Board in July, 2015.

Mr. John O'Keeffe is the current President, Diageo Africa. He is also a member of the Diageo Global Executive Committee and Vice Chairman of Guinness Nigeria Plc. Prior to his appointment as President, Diageo Africa, he was the Managing Director for Guinness Nigeria Plc.

Mr. O'Keeffe has worked at Diageo for 26 years, during which period, he has gained a wealth of experience across both emerging and developed markets namely Ireland, Jamaica, Sweden, Greece and Russia. Mr. O'Keeffe holds a Bachelor of Commerce (Hons) (Economics and Marketing) Degree from University College Cork, Ireland.



Mr. Charles Muchene (Age 63)

Independent Non-Executive Director, Kenyan

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

Retired from the Board in December, 2019.

Charles Muchene currently served as a Board-level advisor focusing primarily on Corporate Governance, Strategy and Ethics. Previously, he was an audit and business advisory partner in PricewaterhouseCoopers LLP for many years and was also the firm's Country Senior Partner for 12 years up to 2010 when he withdrew from the practice to focus on his interest in Board-level matters.

Since 2011, he served as a Non-Executive Director on the Boards of leading public interest entities in addition to delivering Board-level advice. He currently serves on the Boards of Barclays Bank of Kenya Limited (which he chairs) and AIG Kenya Limited.

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

BOARD OF DIRECTORS



Mr. Japheth Katto (Age 69)

Independent Non- Executive Director, Ugandan

Appointed to the Board in February, 2014.

Japheth Katto is a consultant in corporate governance and financial services regulation. He was the first CEO of Uganda's Capital Markets Authority from 1998 until 2013.

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

He is the Board Chairman of Stanbic Uganda Holdings Limited, Stanbic Bank Uganda and Uganda Breweries Limited. He is also an adjunct faculty at Strathmore University Business School. He was also a member of the Global Council of the Association of Chartered Certified Accountants (ACCA) and sat on the boards of the New York based International Federation of Accountants, Duke of Edinburgh International Award Uganda and Junior Achievement Uganda.

Mr Katto has previously held key public appointments in Uganda including commissioner on the Judicial Commission of Enquiry into the Closure of Banks and Council member of Africa Peer Review Mechanism.

He is a Makerere University B.Com graduate, Fellow of ACCA, member of CPA Uganda and a certified corporate governance trainer.



Ms. Carol Musyoka (Age 48)

Independent Non- Executive Director, Kenyan

Appointed to the Board in September, 2015.

Carol Musyoka is a lawyer, business executive and entrepreneur, and is the founder and chief executive officer of Carol Musyoka Consulting Limited.

She currently provides consulting and knowledge partnerships for various local and international institutions specifically in the areas of leadership and corporate governance, aimed at improving board performance. She was previously an Executive Director at Barclays Bank of Kenya Limited holding the position of Corporate Director. She currently holds non-executive directorships in BAT Kenya plc and Kenya Airways plc. She also chairs the Business Registration Services, a parastatal under the Office of the Attorney General and is adjunct faculty at the Strathmore University Business School.



Mr. Andrew Cowan (Age 53)

Group Managing Director and CEO, British

Appointed Group Managing Director in July, 2016.

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

BOARD OF DIRECTORS



Ms. Jane Karuku (Age 58)

Executive Director, Kenyan

Appointed to the Board in September 2013.

Jane Karuku is the Managing Director of Kenya Breweries Limited (KBL). She is a dynamic business leader, with strong management experience spanning over 20 years in FMCG and Non-Governmental organisations.

Prior to her appointment to KBL, she was the President of Alliance for a Green Revolution in Africa (AGRA). She has also previously held a number of senior positions in various companies including Deputy Chief Executive and Secretary General, Telkom Kenya and Managing Director, Cadbury East and Central Africa. Prior to that Ms Karuku worked with Farmers Choice Kenya and Kenya Cooperative Creameries.

She has been a member of the board of Barclays Bank of Kenya and Junior Achievement-Kenya. She is currently the Chairperson of the Kenya Covid-19 Fund, Chairperson of Kenya's Vision 2030 Board, a Trustee at the United States International University (USIU) and is a board member at Kenya Association of Manufacturers.

Ms. Karuku holds a Bachelor of Science Degree in Food Science and Technology from the University of Nairobi and an MBA in Marketing from the National University of California. She is currently the Chairperson of Kenya's Vision 2030 Board.



Dr. György Geiszl (Age 51)

Executive Director, Hungarian

Appointed Group Finance and Strategy Director in October, 2015.

Resigned from the Board in May 2020.

Dr. György Geiszl joined Diageo in 2006 as Finance Director Corporate Region and Diageo Business Services Centre (DBSC). He has subsequently held other Senior Management roles in Diageo including Group Chief Accountant and Finance Director for Diageo's Russia and Eastern Europe markets.

Dr. Geiszl is a qualified Chartered Accountant and in addition holds a Doctor of Economics Degree from the University of Janus Pannonius, Hungary.



Ms. Risper Ohaga (Age 44)

Executive Director, Kenyan

Appointed to the Board in May 2020.

Ms. Risper Ohaga is the EABL, Group Chief Financial Officer. She is a seasoned finance professional with over 20 years' experience and is a seasoned Board member.

Ms. Ohaga joined EABL in February 2020, from the Absa Group (previously Barclays Africa Group) where she held various senior roles across several African markets with the most recent posting being Finance Director of Absa Bank Zambia Plc. Prior to that, she held the role of Managing Director for Internal Audit based in Johannesburg. She has extensive regional experience in tax and regulatory matters, strategy, risk management and corporate finance, having started her career in KPMG Kenya.

She is a CPA (Kenya) and holds a BCom (Hons) in Accounting from The University of Nairobi.



Mr. Leo Breen (Age 54)

Non-Executive Director, British

Appointed to the Board in January 2020

Mr. Leo Breen is the Finance Director, Diageo Africa, a role he has held since 2017. He has over 25 years of experience with the Diageo Group and has overseen Finance operations for Diageo businesses in over 40 countries across Europe, Asia and Africa.

He is an influential executive with a track record of driving business growth both in major markets and emerging markets.

Mr. Breen has a BA Hons in Philosophy from the University of Newcastle Upon Tyne and is a CIMA qualified accountant from the Chartered Institute of Management Accountants.

BOARD OF DIRECTORS



Mr. Jimmy D Mugerwa (Age 56)

Independent Non- Executive Director, Ugandan

Appointed to the Board in July, 2018.

Jimmy D Mugerwa is an experienced Business executive leader with a distinguished 27-year career in the oil and gas industry, both upstream and downstream.

Until recently, Jimmy worked with Tullow Oil PLC as the Group Africa advisor and was the Managing director for Tullow Uganda Operations Ltd for 8 years. Prior to this, he worked for 19 years for Royal Dutch Shell where he held various senior executive roles including Senior regional advisor for Sub Saharan Africa; Africa Retail Marketing manager; GM for Sales & Operations Shell East Africa/ Country Chair for Kenya Shell as well as directorship roles in several boards for the Shell companies across East Africa.

He currently serves as the Chairman of the DFCU Bank Board and holds leadership roles on various boards including nonprofit organizations. Until Dec 2019, Jimmy chaired the Presidential Investor round table for Oil & Gas for 4 years.

He was a Co-founder chair together with the late Professor Wangari Maathai for the Karura Forest Environmental Education Trust. He is also a former Chairman of the Managing Committee of Starehe Boys Centre. Jimmy holds a B.sc (Agric) from Makerere university and an M.Sc degree from the University of Wales. He also holds the Financial Times Non-Executive Director Post-Graduate Diploma, holds several certificates in Oil & Gas and is an alumni of the Executive Business Leadership Programme at IMD in Lausanne, Switzerland.



Mr. John Ulanga (Age 49)

Independent Non- Executive Director, Tanzanian

Appointed to the Board in June, 2019.

John Ulanga is currently the Country Director for Trade Mark East Africa. Prior to this, he served as the Vice President, External Affairs and Sustainability for BG Group, a world leader in oil and gas exploration in East Africa.

He is a seasoned director and sits on several boards and is currently the Chairman of the University Council of the Hubert Kairuki Memorial University, Dar es Salaam, the Chairman of the Board of Directors of Tanzania Financial Services for the Underserved Settlements (TAFSUS), an initiative to upgrade slums and underserved settlements in Tanzania. He holds other non-executive directorship roles as a Director of Mwananchi Communications Limited (publishers of The Citizen, Mwananchi and Mwanaspoti Newspapers), Director and Vice Chair of the Board of Directors of Tanzania Media Foundation.

Mr. Ulanga is also a Member of the Africa Policy Advisory Board ONE Campaign (www.one.org), a Fellow of the African Leadership Initiative, East Africa and the Aspen Global Leadership Network of the Aspen Institute in Colorado, USA.



Ms. Kathryn Maundu (Age 41)

Group Company Secretary, Kenyan

Appointed Group Company Secretary in March 2020.

Ms. Kathryn Maundu is a Partner at Stamford Corporate Services LLP, part of Bowmans Coulson Harney LLP. She is a leading expert in Corporate Governance within the East Africa region and has been instrumental in advising leading corporates in the public and private sector, over the last 15 years.

Kathryne is recognized as a leader and mentor in society and has been named as a Top 40 under 40 Women in Kenya; she is a member of the Women on Boards Network, Women Corporate Directors (Kenya Chapter) amongst other accolades.

Kathryne is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya, a registered Certified Public Secretary and an Accredited Governance Auditor with the Institute of Certified Secretaries of Kenya.

SENIOR MANAGEMENT



Mr. Andrew Cowan
Group Managing Director



Risper Ohaga
Chief Financial Officer
Appointed effective 1st February 2020



Ms. Jane Karuku
Kenya Breweries Limited Managing Director



Graham Villiers Tuthill
Group Marketing and Innovations Director



Eric Kiniti
Group Corporate Relations Director



Nadida Rowlands
Group Legal Director

SENIOR MANAGEMENT



Mark Ocitti

Serengeti Breweries Limited Managing Director



Alvin Mbugua

Uganda Breweries Limited Managing Director



Colin O'Brien

**Global Supply Operational Excellence and EABL
Supply Chain Director**



Ednah Otieno

Group Human Resources Director

NOTICE AND AGENDA OF THE 2020 ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE is hereby given that in accordance with an Order issued by the High Court of Kenya in Miscellaneous Application No E.680 of 2020 on 29TH April 2020, the Ninety-Eighth Annual General Meeting of East African Breweries Limited will for the year 2020 will be held via electronic communication on Wednesday, 16th September, 2020 at 11:00 a.m. to conduct the following business: -

ORDINARY BUSINESS:

1. To receive, consider and if thought fit, adopt the Audited Financial Statements for the year ended 30th June 2020 together with the Chairman's, Directors' and Auditors' Reports thereon.
2. **Dividend**
To confirm the interim dividend of Kshs 3/- per ordinary share paid on 17th April 2020 for the year ended 30 June 2020, noting that this will be the full and final dividend for the financial year under review.
3. **Election of Directors:**
 - a) Ms. Carol Musyoka, retires by rotation in accordance with the provisions of Articles 116 of the Company's Articles of Association, and, being eligible, offers herself for re-election.
 - b) Mr. Jimmy Mugerwa retires by rotation in accordance with the provisions of Articles 116 of the Company's Articles of Association, and, being eligible, offers himself for re-election.
 - c) Mr. John O'Keeffe retires by rotation in accordance with the provisions of Articles 116 of the Company's Articles of Association, and, being eligible, offers himself for re-election.
 - d) Mr. Leo Breen was appointed during the financial year to fill a casual vacancy on the Board. He retires in accordance with the provisions of Articles 117 of the Company's Articles of Association, and, being eligible, offers himself for re-election.
 - e) Ms. Risper Ohaga was appointed during the financial year to fill a casual vacancy on the Board. She retires in accordance with the provisions of Articles 117 of the Company's Articles of Association, and, being eligible, offers herself for re-election.
4. In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit & Risk Management Committee, be elected to continue serving as members of the said Committee:
 - i. Mr. John Ulanga
 - ii. Mr. Japheth Katto
 - iii. Mr. Jimmy Mugerwa
 - iv. Mr. Leo Breen
5. To receive, consider and if thought fit approve the Directors' Remuneration Report and the remuneration paid to the Directors' for the year ended 30TH June 2020.
6. To note that the Auditors Messrs. PricewaterhouseCoopers LLP (PwC) continue in office as auditors by virtue of Section 721(2) of the Companies Act 2015 and to authorize the Board of Directors to fix their remuneration for the ensuing financial year.

7. To consider any other business of which notice will have been duly received.

SPECIAL BUSINESS

1. To consider and if thought fit to pass the following resolution as a Special Resolution, as recommended by the Directors: -

a) That the Articles of Association of the Company be amended by inserting the following new Article 72A:

72A ATTENDANCE OF A GENERAL MEETING BY ELECTRONIC MEANS

72A.1 In the case of any general meeting, the Board may make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.

72A.2 The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:

a) participate in the business for which the meeting has been convened; and

b) see and hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.

BY ORDER OF THE BOARD

KATHRYNE MAUNDU (MS)

COMPANY SECRETARY

Date: 18th August 2020

NOTICE AND AGENDA OF THE 2020 ANNUAL GENERAL MEETING

NOTES:

1. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for East African Breweries Limited to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.
2. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange ("Public Company") to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority (CMA).
3. East African Breweries Limited has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the Capital Markets Authority.
4. Shareholders wishing to participate in the meeting should register for the AGM by dialing *483*816# for all Kenyan telephone networks and *284*67# for Ugandan telephone networks and following the various registration prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
5. Registration for the AGM opens on Tuesday 18th August, 2020 at 11:00 a.m. and will close on Sunday, 13th September, 2020 at 11:00 a.m. East African time.
6. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.eabl.com (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 30TH June 2020; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (iv) a copy of the No Objection issued by the CMA.

The Condensed Audited Financial Statements for the year ended 30th June 2020 have been published with this Notice.

7. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - a) Sending their written questions by email to eabl.agm@eabl.com; or
 - b) shareholders who will have registered to participate in the meeting shall be able to ask questions vis SMS by dialing the USSD code above and selecting the option (ask Question) on the prompts; or
 - c) visiting www.eabl.com and accessing the 2020 AGM page where you can log a question directly on the webpage; and
 - d) In the event that the above is not possible, written questions should be physically delivered with a return physical address or email address to the registered office of the Company at 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Thika Superhighway. Kindly note that strict Covid-19 protocols will be observed at our offices, which includes the opening of physical letters after 48 hours.

Shareholders must provide their full details (full names, ID/Passport

Number/CDSC Account Number) when submitting their questions and clarifications.

Any questions and clarifications must reach the Company on or before Monday 14th September, 2020 at 11:00 a.m. Limited questions will be responded to during the Annual General Meeting.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto grouped into thematic areas will be published on the Company's website not later than 12 hours before the start of the general meeting.

8. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.

A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

A proxy form is available on the Company's website via this link: www.eabl.com. Physical copies of the proxy form are also available at 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Thika Superhighway, P.O. Box 30161-00100 Nairobi.

A proxy must be signed by the appoint or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.

A completed form of proxy should be emailed to eabl.agm@eabl.com and if not possible, delivered to 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Thika Superhighway, P.O. Box 30161-00100 Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Monday 14th September, 2020 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Monday 14th September, 2020 at 11:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Tuesday 15th September, 2020 to allow time to address any issues.

9. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.
10. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.
11. A poll shall be conducted for all the resolutions put forward in the notice.
12. Results of the poll shall be published within 48 hours following conclusion of the AGM.
13. Shareholders are encouraged to continuously monitor the Company's website www.eabl.com for updates relating to the AGM. Please report any challenges or issues that you may face to us immediately for quick resolution using the email address eabl.agm@eabl.com or our helpline (+254) 709 170 000 from 9:00 a.m.

KWA WENYEHISA WOTE

ILANI INATOLEWA HAPA kwamba kwa mujibu wa Agizo lililotolewa na Mahakama Kuu ya Kenya katika ombi la mahakamani Nambari E.680 la mwaka 2020 lililotolewa mnamo 29 Aprili 2020, Mkutano Mkuu wa Kila Mwaka wa Tisini na Nane wa East African Breweries Limited wa mwaka 2020 utafanyika kwa njia ya mawasiliano ya kielektroniki mnamo Jumatano, 16 Septemba, 2020 saa 11:00 a.m. (tano asubuhi), kutekeleza shughuli zifuatazo: -

SHUGHULI ZA KAWAIDA:

1. Kupokea, kutathmini na iwapo itakubalika, kuidhinisha Taarifa za Kifedha Zilizokaguliwa za mwaka uliokamilika mnamo 30 Juni 2020 pamoja na ripoti za Mwenyekiti, Mkurugenzi na Mkaguzi wa hesabu zilizomo kwenye ripoti hiyo.

2. Mgawo wa faida

- a) Kuthibitisha mgawo wa faida wa muda wa Kshs 3/- kwa kila hisa, ulioliipwa mnamo 17 Aprili 2020 kwa mwaka uliokamilika 30 Juni 2020, na kwamba hayo ndiyo malipo yote ya faida kwa huu mwaka.
- b) Kutambua kwamba Wakurugenzi hawapendekezi kulipwa kwa mgawo wowote wa mwisho wa faida kwa mwaka uliokamilika 30 Juni 2020.

3. Kuchaguliwa kwa Wakurugenzi:

- a) Bi. Carol Musyoka, anastaafu kwa mzunguko kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.
 - b) Bw. Jimmy Mugerwa anastaafu kwa mzunguko kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.
 - c) Bw. John O'Keeffe anastaafu kwa mzunguko kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.
 - d) Bw. Leo Breen aliteuliwa wakati wa mwaka huo wa kifedha kujaza nafasi iliyokuwa imeachwa kwenye Bodi. Anastaafu kwa mzunguko kuambatana na Kifungu 117 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.
 - e) Bi. Risper Ohaga aliteuliwa wakati wa mwaka huo wa kifedha kujaza nafasi iliyokuwa imeachwa kwenye Bodi. Anastaafu kwa mzunguko kuambatana na Kifungu 117 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.
4. Kwa mujibu wa maelezo katika Kifungu 769 cha Sheria za Kampuni, 2015, Wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu & Usimamisi wa Hatari, wachaguliwe kuendelea kuhudumu kama wanachama wa Kamati hiyo:
 - i. Bw. John Ulanga
 - ii. Bw. Japheth Katto
 - iii. Bw. Jimmy Mugerwa
 - iv. Bw. Leo Breen
 5. Kupokea, kutathmini na iwapo itakubalika, kuidhinisha Ripoti ya Malipo ya Wakurugenzi kwa mwaka uliomalizika 30 Juni 2020, na kuidhinisha ada ya jumla ya Kshs 391,964,000/- kwa Wakurugenzi wasio-Watendaji kwa mwaka uliomalizika 30 Juni 2020.
 6. Kutambua kuwa wakaguzi wa hesabu, PricewaterhouseCoopers LLP (PwC) wataendelea kuhudumu kwa mujibu wa Kifungu 721(2) cha Sheria za Kampuni ya 2015 na kuwapa idhini Wakurugenzi

wa Bodi kuamua malipo yao kwa mwaka wa kifedha unaofuata.

7. Kutekeleza shughuli nyingine yoyote ile ambayo ilani yake itakuwa imepokelewa ifavyo.

SHUGHULI MAALUM

1. Kujadili na iwapo itakubalika, kuidhinisha azimio lifuatalo kama Azimio Maalum, kama ilivyopendekezwa na Wakurugenzi: -
 - a) Kwamba Vifungu vya Sheria za Kuundwa kwa Kampuni vifanyiwe marekebisha na kuongeza Kifungu kipya 72A:

72A UHUDHURIAJI WA MKUTANO MKUU KWA NJIA ZA KIELEKTRONIKI

72A.1 Kwa mkutano mkuu wowote ule, Bodi inaweza kufanya mipango ya watu kuhudhuria sambamba pamoja na kushiriki kupitia njia za kielektroniki na kuwaruhusu watu wasio pahala pamoja kuhudhuria, kuchangia na kupiga kura katika mkutano huo. Mipangilio ya kuhudhuria sambamba na kushiriki katika pahala ambapo watu wanashiriki kwa kutumia njia za kielektroniki inaweza kushirikisha mipangilio ya kudhibiti na kusimamia idadi ya watu wanaohudhuria mkutano wenyewe pahala pa mkutano, bora tu iwe kwamba mipangilio kama hiyo itafanyika hivi kwamba wanachama wote na wawakilishi wao ambao wangependa kuhudhuria mkutano huo wanaweza kuhudhuria kwa kufika katika eneo moja au jingine, ikiwa ni pamoja na maeneo watu kama hao wenyewe wamejichagulia.

72A.2 Wanachama au wawakilishi wao katika pahala au maeneo ambayo watu wanashiriki kupitia njia za kielektroniki watahesabiwa kwenye idadi ya wanaohudhuria mkutano, na watakuwa na haki ya kupiga kura katika mkutano huo, na mkutano huo utahesabiwa kuwa na idadi ya kutosha ya washiriki na yatakayotokea kukubalika iwapo Mwenyekiti wa mkutano huo atajiridhisha kwamba njia za kutosha zipo wakati wa mkutano wote kuhakikisha kwamba wanachama au wawakilishi wao wanaoshiriki mkutano huo katika pahala au maeneo ambayo watu wanashiriki kwa njia za kielektroniki wanaweza:

- a) Kushiriki katika shughuli ambazo ziliongoza kuitishwa kwa mkutano huo; na
- a) Kuona na kuwasikia watu wote wanaozungumza (iwe ni kupitia maikrofoni, vipaza sauti, kompyuta, mitambo ya mawasiliano ya sauti na video au vinginevyo, njia hizo ziwe zinatumiwa wakati wa kuidhinishwa kwa Vifungu hivi au vitengenezwe baadaye) katika pahala ambapo watu wanashiriki na au pahala pengine popote pale ambapo watu wanashiriki kupitia njia za kielektroniki.

KWA AGIZO LA BODI

KATHRYNE MAUNDU (MS)

KATIBU WA KAMPUNI

Tarehe: 18 Agosti 2020

ILANI NA AJENDA YA MKUTANO MKUU WA KILA MWAKA

MAELEZO:

- 1) Kutokana na mlipuko unaoendelea wa Virusi vya Corona (Covid-19) na kanuni na maagizo ya Afya ya Umma ambayo yamepitishwa na Serikali ya Kenya ambapo miongoni mwa mengine mikusanyiko ya watu imepigwa marufuku, haiwezekani, kama ilivyokusudiwa kwenye kifungu cha 280 cha Sheria za Kampuni za mwaka 2015, kwa East African Breweries Limited kuandaa Mkutano Mkuu wa Kila Mwaka (AGM) ambapo wenyehisha watahudhuria wenyewe kwa namna ilivyoelezwa kwenye Sheria za Kuundwa kwa Kampuni.
- 2) Mnamo 29 Aprili 2020, Mahakama Kuu ya Kenya katika ombi la mahakamani Nambari E680 la mwaka 2020, lililowasilishwa chini ya Kifungu 280 cha Sheria za Kampuni, 2015 (Sheria za Kampuni) ilitoa agizo lililotoa idhini maalum kwa kampuni yoyote iliyoorodheshwa katika Soko la Hisa la Nairobi ("Kampuni iliyo wazi kwa Umma") kuitisha na kuandaa mkutano mkuu wa kila mwaka kwa njia za kielektroniki mradi tu kusiwe na pingamizi kutoka kwa Mamlaka ya Masoko ya Mtaji (CMA).
- 3) East African Breweries Limited imeitisha na itaandaa mkutano huu mkuu wa kila mwaka kwa njia ya simu na video mtandaoni baada ya kutopokea pingamizi zozote kutoka kwa CMA.
- 4) Wenyehisha ambao wangependa kushiriki katika mkutano huu wa AGM wanafaa kujisajili kwa kupiga simu *483* 816# kwa mitandao ya simu ya Kenya na *284*67# kwa mitandao ya simu ya Uganda na kufuata maelekezo watakayopewa kuhusu kujisajili. Ili kukamilisha shughuli hiyo ya kujisajili, wenyehisha watahitajika kuwa na nambari ya kitambulisho/pasipoti waliyotumia kununua hisa zao na/au nambari ya akaunti ya CDSC. Kwa usaidizi, wenyehisha wanafaa kupiga nambari hii ya simu ya msaada: (+254) 709 170 000 kati ya saa tatu asubuhi (9:00 a.m.) na saa tisa mchana (3:00 p.m.) kuanzia Jumatatu hadi Ijumaa. Mwenyehisha yeyote aliye nje ya Kenya anafaa kupiga simu hiyo ya msaada ili kusaidiwa kujiandikisha.
- 5) Shughuli ya kujisajili kwa ajili ya AGM itaanza mnamo Jumanne 18 Agosti 2020 saa tano asubuhi (11:00 a.m.) na kufungwa Jumapili tarehe 13 Septemba, 2020 saa tano asubuhi (11:00 a.m.) saa za Afrika Mashariki.
- 6) Kuambatana na Kifungu 283 (2) (c) cha Sheria za Kampuni, stakabadhi zifuatazo zinaweza kutazamwa kwenye tovuti ya Kampuni katika www.eabl.com (i) nakala ya Ilani hii na fomu ya uwakilishi; (ii) taarifa za kifedha za Kampuni zilizokaguliwa za mwaka uliokamilika 30 Juni 2020; (iii) nakala ya Agizo la Mahakama Kuu katika Ombi la Mahakamani Nambari E680 la 2020; na (iv) nakala ya Kutokuwa na Pingamizi iliyotolewa na CMA.
Nakala ya ufupisho wa Taarifa za Kifedha za mwaka uliomalizika 30 Juli 2020 imechapishwa pamoja na Ilani hii.
- 7) Wenyehisha wenye nia ya kuuliza maswali au ufafanuzi kuhusu AGM hii wanaweza kufanya hivyo kwa:
 - a) kutuma maswali yao kwa maandishi kama barua pepe kwa eabl.agm@eabl.com; ama
 - b) wenyehisha ambao watakuwa wamejiandikisha kuhudhuria mkutano huu wataweza kuuliza maswali kupitia SMS kwa kupiga nambari ya ujumbe (USSD) iliyoorodheshwa hapa juu na kuchagua sehemu ya (uliza Swali) kwenye yale yatakayojitokeza; au
 - c) kupitia www.eabl.com na kufungua ukurasa wa wavuti wa 2020 AGM ambapo wanaweza andika maswali yao kwenye ukurasa wa wavuti; na
 - d) Iwapo hayo yote hayatawezekana, kuwasilisha maswali hayo yakiwa kwa njia ya maandishi na yakiwa na anwani ya anayetuma ama barua pepe ya kupokelewa majibu kwa afisi zilizosajiliwa za Kampuni katika Garden City Business Park, Block A, Barabara ya Garden City, kutoka Kitokeo cha 7 Barabara Kuu ya Thika. Kumbuka kwamba kanuni za kuzuia kuenea kwa ugonjwa wa Covid-19 zitazingatiwa katika ofisi zetu, ambazo zinashurutisha kwamba mabarua yote yatafunguliwa masaa 48 baada ya kupokelewa.

Wenyehisha ni sharti waandike maelezo kamili kuwahuu (majina kamili, Nambari ya Kitambulisho/Nambari ya Pasipoti/Nambari ya Akaunti ya CDSC) wanapowasilisha maswali yao au maombi ya ufafanuzi.

Maswali yote na maombi ya ufafanuzi yanafaa kuifikia Kampuni mnamo au kabla ya Jumatatu 14 Septemba, 2020 saa tano asubuhi (11.00 a.m.). Baadhi ya maswali yatajiibiwa wakati wa Mkutano Mkuu wa Kila Mwaka.

- 8) Baada ya kupokelewa kwa maswali yote na maombi ya ufafanuzi, wakurugenzi wa Kampuni watatoa majibu ya maswali hayo kwa njia ya maandishi na kuyatuma kwa anwani ya posta ya kupokea majibu iliyoorodheshwa au barua pepe iliyoorodheshwa na Mwenyehisha si chini ya saa 12 kabla ya kuanza kwa mkutano mkuu. Orodha kamili ya maswali yaliyopokelewa na majibu yaliyotolewa, yakiwa yamepangwa kwenye makundi kuhusiana na mada, itachapishwa katika tovuti ya Kampuni si chini ya saa 12 kabla ya mkutano mkuu kuanza.

Kuambatana na Kifungu 298 (1) cha Sheria za Kampuni, wenyehisha walio na haki ya kuhudhuria na kupiga kura katika AGM wana haki ya kuteua wawakilishi wa kupiga kura kwa niaba yao.

Mwakilishi huyo sio lazima awe mwanchama wa Kampuni. Iwapo Mwakilishi aliyeteuliwa si Mwenyekiti wa AGM, mwakilishi aliyeteuliwa atahitaji kuwa na simu ya mkononi.

Fomu ya uwakilishi inapatikana katika tovuti ya Kampuni kwa kufuata kiunganishi hiki cha mtandaoni: www.eabl.com. Nakala za karatasi za fomu za uwakilishi pia zinapatikana katika Gorofa la Tano, Garden City Business Park, Block A, Barabara ya Garden City, ilioko Kitokeo cha 7 cha Barabara Kuu ya Thika, Sanduku la Posta 30161-00100

Fomu ya uwakilishi inafaa kutiwa saina na mwenyehisha anayefanya uteuzi au wakili aliyeidhinishwa na mwenyehisha kwa njia ya maandishi. Iwapo anayeteua mwakilishi ni kampuni au shirika, fomu ya uteuzi inafaa kupigwa mhuri rasmi wa kampuni au kuidhinishwa na afisa au wakili aliyeidhinishwa kuiwakilisha kampuni au shirika hilo. Fomu ya uwakilishi iliyojazwa inafaa kutumwa kwa njia ya barua pepe kwa eabl.agm@eabl.com na kama haitawezekana kutumwa, kupeleka katika Gorofa la Tano, Garden City Business Park, Block A, Barabara ya Garden City, ilioko Kitokeo cha 7 cha Barabara Kuu ya Thika, Sanduku la Posta 30161-00100, kwa njia ambayo itapokelewa masaa 48 kabla wakati ambapo AGM yam waka huu utakapofanyika, na hiyo ni saa tano za mchana, Jumatatu, tarehe 14 Septemba, 2020. Mwakilishi yeyote anafaa kupeana namba yake ya simu ya mikono kwa Kampuni kabla ya saa tano za mchana, tarehe 14, Septemba, 2020. Uwakilishi wowote uliokataliwa utafahamishwa kwa mwenyehisha kabla ya Jumanne, tarehe 15 Septemba, 2020 ili kushughulikia masuala yatakayoibuka.

- 9) Matukio ya AGM yatapeperushwa moja kwa moja kupitia kiunganishi (link) ambacho kitatumwa kwa wenyehisha wote watakaokuwa wamejiandikisha kushiriki katika AGM. Wenyehisha na wawakilishi waliojiandikisha watapokea ujumbe mfupi (SMS/ USSD) au kwenye namba zao za simu zilizosajiliwa, saa 24 kabla ya AGM kufanyika kuwakumbusha kuhusu AGM. SMS/USSD ya pili itatumwa saa moja kabla ya AGM kufanyika, kuwakumbusha wenyehisha waliojisajili na wawakilishi kwamba AGM itaanza katika muda wa saa moja na ujumbe huo pia utakuwa na kiunganishi cha kufuatilia matukio moja kwa moja.
- 10) Wenyehisha na wawakilishi waliosajiliwa wanaweza kufuatilia matukio ya AGM wakitumia kiunganishi cha matangazo ya moja kwa moja na wanaweza kupata pia ajenda. Wenyehisha na wawakilishi waliosajiliwa wanaweza kupiga kura (wakiombwa kufanya hivyo na Mwenyekiti) kwa kutumia huduma ya USSD.
- 11) Kura itapigwa kwa maazimio yote ambayo yameorodheshwa kwenye ilani.
- 12) Matokeo ya kura yatachapishwa katika kipindi cha saa 48 baada ya kumalizika kwa AGM.
- 13) Wenyehisha wanaombwa kufuatilia tovuti ya Kampuni www.eabl.com mara kwa mara kwa taarifa na maelezo kuhusiana na AGM. Tafadhali piga ripoti kuhusu changamoto zozote mara moja ili zishughulikiwe kwa haraka kutumia anwani ya barua pepe eabl.agm@eabl.com ama kwa kupiga simu kwa (+254) 709 170 000 kutoka saa tatu asubuhi mpaka saa tisa jioni kutoka Jumatatu mpaka Ijumaa.

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Web: www.cma.or.ke



Chief Executive's Office

Our Ref: CMA/CMD/033

August 17, 2020

Ms. Kathryne Maundu
Company Secretary
East African Breweries Limited (EABL)
5th Floor, Garden City Business Park, Block A
Garden City Road
NAIROBI

Dear Ms. Maundu

RE: NO OBJECTION TO EABL LTD CONDUCTING A VIRTUAL AGM

Reference is made to your letter dated August 7, 2020 on the above subject matter.

The Authority has reviewed your application for a No Objection to conduct a virtual AGM. We have noted your confirmation of how you will comply with the terms set by the High Court under Miscellaneous Application No. E680 of 2020 (the High Court Order) on the conduct of virtual AGMs. We have also reviewed your AGM notice and agenda, and the step by step user experience.

Besides, the Authority had a meeting with Image Registrars (your Registrars) where they demonstrated to us the capabilities and functionalities of the virtual system to be used for your AGM. During the demonstration, the Authority was satisfied with the system's ability to enhance shareholder participation in the AGM.

The Authority, therefore, grants EABL a No Objection to conduct the virtual AGM in line with the High Court Order.

Kindly note that it is the responsibility of the directors to ensure that the virtual AGM substantively complies with all the applicable legal and regulatory requirements.

Please facilitate the attendance of the Authority's relationship manager to the AGM as an observer.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Wyckliffe Shamiah'.

Wyckliffe Shamiah
Ag. CHIEF EXECUTIVE



**IN THE HIGH COURT OF KENYA AT
MILIMANI LAW COURTS
COMMERCIAL AND TAX DIVISION
MISC. APPLICATION NO. E680 OF 2020
IN THE MATTER OF WPP SCANGROUP PLC
AND IN THE MATTER OF
AN APPLICATION FOR AN ORDER ALLOWING THE CONVENING OF AN
EXTRAORDINARY GENERAL MEETING UNDER SECTION. 280 OF THE
COMPANIES ACT, 2015
BETWEEN
BHARAT KUMAR THAKAR
AND
CAPITAL MARKETS AUTHORITY**

ORDER

The Originating Summons dated 20th April 2020 is now marked as settled in terms of the consent order dated 27th April 2020 signed by the Advocates of both parties and now endorsed by the court on the following terms:

1. WPP Scangroup PLC be and is hereby granted leave by this court to convene and hold a general meeting in the manner set out in the Originating Summons subject to compliance with the provisions of the Capital Markets Act and Regulations made thereunder.
2. In further exercise of its powers under section 280(3) of the Companies Act, 2014, this Court further orders and directs any company listed on the Nairobi Securities Exchange ("Public Company") which finds it

Page 1 of 3

impracticable to conduct its general meeting in the manner required by its Articles of Association on account of the ongoing novel Coronavirus 2018 (COVID-19) pandemic and related public health laws, regulations and directives currently in force and as may be passed by the Government of Kenya from time to time, including but not limited to the *Public Health (Covid-19) Restriction of Movement of Persons and Related Measures) Rules, 2020* precluding inter alia public gatherings or for any other reasons, be allowed subject to a No Objection from the Capital Markets Authority and further subject to the following terms;

- a. Any Public Company seeking to hold a general meeting outside the provisions of its Articles of Association on account of COVID-19 must, at least 14 days prior to issuing to its shareholders the statutory notice of the intended general meeting, first obtain a No Objection in writing, from the Capital Markets Authority.
- b. Such Public Company must, in its request to the Capital Markets Authority for a No Objection as aforesaid, set out in detail, the manner in which the Public Company intends to hold the general meeting, including the manner in which the virtual and/or electronic technology or any hybrid means of holding the meeting, will be applied.
- c. All notices, to the Capital Markets Authority provided under clause (a) above must confirm and demonstrate that Shareholders of the Public Company shall be provided with:
 - (i) Notice of the general meeting as provided for under the Companies Act, 2015 and the applicable regulations;
 - (ii) Sufficient information to make informed decisions on any resolutions placed before the general meeting;
 - (iii) Sufficient opportunity to ask any questions and seek any clarifications that they require from the directors;

- (iv) An opportunity to vote and that the registration and voting procedure are made clear to them;
 - (v) Any other grounds as may be deemed appropriate in the circumstances.
3. It is hereby ordered that any meeting convened, held and conducted in accordance with this order and under section 280 of the Companies Act, 2015 be and is hereby taken for all purposes to be a general meeting of the company properly convened held and conducted, subject to the foregoing conditions being met.
 4. Liberty is hereby given to either party or any party affected by this order to apply for any other or further order or directions.
 5. This order shall be published in at least one newspaper of national circulation.

DATED AND DELIVERED AT NAIROBI this 29th day of April 2020.

D. S. MAJANJA

JUDGE

NOTE

Please note that due to the COVID-19 emergency, the courts have scaled down operations and encourage the parties to use online platforms. Parties may communicate to the High Court, Commercial and Tax Division through elizabeth.tanui@court.go.ke copied to chepkoech.elizabeth76@gmail.com and telephone 0721398722. All communication regarding any matter in court must be copied to all parties to the suit.

Page 3 of 3

CORPORATE GOVERNANCE STATEMENT

Overview

Corporate governance underpins the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value, whilst taking into account the interests of other stakeholders. East African Breweries Limited (EABL) is committed to the highest standards of corporate governance and business ethics. The Company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization and is in compliance with the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public (the CMA Code) as well as the equivalent guidelines for listed companies in Tanzania and Uganda.

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

Governance Principles

Among the principles that the Board subscribes to in upholding the Group's corporate governance practices include but are not limited to:

1. Discipline: The commitment by the Group's Senior Management to adhere to behavior that is universally recognized and accepted to be correct and prudent.
2. Transparency and Disclosure: The ease with which an outsider is able to access information relating to the Group and to make meaningful analysis of the Group's actions, its economic details and the non-financial aspects pertinent to the business.
3. Independence: The extent to which mechanisms have been put in place to minimize or avoid potential conflicts of interest that may exist, such as dominance by a strong chief executive or large shareholder.

4. Accountability: Individuals or groups in the Group, who make decisions and take actions on specific issues, need to be accountable for their decisions and actions.

5. Adherence to Laws and Regulations: With regard to Management, this pertains to compliance with applicable laws and regulations and implementing standards of relevant best practice. Behaviour must allow for corrective action and for penalizing non-adherence or mismanagement. Responsible Management would, when necessary, put in place what it would take to set the Group on the right path. While the Board is accountable to the Group's shareholders, it must act responsively to and with responsibility towards all stakeholders of the Group.

6. Fairness: The systems that exist within the Company must be impartial in taking into account all those that have an interest in the Company and its future. The rights of various groups have to be acknowledged and respected, and the Company must continually focus on stakeholder value free of favouritism.

7. Social Responsibility: a well-managed Company will be aware of, and respond to, social issues while placing a high priority on ethical standards.

Our Corporate Governance Framework

EABL is committed to implementing and adhering to good corporate governance and best practice. We have put in place a corporate governance structure which assists to attain the following objectives:

- Organize operational, financial, risk management, and reporting processes such that the Board receives the information it requires to effect good governance and management and the business units can conduct their activities in ways that comply with regulations and serve strategic ends.
- Bring the organization's governance framework down to the level of roles, responsibilities, reporting lines, and communications to bridge the gap between the governance framework and operational realities.
- Sustain governance by creating a feedback loop in which the Board and Management can identify and respond to new business and operational, competitive, and regulatory needs.



The systems that exist within the Company must be impartial in taking into account all those that have an interest in the Company and its future. The rights of various groups have to be acknowledged and respected, and the Company must continually focus on stakeholder value free of favouritism.

Our governance framework is highlighted in the table below:

EABL CORPORATE GOVERNANCE FRAMEWORK

STRUCTURE

This includes organization design and reporting structure, committee structures and charters, and control and support function interdependencies

Board of Directors

Committee structure
and Charters

OVERSIGHT RESPONSIBILITIES

Define Board oversight responsibilities, Committee and Management responsibilities, accountability matrices, and Management hiring and firing authority

Board Oversight and
Responsibilities

Management Accountability
and Authority

Committee(s) Responsibilities
and Responsibilities

TALENT AND CULTURE

Enable the behaviors and activities required for effective governance by establishing compensation policies (particularly regarding incentives), promotion policies, business and operating principles, performance measurement and management, training, and leadership and talent development programs

Performance
Management and
Incentives

Business and
Operating Principles

Leadership
Development and
Talent Programs

INFRASTRUCTURE

Comprises governance and risk oversight policies and procedures, reports, measures and metrics, and management capabilities, and the enabling IT and communications support

Policies and
Procedures

Reporting and
Communication

Technology

CORPORATE GOVERNANCE STATEMENT

The Board of Directors

The Board is committed to ensuring that a strong governance framework operates throughout the Group, recognising that good corporate governance is a vital component to support Management in their delivery of the Company's strategic objectives, and to operate a sustainable business for the benefit of all stakeholders. The Board recognises that the process of identifying, developing and maintaining high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Company and its business, the composition of the Board and developments in corporate governance.

The Role and Functioning of the Board

As at the end of the financial year, the Board comprised of five Independent Non-Executive Directors, two Non-Executive Directors and three Executive Directors. The Directors have a balance and depth of skills and experience, together with long-standing knowledge of the Group, which enables them to discharge their respective duties and responsibilities effectively.

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

There is a formal schedule of matters reserved for consideration by the Board, which include responsibility for the following:

- Approval of overall Group strategy and objectives
- Approval of the Group annual budget and monitoring progress towards its achievement
- Changes to the Group's capital structure
- Changes to the Group's principal activities
- Review and approval of the annual financial statements
- Changes to the Senior Management structure
- Approval of Group financing arrangements and treasury policy
- Approval of major investments, disposals and additional investments in existing operations
- Approval of major unbudgeted expenditure

These reserved matters are reviewed by the Board, at least annually, to ensure they remain appropriate and complete. In tandem, the Board also reviews an approved schedule of operational matters, which are delegated to Management of the Company and its operating subsidiaries.

Division of Responsibilities

The Chairman and the Group Managing Director's roles are separate, with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating productive contribution of all Directors. The Chairman serves as the link between the Board and Management in between meetings and is responsible for ensuring that decisions of the Board

are implemented. He is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them.

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

Non-Executive Directors

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

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

Promotion of Corporate Culture

INTERNAL REGULATIONS

Besides complying with the Code and the laws, the Group has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in various policies and in the Code of Business Conduct to which every employee, supplier and the Board makes a commitment to comply with.

Board Charter

The Board charter outlines the specific roles and responsibilities of the Board which are separate from those of Management. The Charter covers areas relating to Board structure, functions, processes, effectiveness and internal controls. The Charter has also embedded policies on Related Party Transactions.

The Charter and Committee Charters have been published on the Company's website.

Code of Conduct and Ethics

The Company pursues ethical decision making and leadership to promote corporate social responsibility, fair business practices, sustainability and the triple bottom line that focuses on the society, the environment and profitability.

The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Company. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms.

Board policies

The Board has established policy and procedure documents to guide the Directors and Management in the implementation of their roles and responsibilities. A brief summary of the governance documents and their key provisions are listed below:

Conflict of interest policy

- Directors are obligated to fully disclose to the Board any real or potential conflict of interest which come to their attention, whether direct or indirect.
- All business transactions with all parties, Directors or their related parties are carried out at arm's length.

Whistle Blowing policy

- The policy outlines mechanisms that facilitate anonymous reporting and anti ethical behaviour by all stakeholders.
- The ethics hotline is managed by an independent, accredited and external institution.

Insider Trading policy

The policy is used to institute structures to prevent insider dealings by Directors and Management. Through this, the Company endeavors to preserve the confidentiality of unpublished sensitive information and prevent misuse of such information.

Anti Bribery Policy and Anti fraud and Corruption

- This policy prevents employees and agents from giving or receiving bribes (directly or indirectly) and attempts to induce favours by way of bribes.
- We review compliance with regulatory obligations, particularly those surrounding fraud, corruption and Anti Money Laundering.

Board Remuneration Policy

Sets out the guidelines and criteria for the Board's compensation.

Operational policies

There are broad operational policies that guide Management in execution of the Group's operations in an efficient manner.

CORPORATE GOVERNANCE STATEMENT

Independence of Directors and Conflict of Interest

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

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

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

Board Performance

Directors Training and Development

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

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

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

Board Evaluation

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

- Board Composition and Skills;
- Board Diversity;
- Board interaction and support;
- Board work plan and agenda;
- Board meetings and procedure;
- Implementation of Strategy;
- Risk oversight; and
- Internal control systems.

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

Governance Audit

The Company was exempted by the Capital Markets Authority (CMA) from carrying out the Governance Audit for the year ended 30 June 2020. The next audit to be undertaken will therefore be for the year ended 30 June 2021.

Communication with Stakeholders

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

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

WHO GOVERNS US

Composition of the Board and Board Committees

Board Size, Composition and Appointments

The constitution of the Company's Board is stipulated by the Company's Articles of Association.

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

The Board is currently comprised of seven Independent Non-Executive Directors, one Non-Executive Director and two Executive Directors. The profile of the Board is as set out on pages 26 to 29.

CORPORATE GOVERNANCE STATEMENT

Board of Directors

Dr. M. Oduor-Otieno* – Board Chairman (Appointed Chairman on 1 January 2020)

Mr. C. Muchene* (Former Group Chairman) - Retired on 31 December 2019

Mr. J. O'Keeffe **

Mr. A. Cowan*** (Group Managing Director)

Dr. G. Geiszl*** (Resigned on 30 April 2020)

Ms.. J. Karuku***

Mr. J. Katto*

Ms. C. Musyoka*

Mr. J. Mugerwa*

Mr. J Ulanga *

Mr. L. Breen* - Appointed on 30 January 2020

Ms. Risper Ohaga*** – Appointed on 1 May 2020

Company Secretary

Ms. Kathryn Maundu – (Appointed on 28 March 2020)

Ms Joyce Munene - (Resigned on 27 March 2020)

*Independent Non Executive Director

** Non Executive Director

*** Executive Directors

Board Corporate Governance Committee	The Board Audit and Risk Management Committee	Board Nominations and Remuneration Committee	Board Investment Committee – Ad Hoc Committee
Mr. J. Katto – Chairman	Mr. J. Ulanga – Chairman	Ms. C. Musyoka - Chairman	Ms. C. Musyoka - Chairman
Ms. C. Musyoka	Mr. J. Katto	Mr. M. Oduor-Otieno	Mr. J. Katto
Mr. J. Ulanga	Mr. J. Mugerwa	Mr. J Mugerwa	Ms. R. Ohaga
Ms. K. Maundu (Secretary)	Mr. L. Breen	Mr. J. O'Keeffe	Ms. K. Maundu (Secretary)
	Ms. K. Maundu (Secretary)	Ms. K. Maundu (Secretary)	

CORPORATE GOVERNANCE STATEMENT

The Board provided overall oversight of the Group. Amongst the key activities during the financial year were:

- Review of the strategy and the F21 Key performance indicators and Annual Operating Plan.
- Oversight of the Group and Subsidiaries performance.
- Review of significant tax matters and projects.
- Approval of the half year and full year financial results and approval of an interim dividend for FY 2020.
- Covid-19 impact and response strategy.

Attendance at Board and Annual General Meetings during the Financial Year

	25.07.2019	18.09.2019	18.09.2019 (AGM)	12.11.2019	30.01.2020	2.04.2020 (Sp. BoD)	14.05.2020
Charles Muchene ¹	X	X	X	X	-	-	-
Martin Oduor-Otieno	X	X	X	X	X	X	X
Carol Musyoka	X	X	X	X	X	X	X
Jane Karuku	X	X	X	X	X	X	X
Andrew Cowan	X	X	X	X	X	X	X
John O'Keeffe	X	X	X	X	X	X	X
Leo Breen ²	-	-	-	-	-	X	X
John Ulanga	X	X	X	X	X	X	X
Japheth Katto	X	X	X	X	X	X	X
Jimmy Mugerwa	X	X	X	X	X	X	X
Gyorgy Geiszl ³	X	X	X	X	X	X	-
Risper Ohaga ⁴	-	-	-	-	-	-	X

1. Charles Muchene retired as a Director with effect from 31 December 2019.

2. Leo Breen was appointed as a Director with effect from 30 January 2020.

3. Gyorgy Geiszl retired as a Director with effect from 30 April 2020.

4. Risper Ohaga was appointed as a Director with effect from 1 May 2020.

Board Corporate Governance Committee

The Board Corporate Governance Committee has oversight over the adherence and compliance by the Company to the principles and requirements of good corporate governance and business ethics. The Committee is also responsible for ensuring an annual Board evaluation is conducted for evaluating the performance of the Board, Board Committees, Individual Directors, Group Managing Director and the Company Secretary. All members of the Committee are Independent Non-Executive Directors.

During the year, the Committee successfully applied to the CMA for exemption from conducting a Governance Audit with respect to FY 20.

Additionally, the Committee provided oversight on the implementation of the changes brought about by the Companies Act, 2015 and regulations thereto, together with the subsequent amendments. The Committee monitored implementation of the requirements of the CMA Code and in that regard reviewed various plans and policies presented by Management such as the stakeholder engagement plan and the dealings in securities code. The Committee also reviewed the compliance report to CMA, detailing the measures taken to ensure compliance with the CMA Code. The Committee further reviewed the progress made in implementing recommendations from the Board Evaluation and Governance Audit and Legal and Compliance Audit conducted in FY 19.

The Committee reviewed Covid-19 legislation enacted during the year following the advent of the Covid-19 pandemic.

In carrying out its mandate to continuously enhance and entrench effective corporate governance within EABL, the Committee includes in its annual work plan a corporate governance training session for all Directors.

Attendance at Board Corporate Governance Committee meetings during the Financial Year

	23.07.2019	15.10.2019	27.01.2020	20.04.2020
Japheth Katto	X	X	X	X
Carol Musyoka	X	X	X	X
John Ulanga	-	X	X	X

Board Audit and Risk Management Committee

The Board Audit and Risk Management Committee (BARC) is responsible for monitoring and reviewing the integrity of the financial statements, the effectiveness of the accounting, internal control and business risk management systems of the Group, and the efficiency of the Group's procedures for handling complaints and whistle blowing allegations. The Mandate of the Committee also includes:

- Reviewing the integrity of the Group's financial statements.
- Compliance with legal and regulatory requirements.
- Monitoring and reviewing the performance of the Group's external auditors including their independence and objectivity, making recommendations as to their reappointments (or where appropriate, change) and approving their terms of engagement and the level of audit fees payable to them.
- Review of business operations policies.
- Overseeing the internal control and risk management systems in relation to the Company's financial reporting process and the Group's process for preparation of the consolidated financial statements.

During the year, the BARC met five times and reviewed the following business:

- Annual report and associated preliminary year end results announcement, focusing on key areas of accounting judgement and complexity, accounting and provisioning policies.
- The external audit strategy and the findings of the external auditor from its review of the interim results and hard close as at 30 April 2020 and their audit of the year-end consolidated financial statements.
- Interim results announcement, which included the condensed financial statements and Company's Management results.
- Covid-19 crisis management actions including new legislation in East Africa on account of the Covid- 19 pandemic.
- Business integrity which covered risk management, controls and assurance, breach management and health, safety and environment.

Upon completion of the consolidated financial statements, the BARC undertook the following procedures:

- Reviewed the consolidated financial statements for the year ended 30 June 2020, together with the accounting policies, disclosures and other explanatory information and based on the information provided to it, the Committee satisfied itself that in all material respects, the financial statements complied with the Companies Act, 2015 and the International Financial Reporting Standards (IFRS).
- Considered the appropriateness of Management judgment and the accounting treatment of significant transactions.
- The significant matters that the Board Audit and Risk Management Committee deliberated on in relation to the consolidated financial statements are as highlighted in the table below:

CORPORATE GOVERNANCE STATEMENT

Significant matters considered	Actions and conclusions
<p><i>Judgment applied regarding the impairment of goodwill for Serengeti Breweries Limited (SBL)</i></p> <p>The Company carries goodwill of Kshs 2.2 billion in the consolidated financial statements that arose from the acquisition of SBL. The goodwill is reviewed for impairment annually. The impairment review is based on SBL's growth projections which are premised on its robust business strategy around driving volumes in order to maximize capacity utilization through its premium and innovation brands. Management carried out a detailed impairment review of the goodwill and based on the results, there were no impairment losses to be recognised. The business continues to be in a positive growth trajectory.</p>	<p>The Committee reviewed the annual impairment testing performed by Management, taking into account the underlying key assumptions supporting the future cash flows in the context of the business operating plan and strategy. The Committee was satisfied that the analysis performed by Management and the related disclosure in the financial statements were appropriate.</p>
<p><i>Judgement applied regarding the impairment of investment in SBL</i></p> <p>The Company carries an amount of Kshs 16 billion in the Company's financial statements that relates to its equity investment in SBL. Management carried out a detailed impairment review of the equity investment and based on the results, there were no impairment losses to be recognised.</p>	<p>The Committee reviewed the impairment testing performed by Management, taking into account the underlying key assumptions supporting the future cash flows in the context of the business operating plan and strategy. It also considered the views from Group's external auditors on the valuation methodology applied, their assessment of the reasonableness of the key assumptions and sensitivities to changes in these assumptions. The Committee was satisfied that the analysis performed by Management and the related disclosures in the financial statements were appropriate.</p>
<p><i>Adoption of IFRS 16 'Leases'</i></p> <p>The Group adopted IFRS 16 with effect from 1 July 2019. IFRS introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability on the statement of financial position, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The Group mainly leases motor vehicles and space for corporate offices. The Management has implemented systems and processes required for compliance with IFRS 16.</p>	<p>The Committee continuously received ongoing updates from Management on the implementation of IFRS 16. The key areas of focus by the Committee were financial controls and processes implemented for reporting and the accounting policies and related disclosures adopted with adoption of IFRS 16. The Committee was satisfied that these were satisfactorily implemented.</p>
<p><i>Judgment relating to uncertain tax matters</i></p> <p>The Group operates in several tax jurisdictions and is subject to a number of tax claims incidental to these operations and where interpretation of various tax regulations and applications thereof is required. In this case, Management is required to apply judgment in assessing the tax exposures.</p>	<p>The Committee reviewed tax reports from Management and requested opinions from independent specialists where considered appropriate. The Committee considered Management's assessment of possible, probable and remote exposures and the related provisions and disclosure in light of the latest developments on these matters and considered them to be reasonable.</p>

Significant matters considered	Actions and conclusions
<p><i>Covid-19 pandemic reporting considerations</i></p> <p>Covid-19 pandemic has had a range of implications on risk management and financial reporting during the period. The key considerations are summarised below:</p> <ul style="list-style-type: none"> Significant financial reporting judgements with respect to the carrying amounts of assets – Management factored in the impact of Covid-19 into certain financial reporting judgements, more particularly on inventory, receivables and other assets subject to impairment testing. Going concern considerations – Management continuously performed financial risks assessment including but not limited to scrutiny of forecast liquidity, balance sheet stress tests, and the availability of cash and cash equivalents through new or existing financing facilities and were satisfied that the business was still viable as a going concern. 	<p>The Committee reviewed Management's judgments in determining the carrying value of the different categories of assets and were satisfied that the judgements applied by Management were satisfactory.</p> <p>In addition, the Committee reviewed and challenged Management on its financial risk assessment and financial risk management and were satisfied with the financial risk management processes adopted by Management.</p>

In addition, the Committee reviewed various detailed reports from:

- The Control, Compliance and Ethics team (CCE) and the Global Audit and Risk (GAR) team.
- The annual GAR audit plan and the assessment of top risks identified by GAR as driving the plan and scope of audits for the year ending 30 June 2020.
- Legal and Regulatory updates from the Legal Director.

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

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

During the year, the committee comprised of three Independent Non-Executive Directors and one Non-Executive Director.

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

	22.07.2019	15.10.2019	27.01.2020	21.04.2020	23.06.2020
John Ulanga	-	X	X	X	X
Japheth Katto	X	X	X	X	X
Jimmy Mugerwa	X	X	X	X	X
Leo Breen	-	-	-	X	X
Martin Oduor-Otieno ¹	X	X	-	-	-

CORPORATE GOVERNANCE STATEMENT

1. Dr. M. Oduor-Otieno ceased to be a member of the committee upon his appointment as Board Chairman.

Board Nominations and Remuneration Committee

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

- I. Identifying and nominating for the approval of the Board, and EABL Subsidiary Boards candidates to fill Board vacancies as and when they arise.
- II. Approving key policies and principles driving remuneration decisions for Management and Non-Management employees.
- III. Identifying and recommending for approval of the Board, remuneration proposals for Executive and Independent Directors of the Board.

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

- Succession planning and external talent pipelining for potential vacancies within the Board. This is done through nomination, selection and vetting from a pool of suitable candidates to fill vacancies that may arise from the Board and Board Committees;
- Assessing and recommending to the Board, the remuneration of Management and Non-Executive Directors including approval of staff incentive schemes, pension plans, and other remuneration related terms and conditions of employment.
- The Committee had four meetings during the year and dealt with the following business:
- Review of its terms of reference with a key focus on linking remuneration to the strategy.
- Assessment of the effectiveness and adequacy of the Board succession pipeline and succession plans, with particular consideration for actual and potential vacancies in the longer term horizon.
- Board changes which occurred during the year.
- Implementation of a Continuous Learning and Development policy aimed at continuous development of Independent Non-Executive Directors.
- Review of the Remuneration policy.
- Approval of a recruitment and selection policy setting out the criteria and focusing on diversity and inclusion in the Board composition.
- Review and adoption of changes to reward pay principles, Management pay structures, pension plans and other cash and non-cash benefits pursuant to the talent strategy.
- Review and adoption of the Board development principles and structures pursuant to the Board development strategy with focus on training programs to strengthen the Board's effectiveness and performance; and Review and approval of benefits associated with long term incentive plans related to the Employee Share Ownership Plan (ESOP) including the relevant governance framework and structures.

In the year ended 30 June 2020, following the Covid-19 pandemic, the Committee reviewed policies and procedures on Employee Health and wellbeing in a Covid-19 environment.

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

	15.07.2019	31.10.2019	24.01.2020	20.04.2020
Carol Musyoka	X	X	X	X
John O'Keeffe	X	X	X	X
Martin Oduor-Otieno	X	X	X	-
Jimmy Mugerwa	-	Apology	X	X

Board Investment Committee

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

The mandate of the Committee includes:

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

During the year, the Committee had six meetings during which, members reviewed new capital expenditure (capex) projects, and the restructuring of funding proposals. The Committee also reviewed Covid-19 revamp initiatives particularly Raising the Bar initiative Diageo Recovery and Resilience Fund.

Attendance at Board Investment Committee meetings during the Financial Year

	3.07.2019	15.10.2019	24.01.2020	31.03.2020	28.05.2020	19.06.2020
Carol Musyoka	X	X	X	X	X	X
Japheth Katto	X	X	X	X	X	X
Gyorgy Geiszl ¹	X	X	X	X	-	-
Risper Ohaga ²	-	-	-	-	X	X

1. Gyorgy Geiszl retired as a Director with effect from 30 April 2020.

2. Risper Ohaga was appointed as a Director with effect from 1 May 2020.

Company Secretary

The Company secretary is a member in good standing with the Institute of Certified Secretaries (ICS). The Company Secretary provides a central source of guidance and advice to the Board on matters of ethics, statutory compliance, compliance with the regulators and good governance.

Role of the Company Secretary

- Providing a central source of guidance and advice to the Board and the Company, on matters of statutory and regulatory compliance and good governance;
- Providing the Board and the Directors individually with guidance on how their responsibilities should be discharged in the best interests of the Company;
- Facilitating the induction training of new Directors and assisting with the Directors' professional development as required. This includes identifying and facilitating continuous Board education;
- In consultation with the CEO and the Chairman, ensuring effective flow of information within the Board and its committees and between Senior Management and Non- Executive Directors. This includes timely compilation and distribution of Board papers and minutes, as well as communication of resolutions from Board meetings;
- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision making by shareholders, customers and other stakeholders; and
- Keeping formal records of Board discussions and following-up on the timely execution of agreed actions.

Engagement with shareholders

The Board seeks to engage with shareholders to maintain a mutual understanding of objectives between them and the Company and manage their expectations. Relations with shareholders and potential investors are managed principally by the Executive Directors, who are contactable both directly and via the Shares Registrar. Shareholders are encouraged to participate in the Company's Annual General Meetings and contact the Company's officers with any questions. The Board, including the Chairs of the Committees, are available at the Company's AGMs to answer

CORPORATE GOVERNANCE STATEMENT

questions from shareholders. The Executive Directors make regular presentations to investors (both existing and potential shareholders), meet with shareholders to discuss long-term issues and obtain their views, present at externally run investor events and communicate regularly during the year. The annual and interim presentations made to investors, interviews with the Executive Directors and a description of the Company's investment case are all made available on the Company's website.

The Company also retains a Shares Registrar who provides feedback from existing shareholders and potential investors.

Stakeholders and social responsibilities

The Group's business model relies heavily on developing and maintaining strong

relationships with internal staff, candidates / workers, clients and regulatory authorities. The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business. Stakeholder engagement and feedback is taken seriously throughout the Group. Regular communication is made around the Group companies and internal staff. The Group places considerable value on the involvement of its internal staff and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, information available on the Company's website and Workplace. The Group uses social media to engage directly with stakeholders through various

channels including Facebook, Workplace, Twitter and LinkedIn. The Group also engages with regulators and Government agencies both directly and through membership of worldwide trade associations.

Going Concern

The Board confirms the financial statements are prepared on a going concern basis and is satisfied that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

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NO SUGAR
ADDED

Uganda's Heritage



18+

EXCESSIVE CONSUMPTION OF ALCOHOL IS HARMFUL TO YOUR HEALTH. PLEASE DRINK RESPONSIBLY.



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CORPORATE INFORMATION

DIRECTORS

Dr. M Oduor-Otieno	Group Chairman - Appointed Group Chairman on 1 January 2020
Mr. C Muchene	Group Chairman - Resigned on 31 December 2019
Mr. A Cowan*	Group Managing Director
Dr. G Geiszl**	Group Finance and Strategy Director - Resigned on 30 April 2020
Ms. R G Ohaga	Group Chief Financial Officer - Appointed on 1 May 2020
Mr. J O'Keeffe***	
Ms. J Karuku	
Ms. C Musyoka	
Mr. J Katto****	
Mr. J Mugerwa****	
Mr. J Ulanga*****	
Mr. L Breen*	Appointed on 30 January 2020

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



SECRETARY

Ms. Kathryne Maundu (CPS No. 2159)
Stamford Corporate Services LLP
5th Floor, ICEA Lion Centre, West Wing
Riverside Park, Chiromo Road Nairobi
P.O. Box 10643
00100 Nairobi, GPO

Ms. Kathryne Maundu was appointed as Company Secretary on 28 March 2020 and replaced Ms. Joyce Munene who resigned from office on 27 March 2020.

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way / Chiromo Road
P.O. Box 43963
00100 Nairobi, GPO

ADVOCATES

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

SHARE REGISTRARS

Custody & Registrar Services Limited
IKM Place
Tower B, 1st Floor
5th Ngong Avenue
P.O. Box 8484
00100 Nairobi, GPO

PRINCIPAL BANKERS

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

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

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

Absa Bank Kenya PLC (formerly Barclays Bank of Kenya Limited)
Barclays Westend Building
Off Waiyaki Way
P.O. Box 30120
00100 Nairobi, GPO

REGISTERED OFFICE

East African Breweries Limited
Corporate Centre,
Garden City Business Park, Ruaraka
PO Box 30161
00100 Nairobi GPO

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2020, which disclose the state of the financial affairs of East African Breweries Limited ("EABL" or the "Company") together with its subsidiaries (jointly the "Group"). The annual report and financial statements have been prepared in accordance with the requirements of the Kenyan Companies Act 2015.

1. Principal activities

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

2. Results

The Group and Company results for the year are set out on page 76 and page 78 respectively.

3. Business review

i) Business performance

The Group started the year with strong performance and double digit revenue growth in the first half of the year on the back of a stable macro-economic environment. This performance was mainly driven by growth in sales of key brands mainly Serengeti, Pilsner, Senator Keg and Mainstream spirits. In the first half of the year, revenue grew by 10% and profit after tax grew by 5%. This growth momentum was disrupted in March 2020 when the first Covid-19 cases were reported in the East African region leading to containment measures being put in place by the respective governments in order to contain the spread of the virus. The containment measures included restrictions on movement, curfews, social distancing and the closure of bars and restaurants.

The closure of the on-trade distribution channels, which is a significant part of the Group's trade channels led to a slow-down in the business in the last four months of the financial year, leading to a 9% decline in revenue for the full year against prior year, compared to a growth of 10% reported in the first half of the financial year. In the last four months of the year, trading was primarily through the off-trade channels and through e-commerce channels with the on-trade only operating in Tanzania.

With the decline in revenue following the closure of the on-trade channels in most markets, the Group's focus was on prudent cost management and preservation of cash. As a result, selling and distribution expenses and administrative expenses both declined by 9% in line with the reduction in revenue.

The Group delivered a gross profit margin of 44% and operating margin of 14% compared to the prior year gross margin of 46% and operating margin of 22%, reflecting the impact of the Covid-19 pandemic and the closure of the on-trade channels for a full quarter. Profit after tax for the year decreased by 39% due to the slow down of the business attributable to Covid-19 pandemic.

ii) Operating environment

The first eight months of the financial year were characterised by a stable macroeconomic environment, underpinning the region as one of the fastest growing regions in Africa, with strong GDP growth averaging 5-6% supported by investment in infrastructure and favourable weather conditions. Inflation was relatively low and stable across the countries, ranging between 4-6%, with Kenya having a relatively higher inflation rate compared to her neighbors, the key driver being food prices. Currencies across the region were relatively stable prior to Covid-19. The last four months were characterised by a stressed operating environment following the outbreak of the Covid-19 pandemic in East Africa and the attendant responses by the respective governments. Economic activities were impacted, leading to a slow-down in general economic growth and inflationary pressure creeping in. Further, the East African currencies depreciated in the last quarter between 1% and 6%.

Politically, the key countries in the region are stable and expected to maintain stability into the foreseeable future. Tanzania and Uganda are expected to hold their elections in October 2020 and February 2021 respectively. On the other hand, Kenya expects to hold their next presidential elections in 2022.

iii) Policy and regulation

The tax and regulatory landscape remain key influencers to the Group's business performance and strategic decisions. The market has some of the highest alcohol excise tax rates in Sub Saharan Africa. The Kenya excise regime is a lot more aggressive than that of Tanzania and Uganda. We expect the Kenya government to increase the excise rates in line with 5-10% inflation increase while Tanzania held the prior year excise rates. In Uganda, the proposed increase in excise duty is yet to be passed and is under consideration.

To soften the economic blow occasioned by Covid -19, the Kenyan Government has introduced several fiscal measures to support economy. These measures include:

- **Monetary Policy:** This involved lowering of the Central Bank Rate (CBR) from 8.25% in January 2020 to 7% (July 2019 – 9%).
- **Tax relief measures:** Tax relief to low income earners, reduction of PAYE, reduction of corporation tax from 30% to 25%, reduction of turnover tax rate, reduction in VAT from 16% to 14% and early processing of VAT refunds.

The employment income tax bands were also revised in Tanzania to cushion the citizens against the adverse impacts of Covid-19.

DIRECTORS' REPORT (continued)

iv) Sustainability

We recognise the importance of running a sustainable company and are committed to sustainable economic, environmental and social impacts resulting from our everyday activities. We have made huge strides in aligning our business operations to the expectations and aspirations of the communities in the areas we operate in and the journey has seen us achieve a sustainable business throughout our value chain.

Our goal is to continuously improve operations and create shared value through various initiatives that include; operational efficiencies in our production processes (water, energy, waste management), environmental conservation, vocational training programmes, diversity and inclusion, local sourcing and employee health and safety.

To promote Positive Drinking, our focus is to demonstrate leadership in ensuring people drink better, addressing alcohol misuse and advocating for moderation through partnerships and impactful programmes. These programmes include: *Join The Pact* and *Dunda Smart* - create awareness of the dangers of drunk driving and therefore reduce alcohol-related road accidents; *DrinkiQ* - educate consumers on responsible alcohol consumption and train drivers, motor bike operators, police and other related users on the dangers of drinking and driving; fighting Illicit brews - through Heshima; and providing vocational training to youth and women who are at risk of falling prey to illicit brew consumption and production.

In our drive to champion Diversity and Inclusion, we have partnered with Sight Savers to ensure inclusion of people with disability across the value chain. We have set up Spirited Women programme and mentorship programme for female university students taking courses in Science, Technology, Engineering and Mathematics (STEM) in order to promote career development for female employees as well as leading the industry in establishing a favourable maternity and paternity leave policy.

We are determined to pioneer *Grain-to-Glass* Sustainability to positively impact the communities in which we live, work, source and sell. This is through Water Stewardship where we are ensuring 100 percent replenishment of water used in final product in water stressed areas, as well as providing access to clean and safe water to millions of people through our Water of Life programme.

We also remain committed to environmental conservation and have entered partnerships that have enabled us to plant and nature millions of trees across the country. We are also keen on minimising our direct and indirect greenhouse gas emissions by promoting energy efficiency in our operations, implementing programs of energy use reduction and investing in renewable energy.

Last year we announced an environmental investment in three key East African markets, confirming our commitment to reducing our carbon footprint and addressing climate change. The investment will deliver new solar energy, biomass power and water recovery processes, reducing carbon emissions by 42,000 tonnes a year. The investment will also help create over 900 direct and indirect jobs throughout the supply chain particularly with local farmers providing the biomass fuel. However, due to the Covid-19 pandemic, we have halted the project to guarantee safety of those working on the project as well as manage our costs and liquidity. We expect the project to resume once we have more clarity on how the pandemic evolves.

We are also committed to effective waste management not only to comply with industry regulations, but to also minimise our environmental impact across the value chain. This is by ensuring zero waste to landfill, sustainably sourcing all paper and board packaging and limiting the extraction of raw materials and the production of waste.

v) Employees

Our refreshed performance ambition calls for us to create an enabling environment that spurs engagement through high performing teams, continuous learning and inclusive culture. In order to achieve this, we have created forums to immerse the whole organisation into strategy and mission including: 'Sundowner' check-in sessions for all level 4 leaders; town halls for the whole business; rallying call to drive organisation energy; and branded signs and symbols displayed in high visibility areas to reinforce the message. In alignment with our people strategy, we reimagined our approach to growing talent by deploying cross-functional teams as a way of encouraging learning from each other, faster and better decision making, agility and responsiveness to changing consumer needs while leveraging insights to unlock innovation at scale across our business. In addition, defining and embedding an EABL continuous learning journey supported by *My Learning Hub* platform has provoked everyday learning from everyday experiences that promote speed of execution, experimentation and delivers incremental market share.

At EABL, our top priority has been to safeguard the health and well-being of the employees during the Covid-19 period, while taking necessary action to protect our business. We have doubled down on our market and cross-functional teams to deliver various projects to support our staff to ensure our safety and well-being. In the last few months, we have supported our front-line supply and commercial teams with Personal Protective Equipment (PPEs), while at the same time conducting virtual trainings and meetings to help us cope with these difficult times. We have required our office based staff to work from home and supported them to ensure they can work and deliver from home.

DIRECTORS' REPORT (continued)

3. Business review (continued)

v) Employees (continued)

During the year, our investment in people and strong employer brand enabled us to earn both internal and external recognition as follows:

- **East African Breweries Limited:** Emerged winner on learning and development category during the Employer of the Year Awards in September 2019 by the Federation of Kenya Employers.
- **East African Breweries Limited:** Emerged 2nd overall winner during the Employer of the Year Awards in September 2019 by the Federation of Kenya Employers.
- **East African Breweries Limited:** Emerged winner on corporate performance category during the Employer of the Year Awards in September 2019 by the Federation of Kenya Employers.
- **Kenya Breweries Limited Supply Chain Function:** Emerged winner of Diageo's Brewery of the Year Award in September 2019.
- **East African Breweries Limited:** The Human Resource team emerged winner of Diageo's HR Heroes Award in July 2019 in Performance Enablement.

vi) Internal policy framework

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

vii) Related party transactions

The Directors confirm that they have disclosed the Group and Company related party transactions in these financial statements and there were no insider dealings for the year ended 30 June 2020.

4. Dividends

In recognition of the uncertainty in the external environment in the face of the Covid-19 pandemic and the need to conserve cash to support the business, the Directors do not recommend a final dividend (2019: Kshs 6.00 per share amounting to Kshs 4,744,646,000). As such, the interim dividend of Kshs 3.00 (2019: Kshs 2.50) per share amounting to Kshs 2,372,323,000 (2019: Kshs 1,976,935,000) paid in April 2020 will be the full and final dividend for the year. The total dividend for the year is therefore Kshs 3.00 per share (2019: Kshs 8.50 per share) amounting to a Kshs 2,372,323,000 (2019: Kshs 6,721,581,000).

5. Directors

The Directors who held office during the year and to the date of this report are set out on page 56.

6. Disclosures to Auditors

The Directors confirm that with respect to each Director at the time of approval of this report:

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

7. Terms of appointment of Auditor

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

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

8. Approval of financial statements

The financial statements were approved by the Board of Directors on 29 July 2020.

By order of the Board

Ms. Kathryne Maundu

Company Secretary

Date: 29 July 2020

RIPOTI YA WAKURUGENZI

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za matokeo ya kifedha zilizokaguliwa za mwaka uliomalizika tarehe 30 Juni 2020 ambazo zinaonesha hali halisi ya kifedha ya East African Breweries Limited ("EABL" au "Kampuni") pamoja na kampuni zake tanzu (kwa pamoja zikifahamika kama "Shirika"). Ripoti ya kila mwaka na taarifa za kifedha huandaliwa kwa kufuata Sheria ya Kampuni Kenya ya mwaka 2015.

1. Shughuli kuu

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

2. Matokeo

Matokeo ya mwaka wa kifedha ya Kampuni na ya Shirika yanapatikana katika ukurasa wa 76 na ukurasa wa 78 mtawalia.

3. Uchanganuzi wa Biashara

i) Matokeo ya biashara

Shirika lilianza mwaka vyema kwa matokeo ya kuridhisha na ukuaji wa mapato wa zaidi ya asilimia kumi katika nusu ya kwanza ya mwaka kutokana na mazingira mazuri ya kiuchumi. Matokeo haya yalichangiwa zaidi na ukuaji katika mauzo ya bidhaa zetu kuu na hasa Serengeti, Pilsner, Senator Keg na vileo vikali vya kawaida. Katika nusu ya kwanza ya mwaka, mapato yaliongezeka kwa 10% na faida baada ya kutozwa ushuru ikakua kwa 5%. Mwendo huu mzuri wa ukuaji ulivurugwa Machi 2020 visa vya kwanza vya maambukizi ya Covid-19 viliporipotiwa kanda ya Afrika Masharti na kusababisha hatua za kuwazuia watu kuanza kutekelezwa na serikali mbalimbali kuzuia kusambaa vya virusi vya corona. Hatua hizo zilikuwa ni pamoja na kuwazuia watu kusafiri, kafyu, kuzuia mikusanyiko ya watu na watu kukaribiana pamoja na kufungwa kwa baa na migahawa.

Kufungwa kwa nyenzo zetu kuu za kusambaza bidhaa, ambayo ni sehemu kuu ya usambazaji wa bidhaa za Shirika letu, kulisababisha kudorora kwa biashara katika miezi minne ya mwisho ya mwaka huo wa kifedha. Hilo lilisababisha mapato ya mwaka wote kushuka kwa 9% ukilinganisha na mwaka uliotangulia. Hii ni tofauti na ukiangazia nusu ya kwanza ya mwaka pekee ambapo tulipata ukuaji wa 10% ukilinganisha na nusu ya kwanza ya mwaka uliotangulia. Katika miezi hiyo minne ya mwisho wa mwaka, mauzo sana yalikuwa kupitia njia zisizo za kawaida na kupitia mifumo ya kidijitali. Mauzo kupitia njia za kawaida yaliendelea tu Tanzania.

Kutokana na kushuka kwa mapato kutokana na kufungwa kwa nyenzo zetu kuu za kuuza biashara katika masoko mengi, Shirika liliangazia zaidi kudhibiti gharama na pia kuhifadhi pesa. Kutokana na hilo, gharama za kuuza bidhaa na kusambaza bidhaa pamoja na gharama za kiusimamizi zilipungua kwa 9% kuambatana na kushuka kwa mapato.

Kiwango cha mapato ukiondoa gharama ya mauzo kilikuwa 44%, nacho kiwango cha mapato ukiondoa gharama ya mauzo na gharama nyingine kama vile mishahara na mali ghafi kilikuwa 14% mwaka huo, ukilinganisha na kiwango cha 46% na 22% mtawalia mwaka uliopita. Hii inaashiria athari za Covid-19 na kufungwa kwa njia kuu za kuuza bidhaa zetu kwa robo moja ya mwaka. Faida baada ya kutozwa ushuru ilipungua kwa 39% kutokana na kushuka kwa biashara kulikotokana na janga la ugonjwa wa Covid-19.

ii) Mazingira ya kibiashara

Mazingira ya kiuchumi miezi minane ya kwanza ya mwaka huo wa kifedha yalikuwa mazuri, na kudhihirisha kanda hii kama moja ya kanda zinazokua haraka zaidi kiuchumi Afrika. Ukuaji wa Pato la Jumla la Taifa (GDP) kwa kadiri ulikuwa 5-6% sana ukisaidiwa na uwekezaji katika miradi ya miundo mbinu na hali nzuri ya hewa. Kiwango cha mfumko wa bei kilikuwa cha chini na thabiti katika mataifa yote, kikiwa kati ya 4-6%, Kenya ikiwa na kiwango cha juu kidogo ukilinganisha na jirani zake; sababu kuu ikiwa bei ya vyakula. Sarafu katika kanda hiyo pia zilikuwa imara kabla ya Covid-19. Miezi minne ya mwisho ilikuwa ya mazingira magumu ya uendeshaji biashara kutokana na janga la Covid-19 Afrika Mashariki na hatua zilizochukuliwa na serikali husika. Shughuli za kiuchumi ziliathirika, na kusababisha kupungua kasi kwa jumla kwa ukuaji wa uchumi na kiwango cha mfumko wa bei kuanza kupanda. Isitoshe, sarafu za Afrika Mashariki zilishuka thamani katika robo hiyo ya mwisho ya mwaka kwa kiwango cha kati ya 1% na 6%.

Kisiasa, mataifa makuu katika kanda hiyo ni thabiti na yanatarajiwa kuendelea uthabiri huu kwa kipindi kijacho karibuni. Tanzania na Uganda zinatarajiwa kufanya uchaguzi Oktoba 2020 na Februari 2021 mtawalia. Kenya nayo inatarajiwa kuandaa uchaguzi wa urais mwaka 2022.

iii) Sera na uzingatifu wa sheria

Hali ya sera na uzingafu wa sheria imeendelea kuathiri pakubwa ufanisi wa biashara ya Shirika pamoja na maamuzi ya kimikakati. Soko hili lina baadhi ya viwango vya juu zaidi vya ushuru unaotowza vinywaji vya pombe Afrika kusini mwa jangwa la Sahara. Mfumo wa ushuru Kenya ni mkali zaidi kuliko Tanzania na Uganda. Tunatarajia kwamba serikali ya Kenya itaongeza tena ushuru huo kuambatana na kupanda kwa mfumko wa bei, kiwango ambacho kimepanda kwa 5-10%. Tanzania ilidumisha viwango vya ushuru vya mwaka uliotangulia. Nchini Uganda, ongezeko la ushuru lililopendekezwa bado halijapitishwa na linaendelea kujadiliwa.

Ili kupunguza athari za Covid-19 kwa uchumi, Serikali ya Kenya ilichukua hatua za kifedha za kuusaidia uchumi. Hatua hizi ni pamoja na:

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- **Sera ya Kifedha:** Hii ilihusisha kupunguza kiwango cha Riba cha Benki Kuu (CBR) kutoka 8.25% mwezi Januari 2020 hadi 7% (Julai 2019 – 9%).
- **Nafuu ya ushuru:** Nafuu ya ushuru kwa watu wenye mapato ya chini, kupunguzwa kwa PAYE, kupunguzwa kwa ushuru wa mashirika kutoka 30% hadi 25%, kupunguzwa kwa kiwango cha ushuru wa mapato, kupunguzwa kwa VAT kutoka 16% hadi 14% na kuharakishwa kwa malipo ya madai ya VAT.

Makundi ya kuhesabu ushuru kutoka kwa ajira pia yalifanyiwa mabadiliko Tanzania ili kuwakinga raia dhidi ya athari za Covid-19.

iv) Uendeleu

Tunatambua umuhimu wa kuendesha kampuni endelevu na tumejitolea kuhakikisha uendeleu wa kiuchumi, kimazingira na kijamii katika shughuli zote tunazotekeleza kila siku. Tumejipiga hatua kubwa sana katika kulainisha shughuli zetu za kibiashara na matarajio na azma ya jamii katika maeneo ambayo tunahudumu na safari hiyo imetusaidia kutimiza uendeleu wa kibiashara katika mfumo wetu wa uzalisha na uuzaji bidhaa.

Lengo letu ni kuendelea kuboresha shughuli zetu bila kusita na kujenga thamani ya pamoja kupitia mikakati mbalimbali ambayo ni pamoja na; uboresha wa uendeshaji shughuli katika shughuli zetu za uzalishaji (maji, kawi na usimamizi wa taka), uhifadhi wa mazingira, mipango ya kutoa mafunzo ya ujuzi na maarifa mbalimbali, kuwajumuisha watu wa asili mbalimbali, kupata mali ghafi kutoka kwa wenyeji na kujali afya na usalama wa wafanyakazi.

Ili kuhamasisha zaidi Unywaji Pombe wa Kuwajibika, lengo letu ni kutoa uongozi katika kuhakikisha kwamba watu wanakunywa pombe kwa kuwajibika, kuangazia matumizi mabaya ya pombe na kuhamasisha unywaji pombe kwa kipimo kupitia ushirikiano mbalimbali na miradi mbalimbali. Baadhi ya miradi ni pamoja na: *Join The Pact* na *Dunda Smart* – kuhamasisha kuhusu hatari za kuendesha gari ukiwa mlevi na kupunguza ajali za barabarani zinazosababishwa na ulevi; *DrinkIQ* – kuwaelimisha wateja wetu kuhusu unywaji pombe wa kuwajibika na kuwapa mafunzo madereva wa magari, wenye pikipiki, polisi na wadau wengine kuhusu hatari za kuendesha gari au pikipiki ukiwa umelewa; kupambana na pombe haramu - kupitia Heshima; na kutoa mafunzo ya ujuzi na maarifa mbalimbali kwa vijana na wanawake walio hatarini ya kutumbukia katika uzalishaji na unywaji wa pombe haramu.

Katika juhudi zetu za Kuwajumuisha Watu wa Sifa na Asili Mbalimbali, tumeshirikiana na Sight Savers kuhakikisha kujumuishwa kwa watu wenye matatizo ya kuona kwenye mfumo wetu. Tumeanzisha mpango wa *Spirited Women* pamoja na mpango wa kutoa ushauri na malezi kwa wanafunzi wa kike katika vyuo vikuu wanaosomea kozi zinazohusiana na Sayansi, Teknolojia, Uhandisi na Hesabu (STEM) ili kusaidia kujiendeleza kitaaluma kwa ajili ya wafanyakazi wa kike. Kadhalika, tumeongoza sekta hii katika kuweka sera nzuri zaidi ya likizo ya uzazi kwa wanawake na wanaume.

Tumejitolea kuanzisha uendeleu wa *Grain-to-Glass* yaani Nafaka hadi kwa Gilasi ili kusaidia jamii maeneo tunamoishi, kufanya kazi, kununua mali ghafi na kuuza bidhaa. Hii ni kupitia Uongozi wa Maji ambapo tunahakikisha kwamba tunarejesha tena kwa asilimia 100 maji yaliyotumiwa kwenye bidhaa zetu mwishowe katika maeneo yenye matatizo ya maji. Hii ni pamoja na kutoa maji safi na salama kwa mamilioni ya watu kupitia mpango wetu wa Maji ya Uhai.

Bado tumejitolea kuhifadhi mazingira na tumeingia katika ushirika na watu na mashirika mbalimbali ambao tumetuwezesha kupanda na kutunza mamilioni ya miti kote nchini. Pia tumejitolea kupunguza gesi zinazochangia ongezeko la joto duniani tunazozitoa moja kwa moja au vinginevyo kupitia kutumia vyema kawi, na pia kutekeleza mipango ya kupunguza matumizi ya kawi na kuwekeza katika kawi mbadala.

Mwaka uliopita tulitangaza uwekezaji katika mazingira katika nchi tatu Afrika Mashariki, jambo lililodhihirisha kujitolea kwetu katika kupunguza mchango wetu wa gesi zinazochangia ongezeko la joto duniani na kushughulikia mabadiliko ya tabia nchi. Uwekezaji huo utatoa mitambo mpya ya sola, kawi ya biomass na mifumo ya kusafisha maji yaliyotumika, na kupunguza utoaji wa gesikaboni kwa takriban tani 42,000 kwa mwaka. Uwekezaji huo pia utazalisha nafasi 900 za ajira moja kwa moja na kwa njia isiyo ya moja kwa moja kwenye mfumo wote wa uzalishaji na uuzaji hasa kwa wakulima watakaokuwa wanatoa kawi ya biomass. Hata hivyo, kutokana na janga la Covid-19, tumesimamisha mradi huo kuhakikisha usalama wa waliokuwa wakiufanya kazi pamoja na kudhibiti gharama na upatikanaji wa fedha. Tunatarajia kuwa mradi huo utarejelewa pindi tukiwa na uwazi kuhusu jinsi janga hilo litakavyokuwa linaendelea.

Tumejitolea pia kwa usimamizi bora wa taka na sio tu kutimiza masharti ya serikali, bali pia kupunguza madhara kwenye mazingira katika maeneo tunayohudumu. Hii ni kwa kuhakikisha hakuna taka zinazokwenda kwenye jaa la taka, kupata karatasi za kutumia kwenye biashara yetu kwa njia endelevu na kwa kutumia karatasi maalum kutengeneza katoni za kufungia, pamoja na kupunguza mali ghafi tunazotumia na pia kupunguza uzalishaji wa taka.

v) Wafanyakazi

Katika mwaka huo, uwekezaji wetu katika watu wetu na pia sifa zetu kama mwajiri bora vilitusaidia kutambuliwa ndani na nje ya nchi kama ifuatavyo:

- **East African Breweries Limited:** Ilishinda katika kitengo cha mafunzo na kujiendeleza wakati wa Tuzo za Mwajiri Bora wa Mwaka Septemba 2019 za Shirikisho la Waajiri Kenya.

RIPOTI YA WAKURUGENZI (inaendelea)

- **East African Breweries Limited:** Iliibuka ya mshindi wa pili kwa jumla wakati Tuzo za Mwajiri Bora wa Mwaka Septemba 2019 za Shirikisho la Waajiri Kenya.
- **East African Breweries Limited:** Iliibuka mshindi katika utendaji wa kampuni katika Tuzo za Mwajiri Bora wa Mwaka Septemba 2019 na Shirikisho la Waajiri Kenya.
- **Huduma ya Mfumo wa Usambazaji ya Kenya Breweries Limited:** Iliibuka mshindi katika Tuzo za Kiwanda Bora cha Pombe cha Mwaka za Diageo Septemba 2019.
- **East African Breweries Limited:** Idara ya Masuala ya Wafanyakazi ilishinda Tuzo ya Mashujaa wa HR za Diageo Julai 2019 katika Uwezesaji wa Utendakazi.

vi) Mfumo wa sera ya ndani

EABL inapania kuhakikisha kuwa ina sera na sheria bora zaidi katika kanda hii. EABL ingependa kuangazia hasa sera zilizowekwa katika kuhakikisha kwamba watu wa asili mbalimbali wanakumbatiwa na kujumuishwa, manunuzi na teknolojia ya habari na mawasiliano (ICT) na kuhakikisha kwamba zinabadilishwa na kufanyiwa marekebisha ili kuendana na mabadiliko katika kanda na mabadiliko ya kiteknolojia.

vii) Shughuli za kibiashara za uhusiano

Wakurugenzi wanathibitisha kwamba wamefichua shughuli zao za kibiashara ambazo zinaweza kuwa zinahusiana na Shirika na Kampuni katika taarifa hizi za kifedha na kwamba hakukuwa na biashara za ndani kwenye mwaka uliomalizika 30 Juni 2020.

4. Mgawo wa faida

Kwa kutambua hali ya kutotabirika katika mazingira ya nje kutokana na janga la Covid-19 na haja ya kuhifadhi fedha za kuisaidia biashara, Wakurugenzi hawapendekezi kulipwa kwa mgawo wa mwisho wa faida (2019: zilizilipwa Kshs 6.0 kwa kila hisa za ambayo ilikuwa jumla ya Kshs 4,744,646,000). Kwa hivyo, mgawo wa faida wa muda wa Kshs 3.00 (2019: ilikuwa Kshs 2.50) kwa kila hisa ambapo jumla ni Kshs 2,372,323,000 (2019: Kshs 1,976,935,000) uliolipwa Aprili 2020 utakuwa ndio mgawo kamili wa faida kwa mwaka huo. Jumla ya mgawo wa faida kwa mwaka huo kwa hivyo ni Kshs 3.00 kwa kila hisa (2019: Kshs 8.5 kwa kila hisa) ambazo kwa jumla ni Kshs 2,372,323,000 (2019: Kshs 6,721,581,000).

5. Wakurugenzi

Wakurugenzi waliohudumu katika mwaka huo na waliopo hadi tarehe ya kutolewa kwa ripoti hii wameorodheshwa katika ukurasa 56.

6. Kuweka bayana mambo kwa Wakaguzi wa Hesabu

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

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

7. Masharti ya uteuzi wa Mkaguzi wa Hesabu

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

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

8. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa na Bodi ya Wakurugenzi mnamo 29 Julai 2020.

Kwa agizo la Bodi

Bi. Kathryn Maundu

Katibu wa Kampuni

Tarehe: 29 Julai 2020

DIRECTORS' REMUNERATION REPORT

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

EABL is pleased to present the Directors' remuneration report for the year ended 30 June 2020. This report is compiled pursuant to EABL's reward policy, the Capital Markets Authority Code of Corporate Governance, and the Kenyan Companies Act, 2015 Regulations on Directors' remuneration. A key provision of the Company's principles is that reward directly support the business strategy with clear and measurable linkage to business performance.

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

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

As at 30 June 2020, EABL's Board of Directors consisted of:

- 3 Executive Directors: Mr. Andrew Cowan, Ms. Risper G. Ohaga, and Ms. Jane Karuku. Ms. Risper G. Ohaga was appointed into the Board as an Executive Director on 1 May 2020 and Dr. György Geiszl resigned from the Board on 30 April 2020.
- 2 Non-Executive Directors: Mr. John O'Keeffe and Mr. Leo Breen. Mr. Leo Breen was appointed as a Non-Executive Director on 30 January 2020.
- 5 Independent Non-Executive Directors ("INEDs"): Mr. Japheth Katto, Dr. Martin Oduor-Otieno, Ms. Carol Musyoka, Mr Jimmy Mugerwa and Mr. John Ulanga. Mr. Charles Muchene resigned from the Board on 31 December 2019.

For the financial year ended 30 June 2020, the consolidated Directors' remuneration was Kshs 391,964,000 (2019: Kshs 314,344,000).

In accordance with Section 6 of the Companies (General) (Amendment) Regulations of 2017, the Directors Remuneration Report for the year ended 30 June 2019 was presented to shareholders for approval at the Annual General Meeting (AGM) held on 18th September 2018. 99.272% voted in favour of the report, 0.001% voted against the report while 0.727% of the votes were withheld or spoilt.

The next section outlines the details of the remuneration.

1. Executive Directors

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

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

DIRECTORS' REMUNERATION REPORT (continued)

Reward Element	Description
Base pay	<p>Purpose and link to Group Strategy</p> <p>The base pay supports the attraction and retention of the best global talent with the capability to deliver EABL's strategy and performance goals.</p> <p>Operation</p> <ul style="list-style-type: none"> It is paid monthly (12 equal instalments) during the year, and is pensionable. The base pay is reviewed annually in October, to reflect changes in market pay levels and individual performance. The Board Nominations and Remuneration Committee (BNRC) approves the budgets that form the basis for the annual base salary increments on an annual basis. <p>Performance measure – It is based on individual's level of responsibility.</p>
Fixed allowances and benefits	<p>Purpose and link to Group Strategy</p> <p>These allowances and benefits provide market competitive and cost effective benefits.</p> <p>Operation</p> <ul style="list-style-type: none"> Fixed allowances are provided in line with the Company's pay structure and may include a car allowance (unless in cases where an actual car is provided). Further, Executive Directors on international assignee contracts receive mobility related allowances to compensate for cost of living and location differentials. Market competitive benefits that are in line with the Company's pay structure include pension, medical, accident and life insurance and club membership. International assignees receive additional benefits that include: home leave travel, housing support, dependants' education support and tax support through tax equalisation. <p>Performance measure – It is based on individual's level of responsibility.</p>
Bonus	<p>Purpose and link to Group Strategy</p> <p>This incentivises delivery of EABL's annual strategic financial and non-financial targets. It provides focus on the key financial metrics and the individual's contribution to the Company's performance.</p> <p>Operation</p> <ul style="list-style-type: none"> Bonus pay is discretionary and is paid out in line with the Company's bonus scheme referred to as the Annual Incentive Plan (AIP). AIP seeks to reward an employee's contribution as part of a 'winning team'. Bonuses are awarded during the EABL Annual Review Cycle and paid out in cash in October of every year. The elements used to calculate the bonus are: <ul style="list-style-type: none"> Annual base salary - Bonus is usually expressed in terms of one's annual base salary. The business multiple – This is a reflection of the performance of the business against its annual operating plan. It could be between 0.0 and 3.0. The bonus factor - is the proposed recommendation by the Line Manager. It is a reflection of one's individual performance in the performance year and is between 0% - 200%. <p>Performance measure – This is based on individual and Company performance.</p>

DIRECTORS' REMUNERATION REPORT (continued)

Reward Element	Description
Shares / stock options	<p>Purpose and link to Group Strategy</p> <p>These provide focus on delivering superior long term consistent performance in line with EABL's business strategy and to create alignment with the delivery of value and returns to shareholders.</p> <p>Operation</p> <p>The Executive Directors participate in the below plans:</p> <ul style="list-style-type: none"> • Diageo Executive Long Term Investment Plan (DELTIP) – This is a plan whereby awards/options are discretionary and normally granted in September every year. They create an opportunity for executives of the business to act like owners linking reward to Diageo plc's share price performance. Under the Plan, the shares or share options granted have a vesting period of three years after which an employee can exercise the award/option within the third year to the tenth year. • The Performance Share Plan (PSP) – This is a long-term incentive that offers the executive the opportunity to receive conditional awards of shares in Diageo plc, subject to the achievement of performance conditions: organic Profit Before Exceptional Items and Tax (PBET), organic Net Sales Value (NSV) growth and cumulative cashflow. The vesting period for PSP is three years but is also subject to meeting the relevant performance conditions. The number of shares a person receives depends on the extent to which the performance condition is met. • Diageo Performance Incentive (DPI) – This was a single one time incentive award that offered an executive the opportunity to receive shares in Diageo, in order to lead and deliver productivity and growth across the business. The incentive award commenced on 1 July 2016 and the vesting period is three years. The number of shares awarded depended on both the grade and salary. The performance conditions are pegged on Diageo productivity savings and NSV growth. Additionally, the overall performance was also pegged on achieving a Line Manager net promoter score of at least +20 for two of the three years in the period to vesting. <p>Performance measure for the right to receive shares – The awarding and vesting of the awards are linked to a range of measures which may include but are not limited to a growth measure (e.g. net sales), a measure of efficiency (e.g. return on invested capital) and the business' relative performance in relation to peers (e.g. total shareholder value).</p>
Company product	All Directors are eligible to receive a discretionary choice from a select product range to enable them experience the Company brands first hand. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit.
Notice period	The notice period is defined in the individual contracts. Local contracts provide for 3 months notice period. Notice period for international assignees is defined by their home contracts terms of service.
Termination payments	These are defined by Company policy, which provides for severance payment, payment in lieu of notice and payment of any accrued fixed pay and leave.
Compensation for past Directors	This report includes payments made in the relevant financial year to any person who was not a Director of the Company at the time the payment was made but had previously been a Director of the Company.

This Policy will also apply to Executive Directors during the financial year 2021.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration – Audited

	Salary	Bonuses	Allowances and benefits	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 30 June 2020				
Andrew Cowan	39,197	57,543	54,993	151,733
Jane Karuku	30,867	24,812	6,878	62,557
György Geiszl	16,183	23,181	52,943	92,307
Risper G. Ohaga	9,963	6,121	5,926	22,010
Total	96,210	111,657	120,740	328,607
Year ended 30 June 2019				
Andrew Cowan	35,822	24,580	55,340	115,742
Jane Karuku	29,086	10,650	6,720	46,456
György Geiszl	19,692	11,087	37,280	68,059
Total	84,600	46,317	99,340	230,257

- The remuneration disclosed for Directors who serve for a part of the year constitutes payments during the period they were in employment with the Company.
- Bonuses constitute amounts paid during the financial year with respect to prior year performance.

Stock options

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

	At start of year	Shares/ options awarded	Shares/ options exercised	At end of year
Year ended 30 June 2020				
Andrew Cowan	40,377	12,273	(15,087)	37,563
Jane Karuku	40,683	6,901	(2,116)	45,468
György Geiszl	11,541	1,069	(4,781)	7,829
Risper G. Ohaga	-	1,328	-	1,328
Total	92,601	21,571	(21,984)	92,188
Year ended 30 June 2019				
Andrew Cowan	76,111	12,745	(48,479)	40,377
Jane Karuku	28,572	15,596	(3,485)	40,683
György Geiszl	10,965	3,831	(3,255)	11,541
Total	115,648	32,172	(55,219)	92,601

The charge to the profit or loss account relating to the share options and awards was Kshs 29,018,000 (2019: Kshs 50,571,000) in the year.

DIRECTORS' REMUNERATION REPORT (continued)

2. Non-Executive Directors

The Non-Executive Directors, Mr. John O'Keeffe and Mr. Leo Breen are full time employees of the majority shareholder; Diageo plc. As a result of being full time employees of Diageo plc, these Non-Executive Directors did not earn any fees for sitting on the Board of EABL.

3. Independent Non-Executive Directors (INEDS)

Independent Non-Executive Directors' remuneration policy and framework

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

The list of the reward components is as follows:

(i) Retainer fees

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

(ii) Attendance fees / sitting allowance

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

(iii) Insurance cover

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

(iv) Product allowance

Independent Non-Executive Directors' are eligible to receive a discretionary choice from a select product range to enable them experience the Group's brands first hand. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit.

(v) Travel and accommodation when on Company business

EABL provides for travel and accommodation costs in line with its Travel and Entertainment policy. Independent Non-Executive Directors travel on business class when going for Company related meetings.

(vi) Medical cover

Effective financial year 2020, the Company provides Independent Non executive Directors with medical cover, both inpatient and outpatient, within the limits provided for EABL employees.

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

DIRECTORS' REMUNERATION REPORT (continued)

INEDS Remuneration - Audited

For the financial year ended 30 June 2020, the consolidated INEDs fees was Kshs 34,339,000 compared to Kshs 33,516,000 paid during the financial year ended 30 June 2019. A policy for paying retainer separate from sitting allowance was in place during the year ended 30 June 2019. This policy was revised effective October 2019 where directors are paid a consolidated fee that is adjusted for participation in Board meetings. The remuneration for the INEDS is reflected in the table below:

	Retainer	Sitting allowances	Total
	Kshs '000	Kshs '000	Kshs '000
Year ended 30 June 2020			
Charles Muchene	3,772	280	4,052
Martin Oduor-Otieno	7,108	345	7,453
Carol Musyoka	5,497	375	5,872
Japheth Katto	5,651	67	5,718
Jimmy Mugerwa	5,651	67	5,718
John Ulanga	5,447	79	5,526
Total	33,126	1,213	34,339
Year ended 30 June 2019			
Charles Muchene	8,000	1,235	9,235
Carol Musyoka	5,250	1,305	6,555
Martin Oduor-Otieno	5,250	1,485	6,735
Japheth Katto	3,853	1,241	5,094
Alan Shonubi	963	406	1,369
Jimmy Mugerwa	3,586	942	4,528
John Ulanga	-	-	-
Total	26,902	6,614	33,516

By order of the Board

Ms Kathryne Maundu

Company Secretary

Date: 29 July 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the Directors have disclosed in Note 2(a)(ii) of the financial statements matters relating to the use of going concern basis of preparation of the financial statements.

The Group's statement of financial position indicates a net current liabilities position of Kshs 5,076,181,000 (2019: Kshs 4,057,000,000). The Directors believe that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until June 2023. The Group had undrawn funding available as at 30 June 2020 of Kshs 4.1 billion (2019: Kshs 11.7 billion) as disclosed in Note 31.

The Directors have undertaken a detailed funding assessment of the Group, including a debt maturity analysis. Based on the outcome of the assessment, the Directors have concluded that the Group will generate/access sufficient funds to meet all its obligations over the next twelve-month period from the date of this report. They have also reviewed all the borrowing financial covenants and confirm that the Group is compliant.

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

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

Approved by the Board of Directors on 29 July 2020 and signed on its behalf by:

Mr. Andrew Cowan

Group Managing Director

Ms. Risper G Ohaga

Group Chief Financial Officer



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

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of East African Breweries Limited (the Company) and its subsidiaries (together, the Group) set out on pages 76 to 140, which comprise the consolidated statement of financial position at 30 June 2020, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 30 June 2020, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of East African Breweries Limited give a true and fair view of the financial position of the Group and the Company at 30 June 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

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

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of intangible assets (goodwill and brands) and investments in subsidiaries</p> <p>As disclosed in Note 24 of the financial statements, the group has goodwill of Kshs 2.8 billion and indefinite-lived brand intangible assets of Kshs 481 million as at 30 June 2020 arising from business acquisitions in prior years. The carrying amount of investments in subsidiaries in the Company's statement of financial position at 30 June 2020 was Kshs 40.3 billion.</p> <p>As explained in the accounting policies Note 2 (h) and 2 (t) in the financial statements, management perform an impairment assessment of intangible assets on an annual basis. The impairment assessment is based on a comparison of the carrying amount of the intangible assets and the investments in subsidiaries in the statement of financial position to their respective recoverable amounts.</p> <p>The determination of the recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires management judgement in both identifying and then valuing the relevant cash generating units (CGUs). Recoverable amounts are based on management's estimate of variables and market conditions such as future selling prices and sales volume growth rates, the timing of future operating expenditure, and the most appropriate discount and long-term growth rates. Variations in management estimates and judgements could result in material differences in the outcomes of the assessment.</p>	<p>We evaluated and challenged the composition of management's cash flow forecasts and the underlying assumptions based on the historical performance of the CGUs, industry-specific reports and the macro economic outlook.</p> <p>Our audit procedures included challenging management on the appropriateness of the impairment model and the reasonableness of the assumptions by benchmarking the key market-related assumptions in the models, such as discount rates, long term growth rates and foreign exchange rates, against external data, and assessing the reliability of cash flow forecasts through a review of actual past performance and comparison to previous forecasts.</p> <p>We tested the mathematical accuracy and performed sensitivity analyses of the models.</p> <p>We assessed the adequacy and appropriateness of the related disclosures in Notes 24 and 25 of the financial statements.</p>

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Provisions and contingent liabilities</p> <p>As explained in Note 33 to the Financial Statements, the group entities have unresolved assessments and claims by tax authorities on a range of tax compliance matters arising in the normal course of business.</p> <p>The Directors use the best available information to make significant judgements at the year-end as to the likely outcome of these matters for purposes of calculating any potential liabilities and/or determining the level of disclosures in the financial statements. The future outcome of these claims could be materially different from the Directors' judgements.</p> <p>Because the settlement of these matters is subject to future negotiations and legal proceedings, the calculations of any provisions are subject to inherent uncertainty. We assessed the reasonableness of any provisions recorded in the financial statements in the context of the uncertainty.</p>	<p>Our audit focused on assessing the reasonableness of the Directors' judgements in relation to unresolved tax assessments and claims. In particular, our procedures included the following:</p> <ul style="list-style-type: none"> • where relevant, reading external legal advice obtained by management; • discussing open matters and developments with the Group legal counsel and management; • challenging management's analysis which sets out the basis of the exposures; and • obtaining direct confirmation from the Group's external legal counsel of the estimated financial exposure. <p>We evaluated whether the disclosures in the financial statements appropriately reflect the significant uncertainties that exist around the unresolved tax matters.</p> <p>We assessed the reasonableness of any provisions recorded in the financial statements in the context of the uncertainty.</p>

Other information

The other information comprises of the Corporate information, the Directors' report, the Directors' remuneration report, the Statement of Directors' responsibilities and the Principal shareholders and share distribution information, which we obtained prior to the date of this auditor's report, and the rest of the other information in the 2020 Integrated Report and Financial Statements which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Other information (continued)

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the 2020 Integrated Report and Financial Statements made available to us after the date of our report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report of the Directors

In our opinion, the information given in the Directors' report on pages 58 to 60 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the Directors' remuneration report on pages 64 to 69 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Consolidated statement of profit or loss

	Note	Year ended 30 June	
		2020	2019
		Kshs '000	Kshs '000
Revenue from contracts with customers	6(a)	74,916,259	82,543,241
Cost of sales	7(a)	(41,896,229)	(44,426,104)
Gross profit		33,020,030	38,117,137
Selling and distribution costs		(6,590,629)	(7,209,400)
Administrative expenses	8(a)	(8,565,240)	(9,398,222)
Other expenses	9(a)	(3,382,811)	(322,889)
Finance income	12(a)	164,873	120,601
Finance costs	12(a)	(3,990,964)	(3,492,577)
Profit before income tax	10	10,655,259	17,814,650
Income tax expense	13(a)	(3,634,344)	(6,299,520)
Profit for the year		7,020,915	11,515,130
Profit attributable to:			
Equity holders of the Company		4,086,477	8,877,789
Non-controlling interests	18(a)	2,934,438	2,637,341
Profit for the year		7,020,915	11,515,130
Earnings per share			
Basic and diluted (Kshs per share)	15	5.17	11.23

Consolidated statement of comprehensive income

	Year ended 30 June	
	2020	2019
	Kshs'000	Kshs'000
Profit for the year	7,020,915	11,515,130
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	657,748	610,943
Total comprehensive income for the year	7,678,663	12,126,073
Total comprehensive income for the year attributable to:		
Equity holders of the Company	4,617,270	9,453,569
Non-controlling interests	3,061,393	2,672,504
Total comprehensive income for the year	7,678,663	12,126,073

Company statement of profit or loss and other comprehensive income

	Note	Year ended 30 June	
		2020	2019
		Kshs '000	Kshs '000
Revenue from contracts with customers	6(b)	15,576,459	11,614,838
Cost of sales	7(b)	-	(1,802,474)
Gross profit		15,576,459	9,812,364
Administrative expenses	8(b)	(1,493,509)	(1,668,781)
Other (expenses)/ income	9(b)	(942,523)	1,897,238
Finance income	12(b)	3,101,187	2,070,883
Finance costs	12(b)	(5,560,487)	(4,702,021)
Profit before income tax	10	10,681,127	7,409,683
Income tax expense	13(b)	(620,194)	(443,884)
Profit for the year		10,060,933	6,965,799
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		10,060,933	6,965,799

Consolidated statement of financial position

	Note	At 30 June	
		2020	2019
		Kshs '000	Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Other reserves	17	(2,821,327)	(3,388,566)
Retained earnings		5,869,572	8,760,247
		6,320,943	8,644,379
Non-controlling interests	18	7,672,325	7,510,372
Total equity		13,993,268	16,154,751
Non-current liabilities			
Deferred income tax	19(a)	5,568,697	6,136,317
Borrowings	31(a)	36,900,000	31,115,178
Lease liabilities	32(a)	1,151,841	-
		43,620,538	37,251,495
Total equity and non-current liabilities		57,613,806	53,406,246
Non-current assets			
Property, plant and equipment	20(a)	56,734,910	53,037,811
Right-of-use assets	21(a)	1,577,415	-
Prepaid operating lease rentals	22(a)	-	7,167
Intangible assets – Software	23(a)	602,036	621,076
Intangible assets – Goodwill	24(a)	2,831,130	2,743,001
Intangible assets – Brand	24(b)	481,219	463,430
Other financial assets	26	10,000	10,000
Deferred income tax	19(a)	453,277	580,761
		62,689,987	57,463,246
Current assets			
Inventories	27(a)	10,916,370	7,368,012
Trade and other receivables	28(a)	5,681,444	8,222,994
Current income tax		3,708,970	1,363,112
Derivative financial instruments	29	-	179,678
Cash and bank balances	35(b)	5,661,635	12,468,585
		25,968,419	29,602,381
Current liabilities			
Trade and other payables	30(a)	21,731,083	27,864,192
Dividends payable		815,661	590,623
Borrowings	31(a)	4,106,253	5,204,566
Lease liabilities	32(a)	459,265	-
Bank overdraft	35(b)	3,932,338	-
		31,044,600	33,659,381
Net current liabilities		(5,076,181)	(4,057,000)
		57,613,806	53,406,246

The financial statements on pages 76 to 140 were approved for issue by the Board of Directors on 29 July 2020 and signed on its behalf by:

Mr. Andrew Cowan
Group Managing Director

Ms. Risper G Ohaga
Group Chief Financial Officer

Company statement of financial position

		At 30 June	
		2020	2019
	Note	Kshs '000	Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Other reserves	17	48,310	26,184
Retained earnings		16,578,125	13,634,161
Total equity		19,899,133	16,933,043
Non-current liabilities			
Borrowings	31(b)	36,900,000	31,115,178
Lease liabilities	32(b)	10,986	-
		36,910,986	31,115,178
Total equity and non-current liabilities		56,810,119	48,048,221
Non-current assets			
Property and equipment	20(b)	480,265	549,171
Right-of-use assets	21(b)	26,458	-
Intangible assets – software	23(b)	122,344	125,303
Investment in subsidiaries	25	40,620,200	39,955,009
Other financial assets	26	10,000	10,000
Receivables from related parties	36(b)	27,894,760	18,618,264
Deferred income tax	19(b)	442,533	507,688
		69,596,560	59,765,435
Current assets			
Trade and other receivables	28(b)	2,096,784	1,150,474
Current income tax		1,812,745	1,771,712
Derivative financial instruments	29	-	179,678
Cash and bank balances	35(b)	3,616,403	9,020,367
		7,525,932	12,122,231
Current liabilities			
Trade and other payables	30(b)	12,674,504	18,248,822
Dividends payable		815,661	590,623
Bank overdraft	35(b)	2,804,807	-
Borrowings	31(b)	4,000,000	5,000,000
Lease liabilities	32(b)	17,401	-
		20,312,373	23,839,445
Net current liabilities		(12,786,441)	(11,717,214)
		56,810,119	48,048,221

The financial statements on pages 76 to 140 were approved for issue by the Board of Directors on 29 July 2020 and signed on its behalf by:

Mr. Andrew Cowan
Group Managing Director

Ms. Risper G Ohaga
Group Chief Financial Officer

Consolidated statement of changes in equity

Year ended 30 June 2020	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2019	1,581,547	1,691,151	(3,388,566)	8,760,247	8,644,379	7,510,372	16,154,751
Total comprehensive income							
Profit for the year	-	-	-	4,086,477	4,086,477	2,934,438	7,020,915
Other comprehensive income	-	-	530,793	-	530,793	126,955	657,748
Total comprehensive income for the year	-	-	530,793	4,086,477	4,617,270	3,061,393	7,678,663
Transactions with owners of the Company							
Purchase of additional interest in a subsidiary (Note 18)	-	-	-	(308,147)	(308,147)	-	(308,147)
Adjustment arising from change in non-controlling interests (Note 18)	-	-	-	447,964	447,964	(447,964)	-
Share based payment reserve (Note 17(a))	-	-	22,126	-	22,126	-	22,126
Employees share ownership plan (Note 17(a))	-	-	14,320	-	14,320	-	14,320
Dividends:							
- Interim for 2020	-	-	-	(2,372,323)	(2,372,323)	(829,042)	(3,201,365)
- Final for 2019	-	-	-	(4,744,646)	(4,744,646)	(1,622,434)	(6,367,080)
Total transactions with owners of the Company	-	-	36,446	(6,977,152)	(6,940,706)	(2,899,440)	(9,840,146)
At 30 June 2020	1,581,547	1,691,151	(2,821,327)	5,869,572	6,320,943	7,672,325	13,993,268

Consolidated statement of changes in equity (continued)

Year ended 30 June 2019	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 July 2018	1,581,547	1,691,151	(3,874,224)	6,282,471	5,680,945	5,971,091	11,652,036
IFRS 9 transition adjustment	-	-	-	(73,819)	(73,819)	-	(73,819)
Total comprehensive income			-				
Profit for the year	-	-	-	8,877,789	8,877,789	2,637,341	11,515,130
Other comprehensive income	-	-	575,780	-	575,780	35,163	610,943
Total comprehensive income for the year	-	-	575,780	8,877,789	9,453,569	2,672,504	12,126,073
Transactions with owners of the Company			-				
Share based payment reserve (Note 17(a))	-	-	11,600	-	11,600	-	11,600
Employees share ownership plan (Note 17(a))	-	-	(101,722)	-	(101,722)	-	(101,722)
Dividends:			-				
- Interim for 2019	-	-	-	(1,976,935)	(1,976,935)	(55,240)	(2,032,175)
- Final for 2018	-	-	-	(4,349,259)	(4,349,259)	(1,077,983)	(5,427,242)
Total transactions with owners of the Company	-	-	(90,122)	(6,326,194)	(6,416,316)	(1,133,223)	(7,549,539)
At 30 June 2019	1,581,547	1,691,151	(3,388,566)	8,760,247	8,644,379	7,510,372	16,154,751

Company statement of changes in equity

	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 July 2019	1,581,547	1,691,151	26,184	13,634,161	16,933,043
Total comprehensive income for the year	-	-	-	10,060,933	10,060,933
Transactions with owners of the Company:					
Share based payment reserve (Note 17(a))	-	-	22,126	-	22,126
Dividends:					
- Interim for 2020	-	-	-	(2,372,323)	(2,372,323)
- Final for 2019	-	-	-	(4,744,646)	(4,744,646)
Total transactions with owners of the Company	-	-	22,126	(7,116,969)	(7,094,843)
At 30 June 2020	1,581,547	1,691,151	48,310	16,578,125	19,899,133
At 1 July 2018	1,581,547	1,691,151	14,584	12,994,556	16,281,838
Total comprehensive income for the year	-	-	-	6,965,799	6,965,799
Transactions with owners of the Company:					
Share based payment reserve (Note 17(a))	-	-	11,600	-	11,600
Dividends:					
- Interim for 2019	-	-	-	(1,976,935)	(1,976,935)
- Final for 2018	-	-	-	(4,349,259)	(4,349,259)
Total transactions with owners of the Company	-	-	11,600	(6,326,194)	(6,314,594)
At 30 June 2019	1,581,547	1,691,151	26,184	13,634,161	16,933,043

Consolidated statement of cash flows

At 30 June			
	Notes	2020	2019
		Kshs '000	Kshs '000
Operating activities			
Cash generated from operations	35(a)	13,636,327	28,491,403
Interest received	12(a)	164,873	120,601
Interest paid on borrowings		(3,865,182)	(3,725,127)
Interest paid on lease liabilities	32(a)	(104,349)	-
Income tax paid		(6,484,820)	(2,321,074)
Net cash flows from operating activities		3,346,849	22,565,803
Investing activities			
Purchase of property, plant and equipment	20(a)	(7,952,915)	(11,676,964)
Purchase of intangible assets - software	23(a)	(163,187)	(91,614)
Purchase of additional interest in a subsidiary	18(b)	(308,147)	-
Proceeds from disposal of property, plant and equipment		93,992	222,364
Net cash used in investing activities		(8,330,257)	(11,546,214)
Financing activities			
Repayment of principal portion of lease liabilities	32(a)	(473,709)	-
Dividends paid to Company's shareholders	14	(7,131,156)	(6,298,182)
Dividends paid to non-controlling interests		(2,451,476)	(1,133,223)
Proceeds from borrowings	31(a)	23,400,000	17,334,800
Repayment of borrowings	31(a)	(18,716,209)	(11,525,326)
Movement of treasury shares	17	14,320	(101,722)
Net cash used in financing activities		(5,358,230)	(1,723,653)
Net (decrease)/increase in cash and cash equivalents		(10,341,638)	9,295,936
Movement in cash and cash equivalents			
At start of year		12,468,585	3,187,125
Foreign exchange impact on translation		(397,650)	(14,476)
Net (decrease)/increase during the year		(10,341,638)	9,295,936
At end of year	35(b)	1,729,297	12,468,585

Company statement of cash flows

At 30 June			
	Notes	2020	2019
		Kshs '000	Kshs '000
Operating activities			
Cash used in (generated from) operations	35(a)	(6,324,044)	5,212,528
Interest received		3,101,187	1,819,259
Interest paid on borrowings		(5,378,960)	(4,685,570)
Interest paid on lease liabilities	32(b)	(3,817)	-
Income tax paid		(596,072)	(605,961)
Net cash flows from operating activities		(9,201,706)	1,740,256
Investing activities			
Purchase of property and equipment	20(b)	(686,808)	(326,144)
Purchase of intangible assets	23(b)	(75,988)	(2,163)
Purchase of additional interest in a subsidiary	25	(995,809)	-
Proceeds from disposal of property and equipment		696,524	318,279
Proceeds on disposal of prepaid operating lease rentals		-	630
Movement in intercompany funding		(9,276,496)	-
Dividends received from subsidiaries		13,702,016	6,131,586
Net cash flows from investing activities		3,363,439	6,122,188
Financing activities			
Repayment of principal portion of lease liabilities	32(b)	(24,170)	-
Dividends paid to Company's shareholders		(7,131,156)	(6,298,182)
Proceeds from borrowings	31(b)	23,400,000	17,334,800
Repayment of borrowings	31(b)	(18,615,178)	(11,557,320)
Net cash used in financing activities		(2,370,504)	(520,702)
(Decrease)/increase in cash and cash equivalents		(8,208,771)	7,341,742
Movement in cash and cash equivalents			
At start of year		9,020,367	1,678,625
(Decrease)/increase during the year		(8,208,771)	7,341,742
At end of year	35(b)	811,596	9,020,367

Notes

1. General information

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

East African Breweries Limited
Corporate Centre,
Garden City Business Park, Ruaraka
PO Box 30161
00100 Nairobi GPO

The consolidated financial statements for the Company as at 30 June 2020 and for the year then ended comprise the Company and the subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in marketing, production and distribution of a collection of brands that range from beer, spirits to adult non-alcoholic drinks.

The Company's shares are listed on the Nairobi Securities Exchange, Dar es Salaam Stock Exchange and Uganda Stock Exchange.

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

(ii) Going Concern

The Group's statement of financial position indicates a net current liabilities position of Kshs 5,076,181,000 (2019: Kshs 4,057,000,000). As Directors, we are satisfied that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until June 2023. The Group had undrawn funding available as at 30 June 2020 of Kshs 4.1 billion (2019: Kshs 11.7 billion) as disclosed in Note 31.

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

Covid-19 pandemic considerations

Covid- 19 pandemic was declared a global health pandemic by the World Health Organisation (WHO) during the year and has negatively affected global economy and general slow down of business in the industry the Group operates in. The Group responded to this by coming up with measures aimed at ensuring the business navigates through the pandemic period. The measures are focussed in ensuring that the business conserves cash through rationalisation of

expenditure while optimising on the more revenue generating trade channels. The Directors believe that the financial impact of Covid-19 on the Group's and Company's operations is temporary in nature and they remain optimistic of the business prospects for the future as the global economy recovers from this crisis.

(iii) Functional and presentation currency

The financial statements are presented in Kenya Shillings (Kshs) which is the Company's functional currency. All financial information presented in Kenya Shillings have been rounded to the nearest thousand except when otherwise indicated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency) except where otherwise indicated.

(iv) Use of judgement and estimates

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

(v) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2019:

IFRS 16 Leases

During the year, the Group adopted IFRS 16 Leases with effect from 1 July 2019 by applying the modified retrospective method, meaning, the Group recognised the cumulative effect of initially applying the standard on 1 July 2019 and the comparative figures for the year ended 30 June 2019 have not been restated, as permitted under the specific transitional provisions in the standard.

The new lease standard replaced the existing guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group as a lessee

(a) Former operating leases

As a lessee, the Group leases buildings, motor vehicles and leasehold land.

The Group has recognised lease liabilities at the date of initial application for leases previously classified as operating leases applying IAS 17. The lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has recognised right-of-use assets at the date of initial application for leases previously classified as operating lease applying

Notes (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

IFRS 16 Leases (continued)

IAS 17. The Group has, on a lease-by-lease basis, measured the right-of-use asset at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

Practical expedients

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 July 2019.

In addition, the Group used the following practical expedients when applying IFRS 16:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application,
- did not recognise right-of-use assets and liabilities for leases of low value assets,
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Impairment of right-of-use assets

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use assets are impaired.

Financial impact to the Group as a lessee

As noted above, the Group has recognised lease liabilities with corresponding adjustment to right-of-use assets on initial application of the standard. The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 July 2019 was 10.7%.

The following table shows the reconciliation of the operating lease commitments disclosed as at 30 June 2019 under IAS 17 to lease liabilities recognised on 1 July 2019 in accordance with IFRS 16:

	1 July 2019	
	Group	Company
	Kshs'000	Kshs'000
Operating lease commitments disclosed as at 30 June 2019 (Note 34)	1,527,320	100,017
Less: short term leases recognised on a straight-line basis as expense	(67,300)	(40,858)
Less: low-value leases recognised on a straight-line basis as expense	(16,663)	-
Adjust for the impact of discounting	(254,281)	(6,602)
Lease liabilities recognised as at 1 July 2019 (Note 32)	1,189,076	52,557
Maturity analysis of the lease liabilities recognised on 1 July 2019		
Current lease liabilities	351,416	22,214
Non-current lease liabilities	837,660	30,343
	1,189,076	52,557

Notes (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

IFRS 16 Leases (continued)

(b) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's financial statements.

The Group as a lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

The Group has not entered into significant lease arrangements where it is a lessor and therefore there is no material impact on lessor accounting.

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The application of the amendments had no material impact on the consolidated financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The application of the amendments had no material impact on the consolidated financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of the amendments had no material impact on the consolidated financial statements.

(vi) Relevant new standards and interpretations not yet adopted by the Group

Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform and the effects on financial reporting

The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as IBORs. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

The Directors of the Group do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The Directors of the Group do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The Directors of the Group do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The Directors of the Group do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

(vii) Early adoption of standards

The Group did not early adopt new or amended standards in the year ended 30 June 2020.

Notes (continued)

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

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

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

(i) Subsidiaries

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

(ii) Non-controlling interest (NCI)

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

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

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

(iv) Balances and transactions eliminated at consolidation

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

(c) Revenue recognition

The Group recognises revenue from the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue at a point in time as and when it satisfies a performance obligation by transferring control of a product or service to a customer.

The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as value-added tax (VAT), excises, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

- (i) Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured.
- (ii) Royalty income is recognised based on agreed rates applied on net sales value of the related products.

- (iii) Management fee is recognised based on actual costs plus an agreed mark up.

(d) Dividend income

Dividend income is recognised as income in the period in which the right to receive the payment is established.

(e) Finance income and costs

Finance income comprises interest income and foreign exchange gains that relate to borrowings and cash and cash equivalents. Interest income is recognised in profit or loss on a time proportion basis using the effective interest method. Once a financial asset is identified as credit-impaired, the effective interest rate is applied to the amortised cost (net of impairment losses) in subsequent reporting periods.

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

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

(f) Foreign currency translation

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

Consolidation of Group entities

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

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

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

If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into

Notes (continued)

2. Summary of significant accounting policies (continued)

(f) Foreign currency translation (continued)

presentation currency at the closing exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at actual exchange rates at the dates of the transactions.

(g) Property, plant and equipment

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

Expenditure on assets under construction is charged to work in progress until the asset is brought into use. Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

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

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

Freehold land and capital work in progress is not depreciated.

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

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

(h) Intangible assets

(i) Computer software

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

(ii) Goodwill

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

(iii) Brands

Brands acquired as part of acquisitions of businesses are capitalised as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Brands are considered to have an indefinite economic life because of the institutional nature of the brands and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification

The Group classifies its financial instruments into the following categories:

- i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;
- ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income;
- iii) All other financial assets are classified and measured at fair value through profit or loss.
- iv) Notwithstanding the above, the Group may:
 - a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
 - b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Group may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- vi) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables and balances with related parties. These were classified as at amortised cost.

Notes (continued)

2. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

- Borrowings and trade and other liabilities. These were also classified as at amortised cost.

Initial measurement

On initial recognition:

- Financial assets or financial liabilities classified as fair value through profit or loss are measured at fair value.
- Trade receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished, cancelled or expires.

(j) Derivative financial instruments

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

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

(k) Offsetting of financial assets and liabilities

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

(l) Leases

(i) Leases under which the Group is the lessee

On the commencement date of each lease (excluding leases with a term of 12 months or less on commencement and leases for which the underlying asset is of low value), the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

The above accounting policy has been applied from 1 July 2019.

(ii) Leases under which the Group is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognized as income in the profit and loss account on a straight-line basis over the lease term.

(iii) Change of accounting policy - leases

As explained in Note 2 (a)(v), the Group changed its accounting policy for leases where the Group is a lessee. The new policy is as described in Note 2(l)(i). As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The Group's accounting policy for leases under which the Group was a lessee was, up to 30 June 2019, as follows:

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

Notes (continued)

2. Summary of significant accounting policies (continued)

(l) Leases (continued)

(iii) Change of accounting policy - leases (continued)

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average method and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(n) Treasury shares

Treasury shares are shares in East African Breweries Limited that are held by the East African Breweries Limited Employee Share Ownership Plan for the purpose of issuing shares under the Group's share ownership scheme. Treasury shares are recognised at cost where cost is determined to be the purchase price of the shares in an open market (Nairobi Securities Exchange). Shares issued to employees are recognised on a first-in-first-out basis.

(o) Share-based payment arrangements

The Group operates equity-settled share-based compensation plans for its employees and executives.

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

(p) Employee benefits

(i) Retirement benefits obligations

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

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(q) Income tax expense

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

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

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

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

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

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

(r) Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

Notes (continued)

2. Summary of significant accounting policies (continued)

(s) 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 other distinguishable significant business segments.

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

(t) Impairment

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment of non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(u) Earnings per share

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

(v) Borrowing costs

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

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

(w) Share capital

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

(x) Cash and cash equivalents

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

(y) Comparatives

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

3. Critical accounting estimates and judgements

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

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

Notes (continued)

3. Critical accounting estimates and judgements (continued)

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

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

(ii) Calculation of loss allowance on financial assets

When measuring expected credit loss on financial assets, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(iii) Tax provisions

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. Disclosures on contingent liabilities with respect to tax are included in Note 33.

(iv) Property, plant and equipment

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

existence of returnable packaging materials.

(v) Lease liability

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the Directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the Group's incremental borrowing rate. This rate is estimated by the Directors to be the rate which would be paid by the Group to purchase a similar asset.

4. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risks which mainly comprise effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout these financial statements.

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

Notes (continued)

4. Financial risk management objectives and policies (continued)

Market risk

i. Foreign currency risk

Foreign currency risk arises on sales, purchases, borrowings and other monetary balances denominated in currencies other than Kenya Shillings. Management's policy to manage foreign exchange risk is to actively manage the foreign currency denominated procurement contracts. The Group also enters into short term cash flow hedge contracts using available cash balance.

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

A 5 percent strengthening of the Kenya shilling against the following currencies at 30 June 2020 would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis was performed on the same basis for 2019.

Group		Profit or loss	
At 30 June		2020	2019
		Kshs'000	Kshs'000
EUR	Euro	(35,510)	276,673
GBP	Sterling Pound	18,137	7,160
RWF	Rwandan Franc	9,478	(687)
TZS	Tanzania Shillings	2,437	799
UGX	Uganda Shillings	51,284	94,653
USD	US Dollar	(41,801)	21,919
ZAR	South African Rand	4,664	(384)
		8,689	400,133

Company		Profit or loss	
At 30 June		2020	2019
		Kshs'000	Kshs'000
EUR	Euro	(676)	385,627
GBP	Pound Sterling	52,131	56,990
SSP	South Sudanese Pound	2,680	-
TZS	Tanzanian Shilling	-	883
UGX	Ugandan Shilling	53,797	92,487
USD	US Dollar	1,829	40,295
ZAR	South African Rand	310	-
		110,071	576,282

Notes (continued)

4. Financial risk management objectives and policies (continued)

Market risk (continued)

ii. Price risk

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

iii. Interest rate risk

The Group's interest-bearing financial instruments include bank loans, bank overdrafts and related party borrowings. These are at various rates, and they are therefore exposed to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

As at 30 June 2020, an increase/decrease of 1 percentage point would have resulted in a decrease/increase in profit for the year of Kshs 38,260,910 (2019: Kshs 38,329,450), mainly as a result of higher/lower interest charges on variable rate borrowings.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from bank balances (including deposits with banks and financial institutions), derivative financial instruments, as well as credit exposures to customers, including outstanding trade and other receivables, financial guarantees and committed transactions.

Maximum exposure to credit risk

The table below represents the Group's maximum exposure to credit risk at the end of the reporting period excluding the impact of any collateral held, provision for expected credit losses, or other credit enhancements:

	2020	2019
	Kshs 000	Kshs 000
(a) Group		
Trade receivables (Note 28(a))	4,895,259	4,928,580
Other receivables (Note 28(a))	1,600,375	1,847,867
Receivables from related companies (Note 28(a))	299,857	217,767
Derivative financial assets (Note 29)	-	179,678
Bank balances (Note 35(b))	5,661,635	12,468,585
	12,457,126	19,642,477
(b) Company		
Long-term receivables from subsidiaries (Note 36(b))	27,894,760	18,618,264
Receivables from related companies (Note 28(b))	1,430,603	831,475
Other receivables (Note 28(b))	655,103	230,049
Derivative financial assets (Note 29)	-	179,678
Bank balances (Note 35(b))	3,616,403	9,020,367
	33,596,869	28,879,833

Credit risk management policy

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit rating of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk on deposits with banking institutions is managed by dealing with institutions with good credit ratings.

Trade and other receivables exposures are managed locally in the operating units where they arise, and credit limits are set as deemed appropriate for the customer. The operating units analyse credit risk for each new customer before standard payment and delivery terms are offered, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. The utilisation of credit limits is monitored regularly. In addition, the Group manages credit risk by requiring the customers to provide financial guarantees.

The Group does not have any significant concentrations of credit risk with respect to trade and other receivables as the Group has a large number of customers which are geographically dispersed. The credit risk associated with receivables is minimal and the allowance expected credit losses that the Group has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

Notes (continued)

4. Financial risk management objectives and policies (continued)

Credit risk (continued)

Impairment of financial assets

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the customer and an analysis of the customer's current financial position, adjusted for factors that are specific to the customers, general economic conditions in which the customers operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The table below reflects the trade and other receivables, together with the provision for expected credit losses:

(a) Group		Less than 1
	2020	2019
	Kshs'000	Kshs'000
Not due	907,214	2,434,817
Past due but not impaired:		
-by up to 30 days	2,960,205	1,943,592
-by 31 to 120 days	1,362,379	1,625,569
-over 121 days	726,112	139,575
Trade and other receivables	5,955,910	6,143,553
	3,330,895	27,165,927
Receivables determined to be impaired:	-	
Carrying amount before provision for expected credit losses	1,511,581	850,661
Provision for expected credit losses	(1,511,581)	(850,661)
Net carrying amount	5,955,910	6,143,553

Company		
Not due	1,795,162	916,088
Past due but not impaired:		
-by up to 30 days	290,521	44,828
-by 31 to 120 days	23	100,608
Trade and other receivables	2,085,706	1,061,524
Receivables determined to be impaired:		
Carrying amount before provision for expected credit losses	-	-
Provision for expected credit losses	-	-
Net carrying amount	2,085,706	1,061,524

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

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

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020:

		Less than 1	Between 1	Between 2	Over 5	
	Current	year	and 2 years	and 5 years	years	Total
Group	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Borrowings	855,831	2,673,747	9,915,825	20,355,875	12,350,000	46,151,278
Lease liabilities	24,259	463,903	423,409	472,015	323,866	1,707,452
Trade and other payables	1,635,144	20,095,939	-	-	-	21,731,083
Bank overdraft	-	3,932,338	-	-	-	3,932,338
Dividend payable	815,661	-	-	-	-	815,661
	3,330,895	27,165,927	10,339,234	20,827,890	12,673,866	74,337,812

At 30 June 2020:

		Less than 1	Between 1	Between 2	Over 5	
	Current	year	and 2 years	and 5 years	years	Total
Company	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Borrowings	855,831	2,567,494	9,915,825	20,355,875	12,350,000	46,045,025
Lease liabilities	3,631	13,770	9,653	1,333	-	28,387
Trade and other payables	-	12,674,504	-	-	-	12,674,504
Bank overdraft	-	2,804,807	-	-	-	2,804,807
Dividend payable	815,661	-	-	-	-	815,661
	1,675,123	18,060,575	9,925,478	20,357,208	12,350,000	62,368,384

Notes (continued)

4. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

At 30 June 2019:

	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Group						
Borrowings	748,663	7,485,457	7,701,933	19,169,991	13,020,722	48,126,766
Trade and other payables	8,474,359	19,389,833	-	-	-	27,864,192
Dividend payable	590,623	-	-	-	-	590,623
	9,813,645	26,875,290	7,701,933	19,169,991	13,020,722	76,581,581

At 30 June 2019:

	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Company						
Borrowings	748,663	7,245,988	5,826,127	19,169,991	13,020,722	46,011,491
Trade and other payables	2,816,239	15,432,583	-	-	-	18,248,822
Dividend payable	590,623	-	-	-	-	590,623
	4,155,525	22,678,571	5,826,127	19,169,991	13,020,722	64,850,936

Capital risk management

The Group is committed to enhancing shareholder value in the long term, both by investing in the businesses and brands so as to deliver continued improvement in the return from those investments and by managing the capital structure. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's objectives when managing capital are:

- To ensure that the Company and the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.
- To maintain a strong capital base to support the current and future development needs of the business.

In the management of the capital structure, the Group focuses on the net borrowings to earnings before interest, taxes, depreciation, and amortization (EBITDA) leverage. The Group targets a net borrowings to EBITDA leverage of 1.0 to 1.25 times. The Group regularly reviews the net borrowings to EBITDA leverage to ensure that it is within the set limits.

As noted in Note 2(a)(ii), covid- 19 pandemic has had a negative impact on the global economy and has led to general slow down of business in the industry the Group operates in. This impact has been felt in the Group's net borrowings to EBITDA leverage. The Group responded to Covid-19 crisis by coming up with measures focussed in ensuring that the business conserves cash through rationalisation of expenditure while optimising on the more revenue generating trade channels. The Directors believe that the financial impact of Covid-19 on the Group's and Company's operations is temporary in nature and they remain optimistic of the business prospects for the future as the global economy recovers from this crisis.

The Group is not subject to externally imposed capital requirements.

Notes (continued)

4. Financial risk management objectives and policies (continued)

Capital risk management (continued)

The Group reported net borrowings to EBITDA leverage reflected in the table below:

	2020	2019
	Kshs'000	Kshs'000
Net borrowings:		
Total borrowings (Note 31)	44,938,591	36,319,744
Lease liabilities (Note 32)	1,611,107	-
Less: cash and bank balances (Note 35(b))	(5,661,635)	(12,468,585)
Net debt	40,888,063	23,851,159
EBITDA		
Profit before tax	10,655,259	17,814,650
Adjusted for:		
Net finance costs	3,826,091	3,371,976
Depreciation and amortisation	4,985,669	3,907,331
Total EBITDA	19,467,019	25,093,957
Net Debt to EBITDA	x2.10	x0.95

Fair value measurement

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

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

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active trading markets for identical assets or liabilities. This level includes listed debt and equity instruments traded mainly on the Nairobi Securities Exchange ("NSE").
- Level 2 fair value measurements are derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

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

Notes (continued)

4. Financial risk management objectives and policies (continued)

Fair value measurement (continued)

Foreign currency forward contracts are valued using discounted cash flows technique that incorporate the prevailing market rates. Under this technique, future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period), discounted at a rate that reflects the credit risk of the counterparties.

As significant inputs to the valuation are observable in active markets, these instruments are categorized as level 2 in the hierarchy. Other investments are carried at cost as there is no suitable basis for its valuation and are therefore categorized as level 3 in the hierarchy.

The following table presents the Group and Company's financial assets and liabilities that are measured at fair value at 30 June 2020.

	Level 1	Level 2	Level 3	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Financial assets at fair value through profit or loss:				
Other financial assets	-	-	10,000	10,000
Net assets at fair value through profit or loss	-	-	10,000	10,000

The following table presents the Group and Company's financial assets and liabilities that are measured at fair value at 30 June 2019.

	Level 1	Level 2	Level 3	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Financial assets at fair value through profit or loss:				
Derivative financial instruments (foreign exchange forward contracts)	-	179,678	-	179,678
Other financial assets	-	-	10,000	10,000
Net assets at fair value through profit or loss	-	179,678	10,000	189,678

There were no transfers between levels during the years ended 30 June 2020 and 30 June 2019.

Notes (continued)

5. Segmental reporting

Directors have determined the operating segments based on the reports reviewed by the Group Executive Committee that are used to make strategic decisions. The Group Executive Committee includes the Group Managing Director and the Group Chief Financial Officer.

The Group Executive Committee considers the business from a geographical perspective. Geographically, the Group Executive Committee considers the performance of the business in Kenya, Uganda and Tanzania. Exports to South Sudan, Rwanda, Burundi and the Great Lakes Region are recognised in the country of origin.

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

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

	Kenya			Uganda			Tanzania			Eliminations			Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
External sales	51,518,731	60,369,485	12,047,155	12,436,690	11,350,373	9,737,066	-	-	-	-	-	-	74,916,259	82,543,241
Inter segment sales	3,959,299	5,978,845	37,849	45,855	-	-	-	-	(3,997,148)	(6,024,700)	-	-	-	-
Total sales	55,478,030	66,348,330	12,085,004	12,482,545	11,350,373	9,737,066	(3,997,148)	(6,024,700)	74,916,259	82,543,241				

Notes (continued)

5. Segmental reporting (continued)

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

	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Segment non-current assets	83,298,222	80,040,676	9,183,143	7,255,246	9,888,947	8,856,216	(39,680,326)	(38,688,892)	62,689,987	57,463,246
Total segment assets	103,812,646	104,193,433	12,653,222	11,811,463	14,249,582	12,580,692	(42,056,984)	(41,519,961)	88,658,466	87,065,627
Segment liabilities	65,225,437	64,840,160	8,974,295	8,688,218	5,225,182	3,807,958	(4,759,777)	(6,425,460)	74,665,137	70,910,876
Capital expenditure	4,595,691	8,156,689	1,922,509	2,121,511	1,597,902	1,490,378	-	-	8,116,102	11,768,578
Depreciation and amortisation	3,350,911	2,575,928	846,968	529,797	787,790	801,606	-	-	4,985,669	3,907,331

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Segment revenue is based on the geographical location of both customers and assets. The revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the statement of profit or loss. There is no reliance on individually significant customers by the Group. The amounts provided to the Group Executive Committee in respect to total assets and total liabilities are measured in a manner consistent with that of the statement of financial position.

Notes (continued)**6. Revenue from contracts with customers**

	2020	2019
	Kshs '000	Kshs '000
(a) Group		
Gross sales	133,351,955	149,660,062
Indirect taxes	(58,435,696)	(67,116,821)
	74,916,259	82,543,241
(b) Company		
Sale of product	-	3,341,978
Dividend income	13,557,295	6,131,586
Management fees	1,212,836	1,200,313
Royalties	806,328	940,961
	15,576,459	11,614,838

7. Cost of sales

	2020	2019
	Kshs '000	Kshs '000
(a) Group		
Raw materials and consumables	20,195,033	22,514,463
Distribution and warehousing	6,375,413	6,230,883
Maintenance and other costs	7,872,189	7,984,548
Staff costs	3,590,529	4,353,728
Depreciation and amortisation	3,863,065	3,342,482
	41,896,229	44,426,104
(b) Company		
Cost of goods sold	-	1,450,323
Distribution and warehousing	-	53,485
Staff costs	-	298,666
	-	1,802,474

Notes (continued)

8. Administrative expenses

	2020	2019
	Kshs '000	Kshs '000
(a) Group		
Staff costs	6,378,316	6,669,347
Office supplies and other costs	1,077,330	2,185,125
Depreciation and amortisation	916,048	343,885
Travelling and entertainment	193,546	199,865
	8,565,240	9,398,222
(b) Company		
Staff costs	1,142,287	1,030,800
Office supplies and other costs	145,730	455,170
Depreciation and amortisation	152,852	131,496
Travelling and entertainment	52,640	51,315
	1,493,509	1,668,781
	3,526,811	1,906,216
	(3,382,811)	(322,889)

9. Other income/(expenses), net

	2020	2019
	Kshs '000	Kshs '000
(a) Group		
Other income		
Transactional foreign exchange gains	-	1,280,390
Sundry income	144,000	302,937
	144,000	1,583,327
Other expenses		
Indirect tax expenses (*)	1,299,439	1,324,001
Expected credit losses on trade receivables (Note 28(a))	660,920	134,361
Write down of inventories	324,081	99,879
Transactional foreign exchange losses	195,143	-
Loss on disposal of property, plant and equipment	68,390	26,478
Sundry expenses	978,838	321,497
	3,526,811	1,906,216
	(3,382,811)	(322,889)

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

Notes (continued)

9. Other (expenses) / income

	2020	2019
	Kshs '000	Kshs '000
(b) Company		
Other income		
Credit from capital reduction by a subsidiary (Note 25(c))	-	2,255,372
Net transactional foreign exchange gains	-	55,486
Sundry income	-	20,896
	-	2,331,754
Other expenses		
Net transactional foreign exchange losses	24,451	-
Irrecoverable withholding tax	122,523	59,891
Loss on disposal of equipment	9,568	-
Sundry expenses	785,981	374,625
	942,523	434,516
	(942,523)	1,897,238

10. Profit before income tax

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

	2020	2019
	Kshs '000	Kshs '000
(a) Group		
Inventories expensed (Note 27)	20,195,033	22,514,463
Employee benefits expense (Note 11(a))	9,968,845	11,023,074
Depreciation on property, plant and equipment (Note 20(a))	4,265,062	3,726,411
Depreciation of right-of-use assets (Note 21)	509,680	-
Amortisation of intangible assets - software (Note 23(a))	210,927	180,694
Amortisation of prepaid operating lease (Note 22(a))	-	226
Auditor's remuneration	36,158	33,508

	2020	2019
	Kshs '000	Kshs '000
(b) Company		
Employee benefits expense (Note 11 (b))	1,413,372	1,438,488
Depreciation on property and equipment (Note 20(b))	51,588	47,976
Depreciation of right-of-use assets (Note 21)	26,099	-
Amortisation of intangible assets - software (Note 23(b))	78,947	83,288
Amortisation of prepaid operating lease (Note 22(b))	-	14
Auditor's remuneration	5,746	5,092

Notes (continued)

11. Employee benefits expense

(a) Group

The following items are included within employee benefits expense:

	2020	2019
	Kshs '000	Kshs '000
Salaries and wages	6,677,908	7,866,304
Defined contribution scheme	482,734	456,617
National Social Security Fund	127,338	147,645
Share based payments	22,126	11,600
Employee share ownership plan of the parent company(*)	63,980	108,248
Other staff costs	2,594,759	2,432,660
	9,968,845	11,023,074

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

	30 June 2020	30 June 2019
Production	772	787
Sales and distribution	392	382
Management and administration	349	382
	1,513	1,551

(b) Company

The following items are included within employee benefits expense:

	2020	2019
	Kshs '000	Kshs '000
Salaries and wages	681,703	566,479
Defined contribution scheme	101,930	93,639
National Social Security Fund	23,430	24,538
Share based payments	22,126	11,600
Employee share ownership plan of the parent company(*)	48,807	52,536
Other staff costs	535,376	689,696
	1,413,372	1,438,488

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

	30 June 2020	30 June 2019
Management and administration	148	187
	148	187

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

Notes (continued)

12. Finance income/(expenses)

	2020	2019
(a) Group	Kshs '000	Kshs '000
Finance income		
Interest income	164,873	107,567
Other finance income	-	13,034
	164,873	120,601
Finance costs		
Interest expense on borrowings	(3,817,504)	(2,953,889)
Interest expense on lease liabilities	(104,349)	-
Other finance costs	(69,111)	(538,688)
	(3,990,964)	(3,492,577)
(b) Company		
Finance income		
Interest income	3,101,187	2,070,883
	3,101,187	2,070,883
Finance costs		
Interest expense on borrowings	(5,489,497)	(4,163,332)
Interest expense on lease liabilities	(3,817)	-
Other finance costs	(67,173)	(538,689)
	(5,560,487)	(4,702,021)

13. Income tax expense

The income tax expense has been calculated using income tax rate of 25% as at 30 June 2020 (2019: 30%). The applicable rate changed from 30% to 25% during the year following the enactment of the Tax Laws (Amendment) Act, 2020 on 25 April 2020 in Kenya.

(a) Group

	2020	2019
	Kshs '000	Kshs '000
i) Income tax expense		
Current income tax:		
Current year charge	3,864,468	3,238,540
Under provision in prior years	285,123	3,007
Current income tax charge	4,149,591	3,241,547
Deferred income tax:		
Current year charge	267,463	3,133,644
Effect of change in tax rates	(799,089)	-
Under/(over) provision in prior years	16,379	(75,671)
Deferred income tax (credit)/charge (Note 19(a))	(515,247)	3,057,973
Total income tax expense	3,634,344	6,299,520

Notes (continued)

13. Income tax expense (continued)

(a) Group (continued)

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

	2020	2019
	Kshs '000	Kshs '000
Profit before income tax	10,655,259	17,814,650
Tax calculated at the statutory income tax rate of 25% (2019 - 30%)	2,663,813	5,344,395
Tax effects of:		
- Expenses not deductible for tax purposes	1,321,132	1,027,789
Effect of different tax rates of foreign subsidiaries	146,984	-
Effect of change in tax rates	(799,089)	-
Under provision of current tax in prior years	285,123	3,007
Under/(over) provision of deferred tax in prior years	16,379	(75,671)
Income tax expense	3,634,344	6,299,520
(b) Company		
Income tax expense		
Current income tax:		
Current year charge	221,214	269,161
Under/(over) provision in prior years	333,825	(43,703)
Current income tax expense	555,039	225,458
Deferred income tax:		
Current year (credit)/charge	(35,194)	218,394
Impact of change in tax rates	81,468	-
Under provision in prior years	18,881	32
Deferred income tax charge (Note 19 (b))	65,155	218,426
Total tax expense	620,194	443,884

Notes (continued)

13. Income tax expense (continued)

(b) Company (continued)

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

	2020	2019
	Kshs '000	Kshs '000
Profit before income tax	10,681,127	7,409,683
Tax calculated at the statutory income tax rate of 25% (2019 - 30%)	2,670,282	2,222,905
Tax effects of:		
- Non-taxable income	(4,164,621)	(2,516,088)
- Expenses not deductible for tax purposes	1,680,359	780,738
Impact of change in tax rates	81,468	-
Under provision of deferred income tax in prior year	18,881	32
Under/(over) provision of current income tax in prior year	333,825	(43,703)
Income tax expense	620,194	443,884

14. Dividends

Group and Company

In recognition of the uncertainty in the external environment in the face of the Covid-19 pandemic and the need to conserve cash to support the business, the Directors do not recommend a final dividend (2019: Kshs 6.0 per share amounting to Kshs 4,744,646,000). As such, the interim dividend of Kshs 3.00 (2019: Kshs 2.50) per share amounting to Kshs 2,372,323,000 (2019: Kshs 1,976,935,000) paid in April 2020 will be the full and final dividend for the year. The total dividend for the year is therefore Kshs 3.00 per share (2019: Kshs 8.5 per share) amounting to a Kshs 2,372,323,000 (2019: Kshs 6,721,581,000).

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

15. Earnings per share

Group and Company

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2020 was based on profit attributable to ordinary shareholders of Kshs 4,086,477,000 (2019: Kshs 8,877,789,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2020 of 790,774,356 (2019: 790,774,356). The basic and diluted earnings per share are the same as there is no dilutive effect.

	2020	2019
	Kshs '000	Kshs '000
Profit attributable to ordinary shareholders	4,086,477	8,877,789
Weighted average number of ordinary shares		
Issued and paid shares (Note 16)	790,774,356	790,774,356
Basic and diluted earnings per share (Kshs per share)	5.17	11.23

Notes (continued)

16. Share capital

	Number of shares	Ordinary shares	Share premium
		Kshs'000	Kshs'000
Issued and fully paid			
Balance as at 1 July 2018, 30 June 2019 and 30 June 2020	790,774,356	1,581,547	1,691,151

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

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

17. Other reserves

Other reserves are made up the following reserves:

		Group		Company	
		2020	2019	2020	2019
		Kshs'000	Kshs'000	Kshs'000	Kshs'000
(a)	Employees shares based reserves				
	(i) Treasury shares reserve	(594,677)	(608,997)	-	-
	(ii) Share based payment reserve	48,310	26,184	48,310	26,184
(b)	Currency translation reserve	(2,274,960)	(2,805,753)	-	-
		(2,821,327)	(3,388,566)	48,310	26,184

(a) Employee share based payment reserves

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

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

b) Restricted Share Units (RSU) – Effective financial year 2020, the Group introduced RSU. RSU are shares offered for free i.e. at no subscription price as at grant date. The vesting period for the shares is three years after which an employee can exercise the option within seven years. There are no performance conditions attached to this share plan.

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

Notes (continued)

17 Other reserves (continued)

(a) Employee share based payment reserves (continued)

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

(i) Treasury shares reserve

Treasury shares reserve represent the cost of the shares held by the Company's Employee Share Ownership Plan at the end of year. The movement in the treasury shares reserve in the year is as follows:

	30 June 2020		30 June 2019	
	Number of shares	Kshs'000	Number of shares	Kshs'000
At start of year	2,915,194	608,997	2,419,229	507,275
Movement in the year:				
Purchase of shares	-	-	552,781	109,896
Issue of shares upon exercise of options	(99,550)	(14,320)	(56,816)	(8,174)
Total movement in the year	(99,550)	(14,320)	495,965	101,722
At end of year	2,815,644	594,677	2,915,194	608,997

(ii) Share based payment reserve

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

Share based payments are measured at fair value at the grant date, which is expensed over the period of vesting. The fair value of each option granted is estimated at the date of grant using Black Scholes option pricing model. The assumptions supporting inputs into the model for options granted during the period are as follows:

	2019 series	2018 series	2017 series
Grant date share price	197	187	250
Exercise price			
-ESOP	197	187	250
-RSU	-		
-ESSS	158	150	196
Expected volatility	46.20%	20.01%	20.01%
Dividend yield	5.2%	3.6%	3.6%
Forfeiture rate	3.3%	3.9%	3.9%
Option life	5 years	5 years	5 years

The assumptions above were determined based on the historical trends.

Share based payment reserves are not distributable.

(b) Currency translation reserve

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

Notes (continued)

18. Non-controlling interests

(a) Subsidiaries with material non-controlling interests

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

At 30 June 2020	UDV (Kenya) Limited	Serengeti Breweries Limited	Other subsidiaries	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Non-controlling interest percentage	53.68%	22.5%	1% - 1.8%	
Non-current assets	2,184,421	10,368,058	9,175,451	
Current assets	11,709,862	3,794,185	3,955,818	
Non-current liabilities	(1,267,788)	(561,803)	(3,542,018)	
Current liabilities	(2,584,787)	(3,773,428)	(5,978,850)	
Net assets	10,041,708	9,827,012	3,610,401	
Carrying amount of non-controlling interest	5,390,389	2,211,078	70,858	7,672,325
Net sales	17,458,879	11,350,372	12,064,486	
Profit after tax	4,945,960	1,204,711	466,212	
Total profit for the year	4,945,960	1,204,711	466,212	
In respect of non-controlling interest	2,654,991	271,060	8,387	2,934,438
Cash generated from operating activities	4,895,823	3,019,565	1,226,973	
Cash used in investment activities	(263,516)	(1,526,048)	(1,954,158)	
Cash used in financing activities	(2,935,623)	(1,298,730)	(28,325)	
Net increase in cash and cash equivalents	1,696,684	194,787	(755,510)	

At 30 June 2019	UDV (Kenya) Limited	Serengeti Breweries Limited	Other subsidiaries	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Non-controlling interest percentage	53.68%	27.5%	1% - 1.8%	
Non-current assets	2,115,494	9,317,615	7,249,261	
Current assets	12,169,809	3,722,387	4,451,704	
Non-current liabilities	(322,714)	-	(4,144,926)	
Current liabilities	(4,841,626)	(3,672,061)	(6,013,857)	
Net assets	9,120,963	9,367,941	1,542,182	
Carrying amount of non-controlling interest	4,896,133	2,574,310	39,929	7,510,372
Net sales	18,133,705	9,737,066	12,462,592	
Profit after tax	4,431,134	891,035	778,164	
Total profit after tax	4,431,134	891,035	778,164	
In respect of non-controlling interest	2,378,633	244,856	13,852	2,637,341
Cash generated from operating activities	3,025,036	2,760,575	2,474,284	
Cash used in investment activities	(122,387)	(1,506,733)	(2,101,244)	
Cash used in financing activities	(1,962,599)	(290,030)	439,120	
Net increase in cash and cash equivalents	940,050	963,812	812,160	

Notes (continued)

18. Non-controlling interest (continued)

(b) Transactions with non- controlling interests

In 2018, the Company entered into an arrangement with the non-controlling shareholders of Serengeti Breweries Limited (SBL) to restructure the capital of SBL that resulted in a commitment by the non-controlling shareholders of SBL to pay the Company Tanzania Shillings 70 billion (Kshs 3.2 billion). Under the terms of the arrangement, the non-controlling shareholders would pay the Company from 50% of their dividends received from SBL. The transaction resulted in a temporary increase in EABL's effective economic interest in the subsidiary from 51% to 75.5% while EABL's shareholding in SBL remained unchanged at 51%. Upon repayment of the amounts through dividends, the effective economic interest of EABL in SBL will revert back to the original 51% status, excluding the impact of subsequent transactions as disclosed below:

Transaction 1: Purchase of 4% shareholding from non-controlling shareholders:

Effective 1 July 2019, the Company purchased an additional 4% of the issued ordinary shares in SBL from one of the non-controlling shareholders. The consideration for the shares was Kshs 494 million. Out of this consideration, Kshs 308 million was paid in cash and the additional Kshs 186 million was utilised to partially clear his outstanding amounts with EABL. As a result of this transaction, EABL's effective economic interest in SBL moved from 75.5% to 77.5% and the legal shareholding moved from 51% to 55%.

Financial impact of the transactions with non controlling shareholder:

The difference arising on the transaction, as shown below, has been recognised in equity being a transaction between shareholders:

	Kshs'000
Cash consideration	308,147
Transfer of non-controlling interest to retained earnings	(447,964)
Difference arising on transactions with non-controlling interests	(139,817)

Amounts due from non controlling interests:

The amounts due from the non-controlling interests arising from the SBL capital restructuring in 2018 are classified as part of the investment in subsidiaries in the Company's statement of financial position. The movement in the balance during the year is as follows

	Kshs'000
At start of year	3,243,744
Settlement through assignment of 50% of dividends declared by subsidiary	(144,721)
Settlement through purchase of shares (as disclosed above)	(185,897)
Total settlement of the loan to non-controlling shareholders	(330,618)
Effect of exchange rate changes	(76,630)
At end of year	2,836,496

Notes (continued)

18. Non-controlling interest (continued)

(b) Transactions with non-controlling interests (continued)

Transaction 2: Commitment to purchase 30% shareholding from non-controlling shareholders:

The Company has committed to purchase an additional 30% of the legal shareholding in SBL from the non-controlling shareholders in the future. Upon completion of the transaction, the effective economic interest in SBL will increase from 77.5% to 92.5%, while the legal shareholding will increase from 55% to 85%. This transaction is expected to be completed in the first half of the next financial year once all conditions precedent have been met.

19. Deferred income tax

Deferred income tax is calculated using the enacted domestic tax rate of 25% (2019 – 30%). The movement on the deferred income tax account is as follows:

(a) Group

	2020	2019
	Kshs'000	Kshs'000
At start of year	5,555,556	2,538,119
Charge to profit or loss	267,463	3,133,644
Effect of change in tax rates	(799,089)	-
Under/(over) provision of deferred income tax in prior years	16,379	(75,671)
Effect of change in exchange rates	75,111	(40,536)
Total deferred income tax movement	(440,136)	3,017,437
At end of year	5,115,420	5,555,556
Analysed as follows:		
Deferred income tax liabilities	5,568,697	6,136,317
Deferred income tax assets	(453,277)	(580,761)
At end of year	5,115,420	5,555,556

(b) Company

	2020	2019
	Kshs'000	Kshs'000
At start of year	(507,688)	(726,114)
(Credit)/charge to profit or loss	(35,194)	218,394
Effect of change in tax rates	81,468	-
Under provision of deferred income tax in prior year	18,881	32
Total deferred income tax movement	65,155	218,426
At end of year	(442,533)	(507,688)

Notes (continued)

19. Deferred income tax (continued)

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

(a) Group	At 1 July 2019	Impact of change in tax rate	Prior year (over)/under provision	Charged/ (credited) to profit or loss	Effects of exchange rate changes	At 30 June 2020
Year ended 30 June 2020	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities						
Property, plant and equipment	7,987,768	(928,784)	80,369	97,871	84,518	7,321,742
Right-of-use assets	-	-	-	450,011	267	450,278
Unrealised exchange gains/(losses)	341,692	(7,865)	(52,795)	(115,486)	2,335	167,881
Deferred income tax liabilities	8,329,460	(936,649)	27,574	432,396	87,120	7,939,901
Deferred income tax assets						
Property, plant and equipment	(312,537)	5,267	-	40,320	(7,832)	(274,782)
Unrealised exchange gains/(losses)	341,207	(6,973)	123,430	(118,441)	(4,896)	334,327
Lease liabilities	-	-	-	(459,351)	263	(459,088)
Tax losses carried forward	(1,578,168)	-	(133,672)	476,815	(20,272)	(1,255,297)
Other deductible differences	(1,224,406)	139,266	(953)	(104,276)	20,728	(1,169,641)
Deferred income tax assets	(2,773,904)	137,560	(11,195)	(164,933)	(12,009)	(2,824,481)
Net deferred income tax	5,555,556	(799,089)	16,379	267,463	75,111	5,115,420

Year ended 30 June 2019	At 1 July 2018	Prior year (over)/under provision	Charged/ (credited) to profit or loss	Effects of exchange rate changes	At 30 June 2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities					
Property, plant and equipment	5,661,354	(12,270)	2,264,754	73,930	7,987,768
Unrealised exchange gains/(losses)	228,560	-	115,119	(1,987)	341,692
Deferred income tax liabilities	5,889,914	(12,270)	2,379,873	71,943	8,329,460
Deferred income tax assets					
Property, plant and equipment	(281,405)	(20,881)	(8,474)	(1,777)	(312,537)
Unrealised exchange gains/(losses)	(184,784)	(6,155)	525,248	6,898	341,207
Tax losses carried forward	(1,943,812)	32	378,306	(12,694)	(1,578,168)
Other deductible differences	(941,794)	(36,397)	(141,309)	(104,906)	(1,224,406)
Deferred income tax assets	(3,351,795)	(63,401)	753,771	(112,479)	(2,773,904)
Net deferred income tax	2,538,119	(75,671)	3,133,644	(40,536)	5,555,556

Notes (continued)

19. Deferred income tax (continued)

(b) Company	At 1 July 2019	Impact of change in tax rate	Prior year (over)/under provision	Charged/ (credited) to profit or loss	At 30 June 2020
Year ended 30 June 2020	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities					
Property, plant and equipment	(44,461)	7,437	(159)	(7,121)	(44,304)
Right-of-use assets	-	-	-	6,615	6,615
Unrealised exchange gains	39,121	(6,520)	-	(32,594)	7
Deferred income tax liabilities	(5,340)	917	(159)	(33,100)	(37,682)
Deferred income tax assets					
Unrealised exchange losses	874	(146)	3	(84,433)	(83,705)
Lease liabilities	-	-	-	(7,097)	(7,097)
Other deductible differences	(503,222)	80,697	19,040	89,436	(314,049)
Deferred income tax assets	(502,348)	80,551	19,040	(2,094)	(404,851)
Net deferred income tax	(507,688)	81,468	18,881	(35,194)	(442,533)

	At 1 July 2018	Prior year (over)/under provision	Charged/ (credited) to profit or loss	At 30 June 2019
Year ended 30 June 2019	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Deferred income tax liabilities				
Property, plant and equipment	(37,697)	-	(6,764)	(44,461)
Unrealised exchange gains	59,834	-	(20,713)	39,121
Deferred income tax liabilities	22,137	-	(27,477)	(5,340)
Deferred income tax assets				
Unrealised exchange losses	(61,249)	-	62,123	874
Tax losses carried forward	(391,323)	32	391,291	-
Other deductible differences	(295,679)	-	(207,543)	(503,222)
Deferred income tax assets	(748,251)	32	245,871	(502,348)
Net deferred income tax	(726,114)	32	218,394	(507,688)

Notes (continued)

20. Property, plant and equipment

(a) Group	Freehold property	Leasehold buildings	Plant & equipment	Returnable packaging	Capital work in progress	Total
Year ended 30 June 2020	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost						
At 1 July 2019	5,084,598	5,743,341	50,931,269	14,739,259	7,333,880	83,832,347
Additions	260,025	54,678	2,174,799	1,525,250	3,938,163	7,952,915
Transfers from capital work in progress	750,333	395,838	2,592,323	69,677	(3,808,171)	-
Disposals	(22,745)	(2,007)	(829,611)	-	-	(854,363)
Transfer to intangible assets (Note 23)	-	-	-	-	(22,237)	(22,237)
Transfer to right-of-use assets (Note 21)	-	(62,068)	-	-	-	(62,068)
Assets written off	-	-	-	(2,480,113)	-	(2,480,113)
Effect of exchange rate changes	2,406	111,803	592,835	145,210	106,674	958,928
At 30 June 2020	6,074,617	6,241,585	55,461,615	13,999,283	7,548,309	89,325,409
Depreciation						
At 1 July 2019	1,178,448	1,014,083	20,974,790	7,627,215	-	30,794,536
Charge for the year	167,141	78,663	2,523,459	1,495,799	-	4,265,062
Disposals	(7,548)	(2,007)	(682,426)	-	-	(691,981)
Transfer to right-of-use assets (Note 21)	-	(26,885)	-	-	-	(26,885)
Assets written off	-	-	-	(2,098,582)	-	(2,098,582)
Effect of exchange rate changes	1,568	26,687	241,970	78,124	-	348,349
At 30 June 2020	1,339,609	1,090,541	23,057,793	7,102,556	-	32,590,499
Carrying amount at 30 June 2020	4,735,008	5,151,044	32,403,822	6,896,727	7,548,309	56,734,910

There are no assets pledged by the Group to secure liabilities.

The capital work in progress mainly relates to environmental projects in Kenya and Uganda which include the biomass project and water and effluent recovery projects. It also includes finalisation of Kisumu Brewery in Kenya, and capacity expansion in Kenya, Uganda and Tanzania.

Notes (continued)

20. Property, plant and equipment (continued)

Group (Continued)

	Freehold property	Leasehold buildings	Plant & equipment	Returnable packaging	Capital work in progress	Total
Year ended 30 June 2019	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost						
At 1 July 2018	4,987,211	2,975,610	40,394,764	13,630,309	11,831,797	73,819,691
Additions	-	46,694	720,768	1,563,812	9,345,690	11,676,964
Transfers from capital work in progress	91,524	2,670,269	9,748,924	1,137,516	(13,648,233)	-
Disposals	-	-	(422,535)	-	-	(422,535)
Transfer to intangible assets (Note 23)	-	-	-	-	(262,698)	(262,698)
Assets written off	-	-	-	(1,713,075)	-	(1,713,075)
Effect of exchange rate changes	5,863	50,768	489,348	120,697	67,324	734,000
At 30 June 2019	5,084,598	5,743,341	50,931,269	14,739,259	7,333,880	83,832,347
Depreciation						
At 1 July 2018	1,068,031	925,211	19,062,631	7,399,974	-	28,455,847
Charge for the year	106,984	75,431	2,112,960	1,431,036	-	3,726,411
Disposals	-	-	(386,922)	-	-	(386,922)
Assets written off	-	-	-	(1,276,037)	-	(1,276,037)
Effect of exchange rate changes	3,433	13,441	186,121	72,242	-	275,237
At 30 June 2019	1,178,448	1,014,083	20,974,790	7,627,215	-	30,794,536
Carrying amount at 30 June 2019	3,906,150	4,729,258	29,956,479	7,112,044	7,333,880	53,037,811

There are no assets pledged by the Group to secure liabilities.

The capital work in progress mainly relates to the Kisumu Brewery in Kenya in finalisation, capacity expansion in Tanzania and beer and spirits upgrade in Uganda.

Included under additions to capital work in progress are borrowing costs of Kshs 340,639,000 incurred on the long-term loans that were received during the year to finance the construction of the new brewery in Kisumu. The weighted average capitalization rate on funds borrowed is 7%.

Notes (continued)

20. Property and equipment

(b) Company	Freehold property	Leasehold buildings	Equipment	Capital work in progress	Total
Year ended 30 June 2020	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost					
1 July 2019	129,599	14,896	333,351	348,640	826,486
Additions	182,297	-	19,463	485,048	686,808
Disposals	-	-	(114,774)	-	(114,774)
Transfers from capital work in progress	500	-	72,494	(72,994)	-
Transfers to Group companies	-	-	-	(695,541)	(695,541)
At 30 June 2020	312,396	14,896	310,534	65,153	702,979
Depreciation					
At 1 July 2019	2,258	877	274,180	-	277,315
Disposals	-	-	(106,189)	-	(106,189)
Charge for the year	2,564	-	49,024	-	51,588
At 30 June 2020	4,822	877	217,015	-	222,714
Carrying amount at 30 June 2020	307,574	14,019	93,519	65,153	480,265

There are no assets pledged by the Company to secure liabilities.

(b) Company	Freehold property	Leasehold buildings	Equipment	Capital work in progress	Total
Year ended 30 June 2019	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost					
At 1 July 2018	132,228	32,127	330,717	135,811	630,883
Additions	-	-	1,796	324,348	326,144
Disposals	-	-	(11,504)	-	(11,504)
Transfers from capital work in progress	871	-	12,342	(13,213)	-
Transfers to Group companies	(3,500)	(17,230)	-	(98,307)	(119,037)
At 30 June 2019	129,599	14,897	333,351	348,639	826,486
Depreciation and impairment					
At 1 July 2018	4,358	5,957	238,180	-	248,495
Disposals	-	-	(10,242)	-	(10,242)
Transfers to Group companies	(2,811)	(6,103)	-	-	(8,914)
Charge for the year	711	1,023	46,242	-	47,976
At 30 June 2019	2,258	877	274,180	-	277,315
Carrying amount at 30 June 2019	127,341	14,020	59,171	348,639	549,171

There are no assets pledged by the Company to secure liabilities.

Notes (continued)

21. Right-of-use assets

Upon adoption of IFRS 16 Leases on 1 July 2019, the right-of-use assets were recognised and remeasured at an amount equal to the lease liabilities, with exception of leasehold land which has been recognised at an amount equal to the originally recognised prepaid operating lease rentals.

Movement of right-of-use assets:

(a) Group

	Buildings	Motor vehicles	Leasehold property	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Gross carrying value				
At 30 June 2019 - As reported	-	-	-	-
IFRS 16 transitional adjustment				
- Prepaid operating lease rentals (Note 22)	-	-	7,167	7,167
- Non-prepaid operating lease rentals (Note 2(a))	38,794	1,150,282	-	1,189,076
At 1 July 2019	38,794	1,150,282	7,167	1,196,243
Additions	647,681	193,585	-	841,266
Reclassifications from property, plant and equipments (Note 20(a))	-	-	62,068	62,068
Effect of exchange rate changes	2,821	19,087	-	21,908
At 30 June 2020	689,296	1,362,954	69,235	2,121,485
Accumulated amortisation				
At 1 July 2019	-	-	-	-
Amortisation charge	46,569	462,936	175	509,680
Reclassifications from property, plant and equipments (Note 20(a))	-	-	26,885	26,885
Effect of exchange rate changes	1,007	6,496	2	7,505
At 30 June 2020	47,576	469,432	27,062	544,070
Net carrying value	641,720	893,522	42,173	1,577,415

(b) Company

Gross carrying value				
At 30 June 2019 - As reported	-	-	-	-
IFRS 16 transitional adjustment (Note 2(a))	-	52,557	-	52,557
At 1 July 2019 and 30 June 2020	-	52,557	-	52,557
Accumulated amortisation				
At 1 July 2019	-	-	-	-
Amortisation charge	-	26,099	-	26,099
At 30 June 2020	-	26,099	-	26,099
Net carrying value	-	26,458	-	26,458

Notes (continued)

21. Right-of-use assets (continued)

Upon adoption of IFRS 16 Leases on 1 July 2019, the right-of-use assets were recognised and remeasured at an amount equal to the lease liabilities, with exception of leasehold land which has been recognised at an amount equal to the originally recognised prepaid operating lease rentals.

The Group leases space for offices and motor vehicles. The leases of office space is for an average of 10 years with an option to renew. The Directors were not reasonably certain that the option to renew the lease would be exercised at the expiry of the lease. The option has therefore not been considered in determining the lease term. The leases of motor vehicles is on average 4 to 5 years.

Under the previous accounting policy, payments made under operating leases were charged to the profit and loss account on a straight-line basis over the lease period. Prepaid operating lease rentals were recognised at historical cost and subsequently amortised over the lease period. The carrying amount of prepaid operating lease rentals of Kshs 7,167,000 at 1 July 2019 has been reclassified as right-of-use assets (see Note 22).

22. Prepaid operating lease rentals

(a) Group	At 30 June 2020	At 30 June 2019
	Kshs'000	Kshs'000
Cost		
At start of year	10,385	10,341
Derecognition upon adoption of IFRS 16 <i>Leases</i>	(10,385)	-
Effect of exchange rate changes	-	44
At end of year	-	10,385
Amortisation		
At start of year	3,218	2,990
Charge for the year	-	226
Derecognition upon adoption of IFRS 16 <i>Leases</i>	(3,218)	-
Effect of exchange rate changes	-	2
At end of year	-	3,218
Net book value	-	7,167
Net book value derecognized upon adoption of IFRS 16 <i>Leases</i> (Note 21)	7,167	-
(b) Company		
Cost:		
At start of year	-	1,380
Transfers to Group companies	-	(1,380)
At end of year	-	-
Amortisation:		
At start of year	-	736
Charge for the year	-	14
Transfers to Group companies	-	(750)
At end of year	-	-
Net book value	-	-

Notes (continued)

23. Intangible assets - software

(a) Group	At 30 June	
	2020	2019
	Kshs'000	Kshs'000
Cost		
At start of year	2,309,929	1,943,999
Additions	163,187	91,614
Disposals	(128,666)	-
Transfer from property plant and equipment (Note 20(a))	22,237	262,698
Effect of exchange rate changes	18,011	11,618
At end of year	2,384,698	2,309,929
Amortisation		
At start of year	1,688,853	1,502,402
Amortisation during the year	210,927	180,694
On assets disposed	(128,666)	-
Effect of exchange rate changes	11,548	5,757
At end of year	1,782,662	1,688,853
Net book value	602,036	621,076
(b) Company	2020	2019
	Kshs'000	Kshs'000
Cost		
At start of year	1,487,572	1,485,409
Additions	75,988	2,163
Disposals	(128,666)	-
At end of year	1,434,894	1,487,572
Amortisation		
At start of year	1,362,269	1,278,981
Charge for the year	78,947	83,288
On assets disposed	(128,666)	-
At end of year	1,312,550	1,362,269
Net book value	122,344	125,303

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

Notes (continued)

24. Intangible assets - goodwill and brand

(a) Goodwill

	Carrying amount at 1 July	Effect of exchange rate changes	Carrying amount at 30 June
Year ended 30 June 2020	Kshs'000	Kshs'000	Kshs'000
Serengeti Breweries Limited (SBL)	2,137,180	82,066	2,219,246
UDV (Kenya) Limited (UDV)	415,496	-	415,496
International Distillers (Uganda) Limited (IDU)	190,325	6,063	196,388
Total	2,743,001	88,129	2,831,130
Year ended 30 June 2019			
Serengeti Breweries Limited (SBL)	2,118,560	18,620	2,137,180
UDV (Kenya) Limited (UDV)	415,496	-	415,496
International Distillers (Uganda) Limited (IDU)	178,508	11,817	190,325
Total	2,712,564	30,437	2,743,001

Goodwill represents the excess of cost of acquisitions over the fair value of identifiable assets and liabilities of the respective subsidiaries at acquisition date. For each of the subsidiaries, the goodwill was recognised due to the expected synergies arising from the business combination as at the acquisition date.

(b) Brand

	2020	2019
	Kshs'000	Kshs'000
At start of year	463,430	459,394
Effect of exchange rate changes	17,789	4,036
At end of year	481,219	463,430

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

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

(i) Impairment testing methodology

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

The recoverable amount of an operating segment is determined based on a detailed 5-year model that has been extrapolated in perpetuity by applying the long-term growth rate of the country. Profit has been amended with working capital and capital expenditure requirements. The net cashflows have been discounted using the country-specific pre-tax weighted average cost of capital (WACC). These calculations use cash flow projections approved by management covering a 5-year period. Cash flows beyond the five-year period are extrapolated using estimated terminal growth rates.

Notes (continued)

24. Intangible assets - goodwill and brand (continued)

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

(ii) Key assumptions used for value in use calculations

	Tanzania		Kenya		Uganda	
	2020	2019	2020	2019	2020	2019
Terminal growth rate ¹	5%	5%	5%	5%	5%	5%
WACC rate ²	15%	16%	13%	13%	14%	13%

1. Weighted average growth rate used to extrapolate cash flows beyond the projected period.

2. Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each operating segment. Management determined forecast profit margin based on past performance and its expectations for market developments. The weighted average growth rates used are consistent with the forecasts included in industry reports.

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

Goodwill

Based on the above assumptions, the recoverable value of the relevant operating segment exceeded the carrying net asset amount (including the goodwill) for SBL, UDV and IDU at 30 June 2020. As a result, the Group has not recognised an impairment charge (2019: Nil).

Brand

Based on the above assumptions, the recoverable value of the brand exceeded the carrying value at 30 June 2020. As a result, the Group has not recognised an impairment charge (2019: Nil).

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

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

25. Investments in subsidiaries

			Book value at 30 June	
	Country of incorporation	Effective ownership interest	2020	2019
			Kshs'000	Kshs'000
Kenya Breweries Limited	Kenya	100%	22,377,809	22,377,809
Serengeti Breweries Limited	Tanzania	77.5%	15,970,420	15,992,891
East African Maltings (Kenya) Limited	Kenya	100%	687,662	-
Uganda Breweries Limited	Uganda	98%	687,648	687,648
UDV (Kenya) Limited	Kenya	46%	589,410	589,410
International Distillers Uganda Limited	Uganda	100%	300,000	300,000
EABL Tanzania Limited	Tanzania	100%	5,610	5,610
East African Breweries (Rwanda) Limited	Kenya	100%	1,337	1,337
East African Beverages (South Sudan) Limited	South Sudan	99%	299	299
Allsopps (EA) Sales Limited	Kenya	100%	3	3
EABL International Limited	Kenya	100%	2	2
Salopia Limited	Kenya	100%	-	-
East African Maltings (Uganda) Limited	Uganda	100%	-	-
Net book amount			40,620,200	39,955,009

Notes (continued)

25. Investments in subsidiaries (continued)

Movement in investment in subsidiaries

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

Year ended 30 June 2020	
	Kshs'000
At 1 July 2019	39,955,009
Serengeti Breweries Limited	
Purchase of additional shares	308,147
Settlement of amounts due from non-controlling interests (Note 18(b))	(330,618)
East African Maltings (Kenya) Limited	
Conversion of long term loan to equity investment	687,662
	995,809
At 30 June 2020	40,620,200
Year ended 30 June 2019	
	Kshs'000
At 1 July 2018	40,105,207
EABL International Limited	
Capital reduction	(149,998)
Other subsidiaries	
Derecognition upon wind-up	(200)
At 30 June 2019	39,955,009

As explained in Note 18, the carrying amount of investment in subsidiaries includes amounts due from the non-controlling shareholders in Serengeti Breweries Limited of Kshs 2,836,496,000 (2019: Kshs 3,243,744,000) arising from the capital restructuring of the subsidiary in 2018.

The details of the movement in investment in subsidiaries is as disclosed below:

(a) Serengeti Breweries Limited (SBL)

The investment in SBL increased by Kshs 308 million arising from purchase of shares from a non controlling shareholder as disclosed in Note 18.

Impairment assessment

An impairment assessment of the carrying amount of the investment in SBL at Company level was performed at the end of the year using the value-in-use model. The key assumptions used in the value-in-use model are shown in Note 24. Based on the assumptions, the carrying amount of the investment was lower than the recoverable amount.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted cash flows used in the value-in-use calculation for SBL had been 10% lower than management's estimates at 30 June 2020, the Company would not have recognised any impairment against the carrying amount of the investment in subsidiary (2019: Nil).

If the pre-tax discount rate applied to the cash flow projections for SBL had been 1% higher than management's estimates (16% instead of 15%), the Company would not have to recognise an impairment against the carrying value of the investment in subsidiary (2019: Nil).

If the terminal growth rate applied to the cash flow projections for SBL had been 1.5% lower than management's estimates (3.5% instead of 5.0%), the Company would not have had to recognise any impairment against the carrying value of the investment in subsidiary (2019: Nil).

Notes (continued)

25. Investments in subsidiaries (continued)

Movement in investment in subsidiaries (continued)

(b) East African Maltings Limited (EAML)

During the year ended 30 June 2020, the Company converted a portion of its long term loan in EAML of Kshs 688 million into equity investment represented by issue of ordinary share capital.

(c) EABL International Limited (EABLi)

During the year ended 30 June 2019, EABLi undertook capital reduction of Kshs 2.4 billion. The capital reduced by EABLi was offset against intercompany receivables from the Company. As a result, there was no actual movement of assets from EABLi to the Company. Upon the conclusion of capital reduction exercise by EABLi, the Company derecognised the carrying amount of investment in EABLi of Kshs 150 million, thereby recognising a net income of Kshs 2.3 billion.

(d) Other subsidiaries

During the year ended 30 June 2019, the Company derecognised its investment in Salopia Limited, Kenya Liquor Distributors Limited, Harp Distributors Limited and Kenya Distillers Limited upon successful wind up and deregistration of the companies.

26. Other financial assets (Group and Company)

	2020	2019
	Kshs'000	Kshs'000
20% investment in Challenge Fund Limited who in turn have subscribed to 50% in Central Depository and Settlement Corporation Limited	10,000	10,000
At end of year	10,000	10,000

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

27. Inventories

	2020	2019
Group	Kshs'000	Kshs'000
Raw materials and consumables	7,091,534	4,343,198
Work in progress	588,459	604,058
Finished goods	3,213,469	2,253,687
Goods in transit	22,908	167,069
	10,916,370	7,368,012

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Kshs 20,195,033,000 (2019: Kshs 22,514,463,000).

Notes (continued)

28. Trade and other receivables

(a) Group	2020	2019
	Kshs'000	Kshs'000
Trade receivables	4,895,259	4,928,580
Less: provision for expected credit losses	(1,142,429)	(624,898)
	3,752,830	4,303,682
Other receivables	1,600,375	1,847,867
Less: provision for expected credit losses	(369,152)	(225,763)
Prepayments	397,534	2,079,441
Receivables from related parties (Note 36 (a) (iii))	299,857	217,767
	5,681,444	8,222,994

Movement in expected credit losses allowance

The following table shows the movement in lifetime expected credit losses that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	2020	2019
	Kshs'000	Kshs'000
At 1 July	850,661	856,363
IFRS 9 transition adjustment	-	105,455
Charge to profit or loss (Note 9(a))	660,920	134,361
Write offs	-	(245,518)
At end of year	1,511,581	850,661

(b) Company	2020	2019
	Kshs'000	Kshs'000
Receivables from related companies (Note 36(b)(iii))	1,430,603	831,475
Other receivables	655,103	230,049
Prepayments	11,078	88,950
	2,096,784	1,150,474

29. Derivative financial instruments

The amount reported as at 30 June 2019 represented the fair value of forward foreign exchange contracts that were held to manage foreign currency risk on the Euro denominated borrowings. These derivative financial instruments were measured at fair value through profit or loss. During the year, the Euro denominated loan was repaid and the derivatives were settled.

	2020	2019
	Kshs'000	Kshs'000
Derivative financial assets		
Foreign exchange forward contracts	-	179,678

Notes (continued)

30. Trade and other payables

	2020	2019
	Kshs'000	Kshs'000
(a) Group		
Trade payables	5,672,679	6,135,927
Other payables and accrued expenses	15,186,925	20,465,246
Payables to related parties (Note 36(a)(iii))	871,479	1,263,019
	21,731,083	27,864,192
(b) Company		
Trade payables	126,357	108,252
Payables to related parties (Note 36(b)(iii))	10,356,587	15,263,832
Other payables and accrued expenses	2,191,560	2,876,738
	12,674,504	18,248,822

31. Borrowings

(a) Group		
	2020	2019
	Kshs'000	Kshs'000
The borrowings are made up as follows:		
Non-current		
Bank loans	30,900,000	25,115,178
Medium term note	6,000,000	6,000,000
	36,900,000	31,115,178
Current		
Medium term note	-	5,000,000
Bank loans	4,106,253	204,566
	4,106,253	5,204,566
Bank overdraft	3,932,338	-
	8,038,591	5,204,566
	44,938,591	36,319,744

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

	2020	2019
	Kshs'000	Kshs'000
The movement in borrowings is as follows:		
At start of year	36,319,744	31,066,701
Advanced in the year	23,400,000	17,334,800
Repayments in the year	(18,716,209)	(11,525,326)
Movement in bank overdrafts	3,932,338	(401,245)
Effect of exchange rate changes	2,718	(155,186)
At end of year	44,938,591	36,319,744

Notes (continued)

31. Borrowings (continued)

(a) Group (continued)

(i) Bank loans comprise:

- Long term loan from Stanbic Bank Kenya Limited of Kshs 4,500,000,000 (2019: Kshs 12,115,178,000) at a weighted average interest rate of 8.9% (2019: 6%). The loan is unsecured and matures in March 2025.
- Long term loan from Standard Chartered bank of Kenya of Kshs 7,600,000,000 (2019: Kshs nil) at a weighted average interest rate of 9%. The loan is unsecured and matures in December 2026.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 3,000,000,000 (2019: Kshs 2,831,478,000) at average annual interest rates of (CBR+300bps), effectively 8.0% (2019: 9%). This facility is secured by a letter of comfort from Diageo Plc for Kshs. 7.8 billion and matures in December 2026.
- Medium term loan from Stanbic Bank Kenya of Kshs 6,500,000,000 (2019: Kshs 5,500,000,000) at interest rate of 8.4% (2019:10.4%). The loan is unsecured and matures on 31 December 2023.
- Medium term loan from Standard Chartered bank of Kenya of Kshs 4,500,000,000 (2019 Kshs 4,500,000,000 at interest rate of 8.3% (2019: 10.3%). The loan is unsecured and matures on 28 December 2023.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 4,800,000,000 (2019: Nil) at an interest of 8.0% (2019: Nil). The loan is unsecured and is repayable in 12 quarterly instalments of Kshs 400,000,000 beginning July 2022.
- Short term loan from Standard Chartered Bank of Kenya of Kshs 4,000,000,000 (2019: Kshs nil) at an interest rate of 7.3%. The loan is unsecured and and matures on 29 July 2020.
- Medium term loan from Stanbic Bank of Uganda of USD 1,000,000 (2019: USD 2,312,500) at an effective interest rate of (3 months LIBOR+4.85%), effectively 5.4% (2019: 7.2%). This facility is unsecured and matures on 30 April 2021.

(ii) Medium term note of Kshs 6,000,000,000 (2019: Kshs 11,000,000,000). The medium-term note was in two tranches previously. The first tranche of Kshs 5,000,000,000, which had an annual interest rate of 12.95% matured in March 2020. The second tranche of Kshs 6,000,000,000 is still outstanding. It is unsecured, has an annual interest rate of 14.17% (2019: 14.17%) and matures in March 2022.

(iii) The bank overdraft facilities have an effective interest rate of 9% (2019: 10%) and is sourced from Absa Bank of Kenya plc, Absa Bank of Uganda, Standard Chartered Bank of Uganda and Citibank Kenya and Uganda.

The Group is not in breach of any financial covenants for facilities issued by its bankers as at 30 June 2020. For the medium-term note, the Capital Markets Authority has exempted the Group from maintaining a current assets ratio of 1 until June 2023. The Group had available undrawn facilities of Kshs 4.1 billion as at 30 June 2020 (2019: Kshs 11.7 billion).

(b) Company		
	2020	2019
	Kshs'000	Kshs'000
The borrowings are made up as follows:		
Non-current		
Medium term note	6,000,000	6,000,000
Bank loans	30,900,000	25,115,178
	36,900,000	31,115,178
Current		
Medium term note	-	5,000,000
Bank loans	4,000,000	-
	4,000,000	5,000,000
Bank overdraft	2,804,807	-
	6,804,807	5,000,000
Total borrowings	43,704,807	36,115,178

Notes (continued)

31. Borrowings (continued)

(b) Company (continued)

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

The movement in borrowings is as follows:

	2020	2019
	Kshs'000	Kshs'000
The movement in borrowings is as follows:		
At start of year	36,115,178	30,344,873
Advanced in the year - Long term bank loan	23,400,000	17,334,800
Repayments	(18,615,178)	(11,557,320)
Movement in bank overdrafts	2,804,807	(7,175)
At end of year	43,704,807	36,115,178

(i) Bank loans comprise:

- Long term loan from Stanbic Bank Kenya Limited of Kshs 4,500,000,000 (2019: Kshs 12,115,178,000) at a weighted average interest rate of 8.9% (2019: 6%). The loan is unsecured and matures in March 2025.
- Long term loan from Standard Chartered bank of Kenya of Kshs 7,600,000,000 (2019: Kshs nil) at a weighted average interest rate of 9%. The loan is unsecured and matures in December 2026.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 3,000,000,000 (2019: Kshs 2,831,478,000) at average annual interest rates of (CBR+300bps), effectively 8.0% (2019: 9%). This facility is secured by a letter of comfort from Diageo Plc for Kshs. 7.8 billion and matures in December 2026.
- Medium term loan from Stanbic Bank Kenya of Kshs 6,500,000,000 (2019: Kshs 5,500,000,000) at interest rate of 8.4% (2019:10.4%). The loan is unsecured and matures on 31 December 2023.
- Medium term loan from Standard Chartered bank of Kenya of Kshs 4,500,000,000 (2019 Kshs 4,500,000,000 at interest rate of 8.3% (2019: 10.3%). The loan is unsecured and matures on 28 December 2023.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 4,800,000,000 (2019: Nil) at an interest of 8.0% (2019: Nil). The loan is unsecured and is repayable in 12 quarterly instalments of Kshs 400,000,000 beginning July 2022.
- Short term loan from Standard Chartered Bank of Kenya of Kshs 4,000,000,000 (2019: Kshs nil) at an interest rate of 7.3%. The loan is unsecured and matures on 29 July 2020.

(ii) Medium term note of Kshs 6,000,000,000 (2019: Kshs 11,000,000,000). The medium-term note was in two tranches previously. The first tranche of Kshs 5,000,000,000, which had an annual interest rate of 12.95% matured in March 2020. The second tranche of Kshs 6,000,000,000 is still outstanding. It is unsecured, has an annual interest rate of 14.17% (2019: 14.17%) and matures in March 2022.

(iii) The bank overdraft facilities have an effective interest rate of 9% (2019: 10%) and is sourced from Absa Bank of Kenya plc and Citibank Kenya.

Notes (continued)

32. Lease liabilities

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

(a) Group	
Movement of lease liabilities:	
	Kshs '000
At 30 June 2019	-
IFRS 16 transitional adjustment (Note 2(a))	1,189,076
At 1 July 2019	1,189,076
Additions	841,266
Interest expense on leases	104,349
Repayment of lease liabilities	
Payment of the principal portion of the lease liability	(473,709)
Payment of interest on lease liabilities	(104,349)
Effect of change in exchange rates	54,473
At 30 June 2020	1,611,106
Presented as:	
Current lease liabilities	459,265
Non-current lease liabilities	1,151,841
	1,611,106
(b) Company	
Movement of lease liabilities:	
	Kshs '000
At 30 June 2019	-
IFRS 16 transitional adjustment (Note 2(a))	52,557
At 1 July 2019	52,557
Interest expense on leases	3,817
Repayment of lease liabilities	
- Payment of the principal portion of the lease liability	(24,170)
- Payment of interest on lease liabilities	(3,817)
At 30 June 2020	28,387
Presented as:	
Current lease liabilities	17,401
Non-current lease liabilities	10,986
	28,387

Notes (continued)

33. Contingent liabilities

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

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

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

34. Commitments

(i) Capital commitments - Group

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

	2020	2019
	Kshs'000	Kshs'000
Contracted but not provided for	5,138,376	3,331,053
Authorised but not contracted for	884,876	4,072,636
	6,023,252	7,403,689

(ii) Lease commitments

The Group adopted IFRS 16 Leases. The operating leases have therefore been reported as Right-of-use assets represented by lease liabilities (see Note 32). As at 30 June 2019, future minimum lease payments under operating leases were as follows:

(a) Group leases as lessee

	2019
	Kshs'000
Not later than 1 year	102,116
Later than 1 year and not later than 5 years	1,425,204
	1,527,320

(b) Company leases as lessee

	2019
	Kshs'000
Not later than 1 year	41,069
Later than 1 year and not later than 5 years	58,948
	100,017

Notes (continued)

35. Cash generated from operations

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

	2020	2019
Group	Kshs'000	Kshs'000
Profit before income tax	10,655,259	17,814,650
Adjusted for:		
Interest income (Note 12(a))	(164,873)	(120,601)
Interest expense on borrowings (Note 12(a))	3,886,615	3,492,577
Interest expense on lease liabilities (Note 12(a))	104,349	-
Depreciation of property, plant and equipment (Note 20(a))	4,265,062	3,726,411
Amortisation of right-of-use asset (Note 21(a))	509,680	-
Amortisation of intangible asset - software (Note 23(a))	210,927	180,694
Amortisation of prepaid operating lease rentals (Note 22(a))	-	226
Share based payments	22,126	11,600
Loss on disposal of property, plant and equipment	68,390	26,478
Adjustment of dividends payable	239,225	-
Write off of property, plant and equipment	381,531	464,294
Cash generated from operations before working capital adjustments	20,178,291	25,596,329
Changes in working capital:		
-Trade and other receivables	2,621,475	(416,038)
-Inventories	(3,434,483)	276,315
-Trade and other payables	(5,728,956)	3,034,797
Cash generated from operations	13,636,327	28,491,403

Company		
Profit before income tax	10,681,127	7,409,683
Adjustments for:		
Interest income (Note 12(b))	(3,101,187)	(2,070,883)
Interest expense (Note 12(b))	5,556,670	4,702,021
Interest expense on lease liabilities (Note 12(b))	3,817	-
Depreciation of property and equipment (Note 20(b))	51,588	47,976
Depreciation of right-of-use asset (Note 21(b))	26,099	-
Amortisation of intangible asset - software (Note 23(b))	78,947	83,288
Amortisation of prepaid operating lease rentals (Note 22(b))	-	14
Share based payments	22,126	11,600
Dividend income	(13,557,295)	(6,131,586)
Settlement of amounts due from non-controlling interests (non-cash) (Note 18(b))	185,897	-
Loss on disposal of property and equipment	9,568	106
Adjustment of dividends payable	239,225	-
Capital reduction by a subsidiary (Note 25(c))	-	(2,405,372)
Derecognition of Investment in subsidiaries (non cash)	-	150,200
Cash generated from operations	196,582	1,797,047
Changes in working capital:		
Trade and other receivables	(946,310)	2,352,453
Inventory	-	38,906
Trade and other payables	(5,574,316)	1,024,122
Cash (used in/generated) from operations	(6,324,044)	5,212,528

Notes (continued)

35. Cash generated from operations (continued)

(b) Cash and cash equivalents

	2020	2019
	Kshs'000	Kshs'000
Group		
Cash and bank balances	5,661,635	12,468,585
Bank overdraft (Note 31(a))	(3,932,338)	-
	1,729,297	12,468,585
Company		
Cash and bank balances	3,616,403	9,020,367
Bank overdraft (Note 31(b))	(2,804,807)	-
	811,596	9,020,367

(c) Movement in working capital

Group		
Movement in trade and other receivables		
Movement per statement of financial position	2,541,550	(276,513)
Proceeds from sale of leasehold property	-	(207,000)
Foreign currency translation differences	79,925	67,475
Net movement in receivables as per cash flow	2,621,475	(416,038)
Movement in inventory		
Movement per statement of financial position	(3,548,358)	514,594
Foreign currency translation differences	113,875	(238,279)
Net movement in inventories as per cash flow	(3,434,483)	276,315
Movement in trade and other payables		
Movement per statement of financial position	(6,133,109)	3,234,893
External interest payable	158,207	(19,279)
Foreign currency translation differences	245,946	(180,817)
Net movement in payables as per cash flow	(5,728,956)	3,034,797
Company		
Movement in trade and other receivables		
Movement per statement of financial position	(946,310)	2,559,453
Proceeds on sale of leasehold property	-	(207,000)
Net movement in receivables as per cash flow	(946,310)	2,352,453
Movement in trade and other payables		
Movement per statement of financial position	(5,574,316)	(1,364,799)
External interest payable	-	(16,451)
Capital reduction by a subsidiary (Note 25(c))	-	2,405,372
Net movement in payables as per cash flow	(5,574,316)	1,024,122

Notes (continued)

36. Related party transactions

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

The following are transactions and balances with related parties:

(a) Group

(i) Management and manufacturing fees and royalties paid

	2020	2019
	Kshs'000	Kshs'000
Diageo Great Britain	1,385,933	1,670,341
Diageo Ireland	512,106	697,756
Diageo North America, Inc	282,669	279,626
Diageo Brands B.V.	250,752	122,378
Diageo Scotland Limited	79,238	185,639
Diageo Business Services Hungary	48,513	42,475
Guinness Ghana Breweries Limited	15,761	9,059
R & A Bailey & Co	6,056	-
Guinness Nigeria plc	-	13,638
Other related parties	6,828	8,200
	2,587,856	3,029,112

(ii) Purchase of goods and services

	2020	2019
	Kshs'000	Kshs'000
Diageo Brands B.V.	1,255,601	453,654
Diageo Ireland	1,222,395	1,439,139
Diageo Great Britain	803,026	385,665
United Spirits Singapore Pte. Limited	7,858	-
Diageo North America, Inc	-	257,975
Guinness Storehouse Limited	-	154,690
Diageo Scotland Limited	-	26,568
Other related parties	-	1,559
	3,288,880	2,719,250

Notes (continued)

36. Related party transactions (continued)

(a) Group (continued)

(iii) Outstanding balances arising from sale and purchase of goods/services

Receivables from related parties	2020	2019
	Kshs'000	Kshs'000
Diageo Great Britain limited	215,926	-
Diageo Southern Africa Markets (Pty) Limited	-	100,061
Guinness Nigeria Plc	23,037	18,655
Meta Abo Breweries Limited	25,349	9,692
Diageo Ireland	16,104	-
Diageo Business Services Hungary	5,380	-
Guinness Ghana Breweries Limited	4,642	7,842
Seychelles Breweries Limited	3,071	3,238
Guinness Cameroon S.A.	1,552	45,290
Diageo plc	-	22,485
Other related parties	4,796	10,504
	299,857	217,767
Payables to related parties		
Diageo Brands B.V	460,634	463,865
Diageo Great Britain Limited	208,996	234,584
Diageo Ireland	132,867	468,493
Diageo North America, Inc	41,035	73,708
United Spirits Limited	11,728	-
Diageo Business Services Hungary	1,497	6,560
Other related parties	14,722	15,809
	871,479	1,263,019

(b) Company

(i) Management fees and royalties received

	2020	2019
	Kshs'000	Kshs'000
Kenya Breweries Limited	1,539,840	1,586,606
UDV (Kenya) Limited	289,947	385,212
Uganda Breweries Limited	189,377	169,456
	2,019,164	2,141,274

Notes (continued)

36. Related party transactions (continued)

(b) Company (continued)

(ii) Purchase of goods and services

	2020	2019
	Kshs 000	Kshs 000
Diageo Great Britain Limited	912,425	909,798
Kenya Breweries Limited	217,444	1,899,104
Diageo Scotland Limited	77,272	183,673
Diageo Brands B.V.	71,032	39,613
Diageo Ireland	57,394	-
Uganda Breweries Limited	21,728	67,696
Diageo Business Services Hungary	48,513	42,475
Serengeti Breweries Limited	44,579	7,798
Guinness Ghana Breweries Limited	15,761	9,059
Diageo Business Services India	6,056	-
Guinness Nigeria plc	3,633	-
Diageo North America, Inc	-	13,806
Diageo Americas Supply Inc	-	7,728
Diageo South Africa (Pty) Limited	-	3,988
Other related parties	4,302	8,044
	1,480,139	3,192,782

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

Long term receivables from subsidiaries

	2020	2019
	Kshs'000	Kshs'000
Kenya Breweries Limited	23,800,000	15,000,000
Uganda Breweries Limited	2,308,422	1,875,602
East Africa Maltings Limited	686,338	1,742,662
UDV (Kenya) Limited	1,100,000	-
	27,894,760	18,618,264

The Company has advanced loans to the subsidiaries to finance their capital expenditure and working capital requirements as part of the Group's centralised treasury management process. At the year end, the Company had committed not to recall the loans for at least twelve months from the date of approval of the financial statements. The loans receivable are unsecured. They attract interest based on the Central Bank of Kenya Rate (CBR) plus 2.5% p.a.

Notes (continued)

36. Related party transactions (continued)

(b) Company (continued)

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

Receivables from related companies

	2020	2019
	Kshs'000	Kshs'000
Receivables from subsidiaries		
Kenya Breweries Limited	506,700	551,902
East African Maltings Limited	603,500	14,912
UDV (Kenya) Limited	48,503	59,010
Uganda Breweries Limited	23,277	60,215
	1,181,980	686,039
Receivables from related parties		
Diageo Great Britain Limited	215,926	6,059
Guinness Nigeria Plc	17,215	-
Guinness Ghana Breweries Limited	4,642	7,842
Seychelles Breweries Limited	3,071	2,782
Guinness Cameroun S.A.	1,552	-
Meta Abo Breweries Limited	1,428	1,465
Diageo North America, Inc.	1,043	148
Diageo plc	538	22,485
Diageo Southern Africa Markets (Pty) Limited	-	100,061
Other related parties	3,208	4,594
	248,623	145,436
Total current assets	1,430,603	831,475

Payables to related companies

	2020	2019
	Kshs'000	Kshs'000
Payables to subsidiaries		
UDV (Kenya) Limited	7,627,310	7,927,002
Kenya Breweries Limited	2,448,966	6,588,246
EABL international Limited	254,524	254,524
East African Maltings Limited	-	458,304
East African Breweries (Rwanda) Limited	-	1,337
	10,330,800	15,229,413
Payables to related parties		
Diageo Brands B.V	19,881	-
Diageo Scotland Limited	3,254	-
Diageo Business Services Hungary	1,497	18,533
Diageo Americas Supply	-	6,527
Others	1,155	9,359
	25,787	34,419
	10,356,587	15,263,832

Notes (continued)

36. Related party transactions (continued)

(c) Other related party disclosures

(i) Directors' remuneration

	2020	2019
	Kshs'000	Kshs'000
Group		
Fees for services as a Director	34,339	33,516
Share based payments	29,018	50,571
Other emoluments (included in key management compensation in (ii) below)	328,607	230,257
	391,964	314,344

Directors' remuneration include fees in relation to non-executive Directors and compensation to executive Directors in the Company and its subsidiaries.

	2020	2019
	Kshs'000	Kshs'000
Company		
Fees for services as a Director	34,339	33,516
Share based payments	17,277	40,645
Other emoluments (included in key management compensation in (ii) below)	248,426	183,801
	300,042	257,962

(ii) Key management compensation

Key management includes executive Directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

Group	2020	2019
	Kshs'000	Kshs'000
Salaries and other shorter term employment benefits	1,275,118	864,115
Share based payments	63,980	52,535
Post-employment benefits	55,513	49,085
	1,394,611	965,735
Company	2020	2019
	Kshs'000	Kshs'000
Salaries and other shorter term employment benefits	447,938	276,059
Share based payments	17,277	52,535
Post-employment benefits	1,625	1,647
	466,840	330,241

37. Events after the reporting period

As at the date of approval of the financial statements for issue, the Directors were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Group and results of its operation as laid out in these financial statements.

PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

The 10 largest shareholdings in the Company and the respective number of shares held at 30 June 2020 are as follows:

Name(s) and Address		Number of shares	%
Diageo Kenya Limited		338,618,340	42.82%
Diageo Holdings Netherlands B.V.		36,361,290	4.60%
Guinness Overseas Limited		20,628,804	2.61%
		395,608,434	50.03%
Standard Chartered Nominees Non-Resd. A/C 9069		18,467,598	2.34%
Standard Chartered Nominees Non-Resd. A/C KE10085		17,580,000	2.22%
Kenya Commercial Bank Nominees Limited A/C 915B		9,575,144	1.21%
Standard Chartered Kenya Nominees Limited A/C KE003250		8,827,449	1.12%
Kenya Commercial Bank Nominees Limited A/C 915A		6,879,617	0.87%
Stanbic Nominees Limited A/C NR1873738		6,421,589	0.81%
Stanbic Nominees Limited A/C NR4323488		5,021,342	0.63%
Total number of shares		468,381,173	59.23%

Distribution of shareholders	Number of shares	Number of shareholders	%
1 – 500 shares	2,476,074	13,239	0.31%
501 – 5,000 shares	15,586,028	9,765	1.97%
5,001 – 10,000 shares	6,608,444	929	0.84%
10,001 – 100,000 shares	38,361,584	1,309	4.85%
100,001 – 1,000,000 shares	111,893,279	348	14.15%
Over 1,000,000 shares	615,848,947	82	77.88%
Total	790,774,356	25,672	100.00%

EABL Directors' shareholding as at 30 June 2020:

Director's names	Number of shares
Jane Karuku	1,296
Risper G. Ohaga	700
Caroline Musyoka	5,782

PROXY FORM

I/WE _____

Share A/c No _____

Of (Address) _____

Being a member (s) of East African Breweries Limited, hereby appoint: _____

Or failing him/her, the duly appointed Chairman of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Wednesday, 16th September 2020 and at any adjournment thereof.

As witness I/We lay my/our hand (s) this _____ day of _____ 2020.

Signature _____

Signature _____

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1. To receive, consider and adopt the audited Financial Statements for the year ended 30th June 2020 together with the Chairman's, Directors' and Auditors' Reports thereon.			
2. To confirm the interim dividend of Kshs 3/- per ordinary share paid on 17th April 2020 for the year ended 30 June 2020, noting that this will be the full and final dividend for the financial year under review.			
3. To re-elect directors:			
a. Ms. Carol Musyoka, who retires by rotation in accordance with the provisions of Articles 116 of the Company's Articles of Association, and, being eligible, offers herself for re-election.			
b. To re-elect Mr. Jimmy Mugerwa who retires by rotation in accordance with the provisions of Articles 116 of the Company's Articles of Association, and, being eligible, offers himself for re-election.			
c. To re-elect Mr. John O'Keeffe who retires by rotation in accordance with the provisions of Articles 116 of the Company's Articles of Association, and, being eligible, offers himself for re-election.			
d. To re-elect Mr. Leo Breen who was appointed during the financial year to fill a casual vacancy on the Board. He retires in accordance with the provisions of Articles 117 of the Company's Articles of Association, and, being eligible, offers himself for re-election.			
e. To re-elect Ms. Risper Ohaga who was appointed during the financial year to fill a casual vacancy on the Board. She retires in accordance with the provisions of Articles 117 of the Company's Articles of Association, and, being eligible, offers herself for re-election.			
4. To elect the following Directors, being members of the Board Audit & Risk Management Committee to continue to serve as members of the said Committee: - Mr. John Ulanga; Mr. Japheth Katto; Mr. Jimmy Mugerwa and Mr. Leo Breen.			
5. To approve the Directors' Remuneration Report for the year ended 30th June 2020 and approve the consolidated fees of Kshs 391,964,000/- for the Non-Executive Directors for the year ended 30th June 2020.			
6. To note that the Auditors Messrs. PricewaterhouseCoopers LLP (PwC) continue in office as auditors by virtue of Section 721(2) of the Companies Act 2015 and to authorize the Board of Directors to fix their remuneration for the ensuing financial year.			
Special Business			
To consider and if thought fit to pass the following resolutions as Special Resolution, as recommended by the Directors: -			
a. That the Articles of Association of the Company be amended by inserting a new Article 72A to allow for attendance of a general meeting by electronic means. The wording of the Article is outlined in the Notice and agenda of the meeting.			

FOMU YA UWAKILISHI

MIMI/SISI _____

Akaunti ya Hisa Nambari _____

wa (Anwani) _____

Nikiwa/tukiwa mwanachama/wanachama wa East African Breweries Limited, namteua/tunamteua: _____

Na asipopatikana Mwenyekiti wa mkutano, kuwa mwakilishi wangu/wetu na kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa kampuni utakaoandaliwa Jumatano tarehe 16 Septemba na iwapo utahirishwa.

Kama shahidi/mashahidi Naweka saini /Tunaweka saini tarehe _____ ya mwezi wa _____ 2020.

Saini _____

Saini _____

Tafadhali weka alama kwenye kijisanduku hapa chini kumuelekeza mwakilishi wako/wenu jinsi ya kupiga kura

AZIMIO	KUUNGA MKONO	KUPINGA	KUSUSIA
1. Kupokea, kutathmini na iwapo itakubalika, kuidhinisha Taarifa za Kifedha Zilizokaguliwa za mwaka uliokamilika mnamo 30 Juni 2020 pamoja na ripoti za Mwenyekiti, Mkurugenzi na Mkaguzi wa hesabu zilizomo kwenye ripoti hiyo.			
2. Kuthibitisha mgawo wa faida wa muda wa Kshs 3/- kwa kila hisa, uliolipwa mnamo 17 Aprili 2020 kwa mwaka uliokamilika 30 Juni 2020, na kwamba hayo ndiyo malipo yote ya faida kwa huu mwaka.			
3. Kuwachagua tena wakurugenzi:			
a. Kumchagua tena Bi. Carol Musyoka, anayestaafu kwa mzunguko kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.			
b. Kumchagua tena Bw. Jimmy Mugerwa anayestaafu kwa mzunguko kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.			
c. Kumchagua tena Bw. John O'Keeffe anayestaafu kwa mzunguko kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.			
d. Kumchagua tena Bw. Leo Breen aliyeteuliwa wakati wa mwaka huo wa kifedha kujaza nafasi iliyokuwa imeachwa kwenye Bodi. Anastaafu kwa mzunguko kuambatana na Kifungu 117 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.			
e. Kumchagua tena Bi. Risper Ohaga aliyeteuliwa wakati wa mwaka huo wa kifedha kujaza nafasi iliyokuwa imeachwa kwenye Bodi. Anastaafu kwa mzunguko kuambatana na Kifungu 117 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa anahitimu, anajiwasilisha kuomba kuchaguliwa tena.			
4. Kuwachagua Wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu & Usimamisi wa Hatari, wachaguliwe kuendelea kuhudumu kama wanachama wa Kamati hiyo: - Bw. John Ulanga; Bw. Japheth Katto; Bw. Jimmy Mugerwa na Bw. Leo Breen.			
5. Kuidhinisha Ripoti ya Malipo ya Wakurugenzi kwa mwaka uliomalizika 30 Juni 2020, na kuidhinisha ada ya jumla ya Kshs 391,964,000/- kwa Wakurugenzi wasio-Watendaji kwa mwaka uliomalizika 30 Juni 2020.			
6. Kutambua kuwa wakaguzi wa hesabu, PricewaterhouseCoopers LLP (PwC) wataendelea kuhudumu kwa mujibu wa Kifungu 721(2) cha Sheria za Kampuni ya 2015 na kuwapa idhini Wakurugenzi wa Bodi kuamua malipo yao kwa mwaka wa kifedha unaofuata.			
Shughuli maalum Kujadili na iwapo itakubalika, kuidhinisha azimio lifuatalo kama Azimio Maalum, kama ilivyopendekezwa na Wakurugenzi: - Kwamba Vifungu vya Sheria za Kuundwa kwa Kampuni vifanyiwe marekebisho na kuongeza Kifungu kipya 72A kuwawezesha watu kuhudhuria mkutano kwa njia za kielektroniki. a. Maelezo ya Kifungu hicho yanapatikana katika Ilani na ajenda ya mkutano.			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(s): _____

Address: _____

Mobile Number

Date: _____

Signature: _____

Please tick ONE of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi, 5 th floor, Absa Towers (formerly Barclays Plaza), Loita Street:		
Approval of Registration		
I/WE approve to register to participate in the virtual Annual General Meeting to be held on 16 th September, 2020.		
Consent for use of the Mobile Number provided		
I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.		

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and delivered to EABL offices situated at 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Superhighway, P.O. Box 30161-00100 Nairobi, or via email to eabl.agm@eabl.com to arrive not later than 11:00 a.m. 14th September, 2020 i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to EABL offices situated at 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Superhighway, P.O. Box 30161-00100 Nairobi, or via email to eabl.agm@eabl.com not later than 11:00 am on 14th September 2020 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
7. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

Note

1. The completed Form of Proxy by members must be lodged with EABL offices situated at 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Superhighway, or sent via email to eabl.agm@eabl.com or to be posted to EABL, P.O. Box 30161-00100 Nairobi, so as to reach not later than 11:00 a.m. on 14th September 2020, failing which it shall be invalid.
2. In case of a Corporation, the proxy must be under its common seal.

FOMU YA IDHINI YA MAWASILIANO YA KIELEKTRONIKI

Tafadhali jaza kwa HERUFI KUBWA

Jina kamili la mwakilishi (wawakilishi): _____

Anwani: _____

Nambari ya simu

Tarehe: _____

Saini: _____

Tafadhali weka alama katika MOJA kati ya visanduku vilivyo hapa chini na kuirejesha fomu hii kwa Image Registrars S.L.P. 9287- 00100 Nairobi, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street:		
Idhini ya kusajili		
MIMI/SISI ninatoa/tunatoa idhini ya kusajiliwa kushiriki katika Mkutano Mkuu wa Kila Mwaka utakaofanyika kwa njia ya kielektroniki mnamo 16 Septemba, 2020.		
Idhini ya kutumiwa kwa nambari ya simu iliyotolewa		
NINGEPENGA/TUNGEPENDA kutoa idhini yangu/yetu ya kutumiwa kwa nambari ya simu niliyotoa/ tuliyotoa kwa ajili ya kupiga kura katika AGM.		

Maelezo:

1. Iwapo mwanachama hataweza kuhudhuria yeye binafsi, Fomu hii ya Uwakilishi inafaa kujazwa na ifikishwe kwa ofisi za EABL, zilizo katika Ghorofa ya 5, Garden City Business Park, Block A, Barabara ya Garden City, kutoka Kitokeo cha 7 Barabara Kuu ya Thika, S.L.P. 30161-00100 Nairobi, au kutumwa kwa njia ya barua pepe kwa eabl.agm@agm.com ili ifike si baada ya saa tano asubuhi (11:00 a.m.), tarehe 14, Septemba, 2020, yaani si chini ya saa 48 kabla ya wakati wa kufanyika kwa mkutano, au iwapo utaahirishwa.
2. Iwapo anayetoea mwakilishi ni kampuni au shirika, fomu ya uteuzi inafaa kupigwa mhuri rasmi wa kampuni au kuidhinishwa na afisa au wakili aliyeidhinishwa kuiwakilisha kampuni au shirika hilo.
3. Kama mwenyehisa, una haki ya kumteua mwakilishi au wawakilishi wa kutekeleza haki zote au baadhi ya haki zako kama mwenyehisa na kuzungumza na kupiga kura kwa niaba yako katika mkutano. Uteuzi wa Mwenyekiti kama mwakilishi umetolewa kama njia moja ili kurahisisha mambo. Ili kuteua mtu mwingine kuwa mwakilishi, piga kalamu maneno 'Mwenyekiti wa Mkutano au' na uandike majina kamili ya mwakilishi wako katika nafasi iliyotolewa. Mwakilishi sio lazima awe mwenyehisa wa Kampuni.
4. Kujazwa na kuwasilishwa kwa fomu ya uwakilishi hakutakuzuia wewe mwenyewe kuhudhuria na kupiga kura mkutanoni, ambapo iwapo itafanyika kura itakayopigwa na mwakilishi wako haitahesabiwa.
5. Ili kukubalika, fomu ya uwakilishi inafaa kujazwa, kutiwa saini na kuwasilishwa (pamoja na barua ya kumpa wakili mamlaka ya kukuwakilisha, au mamlaka mengine yoyote (iwapo yapo) au kiapo cha mbele ya wakili cha kutoa mamlaka hayo) katika Ghorofa ya 5, Garden City Business Park, Block A, Barabara ya Garden City, kutoka Kitokeo cha 7 Barabara Kuu ya Thika, S.L.P. 30161-00100 Nairobi, au kutumwa kwa njia ya barua pepe kwa eabl.agm@agm.com ili ifike si baada ya saa tano asubuhi (11:00 a.m.), tarehe 14, Septemba, 2020, au iwapo kuna kura itakayopigwa baada ya tarehe ya mkutano, au iwapo mkutano utaahirishwa, sio chini ya saa 24 kabla ya wakati uliopangwa wa kupiga kura iwapo itapigwa zaidi ya saa 48 baada ya mkutano au kuahirishwa kwa mkutano.
6. Iwapo shirika au kampuni ndiyo mwenyehisa basi fomu ya uwakilishi inafaa kupigwa mhuri rasmi wa kampuni au kuidhinishwa na afisa au wakili aliyeidhinishwa kuiwakilisha kampuni au shirika hilo.
7. Chaguo la "kususia" limeorodheshwa kwenye sehemu ya kupiga kura kwenye fomu hii ya uwakilishi. Matokeo ya kisheria ya kutumia chaguo hili kwenye azimio lolote ni kwamba utahesabiwa kama mtu ambaye hakupigia kura azimio hilo. Idadi ya kura zilizosusiwa, hata hivyo, itahesabiwa na kurekodiwa, lakini hazitatumiwa katika kuhesabu idadi ya kura zilizounga mkono au kupinga kila azimio.

Kumbuka

1. F1. Fomu ya Uwakilishi iliyojazwa na mwenyehisa inafaa kuwasilishwa kwa ofisi za EABL katika Ghorofa ya 5, Garden City Business Park, Block A, Barabara ya Garden City, kutoka Kitokeo cha 7 Barabara Kuu ya Thika, au itumwe kwa posta ili ifikie EABL, S.L.P. 30161-00100, Nairobi, sio baada ya saa tano asubuhi (11:00 a.m.) mnamo 14 Septemba 2020, ambapo hilo lisipofanyika itakuwa batili.
2. Kwa shirika au Kampuni, fomu ya mwakilishi lazima ipigwe mhuri.

