DELIVERING VALUE TOGETHER

2019 Integrated Report and Financial Statements


DELIVERING
VALUE
TOGETHER

EABL in 2019

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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Our Business Model

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

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

EABL operates across East Africa region through subsidiaries: Kenya Breweries Limited (KBL), Uganda Breweries Limited (UBL), Serengeti Breweries Limited (SBL), UDV (Kenya) Limited, East African Beverages (South Sudan) Limited, East African Breweries Rwanda Limited and East African Maltings Limited (EAML). Although our business is concentrated in Kenya, Uganda and Tanzania, our brands are sold in more than 10 countries across Africa and beyond. Our portfolio and geographic reach enable us to deliver sustainable performance and create value for our shareholders.

The consumer is at the heart of our business. 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. Our business model is centered on country specific strategies which allow us the agility to respond to changing consumer and customer needs, as well as respond to market trends. We are a proud grain-to-glass business:

- 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.

Leading total beverage alcohol (TBA) company in Eastern Africa

- 97 years of experience, since 1922
- 1% GDP contribution in Kenya
- Market leadership in 2 key markets
- +2 million people impacted directly or indirectly

Strong iconic brands

- Diversified offering – 40+ brands. Owning the most alcohol brands in East Africa
- Outstanding combination of local beers and international premium brands
- Tusker, named most admired East African alcohol brand in 2019 by Brand Africa
- Iconic national pride brands – Tusker, Bell and Serengeti

Extensive footprint in supply and distribution

- Operating across 6 countries within East Africa
- 6 production sites with recent addition of Kisumu plant
- Partnering with 62,000 farmers to supply our raw materials
- Investing in capacity building from grain to glass

Driving EABL's Sustainability

62,000
Number of farmers recruited by EABL to supply raw materials

Kshs 1.2 billion
Amount of money paid to sorghum farmers by EABL in 2019

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

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

Kshs 64 billion
EABL annual contribution to the Exchequer across East Africa

27,000
Number of retailers trained on responsible delivering practices

13.9 million EUs
Volumes produced by EABL across East Africa

Our Strategy

Our strategy is underpinned by our core passionate desire to serve our consumers and the communities in which we operate in by offering extensive choice of products at different price points to suit different occasions and economic levels. Our purpose is to celebrate life every day, everywhere, and we are passionate about alcohol playing 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. It is critical that we prioritise where to invest and win based on an understanding of growth potential, profitability and our own right to win.

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Celebrating Life, Every day, Everywhere

AMBITION

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

STRATEGIC IMPERATIVES

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

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

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

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

KEY ENABLERS

Aspirational and Accessible Innovations.

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

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

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

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

Guaranteed through our people

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

Our strategy is delivered through 4 executional priorities:

Bringing vibrancy and dynamism to mainstream beer

Mainstream beer is the backbone of our business. Ensuring we sustain growth of our local and global power brands is therefore critical to our growth ambition. We continue to build strength of our key brands such as Tusker, Bell and Serengeti as the emblems of identity and national pride.

Exploding mainstream spirits

Mainstream spirits is a sizeable growing opportunity. We continue to invest in our mainstream spirits portfolio of powerful local and global brands that are aspirational and accessible, allowing us to penetrate new segments/ occasions. In F19, we continued with our strategy to expand our portfolio with relevant innovations that serve changing consumer preferences and respond to affordability concerns.

Accelerating and winning in premium

Disrupting and shaping the future of premium by building aspiration for our brands and ensuring availability among the growing population of aspirational and discerning customers looking for wider choices in their consumption repertoire.

Unlocking TBA growth with value

Upto 50 percent of alcohol consumed is sold through informal channels, making this sector one of the biggest sources of growth in the region. 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 focus on building an effective route to consumer strategy ensuring our brands are highly accessible and available; investing across our supply chain from grain to glass, guaranteeing supply through an advantaged but fit for purpose value chain; enforcing a culture of continuous evaluation to optimize our costs for maximum returns. Lastly, we pride ourselves in being a respected partner in the community by partnering with the government in shaping industry tax and regulation for the betterment of our communities.

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.

We own the most iconic national pride brands in the region such as Tusker, Serengeti and Bell. In 2019 Tusker and Guinness were recognized as two of Africa's top 5 most admired alcohol brands by Brand Africa, whereas Guinness reserved the top spot. With regards to spirits, our global giants Johnnie Walker and Smirnoff are two of the world's five largest premium spirit brands.

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

Global giants

Proud of our global iconic brands

Johnnie Walker, Smirnoff, Baileys, Captain Morgan, Tanqueray, Guinness

Beer Brands

Can be individual to any one market and provide platform for our business to grow

Tusker Lager, Tusker Cider, Tusker Malt, Tusker Lite, Bell, White Cap, Pilsner Lager, Pilsner King, Serengeti, Serengeti Lite, Tusker, Ngule, Senator Keg Lager, Senator Dark Extra, Balozi, Kibo Gold

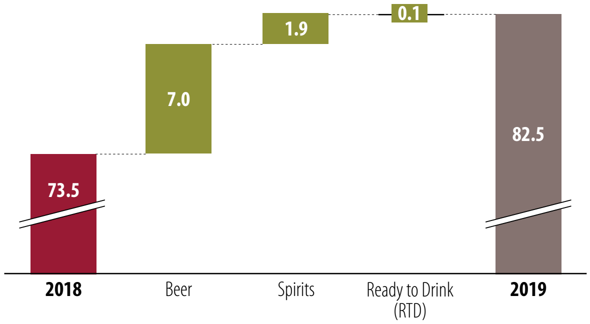
Spirits Brands

Small selection from our extensive portfolio of spirit brands.

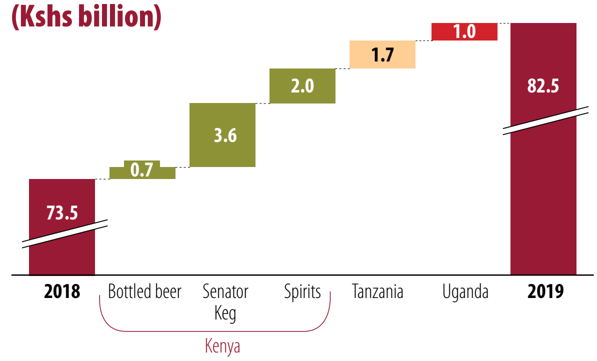
Kenya Cane, Chrome Vodka, Bond 7 Whisky, Uganda Waragi, Gilbey's Gin, J&B, Captain Morgan, Kane Extra, Triple Ace Vodka, Ketel One Vodka, Tequila Don Julio, Black & White, The Singleton, Bulleit Frontier Whiskey, Gordon's London Dry Gin, Talisker

Financial Highlights

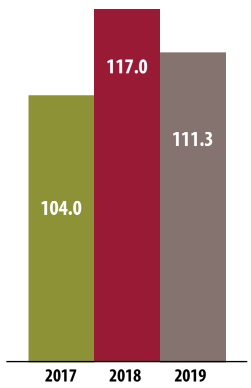
Revenue growth by category (Kshs billion)

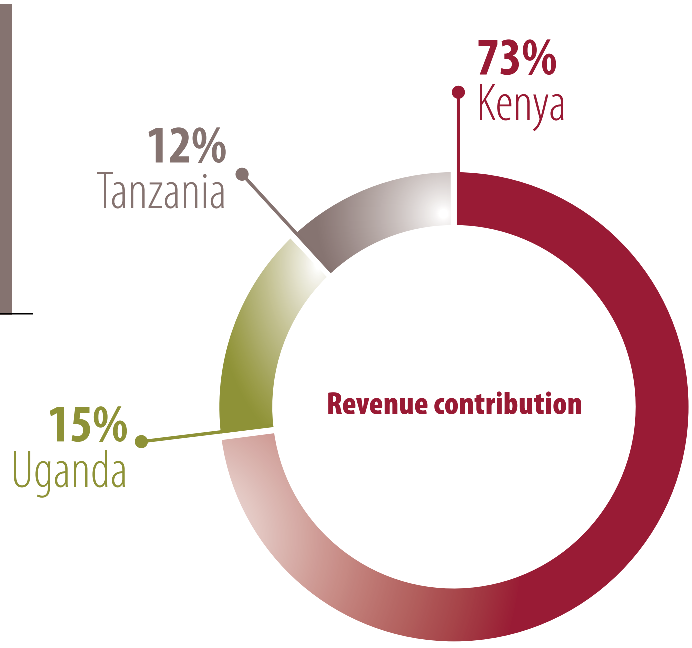


+12% Overall revenue growth by country (Kshs billion)

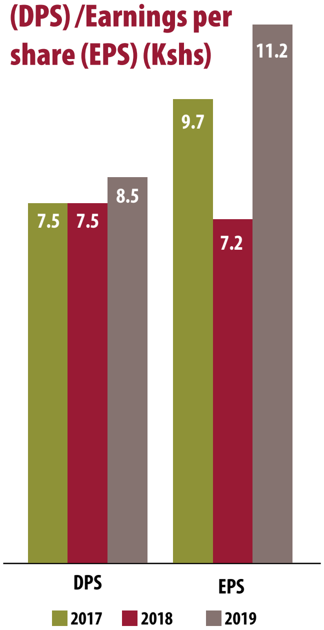


Operating cash conversion(%)

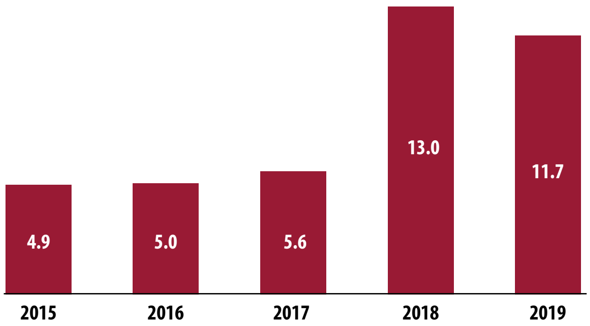




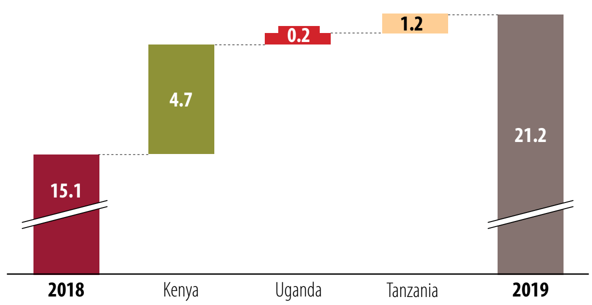
Dividends per share (DPS) /Earnings per share (EPS) (Kshs)



Capital expenditure (Kshs billion)



Profit before interest and tax (Kshs billion)

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Executive Summary

Building thriving economies through value creation

62,000

Besides the 45,000 small-holder sorghum farmers we have recruited in the last 15 years, our new KBL brewery in Kisumu has enabled us add another 17,000 in the last year alone. The Kshs 1.2 billion we paid to these sorghum farmers, most of them women, is an example of how we have leveraged our growth to build thriving communities.

Exactly ninety years ago this year, during the formative years of our company, we decided to start using malted barley in the production process instead of imported malt extracts.

Through this extraordinary move in 1929, EABL set off on an uncharted journey for our company and East Africa, enabling us to unleash millions of job opportunities across our value chains and hundreds of billions of shillings to our economies and communities. As far as business-led socio-economic multiplier effect goes, EABL's impact has been unprecedented – an achievement we are most proud of.

Equally, our spirit of commitment to the community emerged also at the dawn of existence. Upon declaring our first dividend of 12.5% at the first Annual General Meeting in 1926, the company donated $10 to Kenya's first-ever national charity fund bringing together brewers and consumers.

Today, the company contributes 1% of East Africa's Gross Domestic Product (GDP) and about 5% of government revenue. Whether in our agricultural value chains, our distribution networks, or communities in which we operate, our business has been grounded on the rich tapestry of East Africa, based on trust and shared values.

In the last year alone, we contributed Kshs 64 billion in revenue to East African governments, helping in building thriving economies in the region. This amount is dwarfed by the worth we create across our supply chains – a robust, thriving value chain vehicle to our communities. Besides the 45,000 small-holder sorghum farmers we have recruited in the last 15 years, our new KBL brewery in Kisumu has enabled us add another 17,000 in the last year alone. The Kshs 1.2 billion we paid to these sorghum farmers, most of them women, is an example of how we have leveraged our growth to build thriving communities.

> **Our business and brands connect us to millions of East Africans, providing an enormous opportunity to not only build our business but also deliver real value and safeguard the future of our communities**

The role these communities play is not only essential for our business but also the sustainable value chains. But we realise we have to lead from the front. That is why in the next financial year, we have announced a Kshs 22 billion environmental investment covering our East African markets, confirming our commitment to reducing its carbon footprint and addressing climate change.

This capital investment across EABL's brewing sites will deliver new solar energy, biomass power and water recovery processes. The initiatives include an upfront capital investment programme of Kshs 6.5 billion in solar, water treatment and biomass equipment, followed by further long-term commitments for the ongoing maintenance and operations. This will include the fuel supply for six new biomass boilers with locally sourced renewable fuel.

Through this investment, we hope to deliver new infrastructure designed to have a significant impact on the long-term sustainability of Diageo's supply chain in East Africa. The investment includes:

- A commitment to switch to renewable energy at three breweries in Kenya and Uganda. New biomass boilers will replace heavy fuel oil using sustainable fuel alternatives such as wood chip, bamboo and rice husks to create steam power for the breweries, reducing carbon emissions by 42,000 tonnes per 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.
- New water recovery, purification and reuse facilities across 3 sites in East Africa, including Kenya, and Uganda, saving over 1.2 billion cubic litres of water a year.
- Solar installations to provide renewable electricity at 6 breweries across three countries, starting with Kenya. These solar panels will produce up to 10% of each brewery's electricity demand.

These capital investments will help reduce the absolute greenhouse gas emissions from direct operations by 42,000 tons per year (equivalent to 95% green-house reduction) through the use of biomass across three sites in Kenya and Uganda, while solar will help us deliver up to 10% of total electric power requirements.

Besides enabling us return 100% of wastewater from our

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operations to the environment safely, the new efforts will result in a 40% improvement in water use efficiency, helping save over 1.2 million cubic metres of water annually.

All these initiatives constitute part of our larger efforts aimed at meeting our commitments while enabling us to achieve the UN Sustainable Development Goals (SDGs).

We have integrated these SDGs into our business aligning them accordingly:

- Building sustainable, inclusive supply chains (SDG1, SDG4).
- Achieving food security, sustainable agriculture and promote inclusive and sustainable industrialisation (SDG2 and SDG9)
- Promoting entrepreneurship, employability and skills (SDG4, SDG8)
- Improving health and wellbeing, and access to clean water, sanitation and hygiene (SDG3, SDG6)
- Empowering women and enabling inclusive societies (SDG5 and SDG10).

Our business and brands connect us to millions of East Africans, providing an enormous opportunity to not only build our business but also deliver real value and safeguard the future of our communities. To achieve this, we are committed to reducing environmental impact, not only within our operations, but also those of our partners.

Our code of sourcing behaviours is enshrined in EABL's Partnering with Suppliers Standards, clearly setting out the minimum social, ethical and environmental standard we require suppliers to embrace and follow, as part of their contract with us. We also reinforce that these standards should set the ground for our long-tern partners to work towards.

At EABL, we also recognise that while the vast majority of people enjoy our brands responsibly, harmful drinking causes significant problems for individuals and society. Because we all want to ensure our brands have a positive impact on the people around us, addressing alcohol misuse and encouraging moderation are critically important to everyone at EABL.

40%

Besides enabling us return 100% of wastewater from our operations to the environment safely, the new efforts will result in a 40% improvement in water use efficiency, helping save over 1.2 million m³ of water annually

CO_2

These capital investments will help reduce the absolute greenhouse gas emissions from direct operations by 42,000 tons/years (equivalent to 95% green-house reduction) through the use of biomass across three sites in Kenya and Uganda

Because we all want to ensure our brands have a positive impact on the people around us, addressing alcohol misuse and encouraging moderation are critically important to everyone at EABL.

As a regional business, we have focused our efforts on three core pillars: campaigning to reduce harmful drinking; promoting moderation; and improving laws and industry standards.

- **Industry collaboration:** Industry alliances with our peers in the alcohol industry is a vital part in achieving greater impact, whether through campaign initiatives or by setting industry standards. From global businesses like ours, to local producers in individual markets, we strongly believe everyone needs to play their role – and where possible, be a catalytic agent of change. Since 2015, we have collaborated with our peers at the Alcoholic Beverages Association of Kenya (ABAK), with key outcomes around improvement of laws and regulations driving our industry. Apart from implementing commitments, we have launched joint campaigns against harmful drinking and a Marketing Code for the industry. Besides providing a check on the members' commitments, the Code is geared towards enhancing standards for digital marketing by applying new tools, technology and data to digital marketing to ensure it is responsibly targeting adult consumers.

- **Responsible marketing:** Whilst the Diageo Marketing Code and Digital Code are our mandatory minimum standards for responsible marketing at EABL, the ABAK Marketing Code reinforces the industry standards, recognising the holistic nature of the reputational risk associated with harmful drinking. Across many of our markets, advertising firms monitoring and industry bodies publicly report breaches of self-regulatory alcohol marketing codes.

- **Improving laws and industry standards:** As highlighted above, the bulk of the work on laws, regulations and standards have been conducted in collaboration with ABAK, regulators and policy-makers. Whilst we comply with set laws and regulations wherever we operate, we also advocate for sensible new regulation including those related to legal purchasing age and marketing. Our advocacy work also straddles building effective policies to address misuse of all forms of alcohol, as in the example of the recent Marketing Code launch in Kenya.

Diversity is a critical strand in our DNA

We view diversity and inclusion as critically important elements of business. A diverse talent and inclusive culture is essential for us to excel now and in the next 100 years, embracing variety in backgrounds, skills, and capabilities across East Africa.

That is why EABL has made commitments on this front as a signatory of the UN Global Compact and the UN Women Empowerment Principles. We exercise the word and spirit of these standards, aligning ourselves to secure diversity in our workplace. Our approach to gender diversity is driven by the core belief that winners in global business must embrace diverse leadership teams.

Although we are not where we want to be, our journey to a fully diverse business has started with getting more women in leadership positions. We have women in 4 EABL Board and Executive positions. Our intention is to ensure diversity is sustained in the leadership roles. Before hiring at senior management level, we ask that there is a female candidate on all our shortlists – and if there isn't we ask questions to find out why.

> **"A diverse talent and inclusive culture is essential for us to excel now and into the next 100 years, embracing variety in backgrounds, skills, and capabilities across East Africa**

Further, we view our diversity in talent and skills in a much wider spectrum. We also approach our diversity goals with the same attitude and drive that we approach our financial goals; all members of our executive committee are individually responsible for helping EABL realise its diversity ambitions and as a Group we are committed to tackling any unconscious bias that might exist within the business.

Chairman's Statement

Overview

It gives me great pride to report on a year of strong performance for East African Breweries Ltd (EABL). The year saw the business achieve growth across all areas of performance and all geographies, confirming that the focus we have placed behind our strategic pillars is working and delivering results.

The reported growth in volumes, net sales value, profit after tax as well as the improvements in cash generation from the business have translated into improved shareholder's return. As a result, the Board has recommended a final dividend of Kshs 6 per share, bringing the total dividend for the year to Kshs 8.50 per share, a 13% increase compared to Kshs 7.50 per share paid out the year before.

Outside financial performance, the business also continued to excel in a wide range of areas, receiving recognition across the industry and beyond. Our Kenya subsidiary, Kenya Breweries Limited (KBL) won Brewery of the Year award within Diageo for the third year running as well as the Diageo Africa President's Award through UDV (Kenya) Limited for achieving the highest growth in Spirits in Africa. Our plant in Nairobi also won the Overall Energy Management Award for being the Most Energy Efficient site in 2019. In Tanzania, Serengeti Breweries Limited won the Employer of the Year award by the Association of Tanzania HR professionals, for investing in technology.

These outcomes create a strong foundation for the new financial year and generate momentum as we approach our centenary mark.

13%

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Business Environment

Unlike the preceding financial year when we saw depressed economic activity in Kenya during the election period, this financial year was characterised by political and social-economic stability across East Africa, which was a source of great impetus for our business.

The three key economies in the region recorded steady growth, inflation remained broadly within target and the key currencies held their own against major international currencies. This, together with a stable tax and regulatory regime provided an enabling business environment in the year.

> **Our flagship capital project during the year was the construction of the new, Kshs 14 billion, state-of-the-art brewery in Kisumu that will deepen our reach in the western part of Kenya and add over 100,000 people to our value chain.**

Looking ahead, while the business continues to leverage on the strength of our brands and our wide portfolio to deliver sustainable shareholder return, we remain cautiously optimistic given the macro-economic headwinds affecting some of our key markets.

The recent Finance Bill presented by the Treasury Cabinet Secretary in Kenya proposed significant excise increase in both beer and spirits (5.2% in beer and 15% in spirits). This will be the first time that government is increasing excise duty in Kenya for two years in a row.

While we acknowledge the need for government to grow its revenue, we are sensitive that this will impact consumers' ability to afford our products, thus potentially drawing more of them to consumption of illicit alcohol. As a responsible corporate citizen, we continue to engage with relevant stakeholders in pursuit of our aspirations of a truly integrated East African Community, with free movement of goods and people across borders in order to catalyse sustainable economic growth in the region.

Business Development

Our flagship capital project during the year was the construction of the new, Kshs 14 billion, state-of-the-art brewery in Kisumu that will deepen our reach in the western part of Kenya and add over 100,000 people to our value chain. I am delighted to report that the construction work, which started in the preceding financial year, was completed in the course of the year and all the necessary pre-production tests had been carried out successfully by the financial year-end.

Going forward, our key commercial priorities aimed at growing the business across the region will be:

- Growing Senator as we seek to commercialise the new brewery and begin to draw returns.
- Investing in the existing brands to further embed their strength in the market place and to grow our share.
- Defending our position as industry leaders through our cutting-edge innovations that shape the future of the industry.
- Continuing to make capital investments with a view to increasing production capacity, enhancing efficiency in our production processes and reducing our environmental footprint.

Sustainability

EABL has a rich heritage spanning nearly a century now. Ours is a legacy built through strong partnerships with communities and stakeholders in the markets we operate in. We take pride in the positive contribution we make in our society and will continue with this agenda along the three core areas we have identified for sustainability and responsibility. These are:

- creating a positive role for alcohol in society;
- building thriving communities; and
- reducing our environmental impact.

EABL has made significant steps in fostering the positive role of alcohol in society, promoting moderation through our established responsible drinking programmes such as *UtaDo* in Kenya, the Red campaign in Uganda and in-bar advocacy and education in Tanzania, educating communities on dangers of drunk driving. These go a long way in reinforcing our commitment to helping communities celebrate life in a responsible and sustainable manner.

We also work with communities to ensure that we are building sustainable practices and livelihoods. From our leadership, employees, farmers, distributors, suppliers right through to consumers, we have made great strides in aligning our business operations with the expectations and aspirations of the communities in the areas we operate in. Our emphasis on building sustainable supply chains through our local sourcing programs such as *Mtama ni Mali* in Kenya, Cassava sourcing in Uganda and sourcing of barley and sorghum in Tanzania guarantee livelihoods for our communities. Further, through programs such as Heshima that help impart skills and training, water provision in schools and tree planting, we play our part in helping our communities gravitate towards the achievement of SDGs.

In a pioneering move, EABL introduced an upgraded family leave policy which will see our female employees benefit from an extended maternity leave of six months while paternity leave for male employees has been extended to one month. This is in line with our broad-based diversity programs aimed at providing an opportunity for balanced work life and in particular being deliberate at encouraging female employees to give their contribution at work while raising families.

On reducing environmental impact of our operations, we are committed to promoting sustainable practices that reduce harm on the environment. In this regard, the business has undertaken an ambitious investment programme that will promote eco-friendly practices in the way we operate. In this regard, we recently commissioned broad based investment programs in Biomass and Solar power generation to reduce our carbon footprint in the environment. Additionally, the launch of certified water recovery processes will ensure reduced water usage for every hectoliter of alcohol we produce.

Corporate Governance

Doing the right thing underpins our ambition to deliver first class performance and build our reputation as a company that is trusted and respected by our stakeholders. EABL is committed to the highest standards of corporate governance and ethics. In order to ensure adherence to good governance and best practice, the company has embedded internal policy and guidelines to guide activities involving our employees, customers, suppliers, competitors, government and the community at large.

During the year, the business introduced the refreshed code of conduct training dubbed "Pathway of Pride". This program brought experiential learning across the organization, aimed at renewing the individual and collective business commitment to conducting business in accordance with all relevant laws regulations and industry standards.

Board Changes

Since the last Annual General Meeting, Dr. Paul Gallagher resigned from the Board effective 31st March 2019 after he left Diageo to pursue other interests. On behalf of the Board I take this opportunity to thank him for his invaluable contribution to the company's success during his tenure and wish him all the best in the future. We also welcomed Mr. John Ulanga to the Board following his appointment effective 1 June 2019 and look forward to his contribution in the months and years to come.

Appreciation

A strong, all-round performance such as the one we achieved in the financial year just gone by would not have been possible without the unrelenting support of all the stakeholders in our business eco-system. To our customers, consumers, business partners and government, I am proud of the trusting relationships we have developed over the years and on behalf of the Board, I thank you for your continuing support and partnership.

To management and staff, it is your unwavering commitment to delivering the business strategy that enabled the company to record these outstanding results in the year. We celebrate you and look forward to continued successful execution of our strategy in the years to come.

The Board of Directors ensures the long-term and sustainable prosperity of the business by collectively directing and supervising the company's affairs while balancing the interest of stakeholders. I have the privilege of leading a team of men and women who bring their diverse skills, relevant experience and passion for success to bear on the decisions of the Board. I take this opportunity to sincerely thank my fellow Board members for their contribution and look forward to their continued engagement in shaping the future success of the business.

Charles Muchene
Group Chairman

We are committed to promoting sustainable practices that reduce harm on the environment. In this regard, the business has undertaken an ambitious investment program that will promote ecofriendly practices in our operations in future.

Taarifa ya Mwenyekiti

13%

Wakurugenzi wamependekeza mgao wa mwisho wa faida wa shilingi sita (Kshs 6) kwa kila hisa. Mgao huu utaleta jumla ya shilingi nane nukta tano (Kshs 8.50) kwa kila hisa ambao ni ongezeko la asilimia kumi na tatu (13%) ikilinganishwa na ya mwaka jana ya shilingi saba nukta tano sufuri (Kshs 7.50).

Utangulizi

Ni kigezo cha fahari kwangu kuripoti kuhusu mwaka wa utendakazi wa hali ya juu kwa kampuni ya East African Breweries Limited (EABL). Mwaka ambao umeshuhudia ukuaji wa biashara ulioenea katika maeneo ya kanda hii ya afrika mashariki na kuhakikisha mikakati ambayo tumeweka kuwa himili zetu muhimu inanfanya kazi barabara.

Ukuaji wa maradufu ulioripotiwa katika jumla, thamani ya mauzo yote, faida baada ya kutozwa ushuru na vilevile uingizaji wa fedha kutoka kwa biashara imehakikisha manufaa makubwa kwa washikadau.

Kutokana na hilo, Wakurugenzi wamependekeza mgao wa mwisho wa faida wa shilingi sita (Kshs 6) kwa kila hisa. Mgao huu utaleta jumla ya shilingi nane nukta tano (Kshs 8.50) kwa kila hisa ambao ni ongezeko la asilimia kumi na tatu (13%) ikilinganishwa na ya mwaka jana ya shilingi saba nukta tano sufuri (Kshs 7.50).

Kando na kufaulu kwetu kifedha, biashara imeendelea kunufaika kwa mshazari mkubwa na kupata utambulisho maalum katika tasnia hii na hata nje ya mipaka ya Afrika mashariki.

Katika tanzu yetu ya nchini Kenya, Kenya Breweries Limited (KBL) ilijinyakulia tuzo ya mwaka ya kampuni ya vileo ya Diageo kwa mwaka wa tatu kwenye usanjari huo na vilevile tuzo ya Rais wa Diageo ya Afrika (Diageo Africa President's Award) baada ya kuafikia ukuaji wa hali ya juu kwa uzalishaji wa pombe kali barani Afrika.

Kiwanda kilichoko jijini Nairobi pia kilijipatia tuzo ya jumla ya kutunza kawi (Overall Energy Management Award) kwa kutumia kawi salama mwaka huu (the Most Energy Efficient site in 2019).

Nchini Tanzania, Serengeti Breweries Limited ilijinyakulia tuzo ya mwajiri bora wa mwaka kutoka kwa shirika la rasilimali ya kibinadamu ya Tanzania (Association of Tanzania HR professionals), kwa kuwekeza kwenye teknolojia.

Matokea hayo yanaweka msingi thabiti wa mwaka mpya wa kifedha na kutia kasi ukuaji wetu tunapoelekea kutimiza karne moja ya utendakazi.

> **Mradi wetu mkubwa wa mwaka ulikuwa kujenga kiwanda kingine cha kutengeneza vileo mjini Kisumu cha shilingi bilioni kumi na nne ambacho kitatuwezesha kuwafikia wateja wetu magharibi mwa Kenya na kufungua ajira kwa watu zaidi ya laki moja.**

Mazingira ya Biashara

Kando na mwaka jana ambao tulishuhudia msukosuko wa uchumi nchini Kenya wakati wa uchaguzi, mwaka huu ni tofauti mno kwani tumeshuhudia utulivu wa siasa na uchumi kote Afrika mashariki na hili limetuhakikishia biashara angavu.

Chumi hizi tatu za Afrika mashariki zilirekodi ukuaji thabiti, mfumko wa bei ulisalia kwenye malengo yetu huku shilingi yetu ikisalia imara dhidi ya fedha za kimataifa.Hili pamoja na ushuru tulivu lilituwezesha mandhari safi ya biashara.

Hata ingawa tunakumbana na changamoto kadhaa sokoni, tunasalia na matumaini makubwa haswa katika mauzo ya bidhaa zetu nzuri na utambulisho wetu wa hali ya juu ili kurudisha faida ya kudumu kwa washikadau wetu.

Mswada wa hivi majuzi uliowasilishwa na waziri wa fedha nchini Kenya ulipendekeza kuongezwa kwa ushuru unaotozwa pombe kali kwa asilimia kumi na tano (15%) na asilimia tano nukta mbili (5.2%) kwa bia.

Ni mara ya kwanza serikali inaongeza ushuru mara mbili chini ya miaka miwili mtawalia. Hata ingawa tunakubaliana na serikali kwa utozaji ushuru, huenda hili likafanya wateja wetu kujiingiza katika pombe haramu kwani hawatamudu bei ya bidhaa zetu.

Kama kampuni inayotii sheria, tunaendelea kufanya mazungumzo na washikadau tofauti ili tupate ruhusa ya kupitisha bidhaa zetu mpakanai bila vizuizi ili kufanikisha uchumi katika kanda hii.

Maendeleo ya biashara

Mradi wetu mkubwa wa mwaka ulikuwa kujenga kiwanda kingine cha kutengeneza vileo mjini Kisumu cha shilingi bilioni kumi na nne ambacho kitatuwezesha kuwafikia wateja wetu magharibi mwa Kenya na kufungua ajira kwa watu zaidi ya laki moja.

Ninafurahi sana kuripoti kwamba mradi huo umekamilika na majaribi ya uzalishaji yamefanywa mwishoni mwa mwaka wa kifedha.

Kuendelea mbele, malengo yetu makubwa ya ukuaji wa biashara kote Afrika mashariki ni:

- Kuimarisha Senator wakati tunakitambulisha kiwanda chetu kipya na kuanza kupata faida.
- Kuwekeza katika bidha zilizopo ili kuimarisha nguvu zao sokoni na kuongeza mgao wetu.
- Kudhibiti nafasi yetu katika tasnia hii kama kielelezo, kupitia uvumbuzi wetu utakaofaidi EABL siku za usoni.
- Kuendelea kuwekeza kwa lengo la kuongeza uzalishaji, uharakishaji katika kuzalisha na kuhakikisha tunapunguza uharibifu wa mazingira.

Kujiimarisha

EABL ina urithi wa kueneza muda wa karne moja sasa. Nia yetu ni kubuni muungano na jamii pamoja na washikadau wetu katika soko tunakohudumu. Ni kigezo cha fahari kushuhudia vitu chanya tunavyofanya katika jamii na tutaendelea na ajenda hii pamoja na vipengee vitatu muhimu vya kujiimarisha na kujukumika. Vipengee hivyo ni:

- Kubuni kazi chanya ya vileo katika jamii;
- Kujenga jamii zinazofaulu; na
- Kupunguza uharibifu wa mazingira.

EABL imepiga hatua kubwa katika kuleta kazi chanya ya vileo katika jamii, kupitia mipango yetu kama vile *utaDo* nchini kenya, the *Red campaign* nchini Uganda na inbar advocacy and education nchini Tanzania, katika harakati ya kufunza jamii dhidi ya hatari za kuendesha gari baada ya kulewa. Hili linalandana na kusaidia jamii kusheherekea maisha imara.

Vilevile tunashirikiana na jamii kuhakikisha madhari safi ya maisha. Kutoka kwa uongozi wetu, tumepiga hatua inayooana na jamii huku tukiimarisha bishara yetu haswa kwa kuwahusisha wafanyikazi, wakulima, wasambazaji bidhaa hadi kwa wateja wetu.

Kununua mazao kutoka kwa wakulima wetu kupitia mipango kama vile *Mtama ni Mali* nchini Kenya, ununuzi wa mhogo nchini Uganda na ununuzi wa shayiri na mtama nchini Tanzania kumewezesha maisha mazuri katika jamii zetu.

Aidha, kupitia mipango kama vile *Heshima* inayosaidia kwa mafunzo, uwepo wa maji shuleni na upanzi wa miche, tunasaidia jamii kuafikia malengo ya kujiimarisha kimaendeleo yaani Sustainable Development Goals (SDGs).

Katika hatua ya mwanzo, EABL ilibuni likizo ya miezi sita kwa kina mama ambao wamejifungua huku kina baba ambao wake zao wamejifungua wakinufaika na likizo ya mwezi mmoja.

Hili ni kutokana mikakati yetu ya kuhakikisha usawa katika maisha na utendakazi kwa kina mama na vilevile katika kutunza familia zao.

Katika harakati zetu za kukwepa uharibifu wa mazingira tumewekeza katika miradi kama vile biomass na solar power ili kupunguza hewa chafu na pia kuzindua taratibu ya kunasa maji zitakazowezesha kupunguzwa kwa matumizi ovyo ya maji kwa pombe tunayozalisha.

Udhibiti wa kampuni

Lengo letu ni Kutenda la ukweli ili kujenga sifa nzuri kama kampuni inayoaminika kwa washikadau wetu. EABL inanuia kuwa katika kiwango cha juu katika udhibiti wa kampuni na sheria.

Ili kuhakikisha hili EABL imeweka sheria na mikakati ya kufuatwa kwa wafanyikazi wake, wateja, washindani, serikali na jamii kwa ujumla.

Wakati wa mwaka kampuni ilibuni mpango wa mafunzo almaarufu "Pathway of Pride" ambao ulitoa mafunzo kote katika kampuni, lengo kuu likiwa kuimarisha jinsi ya kuandaa biashara kulingana na sheria na taratibu zilizowekwa na kufikia kiwango cha viwanda.

Mabadiliko katika bodi

Tangu mkutano wa mwaka uliopita, Dr. Paul Gallagher alijiuzulu kutoka kwa bodi tangu tarehe thelathini na moja Machi mwaka huu kwa shughuli zingine. Kwa niaba ya bodi, nachukua fursa hii kumshukuru kwa mchango wake maalum wakati wa hatamu yake na kumtakia mazuri siku za usoni. Pia tulimkaribisha Bwana John Ulanga kwa bodi kufuatia kuteuliwa kwake tangu Juni mosi mwaka huu na tunatarajia mchango wake miezi na miaka inayokuja.

Shukrani

Matokeo makubwa na faida nono ya mwaka wa kifedha uliopita hatungeafikia kama si kwa mchango madhubuti wa washikadau walio katika mazingira yetu ya biashara.Kwa wateja wetu, washirika katika biashara na serikali, ninajivunia uhusiano mwema ambao tumebuni kwa miaka na kwa niaba ya bodi, nasema asante sana kwa usaidizi na ushirikiano wenu thabiti.

Kwa usimamizi na wafanyikazi, ni wajibu wenu wa kutimiza lengo la biashara ambao umewezesha kampuni kurekodi matokea mazuri mwaka huu. Tunawasheherekaea na kutarajia kufaulu kwa utekelezaji wa malengo yetu.

Bodi ya wakurugenzi inawahakikishia utiaji fora wa kudumu kwa biashara kwa kuongoza na kuangalia maswala ya kampuni huku wakiangazia nia ya washuikadau.

Nimejaliwa kuongoza kundi la watu walio na ujuzi tofauti, tajriba hitajika, mvuto wa kufaulu na kumudu maamuzi ya bodi. Nachukua fursa hii kutoa shukrani zangu za dhati kwa wanabodi wenzangu kwa mchango wao na kutazamia ubunifu wao katika kuhakikisha mafanikio ya kibiashara katika siku za usoni.

Charles Muchene
Mwenyekiti wa EABL

Katika harakati zetu za kukwepa uharibifu wa mazingira tumewekeza katika miradi kama vile Biomass na solar power ili kupunguza hewa chafu na pia kuzindua taratibu ya kunasa maji zitakazowezesha kupunguzwa kwa matumizi ovyo ya maji kwa pombe tunayozalisha.

Group Managing Director's Statement

I am pleased to report another year of robust and consistent performance. This has been a year of significant progress for East African Breweries Limited (EABL). Our performance demonstrates our focus on disciplined execution in everything we do across the business. It is this focus which has delivered volume growth, margin improvement and strong cash conversion. I am confident we now have the platform to deliver sustainable growth.

Performance

Our strategy is clear, and we have consistently executed it with great results, as demonstrated by the financial statements in this report.

Our efficiency and agility, coupled with a relatively stable macro-economic environment, have provided tailwinds for better performance, with EABL returning organic volume of 11% and net sales growth of 12%.

The company also delivered 40% growth in Operating Profit and a strong cash performance, with Operating Cash Conversion of 111.3%. This performance enabled our Board of Directors to recommend a final dividend of Kshs 6.00 per share, resulting in a total dividend of Kshs 8.50 per share. This represents a 13% increase compared to the last financial year.

Rigorous execution of our strategy has leveraged emerging trends mainly driven by consumers trading up to more premium brands, while price-sensitive ones were able to access our value brands, further growing our volumes. As a result, the business delivered better volume and price/mix.

All our markets delivered strong growth: net sales in Kenya, our largest business, were up 13%, buoyed by growth in mainstream spirits, Scotch and Senator Keg, up 30%, 28% and 32%, respectively. Bottled beer performance recovered strongly, returning 3% growth.

40%

The company also delivered 40% growth in Operating Profit and a strong cash performance, with Operating Cash Conversion of 111.3%.

"EABL is on track to increase utilisation of the new Kshs 14 billion brewery in Kisumu which has started producing Senator Keg, giving a robust and sustainable income to 17,000 additional sorghum farmers delivering the crop to the brewery."

Uganda's net sales increased by 8%, largely driven by the double-digit growth in premium and mainstream beer, at 24% and 33% respectively. Boosted by excellent execution, Guinness, Bell Lager and Pilsner delivered faster growth in the year thus supporting overall increase in net sales.

Tanzania's robust performance continued for the second successive year, with net sales up 20%. Serengeti is now Tanzania's biggest beer brand family, thanks for great work across the trademark which delivered significant growth in the financial year.

Strategic and Operational Highlights

To drive our EABL Strategy, we dialled up our incremental investments across all East Africa, aimed at driving a vibrant beer business, exploding growth in mainstream spirits, winning in premium and recruiting from illicit brews.

EABL is on track to increase utilisation of the new Kshs 14 billion brewery in Kisumu which has started producing Senator Keg, giving a robust and sustainable income to 17,000 additional sorghum farmers delivering the crop to the brewery. The new lot brings to 62,000, the total number of farmers now supplying sorghum to EABL across the region.

After spending Kshs 11.7 billion in capital expenditure across the region in the year, EABL plans to put in more investment in boosting capacity, further improve production efficiencies and minimise our impact on the environment.

We sharpened our focus on marketing with impact, investing 12% more behind sales and distribution of our brands, extending our route to market for all categories. As a result we witnessed consistent growth in brands, as demonstrated by our performance.

Our innovation agenda is motoring further growth of our new brands such as Tusker Cider, Serengeti Lite and Uganda Waragi variants delivering robustly to our revenues. One of the key highlights in 2019 is the production kick off in our brewery in Kisumu, Kenya, where we continue leveraging our commercialisation growth and our Total Beverage Alcohol (TBA), mainly recruiting from illicit brews. This year, we will accelerate production there, helping us reach more outlets and consumers.

Altogether, these investments and commercialisation plans, powered by our people's passion and ambition have set the stage to super-charge our growth agenda across East Africa, selling more, driving better margins and serving our consumers with the drinks they enjoy.

The number of sorghum farmers has increased to

62,000

10%

We also have announced plans for significant solar installations to provide renewable electricity. These solar panels will produce up to 10% of our sites' power demand

Sustainability

Our performance ambition is to become the best performing, most trusted and respected company in Africa. As we approach our centenary celebrations in 2022, this latter part of our ambition will become increasingly poignant as we accelerate and harness investments and people to guarantee sustainable growth for another 100 years.

Whilst pursuing our growth, we are alive to the significance of our stakeholders, without whom our century old existence would not have been guaranteed. Therefore, we will scale up our engagements with communities, who not only supply us with over 80% of raw materials that make our products, but also engage with our sustainability projects in water provision, skills training and responsible drinking initiatives.

As our business grows, we plan to expand our engagement footprint, enlisting more farmers and retailers in areas such as Western Kenya, where potential for growth is huge. Guaranteeing a market for these farmers will not only provide employment, but also boost incomes for local East African families and grow agriculture and our economy.

Further, becoming an increasingly green company is high on our list of priorities. Specifically, in the next financial year, we have announced significant investment to deliver new infrastructure designed to deliver a huge impact on the long-term sustainability of EABL. As part of this, we have made a commitment to switch to renewable energy in our three plants located in Kenya and Uganda.

New biomass boilers will replace heavy fuel oil using sustainable fuel alternatives, reducing carbon emissions by 42,000 tonnes per year, the entire tonnage of our green-house gas emissions from fossil fuels. Additionally, new water recovery, purification and reuse facilities across sites in these two countries potentially, saving 1.2 million cubic metres of water annually.

We also have announced plans for significant solar installations to provide renewable electricity. These solar panels will produce up to 10% of our sites' power demand.

Business Outlook

EABL's performance this year provides a strong springboard for further sustained growth, and we will focus on executing the next phase of our key strategic imperatives, fundamental to our organic growth across the region.

Whilst we always try to anticipate and mitigate headwinds, we are encouraged by the relatively stable operating environment in East Africa, which provides impetus for growth in the next year and beyond. This is characterised by an attractive macro-economic environment, improved business environment and boosted investor confidence coupled with continued public investment in infrastructure.

Looking forward, we will focus on our recipe for success, namely high performance culture, everyday efficiency and reinvestment in our brands, to unleash our future growth. Further, in delivering our 2019 results, we have witnessed what creativity can do when backed by data and analytics to create real value for our company and shareholders. We will extend this, understanding our market and evaluating insights for better results.

I want to thank everyone at EABL for this stellar performance, not only securing organic growth but ensuring a better, broad-based performance in our marketplace, across segments and categories. EABL is a stronger company and this performance has edged us closer to our performance ambition.

Andrew Cowan
Group Managing Director and CEO

12%

Our efficiency and agility, coupled with a relatively stable macro-economic environment, have provided tailwinds for better performance, with EABL returning organic volume of 11% and net sales growth of 12%.

Taarifa ya Mkurugenzi Mkuu

Ninajivunia kuripoti mwaka mwingine wenye manufaa na utendakazi endelevu. Imekuwa ni mwaka wa maendeleo makubwa kwa kampuni ya East African Breweries Limited (EABL). Utendakazi wetu unadhihirisha utiifu tulionao katika kila tunachokifanya kote katika biashara.

Ni lengo hilo ambalo limetupa ukuaji maradufu na uongofu mzuri wa fedha. Nina imani tuna nafasi nzuri ya kutimiza ukuaji thabiti.

Utendakazi

kulingana na taarifa ya kifedha kwenye ripoti hii, lengo letu linaonekana, na tumetekeleza kwa matokeo mazuri. Kupitia Uwezo wa kazi wa kusonga ukiunganishwa na mazingira tulivu ya biashara tumeafikia faida ya asilimia kumi na moja (11%) na mauzo kwa asilimia kumi na mbili (12%).

Vilevile kampuni ilitimiza asilimia arobaini (40%) kwa faida ya matumizi na utendekazi wa fedha wa hali ya juu ikiwa na fedha ongofu ya asilimia mia moja na kumi na moja nukta tatu (111.3%).

Utendakazi huu uliwezesha bodi ya wakurugenzi kupendekeza mgao wa shilingi sita (Kshs 6.00) kwa kila hisa ambao unawakilisha ongezeko la asilimia kumi na tatu (13%) ukilinganishwa na mwaka jana.

Utekelezaji wa kina wa lengo letu umeshuhudia kubuniwa kwa vileo tofauti na wateja kupata bidhaa za hali ya juu. Kutokana na hilo biashara ilitoa faida zaidi na bei nafuu.

Masoko yetu yote yalishuhudia ukuaji wa juu mno: Mauzo nchini Kenya, soko letu kubwa, lilishuhudia ukuaji wa pombe kali kwa asilimia thelathini (30%), Scotch asilimia ishirini na nane (28%) na Senator Keg kwa asilimia thelathini na mbili (32%). Bia ya chupa ilijipatia ukuaji kwa asilimia tatu (3%).

Mauzo nchini Uganda yaliongezeka kwa asilimia nane (8%) kulingana na uuzaji wa premium bia kwa asilimia ishirini na nne (24%) na mainstream bia kwa sailimia thelathini na tatu (33%). Guinness, Bell Lager na Pilsner zilipata mauzo ya juu mwaka huu hivyo kusaidia katika ongezeko la mauzo.

Utendakazi wa manufaa nchini Tanzania iliendelea kwa mwaka wa pili mtawalia huku mauzo yakipanda kwa asilimia ishirini (20%). Bia za Serengeti zimevuma sana nchini Tanzania kwa mujibu wa kazi bora iliyofanya kuiboresha na katika mauzo mwaka huu wa kifedha.

> **EABL ipo radhi kuongeza matumizi ya kiwanda kipya cha Kisumu ambacho kimegahrimu shilingi bilioni kumi na nne kwani tayari kimeanza kuzalisha Senator Keg ambao umewapatia wakulima wa mtama shilingi elfu kumi na saba huku jumla ya wakulima wa mtama elfu sitini na mbili tayari wakiuza mtama kwa kiwanda hicho.**

40%

Kampuni ilitimiza asilimia arobaini kwa faida ya matumizi na utendekazi wa fedha wa hali ya juu ikiwa na fedha ongofu ya asilimia mia moja na kumi na moja nukta tatu.

Vidokezo vya Mpango na Utendakazi

Ili kuendeleza lengo la EABL, Tumewekeza kote Afrika mashariki kwa nia ya kuibuka katika biashara ya bia, pombe kali, kushinda katika premium na kuteua kutoka kwa pombe haramu.

EABL ipo radhi kuongeza matumizi ya kiwanda kipya cha Kisumu ambacho kimegahrimu shilingi bilioni kumi na nne kwani tayari kimeanza kuzalisha Senator Keg ambao umewapatia wakulima wa mtama shilingi elfu kumi na saba huku jumla ya wakulima wa mtama elfu sitini na mbili tayari wakiuza mtama kwa kiwanda hicho.

Baada ya kutumia shilingi bilioni kumi na moja nukta saba kwenye kanda hii mwaka huu, EABL inanuia kuwekeza zaidi ili kuinua kiwango chake, uzalishaji wa haraka, kupunguza uharibifu wa mazingira na kuwekeza asilimia kumi na mbili (12%) katika mauzo na usambazaji wa bidhaa zake sokoni.

Ajenda yetu ya uvumbuzi inapeperusha zaidi ukuaji wa bidhaa zetu mpya kama vile Tusker Cider, Serengeti Lite na Uganda Waragi zinazosaidia ushuru wetu.

Kidokezo kikubwa cha mwaka wa elfu

mbili kumi na tisa ni kufunguliwa kwa kiwanda cha kuzalisha vinywaji mjini Kisumu na kuwezesha ukuaji wetu na utatuwezesha kuwafikia wateja wetu.

Kwa pamoja uwekezaji na mipango ya uuzaji inayosaidiwa na mvuto na mtazamo wa watu wetu umepandisha hadhi ya ajenda ya kusambaa kote Afrika mashariki ili kuwapa wateja wetu vinywaji wanaovithamini.

Wakulima wa mtama wamefika

62,000

Kujiimarisha

Nia kubwa ya utendakazi wetu ni kuwa moja wa kampuni tekelevu, wa kuaminika zaidi na kuheshimiwa kote barani Afrika.

Tukielekea kusheherekea miaka mia moja ya kudumu mwaka wa elfu mbili ishirini na mbili, nia yetu hii ya kujiimarisha itaendelea kuwa angavu zaidi kwa karne nyingine inayokuja haswa katika uwekezaji na kuhusisha watu.

Wakati tunasheherekea miaka mia moja ya kudumu, tumeshuhudia pakubwa mchango wa washikadau wetu ambao bila wao hatungedumu milele. Kwa hivyo tutashirikiana zaidi na jamii ambayo yanatusambazia zaidi ya asilimia themanini ya rasilimali ya kutengenezea vinywaji, maji na unywaji uliowajibika.

Wakati biashara yetu inapanuka, tunapanga kuwahusisha, wakulima, wafanyibiashara wa vinywaji wa maeneo kama magharibi mwa Kenya ambako kuna matumaini ya kukua kwa vinywaji vyetu na kwa upande mwingine wenyeji watapata ajira na faida inayotokana na mauzo ya mtama.

Tunapanga pia kutumia biomass boilers kwa mitambo yetu iliyoko nchini Kenya na Uganda, kuchukua nafasi ya mafuta ili kupunguza utoaji wa gesi aina ya carbon ya tani elfu arobaini na mbili kila mwaka inayosemekana kuharibu hewa.

10%

Tunapanga pia kutumia solar ili kuleta kawi ya kutumika maradufu na kusaidia kwa asilimia kumi ya kawi inayotumika kuzalisha vileo.

Vile vile tunanuia kuhifadhi maji ya cubic milioni moja nukta mbili kila mwaka kupitia mbinu mpya ya water recovery, purification and reuse facilities nchini Kenya na Uganda.

Tunapanga pia kutumia solar ili kuleta kawi ya kutumika maradufu na kusaidia kwa asilimia kumi ya kawi inayotumika kuzalisha vinywaji.

Mtazamo wa Biashara

Utendakazi wa EABL mwaka huu unaleta ukuaji wa hali ya juu kibiashara na tutaangazia nguvu ya kutekeleza wajibu ujao wa malengo yetu makuu ya kujiimarisha kote Afrika mashariki.

Hata ingawa tunakumbana na changamoto, tunapata motisha kutoka kwa mazingira tulivu ya kufanya biashara ya Afrika mashariki yatakayotuwezesha ukuaji miaka ijayo

Ili kuhakikisha tutafaulu, tutaangazia utamaduni wetu wa utendakazi wa hali ya juu na uwekezaji katika bidhaa zetu. Aidha, katika kubuni thamani ya kampuni yetu na washikadau, tumeshudia umuhimu wa ubunifu ukishirikishwa na data pamoja na takwimu haswa katika kupitisha matokeo ya mwaka huu.

Ningependa kushukuru kila mmoja katika EABL kwa utendakazi huu wa hali ya juu kwa sababu ya kufaulu kwetu katika masoko ya Afrika mashariki.

EABL ni kampuni iliyo na nguvu na huu utendakazi umetuweka katika hadhi karibu na lengo letu kubwa la utendakazi.

Andrew Cowan
Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa EABL

12%

kulingana na taarifa ya kifedha kwenye ripoti hii, lengo letu linaonekana, na tumetekeleza kwa matokeo mazuri. Kupitia uwezo wa kazi wa kusonga ukiunganishwa na mazingira tulivu ya biashara tumeafikia faida ya asilimia kumi na moja (11%) na mauzo kwa asilimia kumi na mbili (12%).

EABL Continues its focus on Conserving the Environment

Kenya

Kenya Breweries Limited (KBL) remains at the forefront of efforts towards the conservation of the environment. This year, KBL committed Kshs 8 million towards the second phase of our environmental conservation efforts in Mt. Kenya and Aberdares Forests. In collaboration with Nature Kenya and Kenya Forest Service, KBL, through its staff driven initiative, Kijani, is restoring 250 acres by planting 100,000 trees in the two water towers.

KBL has an ongoing engagement with Community Forest Associations (CFA's) in Mt. Kenya and the Aberdares including Hombe, Kabaru, Naro Moru, Gathiuru, Ngare- Ndare, Kieni, Chuka, Irangi, Ontilili and Wanjerere, which have over 1,200 members each. Nature Kenya, a partner in this initiative, continues to monitor the trees for a period of three years to ensure maximum survival.

We believe that reducing environmental impact is important for KBL as a business and is entrenched in the sustainability agenda. Environmental conservation is at the core of our business and is one of our key sustainability pillars.

This is the second time that we are participating in the rehabilitation of the Mt. Kenya Forest. Since 2017, KBL has helped restore 250 acres of forest by planting 100,000 indigenous trees. We have planted 67,000 trees in Hombe Forest Block, 23,000 in Kabaru, 2,000 in Naromoru Forest and 8,000 in Gathiuru Forest. So far, KBL has planted and nurtured over one million tree seedlings across the country with an 85% success rate.

It is because of these efforts that KBL received an award from the Kenya Forest Service for completing the first phase of the Mt. Kenya Forest Restoration Programme, where its staff joined the communities in the area in planting 100,000 trees.

During the year, the Kijani team also took part in various environmental activities such as the Ngumba Road clean up as well as planting trees in Kieni Forest, Kiambu County.

380

Close to 380 youth and women from Nairobi, Kiambu and Nakuru counties graduated from the KBL sponsored Project Heshima programme in Kibra Consitituency.

Project Heshima helps train youth and women in vocational courses

About 380 youth and women from Nairobi, Kiambu, Kisumu and Nakuru counties recently graduated from the KBL sponsored Heshima programme. Heshima, a vocational and entrepreneurship training programme, aims to equip youth and women from across Kenya with practical skills to enable them earn a decent living through productive and dignified work. The youth were issued with certificates in entrepreneurship, tailoring, motor mechanical applications, hair and beauty, plumbing, electrical applications and catering.

The first phase of the programme targets 10 counties seen as highly susceptible to illegal, informal and illicit trade in alcohol. They are: Nairobi, Kwale, Kiambu, Murang'a, Nakuru, Makueni, Machakos, Homa Bay, Migori and Kisumu.

KBL believes in the power of self-sufficiency in addressing youth unemployment. Project Heshima is in line with our commitment to building thriving communities by giving women and youth a chance to build a better future for themselves through vocational and entrepreneurship training. Since its inception, the programme has helped in the fight against sale and consumption of illicit brews.

Youth and Gender Affairs Principal Secretary Dr. Francis Owino (left) and EABL Corporate Relations Director, Eric Kiniti (right) present certificates to Hannah Nyambura and Philip Otieno after they graduated from the Heshima programme.

KBL named the most energy efficient company in 2019

KBL emerged the most energy efficient company and was handed the coveted 2019 Energy Management Award (EMA). The Energy Management Awards seeks to promote excellence in energy management by recognizing companies that have made significant cuts in their energy consumption without negatively affecting their output. KBL also bagged five more awards – Fuel Savings Large Consumer, Energy Innovation, Best Energy Management Team, and was a runner up in the Electricity Savings Large Consumer and Water Efficiency categories.

The awards ceremony, organized by the Kenya Association of Manufacturers (KAM) and the Ministry of Energy was aimed at promoting energy efficiency and conservation among Kenyan manufacturers. It also

Energy Management Awards: KBL Supply Chain Director Nderitu Kamugi joins staff in celebrations after the company scooped the overall Energy Management Award at 15th EMA Awards Gala Night.

seeks to recognize and drive energy efficiency and conservation with a view to conserve the environment and manage energy costs.

Ensuring access to affordable, reliable and modern energy for all in line with SDG 7 is crucial to achieving many of the Sustainable Development Goals. As manufacturing companies, we must commit to promoting and supporting energy stewardship in our supply chains by focusing on energy conservation, energy efficiency and energy management.

Uganda

UBL launches 'Join the Pact to Never Drink and Drive' Campaign

UBL, under their Red Card Initiative, launched a responsible drinking campaign that is aimed at engaging consumers to make a commitment to never drink and drive, in a bid to reduce drink driving accidents in Uganda.

The campaign dubbed 'Join the Pact to Never Drink and Drive' is a continuation of Diageo's worldwide Join the Pact campaign that has been implemented in over 40 countries since 2008. Diageo, through their Johnnie Walker brand, partnered with global rally champions like Lewis Hamilton and Jenson Button as campaign ambassadors and engaged consumers to show their responsible drinking commitment by making a pledge online. In Uganda, Join the Pact is targeting to collect 10,000 commitments.

Join the Pact: UBL's Corporate Relations and Legal Director Charity Kiyemba (left) during the launch of the Responsible Drinking Campaign dubbed 'Join the Pact to never drink and drive'

Supporting Uganda communities: UBL staff join Bududa residents in laying water pipes. UBL sponsored the construction of a water supply system in the area aimed at improving access to safe and adequate water.

According to a community assessment done by Rotary Uganda, Bududa has insufficient access to clean and safe water as the few spring wells serving the residents are hard to access due to the terrain of the area

335m

UBL donated UGX 335 million towards the construction of a water supply system that is aimed at improving access to safe and adequate water in Bududa. The water project is being implemented in partnership with the Rotary Club of Kampala North.

Supporting Uganda communities through sustainable water projects

UBL donated UGX 335 million towards the construction of a water supply system that is aimed at improving access to safe and adequate water in Bududa. The water project is being implemented in partnership with the Rotary Club of Kampala North. It will see both entities construct a piped water supply system that will serve over 2,000 people in Buwali Sub County and neighbouring communities. According to a community assessment done by the Rotary club, Bududa has insufficient access to clean and safe water as the few wells serving the residents are hard to access due to the terrain of the area.

2,000

The water project is being implemented in partnership with the Rotary Club of Kampala North. It will see both entities construct a piped water supply system that will serve over 2,000 people in Buwali Sub County and the neighboring communities

40

Under this scholarship programme, UBL will pay total fees of up to UGX 115,960,000 for 40 students to study from African College of Commerce and Technology (ACCT) Kabale, a training institution in Business, Management, Entrepreneurship, and Information Communication Technology and DATAMINE Institute based in Kampala.

Kabaka Foundation: Former UBL MD, Mark Ocitti presents a dummy cheque towards construction of modern public sanitation facilities within the Kampala City.

UBL and Kabaka Foundation to construct sanitation facilities in Kampala City markets

To improve the sanitation and hygiene that are health concerns in Kampala markets, UBL launched a sanitation project that will see the brewer construct modern public sanitation facilities for the residents and traders of Nakulabye, Katwe, Mengo and Mulago markets.

The project dubbed the "Kampala City Markets water and Sanitation" project has been carried out in partnership with a local NGO - Kabaka Foundation, presided over by His Majesty the Kabaka of Buganda. The project is part of UBL's 'Water of Life' initiative that will cost UGX 300 million, benefiting more than 26,000 people.

Under this project, each market will get a modern sanitation facility with eight units, a toilet for people living with disabilities, a washroom for men and women, a water reservoir of 5,000 litres, a 1000-litre overhead tank and a water pump.

Rotary: UBL staff in Gangu Forest area during a tree planting drive.

UBL and Rotary restore 60 hectares of Gangu Forest Reserve

As a move to restore lost tree cover, UBL and Rotary Uganda planted over 3,000 indigenous trees on 40 hectares of land in Gangu Central Forest reserve, Butambala district. This was the second phase of the tree planting program that was launched in 2018.

UBL through its Water of Life initiative signed a partnership with Rotary Uganda to jointly restore 200 hectares of forest reserves within Lake Victoria water catchment areas. The project worth UGX 245 million will see the two entities continuously plant trees in different forest reserves. In phase one of the project, 40 hectares were planted at Gangu Forest reserve last year.

UBL's Scholarship Programme for Tertiary Education

In an effort to curb youth unemployment and high school drop outs, UBL announced a scholarship scheme for academically deserving yet economically disadvantaged students in Western and Central Uganda. Under this programme, UBL will pay total fees of up to UGX 160,000,000 for 40 students to study from African College of Commerce and Technology (ACCT) Kabale, a training institution in Business, Management, Entrepreneurship, and Information Communication Technology and DATAMINE Institute based in Kampala.

The programme that is running under UBL's Skills for Life Initiative, will entail payment of tuition for their second year of study, entrepreneurship training as well as seed capital for those who excel in the programme.

UBL's Scholarship: UBL's Rhona Arinaitwe (right) presents a cheque to Enterprise Uganda for the sponsorship of academically bright but disadvantaged students in Western Uganda.

UBL targets to reach 100,000 In Underage Campaign

UBL rolled out a campaign against underage drinking in partnership with Topowa Youth Mentoring Uganda, a youth empowerment and support center. The campaign dubbed, "Cool Teens Don't Drink" is aimed at increasing awareness and sensitising young people between the ages of 10 and 17 on the dangers of alcohol consumption. The legal drinking age in Uganda is 18 years.

Former UBL MD, Mark Ocitti signs documents during the rollout of the campaign against underage drinking.

Topowa Youth Mentoring Uganda is a youth support organisation that invests in helping adolescents find positive motivation and gives them adequate training, tools and assistance that can help them to accomplish their dreams.

Topowa, which will be implementing this campaign for the next two years, will visit 30 schools in Kampala and upcountry to sensitise against underage drinking.

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30

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SBL Brand Change Manager, Julius Nyaki (left), Marketing Manager, Anitha Rwehumbiza display the two awards won by SBL. On the right is EABL's Group Managing Director and CEO Andrew Cowan.

Tanzania

Serengeti Lite becomes Africa's best innovation of the year

On the night of November 21, 2018 in Johannesburg, Diageo Africa celebrated the best performing markets across the continent at the first ever Pride of Africa (POA) Awards. The gala dinner marked a great occasion for Serengeti Breweries Limited (SBL), in which for the first time, the company won two prestigious awards– The Highest NSV Growth for Beer and one of its new innovations - Serengeti Lite Bee - emerging Africa's Best Innovation of the Year F18. The awards are a recognition of individuals, projects and teams across Diageo Africa that have delivered over and above expectations – SBL being of one them. The awards demonstrate what we can achieve working as a team towards a common goal. At SBL the team has collectively contributed to the impressive results.

1.5m

Serengeti Breweries Limited (SBL) staged an effective F19 Alcohol in Society (AiS) campaign in the five regions of mainland Tanzania between January and March 2019 reaching out to more than 10,000 people directly and approximately 1.5 million others through the mass media.

Morogoro Regional Traffic Police Officer (RTO), Michael Deleli, displaying one of SBL donated reflector jackets dubbed "Usinywe na Kuendesha". The jackets were handed over to boda boda riders in Morogoro on February 23, 2019.

SBL trains over 10,000 in Responsible Drinking

SBL staged an successful Alcohol in Society (AiS) campaign during the year F19 in the five regions of mainland Tanzania between January and March 2019 reaching out to more than 10,000 people directly and 1.5 million others through the mass media - newspapers, online media, blogs, radio and television.

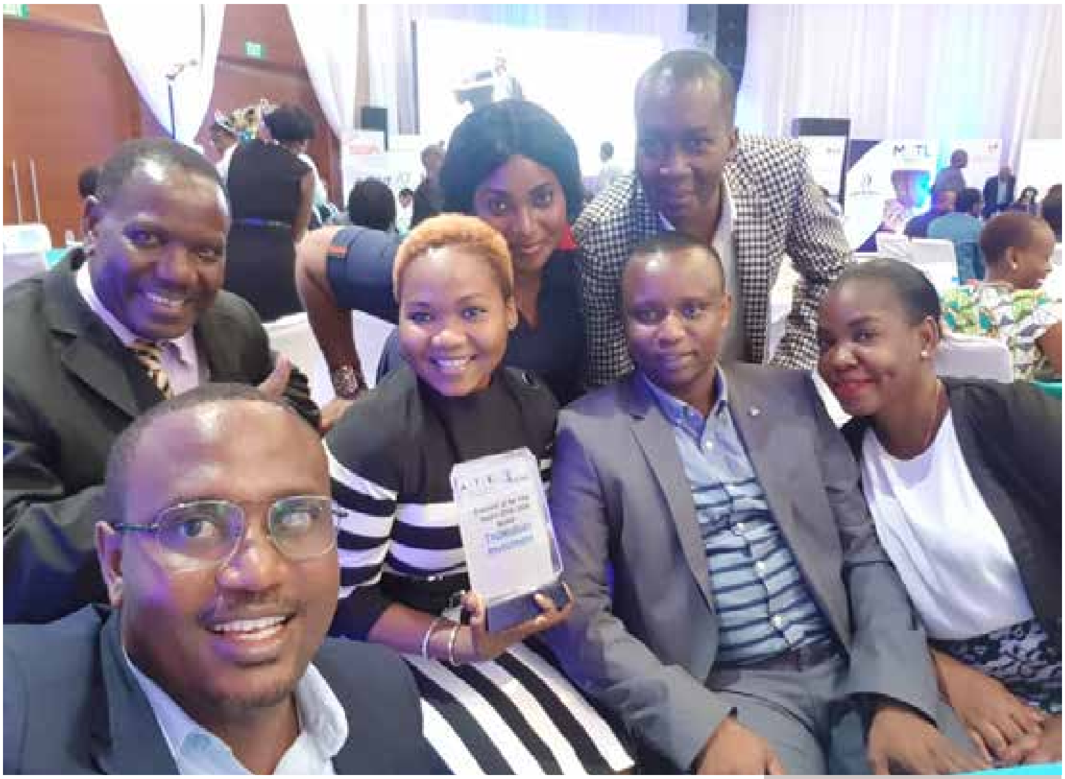
The campaign featured live radio interviews broadcast, DrinkiQ sessions and bar activities held in Mwanza, Dar es Salaam, Morogoro, Dodoma and Arusha. Tanzania's traffic police, the Surface and Marine Transport Authority (SUMATRA), boda boda and bus driver associations, Road Safety Ambassadors (RSA) were among the stakeholders that worked with SBL in making the campaign a success. Also reached by the campaign were students of universities based in the five cities including St. Augustine University of Tanzania (SAUT) in Mwanza; University of Dodoma; Morogoro's Mzumbe University and the National Institute of Transport (NIT) based in Dar.

Serengeti Premium Lager sponsored Taifa Stars seals AFCON return after 39 years

Tanzania returned to the Africa Cup of Nations (AFCON) for the first time in 39 years after sealing qualification for the 2019 tournament by an emphatic 3-0 victory over Uganda in a match held in Dar es Salaam on March 24th 2019. Taifa Stars, which is sponsored by Serengeti Premium Lager, finished second in Group L to join group leader Uganda. Other East Africa flag bearers to this continental championship that was held in Egypt were Kenya and Uganda. Serengeti Premium Lager has a 3-year sponsorship deal with Taifa Stars worth TZS 2.1 billion.

TZS 2.1b

Serengeti Premium Lager has a 3-year sponsorship deal with Taifa Stars worth TZS 2.1 billion.



A group of SBL staff celebrate after receiving the ATE award.

SBL shines in best employer awards

Serengeti Breweries Limited emerged winner of the Employer of the Year Awards (EYA) on HR & Technology Investment. The award was presented at an annual gala dinner hosted by the Association of Tanzania Employers (ATE) in Dar es Salaam on December 2018 in recognition of its noteworthy investment in Human Resources technology.

It was yet another impressive moment for SBL, as it demonstrated our unwavering commitment towards improving our working environment – harnessing the most of what technology can offer. SBL's technological investment on handling the company's workforce through innovative features such as 'Workday' is one of the best, smooth yet friendly management tool. With other technological approaches, the relationship between the organization and employee is significantly managed. SBL came to the fore at this category for embracing clear policies which promote empowerment of employees with new technical knowledge and skills. The company has robust online and in-class training programmes for its employees at all levels.

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Water projects to benefit 18,000 in Tanzania

Serengeti Breweries Limited is implementing two 'Water of Life' projects in Mara and Manyara regions. An estimated 10,000 residents of Machochwe village project in Mugumu ward, Mara region will have access to clean and safe water. SBL aims to create a new network of farmers from Mara region to increase its capacity of local raw material (LRM) sourcing. Community members near the project – mostly women - reported walking up to three kilometres in search of water during the dry seasons. The standard features of a 'Water of Life' Project include a borehole installed with a solar pumping system, water points spread across the village supported with training of water management committees and technicians to run the project. Community mobilisation on WASH (water, sanitation and hygiene) is also part of the project. In Galangal Village, Hanang district, the company is rehabilitating an existing project to continue benefiting an estimated 8,000 LRM growers in the surroundings. WaterAid Tanzania is implementing the two projects.

8,000

In Galangal Village, Hanang district, the company is rehabilitating an existing project to continue benefiting an estimated 8,000 local raw material (LRM) growers in the surroundings. WaterAid Tanzania is implementing the two projects.

With more than Kshs 1 billion paid out, smallholder sorghum farming going strong

Over the past year, East African Breweries Limited met its target to have 80 per cent of its raw material sourced locally, with the milestone achieved through strategic partnerships throughout the value chain.

Among the key reasons why this target was met was the increase in the number of smallholder sorghum farmers, who were paid more than Kshs 1.2 billion over the past financial year.

EABL's drive for the commercialisation of sorghum farming is through contractual agreements, which started when we entered that market. With this model, farmers have easier access to inputs such as improved seed varieties and fertiliser, as well as a ready market for their produce, which enables them to concentrate on enhancing yields in order to maximise on profits.

Nerea Chan, a sorghum farmer from Kisumu, does not regret her decision to leave a well-paying job in Egypt to come back home and put her family's land under sorghum cultivation.

"The harvest cannot be compared to other crops like maize and beans, which we have been planting over the years. Sorghum matures fast and what's better, KBL paid Kshs 37 per kilo after delivery," she said.

Chan got a bumper harvest last year and hopes to expand the acreage under the crop in the coming years.

Sam Hillary Ouma, who has planted sorghum on a six-acre piece of land at Kadinda Village, Kisumu County, also had a good experience with his first crop. The retired computer analyst said the ready market and good returns provided by KBL are enough motivation to increase the area under sorghum cultivation.

"I intend to plant sorghum on my entire 30-acre piece of land and make maximum returns out of it," said the farmer.

The two farmers are among 45,000 farmers in Kisumu, Migori, Siaya, Homa Bay, Busia, Tharaka Nithi and Meru in the sorghum outgrowers programme. The programme is an essential part of EABL's 'Growing Value Together' sustainability strategy, whose goal is to ensure that the business shares economic benefits with local communities by improving livelihoods. "Our commitment is to promote sustainable sourcing and foster thriving communities across the value chain. From this research, it is evident that access to a ready market for white sorghum has led to an increase in sorghum production as well as renewed interest in non-industrial use for white sorghum. It is clear that the recent introduction of sorghum beer in the market has been key in providing an opportunity to improve production and welfare for sorghum farmers." said KBL MD Jane Karuku.

"It is only through in-depth understanding of sorghum farming that we will be able to make favourable decisions and policies that will benefit our farmers. Our belief is that the crop will grow further to continue offering food security and income from selling locally and even globally to improve standards of living in Kenya," said Mrs. Karuku.

To encourage uptake and maintain the highest grain quality, farmers are continuously trained on good agricultural practices, post-harvest handling and value addition, and have been provided with quality seed of improved varieties.

The company has also tapped into mobile technology in order to efficiently track more farmers in the value chain through a mobile phone solution dubbed Farm Force, which we launched last year. In addition to tracking farmers, it will be crucial in eliminating paperwork and enable EABL to be appraised of the growing and harvesting of the raw materials in real time.

EABL is also proud of the role the company is playing in the agricultural sector, aligned to the government's Big 4 Agenda on food security. Through the ***Jilishe kisha uuze*** (Grow, feed and sell) campaign, EABL also encourages farmers to grow sorghum for food and sell the surplus for commercial use.

60,000

EABL's consumption of an estimated 60,000 MT of sorghum annually is expected to rise given the projected increase in sorghum beer production as the company moves to launch a multi-billion brewery in Kisumu County.

Using sorghum for industrial purposes has had a positive impact on productivity of the hardy crop across Kenya, according to research by Egerton University's Tegemeo Institute of Agricultural Policy and Development.

The research was published in a White Paper that evaluates sorghum production in Kenya, farmer characteristics, availability of inputs, and opportunities for sorghum growers in the global market.

According to the White Paper, trends in sorghum productivity had stagnated in the early 2000s but between 2011 and 2016, yields started to increase; a boost that can be attributed to increased utilisation of sorghum for industrial purposes.

Additionally, it was established that there were approximately 240,000 small-scale sorghum farmers with farm sizes ranging from 0.4 to 0.6 Ha (1 to 1.5 acres) in the country.

EABL's consumption of an estimated 60,000 metric tonnes of sorghum annually is expected to rise given the projected increase in sorghum beer production as the company moves to launch a multi-billion brewery in Kisumu County.

"Once the Kshs 14 billion KBL Kisumu Brewery is operational, the number of sorghum farmers is projected to grow to around 60,000. The market for sorghum as a cash crop is also expected to double from the current 20,000 metric tonnes to around 40,000 in the next five years due to increased demand resulting from the establishment of this plant," said Mrs Karuku.

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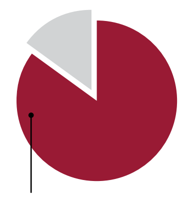
Supporting Grain to Glass Agenda through investment in KBL Kisumu Brewery

Green Light for Senator Keg at Kisumu Brewery

A year after President Uhuru Kenyatta presided over a ceremony to commission the construction of the Kshs 14 billion brewery in Kisumu County, Kenya Breweries Limited gave the green light for the brewing of Senator Keg beer on July 17, 2018. KBL MD Jane Karuku was joined by the Supply Chain Director, Nderitu Kamugi and KBL staff in Kisumu as they celebrated successful testing of the first product out of the Kisumu Brewery and commissioned the first barrel of Senator Keg beer brewed at the Kisumu plant. KBL is in the process of developing a robust value chain that will create 100,000 direct and indirect jobs through farming, distribution and retail, where thousands of livelihood opportunities lie. KBL has also ensured that over 85% of the people working at the Kisumu Brewery are from the western region.

KBL taps into mobile technology to manage farmers

KBL has tapped into Farm Force, a mobile-based solution developed to register smallholder farmers and help them gain access to formal markets and improve the effectiveness of out grower schemes. KBL MD Jane Karuku launched the solution while touring sorghum farms in Homa Bay County. Farm Force has eliminated paperwork and enabled tracking of the growing and harvesting of sorghum in real time. This has introduced high levels of efficiency and realtime traceability of the activities in smallholder farms down to the specific farm. Most importantly, it has redefined the relationship between the company and our farmers.



85%

KBL has also ensured that over 85% of the people working at the Kisumu Brewery are locals from the western region.

Industry Cabinet Secretary tours Kisumu Brewery

Cabinet Secretary for Industry, Trade and Cooperatives Hon. Peter Munya, accompanied by KBL's Managing Director Jane Karuku toured the Kisumu Brewery. It is one of the largest projects in the region and has been a catalyst for economic development and growth for Kisumu and neighbouring counties. The Cabinet Secretary praised the KBL's efforts in fast tracking construction of the brewery and expressed confidence that the brewery would bring about a multiplier effect in the economy. This is through the creation of employment opportunities, raising rural incomes, increasing food security, boosting exports and ultimately growing the regional economy. The project is already having a positive impact across the value chain, among them the recruitment of over 17,000 small-scale sorghum farmers and 3,000 Senator Keg retailers in the western region.

CS Agriculture Tours Kisumu Brewery

EABL Group CEO and MD, Andrew Cowan accompanied by EABL Group Chairman, Charles Muchene conducted the Cabinet Secretary for Agriculture, Livestock, Fisheries and Irrigation Mwangi Kiunjuri on a tour of the KBL brewery in Kisumu and the National Cereals Produce Board (NCPB) silos where sorghum is stored. Speaking during the tour, Mr. Kiunjuri commended KBL's sorghum out-growers programme for its contribution to the government's Big 4 Agenda towards attaining food security by promoting white sorghum farming in Kenya. He also applauded KBL's efforts in combating illicit alcohol through the company's investment in the Kisumu brewery for the production of Senator Keg. He said providing a higher production capacity to meet the anticipated demand for affordable and safe alcohol, will go a long way in eliminating illicit brews. KBL aims to double the market for sorghum as a cash crop from 20,000 metric tonnes to around 40,000 metric tonnes in the next five years.

Kakamega Farmers Recruitment event

In an effort to extend sorghum farming and Senator Keg business opportunities to the people of Kakamega County, KBL sponsored an agriculture and business opportunities forum in the county that brought together over 1000 local residents. Cleophas Malalah, Senator Kakamega County said the partnership with KBL will benefit sorghum farming in the county, by giving the people of Kakamega an opportunity to improve their livelihoods through sorghum farming. Farmers from Kakamega Country are set to join the growing number of sorghum farmers contacted by KBL in the western region. The Senator and other leaders from the region were also keen on collaborating with KBL towards finding a solution to the illicit alcohol menace by endorsing KBL's value beer, Senator Keg, which provides an affordable and safe alternative to illicit brews.

KBL sponsors Busia Youth Entrepreneurship Summit

KBL sponsored the inaugural Busia Youth Entrepreneurship Summit, hosted by the County Government of Busia. KBL encouraged the youth to tap into the opportunities that are available across the value chain; farmers, retailers, and distributors. KBL's commitment to the economic empowerment of farmers is the reason local resourcing is at the core of our plans. Due to the county's proximity to Kisumu, KBL is engaging youth in Busia County to grow sorghum and sign up as Senator Keg retailers with the launch of the KBL Brewery in Kisumu.

Kisumu Brewery inspection

EABL Board of Directors and Independent Non-Executive Directors were taken on a tour of the new brewery in Kisumu. This was one of the planned inspections for quality control at the brewery ahead of the launch. The brewery will have the capacity to produce one million hectolitres of Senator Keg.

KBL MD tours sorghum farms in Homa Bay County

Jane Karuku, KBL MD visited sorghum farmers in Homa Bay County in a bid to meet with the farmers who provide KBL with the raw material for the production of Senator Keg. She was accompanied by Supply Chain Director Kamugi Nderitu and East African Maltings General Manager, Lawrence Maina. The purpose of the farm tours was not only to meet farmers in this region in an effort to gauge how the project was faring, as well as understand some of the challenges that the farmers were facing and how we can work together to solve them.

First time sorghum farmers excited by good harvest

Last year, first-time sorghum farmers in the Western and Nyanza regions had impressive success growing the crop. Despite the challenges posed by the bad weather and quelea birds, the farmers braved the turbulent times to post good harvests and deliver quality sorghum to the Kisumu Brewery. In the Western Region, we have engaged over 17,000 smallholder sorghum farmers from Migori, Homa Bay, Siaya, Kisumu and Busia. In the last financial year, KBL paid Ksh.1.2 billion shillings to sorghum farmers across the country.

Opich Pacho tournament launched

In partnership with the Kisumu County Government, KBL launched a football tournament dubbed 'Opich Pacho' (Mpira Mashinani) to support young talent in Kisumu County. The tournament was launched by EABL Group Corporate Director, Eric Kiniti and gave hundreds of youth an opportunity to hone their football talent. The winning team got Kshs 300,000 in prize money, with the runners-up getting Kshs 200,000 and the third-placed team receiving Kshs 100,000. This project reiterated KBL's commitment to uplift the lives of the communities around which the company conducts its business.

17,000

we have engaged over 17,000 smallholder sorghum farmers from Migori, Homa Bay, Siaya, Kisumu and Busia. In the last financial year, KBL paid Kshs 1.1 billion shillings to sorghum farmers across the country.

EABL ushers in new sustainability era with Kshs 22 billion investment in renewable resources infrastructure

2020

Diageo has set ambitious environmental targets, aligned with the United Nations global SDG's, and efforts to deliver on these by 2020 continue at pace. Progress has included a 45% reduction in carbon emissions and a 44% improvement in water efficiency over the past decade.

In the next financial year, EABL will invest Kshs 22 billion in renewable energy, which is expected to eliminate the use of heavy fuel oil in its production processes. The investment, which will be made in three East African markets, is expected to deliver new solar energy, biomass power and water recovery processes.

The investment, the largest environmental commitment in a decade by Diageo, EABL's parent company, is part of a larger Kshs 23.5 billion pan-African investment across seven markets in the continent.

The initiative include an upfront capital investment programme of Kshs 6.5 billion in solar, water treatment and biomass equipment, followed by further long-term commitment for the ongoing maintenance and operations. This will include fuel supply for six new biomass boilers with locally sourced renewable fuel.

The funding will deliver new infrastructure designed to have a significant impact on the long-term sustainability of Diageo's supply chain in East Africa. The investment includes:

- a commitment to switch to renewable energy at three breweries in Kenya and Uganda. New biomass boilers will replace heavy fuel oil and switch to sustainable fuel alternatives such as wood chip, bamboo and rice husks to create steam power for the breweries, 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.
- new water recovery, purification and reuse facilities across three sites in East Africa, including Kenya and Uganda, saving over 1.2 billion cubic metres of water a year.
- solar installations to provide renewable electricity at a 6 breweries across three countries, starting with Kenya.

These solar panels will produce up to 10% of each brewery's electricity demand.

CO_2

95%

Besides reducing our carbon emission by 95% through use of biomass, we will be leveraging solar to deliver a tenth of our power needs.

Kshs22bn

EABL will invest Kshs 22 billion in renewable energy, which is expected to eliminate the use of heavy fuel oil in its production processes.

EABL Group CEO Andrew Cowan said: "Besides reducing our carbon emission by 95% through use of biomass, we will be leveraging solar to deliver a tenth of our power needs. While the capital investment will result to 40% savings in the water we use in our operations, we expect to also return 100% of wastewater from our operations to the environment safely."

"The new investment will additionally deliver thousands of new green jobs across the entire supply chain particularly in the supply of biofuels in Kenya and Uganda. The announcement of this project, which follows a Kshs 14 billion Kisumu brewery made in 2017, underlines our long-term commitment to socio-economic growth in East Africa and sustainability of our operations in the region."

In total, the commitment will cover six sites in three countries, (Kenya, Uganda and Tanzania). In Kenya, EABL's new brewery in Kisumu, already has solar power and water treatment facilities installed to ensure its operations have minimal impact to the environment.


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


DELIVERING
VALUE
TOGETHER
Our
Products

Brands

Strengthening and accelerating our beer brands

Kenya beer brands

Senator

Senator, a high quality and affordable beer, continues to play a key role in our five-year growth ambition and corporate responsibility agenda to reduce consumption of illicit alcohol, and remains an engine of growth for Kenya. The brand is anchored on a clear strategy, with focus on strengthening Route to Consumer, growing rate of sale through exciting consumer promotions, and driving price compliance and strengthening equity through consistent communication on regional radio and Out of Home. Senator's growth and need for capacity has been further augmented by the Kisumu brewery, which is enhancing the economic development of the region through improved utilization of local raw materials like sorghum, growing small holder farmer earnings as well as creating employment opportunities.

Balozi

Balozi continues to play its role as a strong recruiter into mainstream beer, driven by price accessibility and it being a rich natural tasting lager made from pure water, natural ingredients and crafted with care by our very own Kenyan brew masters. With a strong regional preference, Balozi consumers, spurred by education and access to information, are actively seeking brands that are made from natural ingredients. The 'No Added Sugar' proposition presents a strong and unique positioning and continues to propel our mainstream beer performance. The 'Nothing Added but Character' brand purpose communication and exciting scalable activations dubbed 'Mdundo Na Balozi' have continued to spur growth for the brand.

White Cap

White Cap has grown to become a beer of true distinction driven by a consistent great tasting liquid and exclusivity, with a brand connection to the iconic, snow-capped Mt. Kenya. The neck label prominently showcases the 'No Added Sugar' position, thus reinforcing White Cap's natural ingredients, the finest barley, hops and Kenyan sunshine. The thematic 'Beer of True Distinction' brand campaign has worked to further strengthen the brand's unique position, promise and appeal. We have piloted partnerships to drive Polo and Brunch activities across the country to further embed the positioning and to recruit a new generation of consumers.

Tusker Cider

Tusker Premium Cider is the first locally-produced cider in East Africa. It is crafted from premium apples and delivers a deliciously crisp and refreshing drink. Cider continues to offer consumers a new and delicious way to access the Tusker brand. It is the fastest growing variant in the beer portfolio and our most successful beer innovation yet.

Tusker Lager

Tusker Lager remains one of the most loved brands and has always been a cornerstone of social occasions in Kenya. It's an iconic brand both within Kenya and in the international market. In 2018, the brand launched 'Tusker na Nyama' campaign, which resonates with its consumers whilst they are out bonding over a meal – usually 'nyama choma'.

Tusker Lite

Tusker Lite is a premium Lite lager with a full-bodied taste and crisp refreshing taste. In 2017, Tusker Lite embarked on a brand equity building journey. Tusker Lite was established as the beer of choice when consumers are looking for a fun night out. We have extended the campaign into "This Is My Night' to cement Tusker Lite as the beer of choice during high energy occasions. To bring this to life, we have driven 'Lite The Way' activations within big party nights in outlets hosted by celebrity DJ's and radio stations.

Tusker Malt Lager

Tusker Malt is 100% Malt brewed over a long period of time using the most carefully selected Kenyan ingredients to give that unmistakably rich smooth taste that is widely recognized. Tusker Malt Lager fosters an appreciation among discriminating beer lovers for taking time and savouring quality.

Guinness

Guinness in Kenya has the strongest equity scores across Total Beverage Alcohol and only second to Indonesia globally. The brand's dedication to delivering quality beer, a perfect beer experience to our consumers at point of purchase and advocacy from among bar staff to land Guinness as the preferred drink.

Kenya was the first market across Africa to launch the new pack resulting in growth of brand love and consideration especially among consumers within age group 18-24.

Guinness continues to enjoy dominance in the football space and is the leader in the alcoholic beverage category. To cement the brand leadership position within the football occasion and in pursuit of Only Guinness Can Do (OGCD) disruptive football executions, we landed an impactful national consumer campaign dubbed 'Meet Rio Ferdinand " coupled with engagements across key business partners through staff, sales and retailer incentives therefore strengthening our partnerships for performance delivery.

Brands

Strengthening and accelerating our beer brands

Uganda beer brands

Bell Lager

With its 70th anniversary on the horizon, the flagship brand of Uganda Breweries Limited, Bell Lager, has much to celebrate this financial year. The 4.2% ABV lager is on a nationwide recruitment campaign to widen its consumer base by bringing in consumers within the Legal Purchasing Age (LPA+) through exciting grassroots engagements. This year kicked off in high gear with the BELL JAMZ All Star Swangz Music Tour which took Bell to all corners of Uganda, with massive concert experiences featuring Uganda's top music talent. Through music, Bell has historically been at the center of the boldest and most vibrant celebrations of Ugandan artistry and is recognized as the biggest supporter of local music talent. Other initiatives, such as the introduction of a 330ML Stock Keeping Unit (SKU) are primed to position Bell Lager for broader appeal across demographics, occasions, and pockets. With distribution, volume and NSV trending positively, Bell is on track for a bright future with many more decades of growth.

Pilsner Lager

After a decade as a non-premium core, regional focus brand, this financial year marked the first year in a decade for Pilsner to boast of a fully-funded marketing business plan. Now playing at national scale, the three-pronged strategy to revive this one-time giant zeroed down to boosting awareness, doubling distribution, and driving trial at scale. These objectives were achieved through roll-out of the thematic campaign "The King's Beer" across key media, cultural partnerships with different kingdoms as the beer of royal celebrations, football sponsorship as the official beer of the Uganda Premier League, and a wide scale listing and sampling activations. These activities have delivered triple digit growth for Pilsner and the consumer demand for the brand, now in both 500ML and 330ML bottles, is enjoying an upward trajectory with plenty of room for further growth in the coming years.

Guinness

This year, Uganda was awarded for registering the highest volume growth on Guinness across Africa. The most distinctive beer on the market has made significant in-roads throughout the 2018/19 financial year by focusing on the fundamentals, particularly on growing distribution beyond the urban and peri-urban environment and by getting more consumers to sample the stout. This has been achieved at scale by leveraging the most popular sports-viewing occasion, the English Premier League, through match-day activations in both the on-trade and the off-trade, and recruitment of more consumers into the brand through activations during rugby that are enabled by Guinness sponsorship of the Uganda Rugby 7s Team and the National Rugby 7s Series League. The fresh new look campaign has given consumers a reason to reappraise Guinness and continue to keep the brand highly visible on shelf and table.

Tanzania beer brands

Serengeti Premium Lager

Serengeti Premium Lager continues to maintain its position as Tanzania's national beer brand. The brand affinity is driven through communication that emphasizes on its quality. This was achieved through two strong brand advertisements running on national televisions.

After two years of investment in The Taifa Stars - the national football team-sponsorship, the brand performance especially on awareness has been significantly strengthened. The Taifa Stars qualified in March 2019 for the AFCON 2019 tournament, the first time in 39 years. Tanzanians were very excited, and our brand being on the forefront will continue to increase love and traction for the brand and cement the tag line Our Nation. Our Pride. Our Beer. Our Team!

The introduction of the 330 ML pack also assisted in unlocking growth even further. The standout visibility e.g. Landmark outlets, Gazebos, Tables and Chairs have step-changed the physical availability of the brand in the outlets at national level. Still, there is more opportunity to grow the brand through increasing penetration of 330ML in key regions. There is a shift towards the small pack in Tanzania and Serengeti needs to capture this trend.

Pilsner

Pilsner is the leading lower mainstream brand and continues to establish itself as the ultimate reward for men after a hard day's work through its national masculinity campaign. Pilsner offers consumers a good quality beer at an attractive price, with mainstream characteristics (quality ingredients, traditional recipe, impactful packaging). Both Pilsner Lager and King are inspired by the original Pilsner brewing process practiced in the city of Pilsen, Czech Republic since 1842. Pilsner KING as a specialty offer with competitive ABV at 7.6% gradually contributes incremental volume to the Pilsner™ and leverages up-trade occasions among consumers of unbranded beer and value spirits. Pilsner is among the top 10 brands in Tanzania and is the leading volume contributor of Pilsner™ within EABL markets.

Serengeti Premium Lite

Following its growth last year, Serengeti Lite consistently lives up to its name and continues to Lite with a Bite. It is currently more than 60% of the Light category in the market. This has been possible due to the consistent communication using out-of-home as the main pillar of advertising, amplifying the LITE WITH A BITE, the light beer with fuller beer taste and providing the premium taste that consumers are looking for at a mainstream price. The recognition of brand performance has been felt both within the business, where the brand received Innovation of the Year award through Diageo Africa, and at the consumer level, Tanzanians also voted Serengeti Premium Lite as a Superbrand. This is within less than two years in the market, staying ahead of more established brands in the market. The brand is a pioneer in sponsoring the Women's Premier Football League within the country dubbed as "The League with a Bite". This has assisted in increasing awareness of the brand, leading to top of mind awareness and brand recall in bars where our consumers enjoy the brand. Serengeti Lite is objective is to recruit more consumers in to the trade mark, and this is reflected in the growth of both variants without cannibalization among each other.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EXPERIENCE
EXTRAORDINARY
GUINNESS
GUINNESS
FOREIGN EXTRA
STOUT
GUINNESS
MADE OF MORE

Innovation

Accelerating growth of our innovation brands

Kenya

Tusker Premium Ale

Craft-brewed to achieve a distinct, fuller taste, Tusker Premium Ale is targeted towards a growing range of discerning consumers looking to extend their drinks repertoire and new experience in a beer. This variant was launched in April 2019, with positive reviews from the consumers. The new variant underpins our innovation capability which has enabled our consumers to get a wider variety from which to build their drinking repertoire. As a brand borne out of the iconic Tusker family, we have no doubt that Tusker Premium Ale will be a favourite for many beer fans looking for a fuller, richer taste.

Orijin African Herbal Spirit

In Kenya, we aim to broaden our portfolio, tapping into new occasions and consumer opportunities. One such consumer opportunity is the growing Emerging Middle Class (EMC) in Kenya. The EMC consumers are constantly reframing the positives of African traditions as they progress through life. They are seeking out modern products and brands that reflect the vibrancy of African culture today. Traditionally, there is a culture of herbal drinks and herbal foods in Kenya. Orijin African Herbal Spirit was launched in 2016 to recruit EMC consumers into a new subcategory and trade up consumers from illicit / traditional brews. Orijin has grown organically to be the number 4 spirits brand by volume (100K Eus brand by 2018). In 2019 we resolved to leverage on the unique brand proposition of fruit, herbs and alcohol to recruit millennial consumers. This was aimed at ensuring we grow share in lower mainstream segment as we strengthen our leadership position in mainstream spirits. The brand is well priced and to continue the focus on renovation of our brands, we launched the new look packs for Orijin in the second half this Financial Year.

Kenya Cane Pineapple Fusion

Kenya Cane (KC) continues to lead the spirits category in Kenya and continues to demonstrate strong potential to carry new variants and shape the future of the category. The Kenya Cane Coconut innovation, which was launched in F16, is evidence that a flavored variant brings incremental volume to the brand. It brought excitement to the Kenya Cane brand, helping to boost consumption by recruiting new consumers from new demographics.

In 2018, a second innovation, Kenya Cane Citrus Fusion, was launched. During the financial year, UDV realised that there was an opportunity to further accelerate the brand's growth by providing an additional variant. In this regard, the new Kenya Cane Pineapple Fusion was launched in December.

Kenya Cane Pineapple Fusion is a deliciously fresh and fruity pineapple flavoured variant that will continue to drive relevance and the appeal for KC TM across different segments. The brand was launched in 250ML and 750ML packs.

MrDowell's Whisky

In line with the EABL strategy of winning in all segments and all price points, the core mainstream segment is one that we continue to strengthen. With no price-accessible whisky in the market, MrDowell's No.1™ Original, an internationally renowned blended whisky, was launched in December 2018. MrDowell's is a global renowned brand from Diageo. A true blended whisky from the world's biggest dark spirits brand, a rich blend of Scotch, Indian Malts and select African spirits, now available at an everyday core mainstream price point. The new to world brand targets consumers who are looking for a quality, international whisky that is price accessible. They are looking for something a little more special to facilitate shared new experiences that unite and bond them as a group. Well positioned as an entry level whisky, this recruit innovation will help us achieve our business ambition of double digit volume share of total spirits by F22. The brand was launched in premium look round flint 250ML glass bottle.


KBL
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STORI YETU
BIA YETU
SENATOR
KEG LAGER
HII NI YETU
HAPA
SENATOR

Innovation

Accelerating growth of our innovation brands

Uganda

Uganda Waragi Pineapple

Uganda Waragi Pineapple – Uganda's Number One gin –is now infused with fresh, exciting pineapple flavors. Uganda Waragi is all about celebrating the vibrant nature of the Ugandan spirit, mixing it up and always staying fresh – even in those moments where you just want to chill.

Uganda Waragi Pineapple is a delicious combination of Uganda Waragi infused with the irresistible, mouth-watering taste of freshly ripened pineapple. With a smoother finish than other flavored spirits, Uganda Waragi Pineapple is perfectly drunk neat, on the rocks or topped up with some fresh tropical juice. Uganda Waragi Pineapple is available in three SKUs; 750ML, 200ML glass, and 200ml. 100ML Sachet SKU was delisted due to the sachet ban that took effect in March 2019. Uganda Waragi Pineapple was launched in July 2018 and is delivering phenomenal performance while recruiting millennials into the Uganda Waragi trade mark.

Captain Morgan Gold

Research has shown that the liquid profile of Captain Morgan Gold (CMG) makes it an excellent recruiter into brown spirits and will be seen as a new and adventurous choice into mainstream spirits that is price accessible and fits well with the millennials lifestyle.

CMG was launched in November 2018 in 250ML and 750ML SKUs. CMG was launched with the support of the Global Captain Morgan in market for the dazzling consumer launch at Port Bell Pier Ship wreck yard.

Smirnoff Ice Green Apple Bite

UBL's Ready To Drink (RTD) brands are leading in the RTD category. The category has however been stagnant with minimal growth realised. Smirnoff Ice Green Apple Bite (SIGA) was launched in February 2019 to drive excitement and distinction while increasing value proposition for Smirnoff RTD. SIGA is available in 300ML and has been well received among the target consumers especially during the high energy occasion.

Bell Lager and Pilsner Lager 330 ML

Bell and Pilsner were traditionally available on the market in only 500ML. In addition, the 500ML SKUs for Bell and Pilsner were limited in occasions where consumers preferred smaller, more accessible packs that delivered on premium cues (good to be seen drinking).

The 330ML SKUs were introduced in March 2019. This has presented Bell and Pilsner in a more convenient pack that is also perceived to be "the premium pack size" in the market. This is in-line with the LPA – 29 recruitment strategy for both beer brands thus leveraging the pack to grow penetration while giving Bell and Pilsner the right to win within the premium and mainstream beer segments.

Spirits

Growing our spirits portfolio

Kenya

Captain Morgan Gold

EABL is leading the revolution in the spirits segment with the launch of new sub categories. Captain Morgan Gold launched on December 1, 2017 with a huge buzz and excitement amongst millennial consumers. Captain Morgan is a hugely successful global brand that is amongst the top 5 global brands for Diageo. Captain Morgan Gold has grown rapidly making Kenya one of the top 14 Captain Morgan markets in the world by volume less than two years after its launch. Captain Morgan Gold is available in 250ML and 750ML SKUs, and is priced to recruit mainstream consumers. Captain Morgan is a fun brand, with a unique brand character that will also drive recruitment of new millennial consumers and tap into the lively upbeat moments. Captain Morgan Gold is a delicious golden spirit that is easy to drink. It introduces a new and adventurous choice into mainstream spirits which fits well with the millennials' lifestyle.

Kenya Cane

With continued investment behind brand building activities, Kenya Cane continues to be the volume and value market leader within the spirits category. In 2018, Kenya marked 55 years of independence. Kenya Cane has been in existence from 1940, boasting a strong heritage that Kenyans connect with. The brand has been in existence since independence and celebrated 55 years with the nation as a whole in the "Shangilia Hustle Ya Kenya" campaign. Being the best loved spirit in Kenya, the campaign leveraged on the hustling spirit at a national level in the lead up to Kenya's 55 year celebration.

Chrome Vodka

Chrome Vodka continues to be very inspirational and hence the icon of contemporary values for the Kenyan millennial. Through its partnership with Sauti Sol as the brand endorsers, Chrome continued to use music as a platform to not only elevate its brand position within repertoire, but more importantly to provide experiential consumer and trade executions with an aim to create emotional connection of the Chrome brand purpose with the millennials. Chrome continues to lead growth of mainstream spirits driven by participation in the category national consumer promotion 'Jijenge na Kaquarter' and in bar visibility drive for lower mainstream spirits category.

Kane Extra

Kane Extra is a leading and trusted local cane spirit rooted in Kenya's rich heritage . The brand continues to play a critical role in defending and growing the KBL lower mainstream spirits market share. This year, the brand launched its first ever brand thematic campaign celebrates the hard working man which is in favor of amplifying the brands positioning within the repertoire and drive a strong emotional connection with its consumers. Since the launch of this campaign, the brand has seen positive shift in awareness and has sparked increased interest within the market.

Black & White

Black & White is a disruptor in the scotch category by allowing accessibility while retaining aspirational cues. The brand is a winner of multiple Gold awards with exceptionally smooth and balanced blend, making it a well received whisky that is enjoyed by our consumers.

The brand was launched in November 2017 and within the category achieved100K Eus in 18 months boosted by the recently introduced 1 litre pack that allows for sharing.

Johnnie Walker

Johnnie Walker continues to leverage its leadership as the No.1 premium whisky in the market. Johnnie Walker Red label, the number one selling scotch whiskey in the world, continues to drive recruitment into the premium whisky category as an aspirational brand in Kenya. Johnnie Walker Black label continues to be the catalyst of performance growth for the Johnnie Walker family. Through the strong delivery of scaled in-bar activations driving the Formula 1 association as well as the signature Johnnie highball serves landed in outlet at scale, the brand continues to deliver value as the drink of choice for the discerning consumer. Through mentorships and consumer education on Whisky, the Johnnie Walker Super Deluxe brands continue to deliver on the brands premium and aspirational cues by championing the mastery of blended scotch whiskies. Johnnie Walker remains the preferred brand for gifting during key consumer occasions. Johnnie Walker across the world has been associated with golf across the world and here Locally, Johnnie Walker has also been instrumental in driving the association with golf through club sponsorships, safari tours and recently, Kenya Open.

Singleton

This year Singleton through in-bar activations and 3rd space engagements, was able to position the brand as the ultimate entry level single malt. We have extended the trademark through the aged portfolio by launching Singleton 15 year-old and Singleton 18 year old leveraging on strategic partnerships like the Koroga Festival to drive relevance among a new generation of whisky drinkers.

Ciroc

As a brand that is all about playfully celebrating life, we want our consumers to not only choose CÎROC as their vodka for ultra-premium celebration occasions, but to also develop a closer emotional connection through experiences that surprise and delight. This year through bespoke engagements, we were able to create relevant brand building experiences for our target consumers. We have leveraged on an influencer model to recruit consumers into the luxury world to make Ciroc , 'Culturally Hot again' which has created a strong online presence for the brand.

Baileys

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

Smirnoff Vodka

Smirnoff brand remains the most loved premium vodka brand in Kenya led by the Ready to Drink portfolio. Smirnoff vodka continues its journey to reclaim its position as the iconic premium quality vodka in Kenya. Coming off a premiumization strategy last year through pack change, we have evolved the communication strategy, anchored on the overall campaign theme of Smirnoff Mix Experience. The brand was at the fore-front of reigniting top-of -mind awareness of Smirnoff as the preferred vodka brand and exposing the brand to a wider spectrum of untapped target consumers that resonate with the brand's intrinsic values.


TURN UP.
THEN TURN IT UP!
INTRODUCING THE NEW
SMIRNOFF ICE
GREEN APPLE BITE
SMIRNOFF
ICE
GREEN
APPLE BITE
FLAVOR

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

Spirits

Growing our spirits portfolio

Uganda

Uganda Waragi

Uganda Waragi is the most loved spirits brand in Uganda. Known as "The Spirit of Uganda" it's a bold and vibrant gin that has taken a role in bringing people together. Uganda Waragi continued its premiumization strategy to build aspiration and recruit new consumers with the launch of its second flavor variant, Uganda Waragi Pineapple. The brand delivered bespoke innovative consumer experiences that created excitement and social appeal such as Nyege Nyege Festival, UG Mix Maestro and Pina Colada Weekend to bring brand purpose to life and drive trial for cocktails on trade.

In F19 the brand also extended its Coconut and Pineapple flavors to PET coupled with an aggressive nationwide listing drive, increasing physical availability and effectively improving the price mix to drive profitability for the trademark. The flavor variants have been well received by the consumer base, contributing 20% of overall brand sales volume.

Johnnie Walker

Johnnie Walker has maintained its category leadership position as the no. 1 premium whisky in the market, through its focus on growing its distribution and becoming the most iconic brand in Uganda. A nationwide listing drive for the newly introduced small formats increased availability for Johnnie Walker and together with the Johnnie Highball activations drove consumption countrywide. The Johnnie Walker credentials campaign and partnerships such as the Johnnie Walker Soul Safari 12th Edition and the Young Achievers Awards played a big role in driving aspiration and establishing the brand in culture. Gifting involving personalisation at scale with the JW Label Studio also helped drive meaningfulness for the brand. Johnnie Walker is well poised to remain the leading premium brand in Uganda.

Baileys

In F19, Baileys embarked on a journey to recruit younger consumers and improve emotional connection with its target audience which has placed the brand on a growth trajectory. Baileys Treats comprising of the much sought-after Baileys Picnic Movie experiences and sampling activations drove trial and consideration for the brand. To further tap into the indulgence occasion, we partnered with the country's top bakers for the Baileys Kampala Cake Fair, which positioned Baileys as the desired treat for the festive season.

Singleton

Singleton is the leading Single Malts Whisky in Uganda with a distinct taste profile and accessible price point. The Singleton Match play challenge, a popular monthly golf tournament and the brand's largest property has driven consideration and trial for Singleton. Along with the monthly Singleton theme nights in the trend leading accounts, this has boosted the brand's growth in Uganda.

Spirits

Growing our spirits portfolio

Tanzania

Smirnoff X1

Leveraging the scale of our global brand portfolio, Smirnoff X1, Extra Pure vodka was launched in December 2017 and is now the biggest spirit brand within SBL, having sold over 20,000 Eu's since its launch.

Smirnoff® X1 was launched to offer consumers in the mainstream spirits category with a different proposition that is international and premium quality, yet accessible. Following this successful start, the variant Smirnoff® X1 Orange Zing was launched in October 2018, as a way to capitalize on the opportunity to meet Tanzania's changing consumer tastes and occasions.

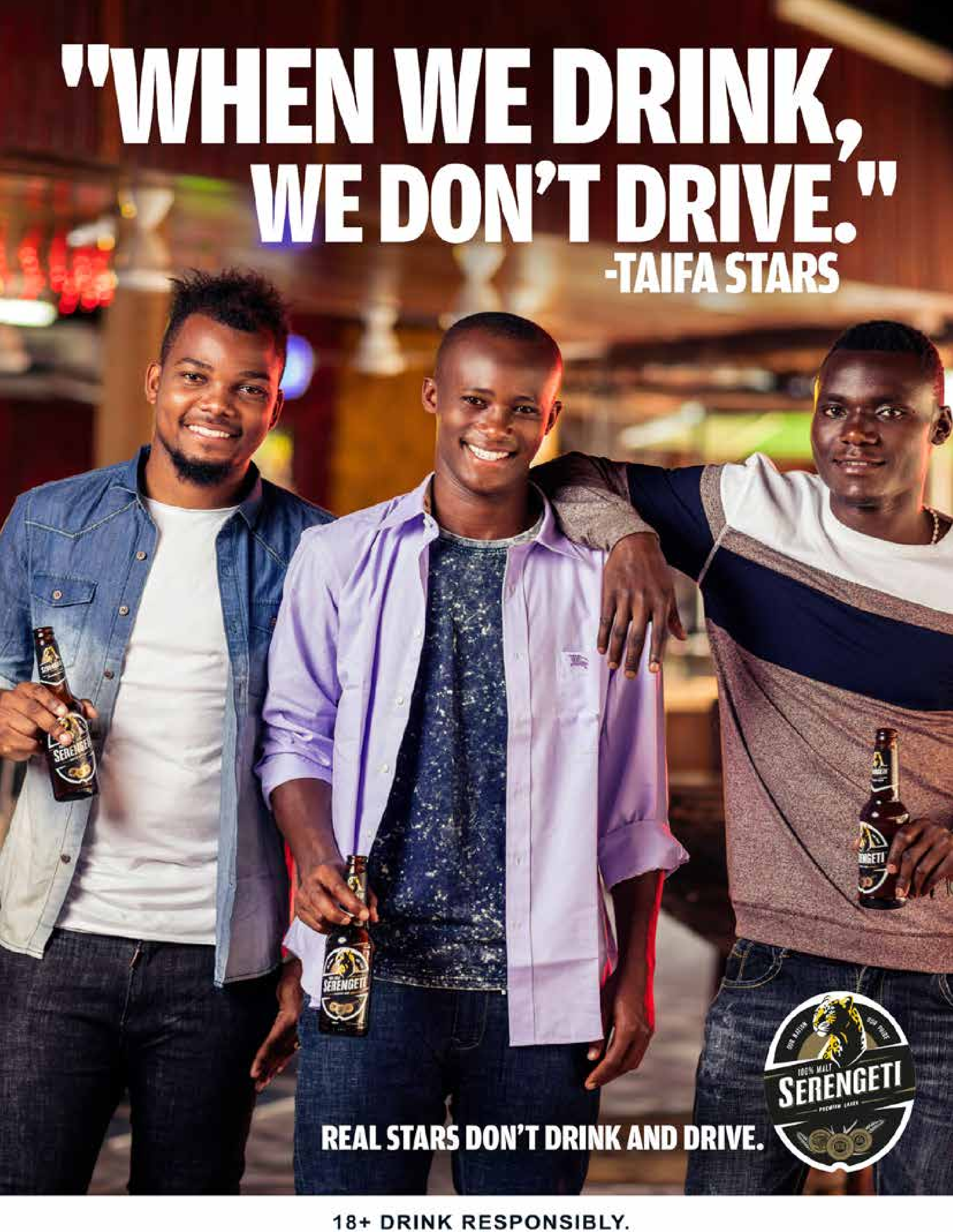
During F19, the brand positioning was brought to life through the "Jimixx" platform – a platform that amplified the brand purpose of bringing people together of all walks of life, to celebrate and have fun. This was leveraged at scale through mass sampling and experiential events that linked the product features of mixability, along with the consumers socializing (mixing).

Johnnie Walker®

Despite a deteriorating macroeconomic environment, Johnnie Walker has overcome many challenges over the last 3 years. Faced with a volume decline over the past four years, a targeted turnaround strategy was deployed in F18 and F19, which has re-established the brands credentials and positioning, delivering double digit growth. Leveraging the aspirational and global status of Johnnie Walker, we executed a two-tiered strategy that accelerated trial of Johnnie Walker Red Label and Ginger to demonstrate mixability, augmented by the very popular experiential, Johnnie Walker Black Label Mark the Month Events, that served to entrench the brand positioning and build repertoire appeal.

Gordon's Gin

Gordon's Gin, the second largest spirit brand within our portfolio, is uniquely positioned to capture share within the Premium gin category, despite a challenging macroeconomic and competitive environment. With white spirits contributing to double digit growth of the Tanzanian spirits market, Gordon's remains highly aspirational and iconic through its consistent availability and visibility.


"WHEN WE DRINK,
WE DON'T DRIVE."
-TAIFA STARS
REAL STARS DON'T DRINK AND DRIVE.
100% MALT
SERENGETI

KBL Commercial team during one of their training sessions.

4,000

We have been able to enlist over 4000 outlets which, combined with our existing outlets, will significantly expand our emerging business segment, setting us off on another round of growth.

Leveraging commercial capability and market dynamics to deliver growth

Across our marketplace, consumer trends and behaviours are constantly shifting, just as much as their tastes and preferences are evolving. Our commercial platform continues to enable us take advantage of these opportunities and unlock new growth, leveraging our diverse portfolio of brands, while creating a positive role for alcohol and our business in society.

To keep the 'quality promise', we are keen to maintain global standards in making, distribution and retail of our products, while always aiming to meet or exceed our consumers' expectations. We take time to study the market trends, understand the dynamic marketplace we operate in, while constantly investing in existing and new brands. We achieve this through:

Enhancing our route to consumer

Ensuring that EABL's products reach all corners of East Africa takes the combination of laser-focus attention to our strategy and excellent execution of our plans. And although we have our teams engaged in various commercial touch-points, distributors remain our biggest partners in extending our route to consumer agenda.

In 2019, we set out to deepen their capability so as to deliver EABL's growth ambition together, especially in emerging business, driven by growth of that segment. Of course, on the journey to make our distributor model truly world-class, we have set our standards high. Our distributor engagements have helped us align their capabilities with our performance objectives.

Central to this is the sharpened focus on how our distributor partners are set up to deliver these new growth targets. Specifically, a review of their human-resource capability, ability to use new tools and systems and operating models as the engine of our commercial delivery is becoming increasingly critical in achieving of our ambition.

Entrenching Gold Standard

To scale up development of distributors, we have in the last couple of years introduced the Gold Standard. This is a growth-enhancing model that targets at a delivery of professional outlook through training and recruitment as well as effective use of automated sales tools. The Gold Standard ensures distributors continuously makes improvements towards attaining the required structures, standards and processes of a World Class Distributor.

In Kenya for instance Gold standard achievers increased to 20%, a key notable improvement in the distributor structures, standards of operations to support the EABL growth strategy. Emerging distributors were evaluated on the Gold Journey for the first time in F19 and notable milestones have been documented. This is a critical journey and we are on course to achieve our 2022 ambition aimed at deriving 80% our revenues from Gold Standard distributors.

Engaging top gear for Kisumu Brewery

In 2019, we commissioned our new brewery in Kisumu for production of Senator, not only providing 17,000 farmers with an opportunity to deliver sorghum but also boosting our capacity to recruit from illicit brews.

We have been able to enlist over 4,000 outlets which, combined with our existing outlets, will significantly expand our emerging business segment, setting us off on another round of growth. Our consumer plan to commercialise the brewery is elaborate and clear, and will seek to fully commercialise the brewery in the coming year.

DELIVERING
VALUE
TOGETHER

Our People

Our People and Culture

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

We have developed a robust, multi-year talent planning (MYTP) approach to strategically forecast human resource needs to drive growth.

Our people are essential to our business - our reputation for professionalism, commitment and integrity is something that we deeply desire to harness and build upon.

The EABL Way

Our people are our biggest asset - our reputation for professionalism, commitment and integrity is something that we deeply desire to harness and build upon. Ultimately, this is how we will achieve our ambition to create the best performing, most trusted and respected consumer goods company in Africa. To extend our success, we have continually integrated talent development with our broader strategy, ensuring that we are more than the sum of our parts of our business across East Africa. Our long-term, deliberate and elaborate growth agenda for our people outlines how we will achieve success through a host of programmes sharpening and developing skills in EABL to deliver on our strategy.

Talent development as the bedrock for people's growth

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

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

EABL talent programmes

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

- **Partners for Growth (P4G) –** Our performance management system that puts performance and career conversations at the heart of the process, focusing on using and building strengths with two-way development conversations to deliver both business and personal outcomes. It supports individuals in identifying career aspirations with development actions as a priority. A philosophy of 70-20-10 principle has been adopted for development with 70% practice and experience coming from one's day-to-day-job, 20% through coaching and mentoring, and 10% from formal traditional learning experience including training and e-learning. Our reward system encourages equal pay for equal work while it also recognises and rewards exceptional individual

A section of the EABL Spirited Women group after their Breakthrough Mentorship Circle graduation.

performance in alignment with real business outcomes.

- **Amazing People Manager –** The quality of our line managers is key to releasing the potential of our people and to deliver on our performance ambition. To fast-track development of our line managers, we have developed a programmed dubbed "Amazing People Manager". The programme equips managers with tools and resources while offering support as they seek to inspire others and deliver results. Currently, over 70% of our people managers have gone through the programme, which has now been adopted globally by Diageo.

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

50:50

Our recruitment and selection policy ensures fair access to job opportunities and diversity (50:50). We are constantly tracking the ratios on a quarterly basis to ensure a balanced approach on internal moves versus external recruitment.

70-20-10

A philosophy of 70-20-10 principle has been adopted for development with 70% practice and experience coming from one's day-to-day-job, 20% through coaching and mentoring, and 10% from formal traditional learning experience including training and e-learning.

- **LEAP –** A programme designed to create breakthrough in leadership capability demonstrating the leadership standard at senior management level with a view to shift from functional to cross-functional business know-how and impact.

- **Fast Forward –** A unique learning journey for aspiring leaders who want to develop their next leadership level with increased self-awareness exploiting their full potential and supporting our business objectives.

People welfare and rewards

The welfare of our people remains a critical part of our growth agenda, cognizant of the fact that our performance as a company will remain robust only if they consider EABL a great place to work in. We take a Total Reward Approach, i.e., we focus not just on the financial rewards but non-financial rewards. Together, these form our employer value proposition.

Our recognition principles support this intent as we aim to

To fast-track development of our line managers, we have developed "Amazing People Manager". This programme equips managers with tools and resources while offering support as they seek to inspire others and drive results.

KBL team celebrates after receiving an FKE award in 2018 for emerging winner in the Learning and Development Category.

26

Family leave policy offers all female employees in East Africa a minimum of 26 weeks of fully-paid maternity leave, regardless of where they live and work and fully-paid paternity leave of 4 weeks.

make recognition immediate i.e. as close as possible to the event that has led up to it. We recognize behaviour that supports our short and longer-term business objectives and is aligned to our standards of leadership, values and culture. We recognize employee at all levels and primarily through our products/brands and through non-cash awards. We use cash awards in certain unique cases with the MD's approval. We recognise publicly in-order to inspire and create transparency.

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

- A host of annual rewards including annual salary reviews, performance rewards, spot recognition, functional recognition, company-wide recognition and long-service awards.
- A mortgage benefit scheme, partly funded by EABL, in consideration that one of the highest priorities for our employees is the ability to own a home and this aspiration is an integral part of their financial plans.
- An employees' medical scheme and wellness programme to ensure a healthy workforce across our business.
- A clinic fully resourced to provide general and specialist medical care to employees and their families.
- Collective Bargaining Agreement that spells out all the working conditions and applicable labour relations with the union as mutually agreed. This has reduced our overall attrition rate currently trending at less than 5%.
- An Employee Share Ownership Plan (ESOP) connecting employment to the long-term success of our business. The plan forms a crucial part of employee engagement and commitment to creating sustainable value for both our people and our business.
- Introduction of new Family Leave Policy that offers all female employees in East Africa a minimum of 26 weeks of fully-paid maternity leave, regardless of where they live and work and fully-paid paternity leave of 4 weeks.

Employer Brand

Driving Business Performance and Employee Immersion sits at the core of our Mission: Culture of Unconditionality through Townhalls, skip-level sessions, Cross-functional Teams, employee communications, creative rewards, Leadership capability (LEAP), and leveraging high employee engagement has impacted performance at pace.

During the year, our investment in people and a strong employer brand has enabled us earn recognition across East Africa in these awards:

- KBL 2019 Energy Awards, organised by the Kenya Association of Manufacturers, scooping the overall award and five category awards, the highest number any company won at the event.
- SBL recognised as Employer of the Year for investing in technology by the Association of Tanzania Human Resource Professionals.
- KBL Employer of the Year Award for Learning and Development – Federation of Kenya Employers (FKE).
- EABL ranked Position 2 among the top 25 employers in Kenya 2019 by Shortlist Professionals.
- EABL Human Resource Team – won the Diageo Human Resource Heroes award for championing Performance Enablement leveraging Mission councils in Kenya.
- EABL is a net exporter of talent in Diageo. There are five employees working as Managing Directors or global resources: Peter Ndegwa (General Manager, Continental Europe and Russia), Baker Magunda (Managing Director, Nigeria), Alvin Mbugua (Managing Director, Uganda), Mark Ocitti (Managing Director, Tanzania), Yvonne Mwangi (Global Sales Outlet Execution Manager, Africa, Sales Effectiveness). 11 East Africans hold different positions across Diageo.

Diversity is in our DNA

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

EABL is a diverse business and we believe it is important for our future success that our workforce reflects the parts of the world in which we operate. This clearly includes having women in leadership positions. We have women in 4 EABL Board and Executive positions.

There has been a marked progress in this agenda, a deliberate journey intrinsic in our culture of diversity. In fact, EABL's intention is to ensure diversity is sustained in the leadership roles: before hiring at senior management level, we ask that there is a female candidate on all our shortlists– and if there isn't we ask questions to find out why. Overall, we approach our diversity goals with the same attitude and drive that we approach our financial goals. All members of our Executive Committee are individually responsible for helping EABL realise its diversity ambitions and as a Group, we are committed to tackling any unconscious bias that might exist within the business.

Building an inclusive and diverse culture

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

Celebrating our inclusive and diverse culture is core to EABL's purpose of "celebrating life every day everywhere". This purpose is inclusive in nature, as it values everybody irrespective of background, religion, sexuality or ethnicity.

We know that for our business to thrive and for EABL to realise its ambition, we depend on having diverse talent with a range of backgrounds, skills and capabilities in each of the countries in which we operate and to reflect our broad consumer base. We view diversity as one of the key enablers that helps our business to grow.

Our values, purpose and standards set the conditions for us to respect the unique contribution each person brings. Authentic relationships are at the heart of how we operate together. We have committed to growing our employees as global citizens and have invested in many areas, with further opportunity still ahead, to be the leading inclusive organisation. We have been investing in training and building awareness on the importance of having open dialogue within teams and fostering real relationships at every level within the organisation.

Gender

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

Across EABL, we are particularly proud that we have focused on achieving greater diversity at the most senior level. Our ambition continues with an intent to have our senior leadership team at 40% female by 2020, with an increase to 50% by 2025.

We do not only focus on our leaders within the business; all our graduate programmes and our mid-career development programmes ensure they have an equal intake of women and men to attract, retain and grow the best talent.

For example, we are committed to ensuring that 50% of hires to our global graduate programme are women, and this has been consistently achieved across all our 3 markets (Kenya, Uganda, Tanzania) in the last 3 years.

40%

Across EABL, we are particularly proud that we have focused on achieving greater diversity at the most senior level. Our ambition continues with an intent to have our senior leadership team 40% female by 2020, with an increase to 50% by 2025.

Many of our broader sustainability programmes empower women across the region, giving them the opportunity to learn new skills and increase their job prospects.

In Tanzania, our Serengeti Lite brand has recently become a sponsor of the women's football team in Tanzania while in Kenya we recently launched the EABL "Breakthrough Mentorship Circle", an initiative by Spirited Women focused on amplifying and unlocking opportunities for our women to excel beyond their current remit as we drive a more inclusive culture.

Beyond our internal operations, we are also working to empower and uplift women throughout our value chain. We believe they are the center of economic development especially in the rural areas. Of the 60,000 smallholder farmers we have contracted, 50% are women. These women are able to support themselves, their families and the community at large creating a domino effect on the economy.

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New Family Leave Policy

EABL has recently made a breakthrough commitment in line with Diageo's global ambition of inclusion on gender equality. EABL is seeking to lead the way in fostering a culture of inclusion for over 1,500 employees and our latest commitment is to enhance our parental leave policy across East Africa.

EABL team won most awards at the Diageo Africa's Pride of Africa Awards.

This is an important step for EABL and we are committed to equality within our workforce. Our focus on diversity and inclusion takes various forms – from supporting and empowering graduates and female leaders within the business to this parental leave policy change. We believe it is a truly forward-looking decision to accelerate our work in equality for employees and their families.

The policy offers all female employees in East Africa a minimum of 26 weeks of fully-paid maternity leave, regardless of where they live and work and a fully-paid paternity leave of 4 weeks.

Science, Technology, Engineering, Mathematics (STEM) Programme

To be more deliberate in our commitment to build a more diverse and inclusive environment across our business, EABL recently launched an apprenticeship programme for female university students taking courses in Science, Technology, Engineering and Mathematics (STEM) to give them a learning opportunity across East Africa.

Female students from technical universities and colleges will be the beneficiaries of the programme which is also designed to expose them to the supply world in East Africa's largest manufacturer and get them interested in working in it.

Announcing the launch of the new initiative in Kenya, KBL Managing Director Mrs. Jane Karuku said EABL was engaging the gear in elevating and empowering female talent, because the company acknowledges that a diverse culture is intrinsic to the success of the business. The announcement follows the International Women's Day celebrations, marked by a host of activities across EABL.

In the field of STEM, The United Nations Educational, Scientific and Cultural Organisation (UNESCO) reported last year that there remains a huge imbalance in the participation of women in comparison to men, particularly in higher career levels.

In the engineering field for example, women are taking up one in four of the slots in engineering courses, with scholars noting that the number of women earning STEM degrees declines as they move up the educational ladder.

EABL launched its STEM apprenticeship programme in Kenya by hosting STEM students from the Jomo Kenyatta University of Agriculture and Technology and the Technical University of Kenya at the Tusker Brewery, where they got an opportunity to see the manufacturing process and also to interact with staff.

The visit by the students marked the start of the two-year apprenticeship programme for female STEM students, as a platform to create opportunities for female students and also equip them with hands-on skills that prepare them for the job market.

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

Compliance and Ethics

Running a compliant, sustainable business

EABL's approach to risk management is in line with Diageo's Global Risk Management Standard. On an annual basis, each business unit undertakes a 'blue sky' risk assessment.

EABL aspires to not only be the best performing consumer products company, but also 'most trusted and respected' business in Africa. The Controls, Compliance and Ethics (CCE) function drives this agenda to embed broad ownership of the company's 'trusted and respected' agenda throughout our business.

The CCE function works with other functions to ensure that a robust control environment exists, that we comply with our Code of Business Conduct (CoBC) and applicable Policies and Standards. Where breaches are suspected to have occurred, CCE also ensures that they are investigated professionally with appropriate consequence management if a breach is confirmed.

The CCE team seeks to underpin EABL's reputation as an organisation that can be relied upon to deliver on its promises to its people, its customers, its consumers and its communities.

Risk Management and Controls Assurance

EABL's approach to risk management is in line with Diageo's Global Risk Management Standard. On an annual basis, each business unit undertakes a 'blue sky' risk assessment. Thereafter, the top internal and external risks are ranked based on their likelihood of occurrence and their impact to the business. Action owners are then tasked with ensuring that robust risk-mitigation plans are in place. These risks are reviewed every quarter by Business Units at the Risk Management Committee (RMC).

The Managing Directors of our respective businesses in Kenya, Uganda and Tanzania as well as the General Manager of East Africa Maltings chair the Risk Management Committee in their business.

In addition, EABL has a Control Assurance and Risk Management (CARM) framework in place covering all the major controls required for every function in the business to operate effectively, efficiently and in a compliant manner. As has been the case in previous years, the CARM process was refreshed during the financial year 2018 (F18), with an assessment of key controls that are scoped for design and then tested.

Breach Management

EABL's approach to breach management is embedded in its Breach Management Standards. In order to ensure that potential breaches to our Code, Policies and Standards are handled fairly and expeditiously, Breach Management Committees in each business meet on a regular basis to review progress of ongoing investigations, check on the status of any ongoing disciplinary proceedings and progress agreed actions to closure.

- The number of cases as at financial year 2019 (F19) continued to fall year-on-year, in line with the 3-year trend. We had 42 cases at the end of F19 compared to 58 in F18, a 28% drop in the same period.
- We are committed to driving transparency with our people following proven breaches by sharing appropriate communications. EABL dismissed 10 employees for CoBC breaches in F19, compared to 17 in F18, a 41% reduction.

Whistle Blowing (SpeakUp) Policy

We wish to be an open and transparent business, providing our people with various avenues to raise concerns. One way of raising a concerns is through our whistle blowing policy which is embedded in our "SpeakUp" facility. SpeakUp is a confidential service anyone can use to raise concerns about things relating to EABL that are not or do not seem right, such as the risk of harm to EABL people, customers, the public or the environment.

SpeakUp is administered by an independent company and this independence enhances its credibility as a channel addressing matters touching on our integrity. This service is available 24 hours a day, seven days a week, and can handle calls in more than 75 languages. One does not have to be an employee of EABL to report a matter. The SpeakUp line is tested quarterly by CCE.

Compliance and Responsible Market Place Practices

a. Responsible competition

EABL is committed to fair business practices and upholding the highest standards of commercial integrity. We are governed by policies, standards and guidelines such as the Anti-Corruption and Bribery Policy (which includes Gifting and Entertainment guidelines), Politics in the Workplace Policy, Competition and Anti-Trust and the Diageo Marketing Code.

We require that all our people (including third parties and contractor staff) undergo mandatory periodic training on these policies and guidelines to embed awareness. We also have various platforms such as Pathway of Pride and our annual Master the Code (Code of Business Conduct refresher) that give our people an opportunity to engage on various areas within our Code and policies including responsible competition and confirm their knowledge/awareness of this content.

We also continue to use various other platforms to evaluate the level of our peoples' knowledge and understanding of these policies, including organisation-wide quizzes, engagement of contractors during sales cycle briefs and various supply chain site sessions.

b. Responsible marketing and advertisement

EABL has put in place various measures to ensure responsible marketing and advertising. As a business we are guided by our Diageo Marketing Code as well as the Competition and Anti-Trust policy that ensure our people remain conscious of their personal responsibilities when advertising, marketing and selling our products. These policies guide our daily commercial activities, including how we engage our competitors and our customers.

It also guides activities such as market research, brand innovation, brand names and packaging, trade advertising, consumer advertising, public relations, relationship marketing, digital media, mobile media, social media, brand sponsorship, promotional activities on and off trade and experiential marketing and events.

We also ensure that there is frequent training on the requirements of the policies. Our people also spend time in trade through various initiatives and market storms which help in driving sales while ensuring responsible business practices.

Recognising the positive role that alcohol plays, EABL continues to promote the industry-wide Responsible Marketing Code by the Alcohol Beverages Association of Kenya (ABAK) which we are a part of. One of ABAK's critical roles is to support self-regulation by providing information, training and technical expertise to the alcohol industry in Kenya. We are committed to reducing harmful consumption of alcohol in Kenya. EABL fully supports the code because it is the right thing to do for our company, our customers and our consumers.

"We wish to be an open and transparent business, providing our people with various avenues to raise concerns."

Recognising the positive role that alcohol plays, EABL continues to promote the industry-wide Responsible Marketing Code by the Alcohol Beverages Association of Kenya (ABAK) which we are a part of.

DELIVERING
VALUE
TOGETHER

Our Leadership

Board of Directors

Mr. Charles Muchene (Age 62)
Independent Non-Executive Director & Group Chairman, Kenyan

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

Charles Muchene currently serves as a Board-level advisor focusing primarily on Corporate Governance, Strategy and Ethics. Previously, he was an audit and business advisory partner in PricewaterhouseCoopers 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 has 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, in addition to East African Breweries Limited.

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

Mr. John O'Keeffe (Age 47)
Non- Executive Director & Group Vice Chairman, Irish

Appointed to the Board in July, 2015.

John O'Keeffe has worked at Diageo for over 24 years. During his career with the company, he has gained a wealth of experience across both emerging and developed markets namely Ireland, Jamaica, Sweden, Greece and Russia. Before his appointment as President, Diageo Africa, John was Managing Director for Guinness Nigeria Plc.

Mr. O'Keeffe holds a Bachelor of Commerce (Hons) (Economics and Marketing) Degree from University College Cork, Ireland.

Mr. Japheth Katto (Age 68)
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.

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

Mr. Katto is the Board Chairman of Stanbic Uganda Holdings Limited, Stanbic Bank Uganda and Uganda Breweries Limited. He was a member of the Global Council of the UK based Association of Chartered Certified Accountants (ACCA) for six years until November 2018.

Mr. Katto holds a Bachelor of Commerce degree from Makerere University, is a Fellow of ACCA and a member of the Institute of Certified Public Accountants of Uganda.

Ms. Carol Musyoka (Age 47)
Independent Non- Executive Director, Kenyan

Appointed to the Board in September, 2015.

Carol Musyoka is a lawyer by training and a banker by profession.

She currently provides consulting and knowledge partnerships for various local and international institutions specifically in the areas of leadership and corporate governance.

She was previously an Executive Director at Barclays Bank of Kenya Limited holding the position of Corporate Director.

She currently holds non-executive directorships in BAT Kenya, Kenya Airways Plc, and the Competition Authority of Kenya. She also chairs the Business Registration Services, a parastatal under the Attorney General's ministry.

Dr. Martin Oduor-Otieno, CBS (Age 62)
Independent Non-Executive Director, Kenyan

Appointed to the Board in May, 2016.

Dr. Oduor-Otieno is currently an independent Business Advisor and Executive Coach. Prior to this, he worked with Deloitte East Africa as Partner, Financial Services Industry from May 2013 to December 2015. Dr. Oduor-Otieno had an illustrious career at Kenya Commercial Bank Group between October 2005 and December 2012, initially as Deputy CEO and then as Chief Executive Officer. He has held senior positions in Barclays Bank of Kenya Limited and in the Public Sector in Kenya.

Dr. Oduor-Otieno holds Executive MBA and Bachelor of Commerce degrees and is an alumnus of the Harvard Business School's AMP. He is a Fellow of the Kenya Institute of Bankers, Institute of Certified Public Accountants of Kenya, Institute of Directors Kenya and a Member of the Institute of Certified Secretaries Kenya.

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

Mr. Andrew Cowan (Age 52)
Group Managing Director, British

Appointed Group Managing Director in July, 2016.

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.

Mrs. Jane Karuku (Age 57)
Executive Director, Kenyan

Appointed to the Board in September 2013.

Jane Karuku is currently the Managing Director of Kenya Breweries Limited (KBL). Before her appointment to KBL, she was the President of Alliance for a Green Revolution in Africa (AGRA). She has also previously held a number of senior positions in various companies including Deputy Chief Executive and Secretary General, Telkom Kenya and Managing Director, Cadbury East and Central Africa.

Mrs. Karuku holds a Bachelor of Science Degree in Food Science and Technology from the University of Nairobi and an MBA in Marketing from the National University of California.

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.

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.

Board of Directors

Mr. Paul Gallagher (Age 51)
Non-Executive Director, Irish

Appointed to the Board in July, 2016.
Resigned from the Board in March, 2019.

Paul Gallagher was the Global Operational Excellence Director at Diageo and was responsible for developing and executing the overall excellence in supply chain strategy in the Diageo global beer markets. His 20 years' experience spanned in end to end supply management, procurement, customer service, manufacturing, and transformation management.

Prior to joining Diageo, Paul worked at Cement Roadstone Holdings where he held a number of positions including, project engineer, production manager, and assistant plant manager.

Mr. Jimmy Mugerwa (Age 55)
Independent Non- Executive Director, Ugandan

Appointed to the Board in July, 2018.

Jimmy Mugerwa is currently the Managing Director, Tullow Uganda Operations Ltd, which is a subsidiary of Tullow Oil Plc, Africa's leading independent Oil and Gas company. Previously, Jimmy worked for 19 years for Royal Dutch Shell in various senior roles including; Senior Regional Advisor Sub-Saharan Africa at the Headquarters in the Netherlands; Kenya Country Chair and General Manager, Shell East Africa; Africa Retail Marketing Manager, Shell Oil Products Africa. He currently serves as the Chairman of the DFCU Bank Board. In addition, he serves in leadership roles on several Boards including nonprofit organizations. He was a Co-founder chair together with the late Professor Wangari Maathai for the Karura Forest Environmental Education Trust. He is the past chair for the MC of Starehe Boys Centre for 7 years.

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 and several Oil & Gas certificates. He also did the Executive Business Leadership Programme at IMD in Lausanne, Switzerland.

Mr. John Ulanga (Age 48)
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.

Between November 2005 and January 2015, John worked as an Executive Director for the Foundation for Civil Society in Tanzania where he led various projects in Governance and Social Policy areas of the National Strategy for Growth and Reduction of poverty.

John holds an Executive Masters in Development Policies and Practices from the Graduate Institute of International and Development Studies, Geneva, Switzerland. He is a Certified Public Accountant of Tanzania and also holds a Bachelors of Commerce and Management Degree from the University of Dar es Salaam.

Ms Joyce Munene (Age 45)
Group Company Secretary, Kenyan

Appointed Group Company Secretary in April, 2016.

Joyce Munene is an Advocate of the High Court of Kenya, a Certified Public Secretary, a Certified Governance Auditor and a Certified Professional Mediator.

Prior to her appointment, Ms. Munene worked with Equity Bank (K) Limited where she held the position of Manager, Legal Services and Assistant Company Secretary. She started her career as a Legal Officer with United Insurance Company Limited and later practiced law in the firm of Munene, Omwenga and Company Advocates.

Ms. Munene holds a Master's Degree in Business Administration (Strategic Management) from Jomo Kenyatta University, a Bachelors of Laws Degree from University of Pune and a Diploma in Law from the Kenya School of Law.

EABL Senior Management

Andrew Cowan
Group Managing Director

György Geiszl
Group Finance and Strategy Director

Jane Karuku
Kenya Breweries Limited Managing Director

Mark Ocitti
Uganda Breweries Limited Managing Director
(Appointed Serengeti Breweries Limited Managing Director effective 1st July, 2019)

Helene Weesie
Serengeti Breweries Limited Managing Director
(Appointed Cluster Director, Central Europe effective 1st August, 2019)

Peter Vogtlander
Group Supply Chain Director

Nadida Rowlands
Group Legal Director

Eric Kiniti
Group Corporate Relations Director

Ednah Otieno
Group Human Resources Director

Graham Villiers-Tuthill
Group Marketing and Innovations Director

Alvin Mbugua
Uganda Breweries Limited Managing Director
(Appointed effective 1st July, 2019)

Notice of Annual General Meeting

Notice is hereby given that the Ninety-Seventh Annual General Meeting (AGM) of East African Breweries Limited will be held on **Wednesday, 18th September, 2019** at **Safari Park Hotel, Ruaraka** NAIROBI at **11.00 am** to transact the following business:

Ordinary business:

1. To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 30th June 2019 together with the Directors Report and Auditors' Reports thereon.
2. To confirm the interim dividend of Kshs 2.50 per ordinary share paid on 11th April 2019, and approve a final dividend of Kshs 6/- per ordinary share payable net of withholding tax on or about 11th October 2019, to shareholders on the register at the close of business on 25th September 2019.
3. Election of Directors:
   a) Mr. John Ulanga was appointed during the financial year to fill a casual vacancy on the Board. He retires in accordance with Article 116 of the Articles of Association and being eligible, offers himself for re-election.
   b) Mr. Japheth Katto retires by rotation in accordance with Article 117 of the Articles of Association and being eligible, offers himself for re-election by virtue of Article 119 of the Articles of Association.
   c) Dr. György Geiszl retires by rotation in accordance with Article 117 of the Articles of Association and being eligible, offers himself for re-election by virtue of Article 119 of the Articles of Association.
   d) Mrs. Jane Karuku retires by rotation in accordance with Article 117 of the Articles of Association and being eligible, offers herself for re-election by virtue of Article 119 of the Articles of Association.
   e) In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit and Risk Management Committee be elected to continue serving as members of the said committee:
      i. Dr. Martin Oduor-Otieno;
      ii. Mr. Japheth Katto;
      iii. Mr. Jimmy Mugerwa;
      iv. Mr. John Ulanga.
4. To receive, consider and if thought fit approve the Directors' Remuneration Report for the year ended 30th June 2019, and approve consolidated fees of approximately Kshs 36,700,000 for Independent Non-Executive Directors for the year ending 30th June 2020.
5. To note that the auditors Messrs. PricewaterhouseCoopers (PwC) continue in office as auditors by virtue of Section 721(2) of the Companies Act 2015 and to authorize the Board to fix their remuneration.
6. To consider any other business of which notice will have been duly received.

By order of the Board

Joyce N. Munene

Group Company Secretary

P.O. Box 30161-00100

NAIROBI.

27th August, 2019

Notes

1) A shareholder entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

2) In case of a shareholder which is a body corporate, the proxy form must be completed by an officer or attorney of the body corporate duly authorised in writing.

3) Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the proxy form to the Company Secretary at the registered office of the Company or to the Registrars – Custody & Registrars, 6th Floor Bruce House, Standard Street, P. O. Box 8484-00100 Nairobi - so as to arrive not later than 2.30pm on 16th September 2019, being not less than 48 hours before the time appointed for the meeting. Duly signed and dated proxy forms may also be emailed to proxy@candrgroup.co.ke in PDF format.

4) In accordance with Article 180 of the Company's Articles of Association, a copy of the entire Annual Report and Financial Statements may be viewed and/or obtained from the Company's website (**www.eabl.com**).

Ilani Ya Mkutano Wa Kila Mwaka

Ilani inatolewa kwamba mkutano wa tisini na saba wa kila mwaka (AGM) wa kampuni ya East African Breweries Limited utafanyika **Jumatano tarehe kumi na nane mwezi wa Septemba mwaka huu katika hoteli ya Safari Park, Ruaraka** NAIROBI **saa tano asubuhi** ili kutekeleza yafuatayo:

Biashara Ya Kawaida:

1. Kupokea, kuangazia na ikifikiriwa vyema, kupitisha ripoti ya mwaka na taarifa za fedha zilizokaguliwa za mwaka uliomalizika tarehe thelathini Juni mwaka huu pamoja na ripoti ya wakurugenzi na ripoti ya wakaguzi.
2. Kuhakikisha kaimu gawio la shilingi 2.50 kwa kila hisa iliyolipwa tarehe 11 Aprili, 2019 na kupitisha kwa gawio la mwisho la shilingi 6/- kwa kila hisa ya kawaida itakayolipwa kwa kushikilia ushuru tarehe 11 Oktoba mwaka huu, kwa washikadau waliosajiliwa mwishoni mwa siku ya tarehe 25 Septemba mwaka huu.
3. Uchaguzi wa Wakurugenzi:
   a) Bw. John Ulanga aliteuliwa wakati wa mwaka wa kifedha ili kujaza nafasi iliyowachwa wazi kwenye bodi. Anastaafu kulingana na kipengee cha 116 Kifungu cha Mashirika na yupo tayari kwa uchaguzi.
   b) Bw. Japheth Katto anastaafu kwa mzunguko kulingana na kipengee cha 117 Kifungu cha Mashirika na yupo tayari kwa uchaguzi kulingana na kipengee cha 119 kifungu cha mashirika.
   c) Dkt. György Geiszl anastaafu kwa mzunguko kulingana na kipengee cha 117 Kifungu cha Mashirika na yupo tayari kwa uchaguzi kulingana na kipengee cha 119 kifungu cha mashirika.
   d) Bi Jane Karuku anastaafu kwa mzunguko kulingana na kipengee cha 117 Kifungu cha Mashirika na yupo tayari kwa uchaguzi kulingana na kipengee cha 119 kifungu cha mashirika.
   e) Kwa mujibu wa maelezo kwenye Kifungu 769 cha Sheria ya Kampuni ya mwaka 2015, wakurugenzi wafuatao ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu na Utathmini wa Hatari katika Bodi wachaguliwe kuendelea kuhudumu kama wanachama katika kamati hiyo:
      a) Dkt. Martin Oduor-Otieno;
      b) Bw. Japheth Katto;
      c) Bw. Jimmy Mugerwa;
      d) Bw. John Ulanga.
4. Kupokea, kutathmini na ikikubalika, kuidhinisha Ripoti ya Malipo na Marupurupu ya Wakurugenzi ya mwaka uliomalizika tarehe 30 Juni mwaka huu na kupitisha malipo ya Kshs 36,700,000/- kwa wakurugenzi wanaojisimamia (Independent Non-Executive Directors) kwa mwaka unaoamlizika Tarehe 30 Juni 2020.
5. Kufahamu kuwa wakaguzi wa PricewaterhouseCoopers (PwC) watasalia ofisini kulingana na kipengee 721(2) cha Sheria ya Kampuni 2015 na pia kuruhusu bodi kujiamulia mshahara wao.
6. Kuangazia biashara nyingine iwapo ilani itakuwa imepokelewa kwa utaratibu ufaao.

Kwa Agizo La Bodi

Joyce N. Munene

Katibu wa Kampuni

S.L.P. Box 30161-00100

NAIROBI.

27 Agosti, 2019

Maandishi

1) Kila mshikadau anafaa kuhudhuria mkutano na kupiga kura na kama hawezi hudhuria mkutano,anahitajika kumtaja atakayehudhuria na kupiga kura kwa niaba yake.Atakayetumwa hafai kuwa mwanachama wa kampuni.
2) Iwapo mshikadau ambao ni kampuni,fomu ya mwakilishi itahitajika kujazwa na ofisa au mwanasheria mkuu wa kampuni kwa maandishi.
3) Washikadau ambao hawatapendekeza kuhudhuria mkutanno wa mwaka wanaombwa kujaza na kurudisha fomu ya uwakilishi kwa katibu wa kampuni katika ofisi iliyosajiliwa ya kampuni au kwa rejistra–Custody & Registrars, 6th Floor Bruce House, Standard Street, P. O. Box 8484-00100 Nairobi –na inafaa kupokelewa kabla ya saa nane unusu tarehe kumi na sita septemba mwaka huu,saa arobaini na nane kabla ya wakati ulioteuliwa wa kufanyika mkutano wa mwaka. Fomu za uwakilishi zilizokamilishwa na kutiwa sahihi pia zinaweza tumwa kwa barua pepe proxy@candrgroup.co.ke kwa mkondo wa PDF.
4) Kulingana na kipengee 180 cha kifungu cha mashirika,chapa ya ripoti ya mwaka na taarifa ya fedha zinaweza tazamwa au kupakuliwa kutoka katika wavuti wa kampuni. (**www.eabl.com**).

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 (EABL) shareholder value, whilst taking into account the interests of other stakeholders. East African Breweries Limited is committed to the highest standards of Corporate Governance and Business Ethics. The Company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization and is in compliance with the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public (the CMA Code) as well as the equivalent guidelines for listed companies in Tanzania and Uganda.

Besides complying with the CMA Code, the Company has committed to embedding internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Code of Business Conduct (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.

The Board of Directors

As at the end of the financial year, the Board comprised of six Independent Non-Executive Directors, one Non-Executive Directors and three Executive Directors. 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.

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 & Remuneration Committee. The Board Investment Committee is an ad hoc Committee. The Committees are all chaired by Independent Non-Executive Directors who also form the majority of the Committee's membership.

Division of Responsibilities

The Chairman and the Group Managing Director's roles are separate, with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating productive contribution of all Directors. The Chairman 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 six Independent Non- Executive Directors and one Non-Executive Director as at the end of the financial year. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The Chairman and five of the Non-Executive Directors, as at the date of this Report, are independent as defined by the CMA Code and accordingly over half of the Board is constituted of Independent Non-Executive Directors.

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

Independence of Directors and Conflict of Interest

The Board 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.

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. This year, the May 2019 Board meeting was held in Kampala, Uganda where Directors had an opportunity to undertake a deep dive on Uganda subsidiary, visited distributors and retailers and engaged with them to gain deeper insights on the market. The Board and its Committees also receive regular briefings on legal and regulatory developments that affect the business.

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

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

Composition of the Board

The Composition of the Board is as set out on pages 72 - 74.

Attendance at Board and Annual General Meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Mr. C. Muchene (Group Chairman)	5	5
Mr. J. O'Keeffe (Vice Chairman)	5	5
Mr. A. Cowan (Group Managing Director)	5	5
Dr. G. Geiszl	5	5
Dr. A. Shonubi (Retired on 26th July 2018)	1	1
Mrs. J. Karuku	5	5
Mr. J. Katto	5	5
Ms. C. Musyoka	5	5
Dr. M. Oduor-Otieno	5	5
Mr. P. Gallagher (Resigned on 31st March 2019)	3	4
Mr. J. Mugerwa	5	5

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 commissioned a Governance Audit as required by the CMA Code, to check whether the Company continued to maintain sound governance practices. After completion of the Governance Audit, the Committee received and reviewed the report in detail. The auditors issued an unqualified governance audit report that revealed that the Board had put in place a sound governance framework. The Committee also commissioned an external Legal and Compliance Audit as required by the CMA Code, to assess the level of compliance with relevant statutory and regulatory requirements. The report revealed that the Company and its subsidiaries were largely compliant with relevant legal and regulatory requirements with respect to its operations.

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 that were carried out during the year.

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.

Members:
Mr. J. Katto * (Chairman)
Dr. A. Shonubi* (Retired on 26th July 2018)
Ms. C. Musyoka*
Ms. J. Munene (Secretary)

*Independent Non-Executive Directors

Attendance at Board Corporate Governance Committee meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Mr. J. Katto	4	4
Dr. A. Shonubi	1	1
Ms. C. Musyoka	4	4

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:
- 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).
- Approving their terms of engagement and the level of audit fees payable to them.
- 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 2019 and their audit of the year-end consolidated financial statements.
- Interim results announcement, which included the condensed financial statements and Company's management results.

Upon completion of the consolidated financial statements, the BARC reviewed the following:
- The consolidated financial statements for the year ended 30 June 2019, 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 BARC deliberated on in relation to the consolidated financial statements are as highlighted in the table below:

Significant matters considered	Actions and conclusions
Judgment applied regarding the impairment of goodwill for Serengeti Breweries Limited (SBL). The Company carries goodwill of Kshs 2.1 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 brands, spirits 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 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.
Judgement applied regarding the impairment of investment in SBL The Company carries an amount of Kshs 16 billion in the Company Statement of Financial Position that relates to its equity investment in SBL. According to IAS 36 on Impairment of assets, an entity is required to test an asset for impairment whenever there is any indication that the asset may be impaired. Management carried out a detailed impairment review of the equity investment and based on the results, there were no impairment losses to be recognised.	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 the 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 disclosure in the financial statements were appropriate.
Commissioning of Kisumu Brewery and commencement of depreciation of the plant Towards the end of the financial year 2017, the Company embarked on a project to construct a brewery in Kisumu. The Kisumu Brewery is dedicated to production of Senator keg which is a beer in the value beer category. The brewery was deemed complete in March 2019 when depreciation of the plant commenced. At this point, the brewery was substantially complete and available for commercial production.	The Committee reviewed Management's judgments in determining the commissioning of Kisumu Brewery and commencement of the depreciation of the plant and considered them to be reasonable.
Judgment relating to certain tax matters 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.	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.

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 2019.
- 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 (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.

Members:

Dr. M. Oduor-Otieno * (Chairman)
Mr. J. Katto*
Mr. J. Mugerwa*
Mr. P. Gallagher (Resigned on 31st March 2019)
Ms. J. Munene (Secretary)

*Independent Non-Executive Directors

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

Name	Meetings Attended	Meetings Eligible to Attend
Dr. M. Oduor-Otieno	5	5
Mr. J. Katto	5	5
Mr. P. Gallagher	3	3
Mr. J. Mugerwa	4	4

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 4 meetings during the year and dealt with the following business:

- Assessment of the effectiveness and adequacy of the Board succession pipeline and succession plans, with particular consideration for actual and potential vacancies in the longer term horizon;
- Approval of a recruitment and selection policy setting out the criteria and focussing on diversity and inclusion in the Board composition.
- Review and adoption of changes to reward pay principles, management pay structures, pension plans and other cash and non-cash benefits pursuant to the talent strategy;
- Review and adoption of 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 June 2019, EABL, through the Board, adopted a progressive parental leave policy which offers female employees an extended maternity leave of up to 6 months and paternity leave of up to one month. In Kenya, EABL was recognised through the Employer of Year Awards run by Federation of Kenyan Employers for its approach to Learning and Development. In Tanzania, EABL was recognised through the Employer of Year Awards run by the Association of Tanzania Employers for its approach to Technology Investments.

Two out of the three members of the Committee were Independent Non-Executive Directors as at 30 June 2019.

Members:
Ms. Carol Musyoka* (Chairperson)
Mr. J. O'Keeffe
Dr. A. Shonubi* (Retired on 26th July 2018)
Dr. M. Oduor-Otieno *
Ms. J. Munene (Secretary)

*Independent Non-Executive Directors

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

Name	Meetings Attended	Meetings Eligible to Attend
Ms. Carol Musyoka	4	4
Mr. J. O'Keeffe	4	4
Dr. M. Oduor-Otieno	4	4
Dr. A. Shonubi	1	1

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 four meetings during which, members reviewed new capital expenditure (capex) projects, and the restructuring of funding proposals.

Members:

Ms. C. Musyoka* (Chairperson)
Mr. J. Katto*
Mr. A. Cowan
Dr. G. Geiszl
Ms. J. Munene (Secretary)

*Independent Non-Executive Directors

Attendance at Board Investment Committee meetings during the Financial Year

Name	Meetings Attended	Meetings Eligible to Attend
Ms. C. Musyoka	4	4
Mr. J. Katto	4	4
Mr. A. Cowan	3	4
Dr. G. Geiszl	4	4

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

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

Communication with Stakeholders

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

1. The Board Charter;
2. Board Committees Terms of Reference;
3. The Board Diversity Policy;
4. 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.

Governance Auditor's Report

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), requires the Board of a listed Company to subject the Company to an annual Governance Audit to check the level of compliance with sound governance practices.

The Annual Governance Audit should be conducted by a competent and recognised professional accredited for that purpose by the Institute of Certified Secretaries (ICS). In compliance with the Code, East African Breweries Limited ("the Company" or "EABL") retained Ms. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

Governance Auditor's Responsibility

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

Opinion

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

FCS. Catherine Musakali, ICPSK GA. No 006
Dorion Associates,
Thompsons Estate, Diani Close, Compound 7, House 3 Nairobi.
Tel No.: +254202353383/+254 722616119

9th May 2019

Statement of Directors Responsibilities

The Board of East African Breweries Limited ("EABL" or "the Company") understands its role and responsibilities and is keen to ensure that it is adding value to the Company. The Board remains aware that the long-term success of the Company depends on it and in this regard pays special attention to strategy formulation and implementation, talent development and management, shareholder relations and stakeholder management. Further, being aware of its responsibility for promoting the success of the Company for the benefit of not only the shareholders, but for the totality of the Company's stakeholders, the EABL Board has put in place structures and processes to ensure that it is aware of the strategic options available to the Company in the context of increased competition and other market dynamics.

The Board appreciates the role that good Corporate Governance plays in ensuring the long-term success of the Company and is committed to ensuring that the Company is and is seen as a good corporate citizen with the necessary "license to operate" from its stakeholders. The Board takes into account Environment, Social and Governance ("ESG") concerns so as to ensure that its decisions deliver long term sustainability for the Company. The Board subscribes to the school of thought that Corporate Governance is more than policies, structures and processes. Corporate Governance is a culture. The Board has therefore defined the values that underpin the Company's culture and ensured that this culture is embedded across the whole organization as an enabler for the achievement of strategy and the fulfilment of the legitimate expectations of stakeholders.

The Board has ensured that it is properly constituted and therefore diversity of skills, backgrounds and personal strengths are important characteristics of the Board. The Board has set up Committees with clear terms of reference. Through these Committees, the Board scrutinizes Management's recommendations and offers guidance on the direction of the Company.

As required by the Companies Act, 2015 ("the Act"), the Board requires each Director to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company. While being cognizant of the ever changing business and regulatory environment, the Board seeks not only to comply with good Corporate Governance requirements as set out in applicable laws and regulations, but strives for continuous improvement in its policies and practices.

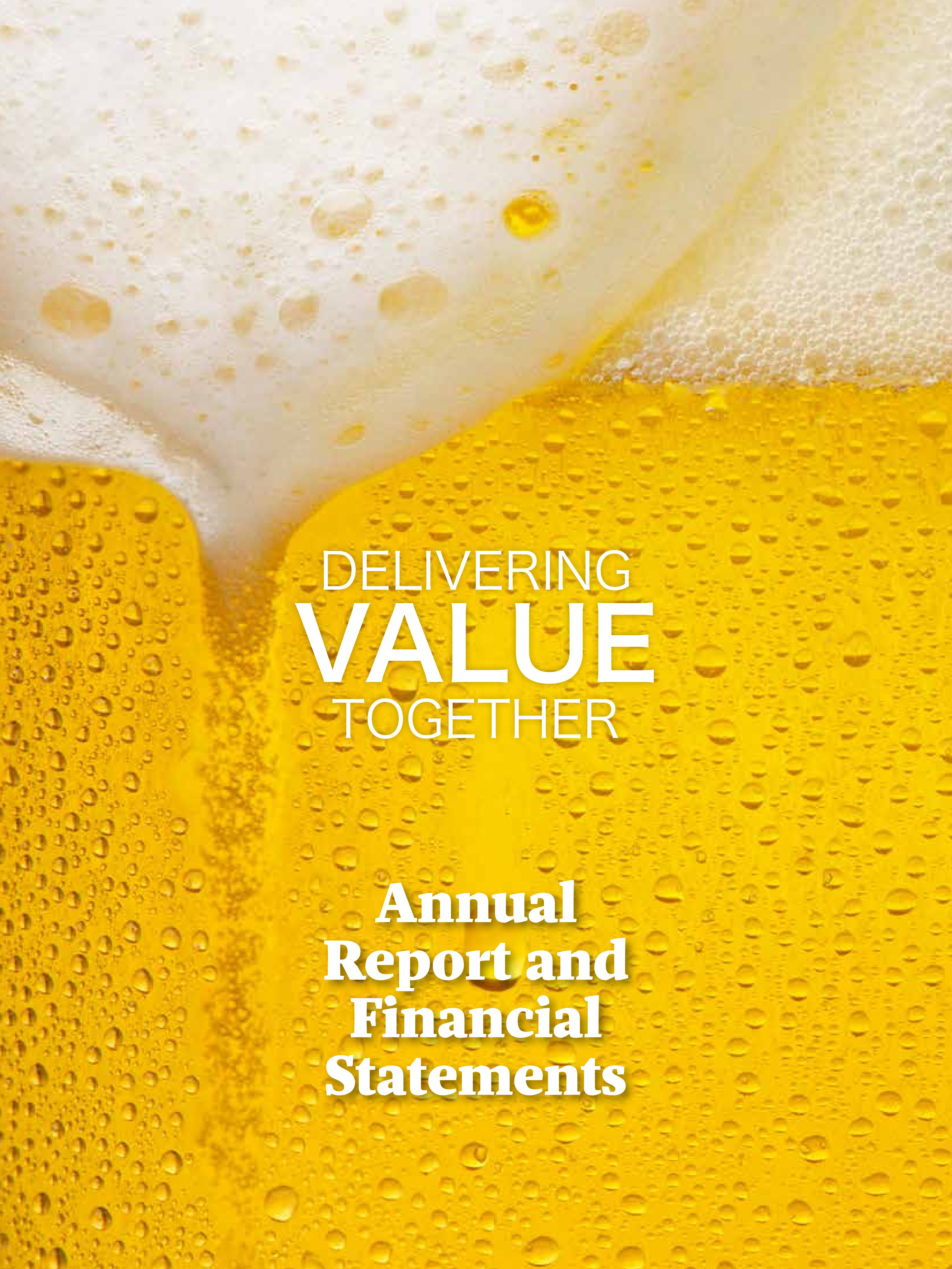
The Board recognises that Management plays a pivotal role in the success of the Company and in driving the Board's agenda as it is the engine for the implementation of the Company's strategy. The Board has therefore put in place and empowered an effective and efficient Management team led by the Group Managing Director ("the GMD").

As required by the Code therefore, the Board commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code and has adopted best practices in Corporate Governance in order to deliver long term value to stakeholders. The Directors, therefore, have adopted this Governance Audit report for the year ended 30th June 2019, and which discloses the state of Governance within the Company.

Adoption of the Governance Audit Report
The Governance Audit Report was adopted by the Board of Directors on 9th day of May 2019.

Charles Muchene
Group Chairman

Andrew Cowan
Group Managing Director



DELIVERING VALUE TOGETHER

Annual Report and Financial Statements

Contents

Corporate Information

Directors

Mr. C Muchene	Group Chairman
Mr. J O'Keeffe***	Group Vice Chairman
Mr. A Cowan*	Group Managing Director
Dr. G Geiszl**	Group Finance and Strategy Director
Mr. P Gallagher***	Resigned on 31 March 2019
Mrs. J Karuku	
Ms. C Musyoka	
Dr. M Oduor-Otieno	
Mr. J Katto****	
Dr. A Shonubi ****	Retired on 26 July 2018
Mr. J Mugerwa****	Appointed on 27 July 2018
Mr. J Ulanga*****	Appointed on 1 June 2019

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

SECRETARY
Ms. Joyce Munene (CPS No. 1954)
Certified Public Secretary of Kenya
Corporate Centre
Ruaraka
P.O. Box 30161
00100 Nairobi, GPO

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants of Kenya
PwC Tower
Waiyaki way / Chiromo Road
P.O. Box 43963
00100 Nairobi, GPO

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

SHARE REGISTRARS
Custody and Registrar Services Limited
6th Floor, Bruce House
Standard Street
P.O. Box 8484
00100 Nairobi, GPO

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

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

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

Barclays Bank of Kenya Limited
Barclays Westend Building
Off Waiyaki Way
P.O. Box 30120
00100 Nairobi, GPO

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

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 30 June 2019, which disclose the state of affairs of East African Breweries Limited ("EABL" or the "Company") together with its subsidiaries (jointly the "Group"). The annual report and financial statements have been prepared in accordance with the requirements of the 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 110 - 112.

3. Business review

i) Business performance

EABL achieved a solid performance during the year. There has been a continued stable business environment across the East African region which supported strong performance across Senator, mainstream spirits and bottled beer in Kenya, beer business particularly the Serengeti family in Tanzania as well as both spirits and beer in Uganda. As a result, the Group delivered Kshs 83 billion in revenue, which represented 12% growth from last year.

Selling and distribution expenses grew by 12% to support volume growth and accelerating momentum in innovation during the year in line with our drive to increasingly invest behind our brands for sustainable revenue growth.

Administrative expenses increased by 10% mainly due to costs incurred to support the newly commissioned Kisumu Brewery.

The business delivered a gross profit margin of 46% and operating margin of 22%, an improvement from prior year, which is in line with our margin expansion initiatives during the year. Profit for the year increased by 59% from growth in revenue and continued cost management initiatives.

ii) Operating environment

EABL's overall operating environment improved significantly, especially in Kenya. The political environment during the financial year has been calm and created a stable and conducive environment for businesses to operate without interruptions. Kenya's economic expansion has been boosted by a stable macroeconomic environment, low oil prices, a rebound in tourism, strong diaspora remittance inflows, and government-led infrastructure development initiatives. The government continues to implement new controls to curb illicit and parallel trade, most recently moving to 100% inspection of imported goods and raids on illicit trade across the country.

The macro economic environment in Uganda has remained stable despite the downward revision of the economic growth. This was mainly driven by declining commodity prices including food crops despite an increase in fuel and utilities. A diplomatic feud between Rwanda and Uganda stopped most cross-border movements between the two countries, a situation that has affected exports into Rwanda.

The economic growth in Tanzania has been strong, supported by a resurgent mining sector benefiting from the increased exports, more favorable conditions and continued infrastructure spending lifting investment activity. However, economic policy and regulatory uncertainties pose difficulties on the business environment in the country.

Stability and predictability in the regulatory and tax environment across the region was key to enable EABL to deliver a strong year and also contribute more significantly to the governments in taxes paid.

iii) Policy and regulation

In Kenya there have been a number of key regulatory developments as set out below:

(a) The Employment Act (Amendment) Bill, 2019

The following are the key proposed amendments to the Employment Act 2007:

1. **Foreign employees**

   An employer is required to employ foreign nationals whose residency status in the country has been regularised in accordance with the Kenya Citizenship and Immigration Act or any other relevant law.

2. **Data Protection**

   The Bill provides for the protection of employee personal data. It requires an employer to process personal data lawfully and fairly and for the purpose for which it was collected. It also requires employers to incorporate technical or organizational measures to ensure security of the collected personal data.

3. **Constructive dismissal**

   The Bill seeks to introduce provisions on constructive dismissal. Previously, this was governed by common law and case law. Dismissal shall be deemed constructive where an employee is compelled to terminate the contract of service in circumstance where the employer conducts themselves in a manner calculated to make working conditions of an employee intolerable and disregards essential terms of service which seriously damages the relationship of trust and confidence between the employer and the employee.

4. **Other amendments**

   The other notable amendments to the Act include: death of employer, night work and medical examination, overtime, flexible working time, work leave in cases of still birth, surrogacy leave, adoption leave, education leave, compassionate leave, clarity of definitions including contract for service, piece rate work, part time employee, overtime, term contract among others.

(b) Kenya Food and Drugs Authority Bill, 2019

This Bill seeks to consolidate provisions on medicines, food and related health products which are currently provided for under fragmented legislation. There is an established Authority within National Government its functions being a critical and integral part of Health Policy, as set out in the Fourth Schedule to the Constitution.

(c) Tax legislation

The following tax amendments have been effected or proposed via various legislative instruments:

Tax amendments enforced via a Legal Notice effective 12th July 2019:

i. **Spirits:** The rate of excise increased from Kshs 210.40 to Kshs 221.24 per litre. There is an anticipated further increase in the rate excise duty on spirits and wines and cigarettes as the Cabinet Secretary responsible for Finance proposed a 15% increase to be effected in October 2019. This translates into a rate of Kshs 242 per litre.

ii. **Beer:** Inflationary adjustment of 5.15% on excise duty on beer and other excisable products. Specifically, beer will attract excise duty at Kshs 110.62 per litre (up from Kshs 105.20 per litre).

Changes proposed via the Finance Bill, 2019:

i. **Excise Duty**

   Betting: An introduction of 10% excise duty on amount staked in betting activities.

   Vehicles: Increase in excise duty to 25% for motor vehicles over 1500 cc and 35% for motor vehicles above 3000 cc and excise duty reduction from 20% to 10% for fully-powered electric motor vehicles.

ii. **Withholding tax** scope widened to include security, transportation (excluding air transport), cleaning and fumigation, sales and promotion and catering services (offered outside hotels).

Directors' Report (Continued)

iii. **Capital Gains Tax** increased from 5% to 12.5%. There will be an exemption for organisations that transfer property as part of restructuring.

iv. **Withholding VAT (WHVAT)** reduced from 6% to 2%.

v. **Miscellaneous Taxes** :

Railway Development Levy increased from 1.5% to 2% for finished goods.

Import Declaration Levy reduced from 2% to 1.5% for raw materials and increased from 2% to 3.5% for finished goods.

iv) Sustainability

As the Company celebrates its 100 years of operation in 2022, the Board and Management teams are fully alive to the pressing need for EABL to remain a sustainable business for the next century and beyond. Our expansive value chain continues to expand across East Africa, in line with the objectives of our ***Growing Value Together***, an elaborate programme that embraces our full range of stakeholders walking our sustainability journey: farmers, aggregators, communities, suppliers, customers and employees. Our desire is to continue accelerating the execution of our three-pronged sustainability agenda, encompassing ***Alcohol in Society***, ***Building Thriving Communities*** and ***Reducing Evironmental Impact*** across our business.

To demonstrate leadership in Alcohol in Society, we are determined to truly create shared value, ensuring that every decision we make, operation we run, programme and initiative execute must work towards a positive role for alcohol in society. We will continue to be leaders in this field, by working with others in our industry, through programmes that address harmful drinking, and with training and education.

To build thriving communities, we have engaged the gear in the last year, empowering communities and increasing access to opportunity through empowering women, enabling entrepreneurship, employability and skills, as well as access to clean water, sanitation and hygiene for all.

We have also increased pace towards reducing our environmental impact by using natural resources responsibly. We are working to reduce our impact in the areas of water, carbon, packaging, and waste in our operations and throughout our supply chain.

Above all, and in line with our ambition to be the best performing, most trusted and respected business in the region, we aligned our strategy to make sustainable development a factor in every business decision and operation fulfills our purpose of celebrating life every day, everywhere, by making a real difference to people's lives.

It is also central to our performance ambition, growing our brands' relationships with consumers and others, strengthening our supply chain, reducing our costs and mitigating risk. Driving performance, as well as earning trust and respect, makes us more competitive: not only presently, but in the future, which we hope will be at least as long, and as successful, as our past.

v) Employees

Driving business performance and employees immersion sits at the core of our mission: Culture of unconditionality through town halls, skip level sessions, cross functional teams, employees communication, creative rewards, leadership capability programmes (LEAP) and leveraging high employee engagement has impacted performance at pace.

During the year, our investment in people and strong employer brand enabled us earn recognition across East Africa as follows:

- Serengeti Breweries Limited: Employer of the Year Award for investing in technology.
- Kenya Breweries Limited: Employer of the Year Award for Learning and Development.
- East African Breweries Limited ranked position 2 top 25 employers in Kenya 2019 by Shortlist Professionals.

vi) Internal policy framework

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

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 2019.

4. Dividends

The Directors recommend a final dividend of Kshs 6.0 (2018: Kshs 5.5) per share amounting to a total of Kshs 4,744,646,000 (2018: Kshs 4,349,259,000) to be paid on or before 11 October 2019 to those members on the register at the close of business on 23 August 2019. During the year an interim dividend of Kshs 2.5 (2018: Kshs 2.0) per share, amounting to a total of Kshs 1,976,935,000 (2018: Kshs 1,581,549,000) was paid.

The total dividend for the year is therefore Kshs 8.5 per share (2018: Kshs 7.5 per share), amounting to a total of Kshs 6,721,581,000 (2018: Kshs 5,930,807,000)

5. Directors

The Directors who held office during the year and to the date of this report are set out on page 90.

6. Employees

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

7. 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.

8. Terms of appointment of Auditor

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

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

9. Approval of financial statements

The financial statements were approved by the Board of Directors on 25 July 2019.

By order of the Board

Joyce Munene (Ms)
Company Secretary

Date: 25 July 2019

Ripoti ya Wakurugenzi

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa ya fedha iliyokaguliwa ya mwaka ulioisha tarehe 30 Juni, mwaka huu ambayo inatoa maelezo ya hali halisi ya kampuni ya East African Breweries Limited ("EABL" au "kampuni") pamoja na kampuni zake tanzu ("kikundi kwa pamoja"). Ripoti hii ya mwaka na taarifa ya fedha imetayarishwa kuambatana na mahitaji ya sheria za kampuni ya mwaka wa 2015.

1.Shughuli ya Kampuni

Kampuni na Shirika(Group) zinashiriki utafutaji soko, uzalishaji na uwasilishaji wa mkusanyiko wa bidhaa kuanzia bia, mivinyo na vinywaji vya watu wazima visivyokuwa na pombe.

2. Matokeo

Matokeo ya mwaka wa kifedha ya kampuni na shirika yanapatikana katika ukurasa wa 110 - 112.

3. Uchanganuzi Wa Biashara

i) Manufaa ya Biashara

EABL ilinufaika zaidi mwaka huu. Kumekuwepo na mandhari imara ya biashara kote katika kanda ya Afrika Mashariki ambayo yalisaidia katika kufaulu kwa uuzaji wa vinywaji aina ya Senator, pombe kali na bia ya chupa nchini Kenya, biashara ya bia haswa ya familia ya serengeti nchini Tanzania, vilevile mvinyo na bia nchini Uganda.

Kutokana na hayo, kampuni ilileta mapato ya bilioni themanini na tatu unaowakilisha ukuaji wa asilimia kumi na mbili (12%)kutoka mwaka jana.

Fedha zilizotumika katika uuzaji na usambazji ziliongezeka kwa asilimia kumi na mbili ili kusaidia katika ukuaji na kuharakisha uvumbuzi wa mwaka inayoshabihiana na lengo letu la kuongeza uwekezaji katika bidhaa zetu muhimu zitakazoimarisha ukuaji wa ushuru wetu

Fedha zilizotumika katika usimamizi ziliongezeka kwa asilimia kumi (10%) kutokana na fedha zilizotumika katika ufunguzi wa kiwanda chetu cha kutengeneza vinywaji mjini Kisumu.

Biashara ilileta faida ya asilimia arobaini na sita (46%) dhidi ya ushuru na asilimia ishirini na mbili (22%) ya faida dhidi ya mauzo, ongezeko kubwa ikilinganishwa na mwaka jana. Hili liko sawa na nia yetu ya upanuzi katika mwaka.

Faida ya mwaka iliongezeka kwa asilimia hamsini na tisa (59%) katika ukuaji wa mapato na vilevile matumizi ya kila mara katika usimamizi wa uasisi

ii) Mazingira ya utendakazi.

Utendakazi wa EABL uliongezeka maradufu haswa nchini Kenya kwani mazingira ya siasa wakati wa mwaka wa kifedha yamekuwa tulivu na hivyo kusaidia kuwepo kwa mandhari safi ya kufanya biashara bila kusumbuliwa.

Ukuaji wa uchumi nchini Kenya umesaidiwa na biashara Pana , bei ya chini ya mafuta, utalii ulioimarika, pesa zinzoingia nchini kutoka ughaibuni na ukuaji wa miundo misingi inayoasisiwa na serikali.

Serikali inaendelea kutekeleza sheria zinazokabili vileo ghushi na hivi majuzi imeongeza ukaguzi wa bidhaa zinazoagizwa kutoka nje hadi asilimia mia moja na kuwanasa wanaoshiriki katika uuzaji wa vileo ghushi.

Mazingira ya Biashara ya vinywaji vyetu nchini Uganda imekuwa imara hata baada ya kudorora kwa uchumi ambao ulichangiwa na kudidimia kwa bei ya bidhaa kama vile vyakula.

Mtafaruku wa kidiplomasia uliotokea baina ya mataifa ya Rwanda na Uganda ilizuia usafirishaji wa bidhaa mpakani hivyo kukwama kwa bidhaa zinazoingia Rwanda.

Ukuaji wa uchumi nchini Tanzania umekuwa thabiti, kutokana na sekta ya madini inayonufaika na usafirishaji maradufu wa bidhaa, mandhari mazuri na shughuli ya uwekezaji ya miundo misingi.

Hata hivyo vidhibiti vilivyowekwa kisheria vimeleta changamoto katika mazingira ya bisahara nchini Kenya.

Uthabiti na utabiri wa vidhibiti hivi na mazingira ya uchumi katika kanda ya Afrika mashariki umekuwa nguzo iliyowezesha EABL kutimiza mwaka salama na pia kulipa ushuru kwa serikali bila tatizo.

iii) Sheria Na Uzingatifu

Nchini Kenya kumekuwepo vipengee kadhaa vya kuzingatiwa jinsi vilivyoratibiwa hapa chini:

(a) Kipengee cha Ajira (Amendment) mswada, 2019

Vifuatavyo vilitajwa kufanyiwa marekebisho katika kipengee cha katiba katika uajiri mwaka wa elfu mbili na saba:

1. **Waajiriwa Wa Kigeni**

   Mwajiri anahitajika kuwajiri raia wa kigeni ambao wanaishi humu nchini kihalali kulingana na idara ya uhamiaji au sheria inayofaa.

2. **Ulinzi Wa Data**

   Mswada unalinda data ya mwajiriwa.Unahitaji mwajiri kutoa data ya mwajiriwa kunavyohitajika kisheria, kwa haki na kutumika kwa lengo halisi ya sababu iliyokusanywa. Aidha unataka waajiri kuhakikisha usalama wa data ya mwajiriwa

3. **Utaratibu Mwafaka wa Kufutwa Kazi**

   Mswada unanuia kubuni mikakati ya utaratibu katika kufuta mwajiriwa kazi. Awali, hii ilidhibitiwa na sheria ya kawaida.

   Kufutwa kazi itasemekena kufuata taratibu maalum wakati mwajiriwa anahitajika kutupilia mbali kandarasi ya kazi pale muamana na imani baina ya mwajiri na mwajiriwa inapoharibika.

4. **Marekebisho Mengine**

   Marekebisho mengine ni: kifo cha mwajiri, kazi ya usiku na ukaguzi wa kiafya, kazi ya ziada, muda wa hiari kazini, kupumzika iwapo mwajiriwa atakumbwa na changamoto ya kuzaa njiti (still birth), likizo ya kwenda kujifungua, likizo ya masomo, likizo ya mwajiriwa kwa mfano akipoteza mpendwa wake, ufafanuzi wa kandarasi, mwajiriwa asiyedumu, kazi ya ziada, kandarasi ya muhula miongoni mwa mengine.

(b) Mswada wa vyakula na mamlaka ya dawa, 2019 (Kenya Food and Drugs Authority Bill, 2019)

Mswada huu unanuia kuimarisha vipengee vya matibabu, vyakula na bidhaa zingine za kiafya ambazo zinapeanwa katika sheria iliyogawiwa.

Kuna mamlaka yaliyo katika serikali ya kitaifa ambayo kazi yake ni kuangazia sheria za kiafya kulingana na katiba ya Kenya.

(c) Sheria za ushuru

Marekebisho yafuatayo ya ushuru yametekelezwa au yatatekelezwa kupitia mikakati ya kisheria:

Mswada wa ushuru uliotolewa kupitia notisi ya sheria na kutekelezwa tarehe kumi na mbili Julai mwaka huu:

i. **Mvinyo:** Bei iliongezwa kutoka shilingi 210.40 hadi shilingi 221.24 kwa lita moja. Pia kuna uwezekano wa kuongezwa kwa ushuru kwa mvinyo na sigara kwani waziri anayehusika na fedha alitaja uwezekano wa kuongezeka kwa asilimia kumi na tano (15%) itakayotekelezwa Oktoba mwaka huu kumaanisha bei ya lita moja kwa mvinyo itakuwa shilingi 242.

ii. **Bia:** Mfumko wa bei wa asilimia tano nukta moja tano (5.15%) kwa bia na bidhaa zingine

bei ya bia itakuwa shilingi mia moja na kumi nukta sita mbili (110.62) kwa lita moja kutoka shilingi mia moja na tano nukta mbili sufuri kwa lita moja (Kshs 105.20 per litre).

Mabaliko yanayonuiwa kupitia mswada wa kifedha , 2019:

i. **Utozaji wa Ushuru**

   uchezaji kamari: Kuanzishwa kwa asilimia kumi inayotozwa kwa michezo ya kamari(betting.)

Ripoti ya Wakurugenzi (ikiendelea)

Magari: Kuongezeka kwa utozaji ushuru kwa asilimia ishirini na tano kwa magari juu ya 1500 cc na asilimi thelathini na tano kwa magari juu ya 3000 cc na kuteremshwa kwa utozaji ushuru kutoka asilimia ishirini hadi asilimia kumi kwa magari yanayotumia umeme.

ii. **Utozaji ushuru** huo utajumlisha usalama, usafirishaji (bila usafirishaji wa ndege), usafishaji na unadhifishaji, mauzo na lishe (nje ya hoteli).

iii. **Ongezeko kwa mauzo** yatatozwa kwa asilimia kumi na mbili nukta tano kutoka asilimia tano. Mashirika ambayo yanahawilisha mali yao wakati yanajijenga upya hayatatozwa.

iv. **Ushuru wa kuzuia bidhaa** (Withholding VAT) kupunguzwa hadi asilimia mbili kutoka asilimia sita.

v. **Ushuru mbalimbali (Miscellaneous Taxes):**

Ada inayotozwa katika ukuaji wa reli kuongezeka kutoka asilimia moja nukta tano hadi asilimia mbili kwa bidhaa zilizotumika (finished goods). Ushuru wa uagizaji bidhaa kuteremshwa hadi asilimia moja nukta tano kutoka asilimia mbili kwa rasilimali na kuongezwa kwa ushuru wa bidhaa tayari kutoka asilimia mbili hadi asilimia tatu nukta tano.

iv) Kusalia kwenye Biashara (Sustainability)

Kampuni ya kutengeneza pombe ya afrika mashariki EABL, itakaposheherekea miaka mia moja mwaka wa elfu mbili ishirini na mbili, bodi na usimamizi wa kampuni ipo imara katika kusalia kwenye biashara kwa karne zinazokuja. Biashara yetu inaendelea kukua kote Afrika mashariki kulingana na kauli mbiu ya kuwa bora pamoja, mpango ambao unakumbatiwa na washikadau mbalimbali walio katika safari ya kufaulu, wakulima, jamii, wasambazaji, wateja na waajiriwa wetu. Tumaini letu ni kutimiza ajenda tatu zetu kuu, kusambaza vinywaji bora kwa jamii, kujenga jamii thabiti, na kupunguza uharibifu wa mazingira katika biashara yetu.

Kama kielelezo katika jamii ya pombe, chochote kile tunakifanya ni kuhakikisha kazi chanya ya pombe katika jamii. Tutaendelea kuongoza katika tasnia hii kwa kushirikiana na wenzetu walioko katika utengenezaji wa pombe kupitia mipango inayopinga unywaji haramu.

Ili Kujenga jamii inayofaulu, mwaka jana tulijikita katika kuimarisha jamii kwa kusaidia kina mama, kuwezesha ujasiriamali, kubuni ajira na pia kuafikia maji safi na usafi kwa ujumla.

Pia tumepunguza uharibifu wa mazingira kwa kutumia rasilimali asili haswa kwa maji, uhifadhi na utupaji taka kote katika biashara zetu.

Kubwa zaidi, tunanuia katika kila mwafaka tunaofanya kubadilisha na kuinua maisha ya watu wetu.

Ni lengo letu pia kubuni uhusiano mwema baina yetu na wateja wetu ili kuinua asilimia ya usambazaji wa bidhaa zetu, kupunguza bei na hatari zilizopo. Vilevile kuongeza muamana, kutufanya washindi wa ufanisi siku za usoni.

v) Waajiriwa

Misheni yetu kuu ni kuwahusisha wajiriwa katika utendakazi wa kampuni hii: Utamaduni wa kuwatunuku wafanyikazi,njia bora za mazungumzo, mipango ya uwezo wa kuongoza (leadership capability programmes (LEAP) na kusaidia mfanyikazi anayefanya kazi kwa bidii imesaidia.

Uwekezaji katika watu, na jina la kuwa mwajiri bora ndilo limetufanya tutambulike Afrika mashariki namna ifuatayo:

- Serengeti Breweries Limited: Mwajiri wa mwaka - Zawadi ya kuwekeza katika teknolojia.
- Kenya Breweries Limited: Mwajiri wa mwaka - Zawadi ya mafunzo na maendeleo.
- East African Breweries Limited iliorodheshwa nambari mbili kwa jedwali ya waajiri bora ishirini na tano nchini kenya mwaka huu.

vi) Sheria za ndani EABL.(Internal policy framework)

EABL inapania kuweka sheria nzuri katika kanda hii. EABL ingependa kuangazia sheria zilizowekwa katika kujiwekea (procurement) na habari, uwasilishaji na teknolojia (ICT) kwamba zinabadilishwa na kufanyiwa marudio ili kuafikia ukuaji wa teknolojia.

vii) utekelezaji wa karibu wa uwanachama(Related party transactions)

Wakurugenzi wanathibitisha kwamba wamebana utekelezaji wa karibu wa uwanachama wa EABL kwa ripoti hii ya kifedha na hukukuwepo na utekelezaji wa kindani kwa mwaka uliomalizika wa tarehe thelathini Juni mwaka huu.

4. Mgao wa Faida

Wakurugenzi wanapendekeza mgao wa mwisho wa shilingi sita (2018: Kshs 5.5) kwa kila hisa ambao kwa ujumla ni shilingi 4,744,646,000 (2018: Kshs 4,349,259,000) itakayolipwa tarehe kumi na moja oktoba mwaka huu kwa wanachama walio katika sajili rasmi ambayo itafungwa tarehe ishirini na tano septemba mwaka huu. Wakati wa mwaka kaimu mgao wa shilingi 2.5 (2018:Kshs 2.0) kwa kila hisa, ambao kwa ujumla ni shilingi 1,976,935,000 (2018: Kshs 1,581,549,000) ililipwa.

Kwa hivyo mgao wa mwaka kwa ujumla ni shilingi 8.5 kwa kila hisa (2018: Kshs 7.5 per share), ambao kwa ujumla ni shilingi 6,721,581,000 (2018: Kshs 5,930,807,000).

5. Wakurugenzi

Majina ya Wakurugenzi waliokuwepo ofisini wakati wa mwaka yako katika ukurasa wa tisini.

6. Waajiriwa

Wakurugenzi kwa mara nyingine wanashukuru sana wafanyikazi wao kwa kutochoka kufanya kazi, umoja na ari kwa mwaka wa utendakazi.

7. Mbano Kwa Wakaguzi Wa Fedha

Wakurugenzi wanatoa hakikisho kwa kila mkurugenzi wakati wa kupitishwa kwa hii ripoti:

a) Jinsi kila mkurugenzi anavyofahamu, hakuna habari iliyohitajika ya kampuni ambayo wakaguzi wa fedha hawakufahamu. na

b) kila mkurugenzi alikuwa amechukua kila hatua ili kufahamu kila ukaguzi wa fedha uliofanywa na kila mkaguzi wa fedha alijua pia.

8. Vikwazo Vya Uteuzi Wa Mkaguzi Wa Fedha

PricewaterhouseCoopers inadumu katika ofisi kulingana na sheria za kampuni kifungu 719 ya mwaka wa elfu mbili kumi na tano.

Wakurugenzi wanafuatilia uwezo, imani na kijisimamia kwa mkaguzi wa fedha. Jukumu hili inahusisha kupitishwa kwa kandarasi ya ukaguzi na malipo kwa niaba ya washikadau.

9. Kupitishwa Kwa Ripoti Ya Fedha

Ripoti ya fedha ilipitishwa na bodi ya wakurugenzi tarehe ishirini na tano Julai mwaka wa elfu mbili kumi na tisa.

Kwenye orodha ya Bodi

Joyce Munene (Ms)
Katibu wa kampuni

Tarehe: 25 July 2019

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 2019. 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 2019, EABL's Board of Directors consisted of:

- 3 Executive Directors: Mr. Andrew Cowan, Dr. György Geiszl and Mrs. Jane Karuku.
- 1 Non-Executive Director: Mr. John O'Keeffe. Mr. Paul Gallagher was a Non-Executive Director during the year until 31 March 2019 when he resigned.
- 6 Independent Non-Executive Directors ("INEDs"): Mr. Charles Muchene, Mr. Japheth Katto, Dr. Martin Oduor-Otieno, Ms. Carol Musyoka, Mr Jimmy Mugerwa and Mr. John Ulanga. Dr Alan Shonubi was an INED but retired from the Board on 26 July 2018. Mr. John Ulanga was appointed to the Board on 1 June 2019.

For the financial year ended 30 June 2019, the consolidated Directors' remuneration was Kshs 314,343,000 (2018: Kshs 266,852,000).

In accordance with Section 6 of the Companies (General) (Amendment) Regulations of 2017, the Directors Remuneration Report for the year ended 30 June 2018 was presented to shareholders for approval at the Annual General Meeting (AGM) held on 19th September 2018. 96.38% voted in favour of the report, 0.13% voted against the report while 3.49% of the votes were withheld or spoilt.

The next section outlines the details of these 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:

Reward Element	Description
Base pay	**Purpose and link to Group Strategy** The base pay supports the attraction and retention of the best global talent with the capability to deliver EABL's strategy and performance goals. **Operation** ● It is paid monthly (12 equal instalments) during the year, and is pensionable. ● The base pay is reviewed annually in October, to reflect changes in market pay levels and individual performance. ● The Board Nominations and Remuneration Committee ("BNRC") approves the budgets that form the basis for the annual base salary increments on an annual basis. **Performance measure** – It is based on individual's level of responsibility.
Fixed allowances and benefits	**Purpose and link to Group Strategy** These allowances and benefits provide market competitive and cost effective benefits. **Operation** ● Fixed allowances are provided in line with the Company's pay structure and may include a car allowance (unless in cases where an actual car is provided). Further, Executive Directors on international assignee contracts receive mobility related allowances to compensate for cost of living and location differentials. ● Market competitive benefits that are in line with the Company's pay structure include pension, medical, accident and life insurance and club membership. ● International assignees receive additonal benefits that include: home leave travel, housing support, dependants' education support and tax support through tax equalisation. **Performance measure** – It is based on individual's level of responsibility.
Bonus	**Purpose and link to Group Strategy** This incentivises delivery of EABL's annual strategic financial and non-financial targets. It provides focus on the key financial metrics and the individual's contribution to the Company's performance. **Operation** ● Bonus pay is discretionary and is paid out in line with the Company's bonus scheme referred to as the Annual Incentive Plan ("AIP"). AIP seeks to reward an employee's contribution as part of a 'winning team'. ● Bonuses are awarded during the EABL Annual Review Cycle and paid out in cash in October of every year. ● The elements used to calculate the bonus are: o Annual base salary - Bonus is usually expressed in terms of one's annual base salary. o 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. o The bonus factor - is the proposed recommendation by the Line Manager. It is a reflection of one's individual performance in the performance year and is between 0% - 200%. **Performance measure** – This is based on individual and Company performance.

Directors' Remuneration Report (continued)

Reward Element	Description
Shares / stock options	**Purpose and link to Group Strategy** 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. **Operation** The Executive Directors participate in the below plans: ● 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 cummulative cashflow. The vesting period for PSP is three years but is also subject to meeting the relevant performance conditions. The number of shares a person receives depends on the extent to which the performance condition is met. ● Diageo Performance Incentive (DPI) – This was a single one time incentive award that offered an executive the opportunity to receive shares in Diageo, in order to lead and deliver productivity and growth across the business. The incentive award commenced on 1 July 2016 and the vesting period 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. **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).
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 employment 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 apply to Executive Directors during the financial year 2020.

Remuneration – Audited

	Salary	Bonuses	Allowances and benefits	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
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**
Year ended 30 June 2018				
Andrew Cowan	34,973	10,019	50,061	**95,053**
Jane Karuku	27,251	5,057	6,542	**38,850**
György Geiszl	19,650	5,984	30,101	**55,735**
Total	**81,874**	**21,060**	**86,704**	**189,638**

The Benefits constitute housing benefit together with the underlying taxes, car benefit and telephony benefit. The increase in benefits for the year ended 30 June 2019 is largely driven by the increase in salary and bonuses which forms a base for the taxation on housing benefit.

Stock options

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

	At start of year	Shares/ options awarded	Shares/ options exercised	Leaver	Total (vested and unvested)
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**
Year ended 30 June 2018					
Andrew Cowan	65,287	12,797	(1,973)	-	76,111
Jane Karuku	20,709	7,863	-	-	28,572
György Geiszl	11,492	2,929	(3,456)	-	10,965
Charles Ireland	79,790	-	-	(79,790)	-
Total	**177,278**	**23,589**	**(5,429)**	**(79,790)**	**115,648**

The charge through profit or loss relating to the share options and awards was Kshs 50,571,000 (2018: Kshs 39,459,000).

Directors' Remuneration Report (continued)

2. Non-Executive Directors

The Non-Executive Director, Mr. John O'Keeffe is a full time employee of the majority shareholder; Diageo plc. Mr. Paul Gallagher, who resigned from the Board on 31 March 2019 was also a full time employee 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 will provide Independent Non Execitive Directors with medical cover, both inpatient and outpatient, within the limits provided for the company's 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.

INEDS Remuneration - Audited

For the financial year ended 30 June 2019, the consolidated INEDs fees was Kshs 33,516,000 compared to Kshs 37,755,000 paid during the financial year ended 30 June 2018.

	Retainer	Sitting allowances	Total
	Kshs '000	**Kshs '000**	**Kshs '000**
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**
Year ended 30 June 2018			
Charles Muchene	8,000	1,589	**9,589**
Carol Musyoka	5,250	1,778	**7,028**
Martin Oduor-Otieno	5,250	2,008	**7,258**
Japheth Katto	3,500	1,416	**4,916**
Alan Shonubi	3,500	1,259	**4,759**
Nehemiah Mchechu	3,500	705	**4,205**
Total	**29,000**	**8,755**	**37,755**

By order of the Board

Joyce Munene (Ms)
Company Secretary

Date: 25 July 2019

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 4,057,000,000 (2018: Kshs 4,257,806,000). As Directors, we are satisfied that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until 2020. The Group had undrawn funding available as at 30 June 2019 of Kshs 11.7 billion (2018: Kshs 13.4 billion) as disclosed in Note 33.

To further satisfy ourselves as to the going concern of the Group, we have undertaken a detailed funding assessment including a debt maturity analysis. Based on the outcome of this exercise we have concluded that the Group will generate/access sufficient funds to meet all its obligations over the next twelve month period from the date of this report. We have also reviewed all our borrowing financial covenants and confirm to be compliant.

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

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

Approved by the Board of Directors on 25 July 2019 and signed on its behalf by:

Mr. Andrew Cowan

Group Managing Director

Dr. György Geiszl

Group Finance and Strategy Director

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 110 to 171, which comprise the consolidated statement of financial position at 30 June 2019 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 30 June 2019, 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 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

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

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

Key audit matters

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

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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
Carrying value of intangible assets (goodwill and brands) and investments in subsidiaries As disclosed in note 22 of the financial statements, the Group has goodwill of Kshs 2.7 billion and indefinite-lived brand intangible assets of Kshs 463 million as at 30 June 2019 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 2019 was Kshs 39.9 billion. 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. 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.	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. 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. We tested the mathematical accuracy and performed sensitivity analyses of the models. We assessed the adequacy and appropriateness of the related disclosures in Notes 22 and 24 of the financial statements.
Provisions and contingent liabilities As explained in Note 29 of 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. 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.	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: • where relevant, reading external legal advice obtained by management; • discussing open matters and developments with the Group legal counsel and management; • challenging management's analysis which sets out the basis of the exposures; and • obtaining direct confirmation from the Group's external legal counsel of the estimated financial exposure. As explained in Note 29 in the financial statements, since 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. We evaluated whether the disclosures in the financial statements appropriately reflect any significant uncertainties that exist around the unresolved tax matters.

Other information

The other information comprises Corporate information, the Directors' report, the Directors' remuneration report and the Statement of Directors' responsibilities, which we obtained prior to the date of this auditor's report, and the rest of the other information in the 2019 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.

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 2019 Integrated Report and Financial Statements, which was 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.

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

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.
- 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 92 to 95 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the Directors' Remuneration Report on pages 100 to 105 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants
Nairobi

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FCPA Michael Mugasa, Practising certificate No. 1478
Signing partner responsible for the independent audit

25 July 2019

Consolidated statement of profit or loss

		Year ended 30 June	
	Note	**2019**	**2018**
		Kshs '000	**Kshs '000**
Revenue from contracts with customers	6(a)	82,543,241	73,456,832
Cost of sales	7(a)	(44,426,104)	(41,052,409)
Gross profit		**38,117,137**	**32,404,423**
Selling and distribution costs		(7,209,400)	(6,423,767)
Administrative expenses	8(a)	(9,398,222)	(8,534,844)
Other (expenses)/income, net	9(a)	(322,889)	(2,344,884)
Finance income	12(a)	120,601	81,949
Finance costs	12(a)	(3,492,577)	(3,441,067)
Profit before income tax	**10**	**17,814,650**	**11,741,810**
Income tax expense	13(a)	(6,299,520)	(4,486,255)
Profit for the year		**11,515,130**	**7,255,555**
Profit attributable to:			
Equity holders of the Company		8,877,789	5,683,764
Non-controlling interests	18(a)	2,637,341	1,571,791
Profit for the year		**11,515,130**	**7,255,555**
Earnings per share			
-basic and diluted (Kshs per share)	15	11.23	7.19

Consolidated statement of comprehensive income

	Year ended 30 June	
	2019	**2018**
	Kshs '000	**Kshs '000**
Profit for the year	11,515,130	7,255,555
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss:		
Exchange differences from translation of net foreign operations	610,943	(865,067)
Total comprehensive income for the year	**12,126,073**	**6,390,488**
Total comprehensive income for the year attributable to:		
Equity holders of the Company	9,453,569	4,873,315
Non-controlling interests	2,672,504	1,517,173
Total comprehensive income for the year	**12,126,073**	**6,390,488**

Company statement of profit or loss and other comprehensive income

		Year ended 30 June	
		2019	**2018**
	Note	**Kshs '000**	**Kshs '000**
Revenue from contracts with customers	6(b)	11,614,838	15,804,434
Cost of sales	7(b)	(1,802,474)	(2,662,550)
Gross profit		**9,812,364**	**13,141,884**
Administrative expenses	8(b)	(1,668,781)	(1,656,329)
Other income/ (expenses), net	9(b)	1,897,238	(6,728,019)
Finance income	12(b)	2,070,883	1,584,653
Finance costs	12(b)	(4,702,021)	(3,881,863)
Profit before income tax	**10**	**7,409,683**	**2,460,326**
Income tax expense	13(b)	(443,884)	(400,973)
Profit for the year		**6,965,799**	**2,059,353**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**6,965,799**	**2,059,353**

Consolidated statement of financial position

		At 30 June	
	Note	**2019**	**2018**
		Kshs '000	**Kshs '000**
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Treasury shares	17(a)	(608,997)	(507,275)
Share based payment reserve	17(a)	26,184	14,584
Translation reserve	17(c)	(2,805,753)	(3,381,533)
Proposed dividends		4,744,646	4,349,259
Retained earnings		4,015,601	1,933,212
		8,644,379	**5,680,945**
Non-controlling interests	18	7,510,372	5,971,091
Total equity		**16,154,751**	**11,652,036**
Non-current liabilities			
Deferred income tax	19(a)	6,136,317	3,264,233
Borrowings	33(a)	31,115,178	30,546,789
		37,251,495	**33,811,022**
Total equity and non-current liabilities		**53,406,246**	**45,463,058**
Non-current assets			
Property and equipment	20(a)	53,037,811	45,363,844
Intangible assets – Software	21(a)	621,076	441,597
Intangible assets – Goodwill	22(a)	2,743,001	2,712,564
Intangible assets – Brand	22(b)	463,430	459,394
Prepaid operating lease rentals	23(a)	7,167	7,351
Other financial assets	25	10,000	10,000
Deferred income tax assets	19(a)	580,761	726,114
		57,463,246	**49,720,864**
Current assets			
Inventories	26(a)	7,368,012	7,882,606
Trade and other receivables	27(a)	8,222,994	7,946,481
Current income tax		1,363,112	2,108,505
Derivative financial instruments	32	179,678	-
Cash and bank balances	31(b)	12,468,585	3,588,370
		29,602,381	**21,525,962**

Continued on page 114

Consolidated statement of financial position (continued)

		At 30 June	
	Note	**2019**	**2018**
		Kshs '000	**Kshs '000**
Current liabilities			
Trade and other payables	28(a)	27,864,192	24,629,299
Dividends payable	14	590,623	562,611
Borrowings	33(a)	5,204,566	118,667
Derivative financial instruments	32	-	71,946
Bank overdraft	31(b)	-	401,245
		33,659,381	**25,783,768**
Net current liabilities		**(4,057,000)**	**(4,257,806)**
		53,406,246	**45,463,058**

The financial statements on pages 110 to 171 were approved for issue by the Board of Directors on 25 July 2019 and signed on its behalf by:

Mr. Andrew Cowan
Group Managing Director

Dr. György Geiszl
Group Finance and Strategy Director

Company statement of financial position

		At 30 June	
	Note	2019	2018
		Kshs '000	Kshs '000
Equity attributable to owners of the Company			
Share capital	16	1,581,547	1,581,547
Share premium	16	1,691,151	1,691,151
Proposed dividends		4,744,646	4,349,259
Share based payment reserve	17(b)	26,184	14,584
Retained earnings		8,889,515	8,645,297
Total equity		**16,933,043**	**16,281,838**
Non-current liabilities			
Borrowings	33(b)	31,115,178	30,337,698
Total equity and non-current liabilities		**48,048,221**	**46,619,536**
Non-current assets			
Property and equipment	20(b)	549,171	382,388
Prepaid operating lease rentals	23(b)	-	644
Intangible assets – software	21(b)	125,303	206,427
Investment in subsidiaries	24	39,955,009	40,105,207
Other financial assets	25	10,000	10,000
Receivables from related parties	34(b)	18,618,264	18,502,436
Deferred income tax asset	19(b)	507,688	726,114
		59,765,435	**59,933,216**
Current assets			
Inventories	26(b)	-	38,906
Trade and other receivables	27(b)	1,150,474	3,825,755
Current income tax		1,771,712	1,391,212
Derivative financial instruments	32	179,678	-
Cash and bank balances	31(b)	9,020,367	1,685,800
		12,122,231	**6,941,673**
Current liabilities			
Trade and other payables	28(b)	18,248,822	19,613,621
Dividends payable	14	590,623	562,611
Derivative financial instruments	32	-	71,946
Bank overdraft	31(b)	-	7,175
Borrowings	33(b)	5,000,000	-
		23,839,445	**20,255,353**
Net current liabilities		**(11,717,214)**	**(13,313,680)**
		48,048,221	**46,619,536**

The financial statements on pages 110 to 171 were approved for issue by the Board of Directors on 25 July 2019 and signed on its behalf by:

Mr. Andrew Cowan
Group Managing Director

Dr. György Geiszl
Group Finance and Strategy Director

Consolidated statement of changes in equity

Year ended 30 June 2019	Share capital	Share premium	Treasury shares	Share based payment reserve	Translation reserve	Proposed dividends	Retained earnings	Total	Non-controlling interests	Total equity
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
At 1 July 2018	**1,581,547**	**1,691,151**	**(507,275)**	**14,584**	**(3,381,533)**	**4,349,259**	**1,933,212**	**5,680,945**	**5,971,091**	**11,652,036**
IFRS 9 transition adjustment (Note 27)	-	-	-	-	-	-	(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:										
- Proposed final for 2019	-	-	-	-	-	4,744,646	(4,744,646)	**-**	-	**-**
- Interim for 2019	-	-	-	-	-	-	(1,976,935)	**(1,976,935)**	-	**(1,976,935)**
- Final for 2018	-	-	-	-	-	(4,349,259)	-	**(4,349,259)**	(1,133,223)	**(5,482,482)**
Total transactions with owners of the Company	**-**	**-**	**(101,722)**	**11,600**	**-**	**395,387**	**(6,721,581)**	**(6,416,316)**	**(1,133,223)**	**(7,549,539)**
At 30 June 2019	**1,581,547**	**1,691,151**	**(608,997)**	**26,184**	**(2,805,753)**	**4,744,646**	**4,015,601**	**8,644,379**	**7,510,372**	**16,154,751**

Consolidated statement of changes in equity (continued)

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

Company statement of changes in equity

	Share capital	Share premium	Share based payment reserve	Proposed dividends	Retained earnings	Total equity
	Kshs'000	**Kshs'000**	**Kshs '000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Year ended 30 June 2019						
At 1 July 2018	**1,581,547**	**1,691,151**	**14,584**	**4,349,259**	**8,645,297**	**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:						
- Proposed final for 2019	-	-	-	4,744,646	(4,744,646)	-
- 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**	**395,387**	**(6,721,581)**	**(6,314,594)**
At 30 June 2019	**1,581,547**	**1,691,151**	**26,184**	**4,744,646**	**8,889,515**	**16,933,043**
Year ended 30 June 2018						
At 1 July 2017	1,581,547	1,691,151	-	4,349,259	12,516,751	20,138,708
Total comprehensive income for the year	-	-		-	2,059,353	2,059,353
Transactions with owners of the Company:						
Share based payment reserve (Note 17(a))	-	-	14,584	-	-	14,584
Dividends:						
- Proposed final for 2018	-	-	-	4,349,259	(4,349,259)	-
- Interim for 2018	-	-	-	-	(1,581,548)	(1,581,548)
- Final for 2017	-	-	-	(4,349,259)	-	(4,349,259)
Total transactions with owners of the Company	**-**	**-**	**14,584**	**-**	**(5,930,807)**	**(5,916,223)**
At 30 June 2018	**1,581,547**	**1,691,151**	**14,584**	**4,349,259**	**8,645,297**	**16,281,838**

Consolidated statement of cash flows

		At 30 June	
	Notes	**2019**	**2018**
		Kshs '000	**Kshs '000**
Operating activities			
Cash generated from operations	31(a)	28,491,403	21,717,296
Interest received	12(a)	120,601	81,949
Interest paid		(3,725,127)	(3,429,018)
Income tax paid		(2,321,074)	(4,810,885)
Net cash generated from operating activities		**22,565,803**	**13,559,342**
Investing activities			
Purchase of property, plant and equipment	20(a)	(11,676,964)	(13,028,734)
Purchase of intangible assets - software	21(a)	(91,614)	(2,627)
Proceeds from disposal of property, plant and equipment		222,364	2,539,228
Net cash used in investing activities		**(11,546,214)**	**(10,492,133)**
Financing activities			
Dividends paid to Company's shareholders	14	(6,298,182)	(5,855,305)
Dividends paid to non-controlling interests		(1,133,223)	(842,818)
Proceeds from borrowings - Long term bank loan	33(a)	17,334,800	4,907,194
- Short term bank loan	33(a)	-	3,800,000
Repayment of borrowings	33(a)	(11,525,326)	(5,492,942)
Purchase of treasury shares	17	(101,722)	(9,272)
Net cash used in financing activities		**(1,723,653)**	**(3,493,143)**
Net increase/(decrease) in cash and cash equivalents		**9,295,936**	**(425,934)**
Movement in cash and cash equivalents			
At start of year		3,187,125	3,318,107
Foreign exchange impact on translation		(14,476)	294,952
Net increase/(decrease) during the year		9,295,936	(425,934)
Cash and cash equivalents at end of year	31(b)	**12,468,585**	**3,187,125**

Company statement of cash flows

		At 30 June	
	Notes	**2019**	**2018**
		Kshs '000	**Kshs '000**
Operating activities			
Cash generated from operations	31(a)	5,212,528	10,232,649
Interest received	12(b)	1,819,259	1,584,653
Interest paid		(4,685,570)	(3,871,045)
Income tax paid		(605,958)	(220,162)
Net cash generated from operating activities		**1,740,259**	**7,726,095**
Investing activities			
Purchase of property and equipment	20(b)	(326,144)	(71,659)
Purchase of intangible assets - software	21(b)	(2,163)	(2,627)
Proceeds from disposal of property and equipment		318,279	1,786,943
Proceeds on disposal of prepaid operating lease rentals		630	421
Movement in intercompany funding		-	(15,000,000)
Dividends received from subsidiaries		6,131,586	7,798,813
Net cash generated from /(used in) investing activities		**6,122,188**	**(5,488,109)**
Financing activities			
Dividends paid to Company's shareholders	14	(6,298,182)	(5,855,305)
Proceeds from borrowings - Long term bank loan	33(b)	17,334,800	4,907,194
- Short term bank loan	33(b)	-	3,800,000
Repayment of borrowings	33(b)	(11,557,320)	(5,338,732)
Net cash used in financing activities		**(520,702)**	**(2,486,843)**
Increase/(decrease) in cash and cash equivalents		**7,341,742**	**(248,857)**
Movement in cash and cash equivalents			
At start of year		1,678,625	1,927,482
Increase/(decrease) during the year		7,341,742	(248,857)
At end of year	31(b)	**9,020,367**	**1,678,625**

Notes

1. General information

East African Breweries Limited is incorporated as a limited liability Company in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The address of its registered office and principal place of business is as follows:

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

The consolidated financial statements for the Company as at 30 June 2019 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 4,057,000,000 (2018: Kshs 4,257,806,000). As Directors, we are satisfied that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until 2020. The Group had undrawn funding available as at 30 June 2019 of Kshs 11.7 billion (2018: Kshs 13.4 billion) as disclosed in Note 33.

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

(iii) Functional and presentation currency

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

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

(iv) Use of judgement and estimates

The preparation of financial statements in conformity with 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 2018:

IFRS 9 Financial Instruments

During the year, the Group adopted IFRS 9 Financial Instruments (IFRS 9). As a result of the application of IFRS 9, there was a change in the accounting policies and these new policies were applicable from 1 July 2018. As permitted by the transition provisions of IFRS 9, the Group elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with the previous accounting policies, as indicated below. New or amended disclosures have been provided for the current period where applicable, and comparative period disclosures are consistent with those made in the prior year.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurement of financial assets

Upon adoption of IFRS 9, all recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group primarily holds trade receivables and bank balances as its financial assets. The Directors of the Group reviewed and

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 9 Financial instruments (continued)

assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that with the initial application of IFRS 9 the trade receivables and bank balances that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Classification of financial assets in accordance with IFRS 9 has therefore not had any impact on the Group's financial statements in the current or prior years.

Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of financial liabilities designated as at fair value through profit or loss (FVTPL) attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

There were no financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. Therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The below are the significant financial assets in the Group's balance sheet which are subject to the impairment provision of IFRS 9:

- Trade receivables
- Bank balances

The Group has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables. The results of the impairment assessment upon first time adoption of IFRS 9 are as reflected in the table below:

Items existing as at 1 July 2018 that are subject to impairment provision of IFRS 9	Credit risk attributes at 1 January 2018	Cumulative additional allowance recognised on 1 July 2018	Cumulative additional allowance recognised on 1 July 2018
		Group	**Company**
		Kshs'000	**Kshs'000**
Trade receivables	For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.	105,455	-
Bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banks.	-	-
Total		**105,455**	**-**

The additional credit loss allowance of Kshs 105,455,000 as at 1 July 2018 was recognised against the Group's retained earnings, net of the related deferred tax impact of Kshs 31,637,000, resulting in a net decrease in retained earnings of Kshs 73,819,000.

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 9 Financial instruments (continued)

General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years as the Group has no hedging relationships that go through hedge accounting as per IFRS 9.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The Group adopted the amendments beginning 1 July 2018. The application of the amendments has had no impact on the financial statements as the Group does not have any cash-settled share-based payment arrangements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

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

The Group adopted the interpretation beginning 1 July 2018. The adoption of the interpretation has had no impact on the financial statements as the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the requirements of the interpretation.

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

IFRS 16 Leases

The new standard specifies how an entity will recognise, measure, present and disclose leases. The standard introduces a new lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. Application of IFRS 16 during the financial year 2020 will require right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Group is the lessee. Based on the Directors' preliminary assessment, right-of-use assets and lease liabilities both of Kshs 1.2 billion will have to be recognised at 1 July 2019.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Annual Improvements to IFRS Standards 2015-2017 Cycle (continued)

(vii) Early adoption of standards

The Group did not early adopt new or amended standards in the year ended 30 June 2019.

(b) Basis of consolidation

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

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

(i) Subsidiaries

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

(ii) Non-controlling 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

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); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to Non-controlling interest (NCI).

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 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

(h) Intangible assets (continued)

(iii) Brands (continued)

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.

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

Initial measurement

On initial recognition:

i) Financial assets or financial liabilities classified as fair value through profit or loss are measured at fair value.

ii) Trade receivables are measured at their transaction price.

iii) 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

(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) Finance leases

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

(ii) Operating leases

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

(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

Notes (continued)

2 Summary of significant accounting policies (continued)

(q) Income tax expense (continued)

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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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.

(a) Critical accounting estimates and judgements

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

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

Assessment of the recoverable value of an intangible assets, the useful economic life of an asset, or that an asset has an indefinite life, requires management judgement. The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(t). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations as stated in Note 22.

(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) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Disclosures on contingent liabilities with respect to tax are included in Note 29.

(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.

(b) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining whether assets are impaired based on an annual fixed assets verification exercise.

Notes (continued)

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.

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 currency 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 2019 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 2018.

Group		Profit or loss	
At 30 June		**2019**	**2018**
		Kshs'000	**Kshs'000**
EUR	Euro	276,673	252,563
GBP	Sterling Pound	7,160	1,490,481
RWF	Rwandese Franc (RWF)	(687)	-
TZS	Tanzania Shillings	799	1,049
UGX	Uganda Shillings	94,653	97,853
USD	US Dollar	21,919	876,921
ZAR	South African Rand	(384)	1,945
		400,133	**2,720,812**

Company		Profit or loss	
At 30 June		**2019**	**2018**
		Kshs'000	**Kshs'000**
EUR	Euro	385,627	229,280
GBP	Pound Sterling	56,990	1,450,230
SSP	South Sudanese Pound	-	520
TZS	Tanzanian Shilling (TZS)	883	-
UGX	Ugandan Shilling	92,487	98,317
USD	US Dollar	40,295	850,000
		576,282	**2,628,347**

ii. Price risk

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

Notes (continued)

4. Financial risk management objectives and policies (continued)

Market risk (continued)

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 2019, an increase/decrease of 1 percentage point would have resulted in a decrease/increase in profit for the year of Kshs 38,329,450 (2018: Kshs 37,410,000), 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 or other credit enhancements:

	2019	2018
	Kshs 000	**Kshs 000**
(a) Group		
Trade receivables (Note 27(a))	4,928,580	5,371,289
Other receivables (Note 27(a))	1,847,867	2,657,087
Receivables from related companies (note 27(a))	217,767	350,966
Derivative financial assets (Note 32)	179,678	-
Bank balances (Note 31(b))	12,468,585	3,588,370
	19,642,477	**11,967,712**
(b) Company		
Trade receivables (Note 27(b))	-	512,080
Other receivables (Note 27(b))	230,049	383,818
Receivables from related companies (Note 27(b))	831,475	2,925,420
Derivative financial assets (Note 32)	179,678	-
Bank balances (Note 31(b))	9,020,367	1,685,800
	10,261,569	**5,507,118**

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.

Notes (continued)

4. Financial risk management objectives and policies (continued)

Credit risk (continued)

Credit risk management policy (continued)

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.

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

	2019	2018
	Kshs'000	**Kshs'000**
Not due,	2,434,817	4,392,766
Past due but not impaired:		
-by up to 30 days	1,943,592	1,768,847
-by 31 to 120 days	1,625,569	1,056,325
-over 121 days	139,575	305,041
Trade and other receivables	**6,143,553**	**7,522,979**
Receivables individually determined to be impaired:		
Carrying amount before provision for expected credit losses	850,660	856,495
Provision for expected credit losses	(850,660)	(856,495)
Net carrying amount	**6,143,553**	**7,522,979**

(b) Company

	2019	2018
	Kshs'000	**Kshs'000**
Not due,	916,088	2,701,103
Past due but not impaired:		
-by upto 30 days	44,828	900,336
-by 31 to 120 days	100,608	219,879
Trade and other receivables	**1,061,524**	**3,821,318**
Receivables individually determined to be impaired:		
Carrying amount before provision for expected credit losses	-	-
Provision for expected credit losses	-	-
Net carrying amount	**1,061,524**	**3,821,318**

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.

Notes (continued)

4. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances and 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 2019:

(a) Group

	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
- Borrowings	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**

(b) Company

	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
- Borrowings	748,663	7,245,988	5,826,127	19,169,991	13,020,722	46,011,491
- Trade and other payables	2,816,239	12,447,593	-	-	-	15,263,832
- Dividend payable	590,623	-	-	-	-	590,623
	4,155,525	**19,693,581**	**5,826,127**	**19,169,991**	**13,020,722**	**61,865,946**

Notes (continued)

4. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

At June 2018:

(a) Group

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

(b) Company

At 30 June 2018:	Current	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
- Borrowings	-	-	5,000,000	6,000,000	7,868,462	18,868,462
- Related party borrowings	-	-	-	-	11,469,236	11,469,236
- Derivative financial liability	71,946	-	-	-	-	71,946
- Bank overdrafts	-	7,175	-	-	-	7,175
- Trade and other payables	16,926,026	2,687,595	-	-	-	19,613,621
- Dividend payable	562,611	-	-	-	-	562,611
	21,429,043	**2,694,770**	**5,000,000**	**6,000,000**	**19,337,698**	**50,593,051**

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.

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:

	2019	2018
	Kshs'000	**Kshs'000**
Net borrowings:		
Total borrowings (Note 33)	36,319,744	31,066,701
Less: cash and bank balances (Note 31(b))	(12,468,585)	(3,588,370)
Net debt	**23,851,159**	**27,478,331**
EBITDA		
Profit before tax	17,814,650	11,741,810
Adjusted for:		
Net finance costs	3,371,976	3,359,118
Depreciation and amortisation	3,907,331	3,645,480
Total EBITDA	**25,093,957**	**18,746,408**
Net Debt to EBITDA	**0.95x**	**1.47x**

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:

i) 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").

ii) 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).

iii) 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.

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 categorised as level 2 in the hierarchy. Other investments are carried at cost as there is no suitable basis for its valuation and are therefore categorised as level 3 in the hierarchy.

Notes (continued)

4. Financial risk management objectives and policies (continued)

Fair value measurement (continued)

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:				
Other financial assets	-	-	10,000	10,000
Derivative financial instruments (Foreign exchange forward contracts)	-	179,678	-	179,678
Net assets at fair value through profit or loss	**-**	**179,678**	**10,000**	**189,678**

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

	Level 1	Level 2	Level 3	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Financial assets at fair value through profit or loss:				
Other financial assets	-	-	10,000	10,000
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments (Foreign exchange forward contracts)	-	(71,946)	-	(71,946)
Net assets at fair value through profit or loss	**-**	**(71,946)**	**10,000**	**(61,946)**

There were no transfers between levels during the years ended 30 June 2019 and 30 June 2018.

5. Segmental reporting

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

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

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

Notes (continued)

5. Segmental reporting (continued)

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

	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
External sales	60,369,485	53,371,231	12,436,690	11,912,213	9,737,066	8,173,388	-	-	82,543,241	73,456,832
Inter segment sales	5,978,845	6,903,578	45,855	28,277	-	16,556	(6,024,700)	(6,948,411)	-	-
Total sales	**66,348,330**	**60,274,809**	**12,482,545**	**11,940,490**	**9,737,066**	**8,189,944**	**(6,024,700)**	**(6,948,411)**	**82,543,241**	**73,456,832**

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

	Kenya		Uganda		Tanzania		Eliminations		Consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Segment non-current assets	80,040,676	74,995,854	7,255,246	5,465,994	8,856,216	8,093,008	(38,688,892)	(38,833,992)	57,463,246	49,720,864
Total segment assets	104,193,433	93,802,019	11,811,463	8,848,544	12,580,692	10,999,432	(41,519,961)	(42,403,169)	87,065,627	71,246,826
Segment liabilities	64,840,160	57,152,310	8,688,218	6,760,049	3,807,958	2,926,524	(6,425,460)	(7,244,093)	70,910,876	59,594,790
Capital expenditure	8,156,689	10,942,093	2,121,511	1,290,964	1,490,378	798,304	-	-	11,768,578	13,031,361
Depreciation and amortisation	2,575,928	2,402,142	529,797	461,271	801,606	782,067	-		3,907,331	3,645,480

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year . Segment revenue is based on the geographical location of both customers and assets. The revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the 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

	2019	2018
	Kshs '000	Kshs '000
(a) Group		
Gross sales	149,660,062	135,037,775
Indirect taxes	(67,116,821)	(61,580,943)
	82,543,241	**73,456,832**
(b) Company		
Sale of product	3,341,978	5,667,981
Dividend income	6,131,586	7,798,813
Management fees	1,200,313	1,445,643
Royalties	940,961	891,997
	11,614,838	**15,804,434**

7. Cost of sales

	2019	2018
	Kshs '000	Kshs '000
(a) Group		
Raw materials and consumables	22,514,463	21,639,676
Distribution and warehousing	6,230,883	5,251,900
Maintenance and other costs	7,984,548	7,288,566
Staff costs	4,353,728	3,711,495
Depreciation and amortisation	3,342,482	3,160,772
	44,426,104	**41,052,409**
(b) Company		
Cost of goods sold	1,450,323	2,379,412
Distribution and warehousing	53,485	23,993
Staff costs	298,666	259,021
Maintenance and other costs	-	124
	1,802,474	**2,662,550**

8. Administrative expenses

	2019	2018
	Kshs '000	Kshs '000
(a) Group		
Staff costs	6,669,347	5,694,930
Office supplies and other costs	2,185,125	2,139,538
Depreciation and amortisation	343,885	419,184
Travelling and entertainment	199,865	281,192
	9,398,222	**8,534,844**
(b) Company		
Staff costs	1,030,800	951,734
Office supplies and other costs	455,170	490,052
Depreciation and amortisation	131,496	128,053
Travelling and entertainment	51,315	86,490
	1,668,781	**1,656,329**

Notes (continued)

9. Other income/(expenses), net

(a) Group

	2019	2018
	Kshs '000	**Kshs '000**
Other income		
Transactional foreign exchange gains	1,280,390	-
Profit on disposal of property, plant and equipment (Note 31(a))	-	699,098
Sundry income	302,937	467,191
	1,583,327	**1,166,289**
Other expenses		
Indirect tax expenses (*)	1,324,001	2,604,670
Transactional foreign exchange losses	-	391,260
Expected credit losses on trade receivables (Note 27)	134,361	137,650
Write down of inventories	99,879	89,846
Loss on disposal of property, plant and equipment (Note 31(a))	26,478	-
Sundry expenses	321,497	287,747
	1,906,216	**3,511,173**
	(322,889)	**(2,344,884)**

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

(b) Company

	2019	2018
	Kshs '000	**Kshs '000**
Other income		
Credit from capital reduction by a subsidiary (Note 24)	2,255,372	-
Net transactional foreign exchange gains	55,486	-
Sundry income	20,896	-
	2,331,754	**-**
Other expenses		
Write-off of loan receivable from subsidiary (SBL) (Note 18)	-	4,256,282
Write-off of loan receivable from subsidiary (EABSS)	-	1,751,000
Net transactional foreign exchange losses	-	345,060
Irrecoverable withholding tax	59,891	189,807
Sundry expenses	374,625	185,870
	434,516	**6,728,019**
	1,897,238	**(6,728,019)**

Notes (continued)

10. Profit before income tax

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

	2019	2018
	Kshs '000	Kshs '000
(a) Group		
Inventories expensed (raw materials and consumables) (Note 26)	22,514,463	21,639,676
Employee benefits expense (Note 11(a))	11,023,074	9,406,425
Depreciation on property, plant and equipment (Note 20(a))	3,726,411	3,495,415
Amortisation of intangible assets - software (Note 21(a))	180,694	149,249
Amortisation of prepaid operating lease (Note 23(a))	226	816
Auditor's remuneration	43,822	39,599

(b) Company		
Employee benefits expense (Note 11 (b))	1,438,488	1,650,417
Write-off of loan receivable from subsidiary (SBL) (Note 18)	-	4,256,282
Write-off of loan receivable from subsidiary (EABSS)	-	1,751,000
Depreciation on property and equipment (Note 20(b))	47,976	47,393
Amortisation of intangible assets - software (Note 21(b))	83,288	80,602
Amortisation of prepaid operating lease (Note 23(b))	14	59
Auditor's remuneration	15,405	11,307

Notes (continued)

11. Employee benefits expense

a) Group

The following items are included within employee benefits expense:

	2019	2018
	Kshs '000	**Kshs '000**
Salaries and wages	7,866,304	6,280,515
Defined contribution scheme	456,617	449,661
National Social Security Fund	147,645	118,475
Share based payments	11,600	14,584
Employee share ownership plan of the parent company(*)	108,248	79,444
Other staff costs	2,432,660	2,463,746
	11,023,074	**9,406,425**

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

	30 June 2019	30 June 2018
Production	787	823
Sales and distribution	382	351
Management and administration	382	417
	1,551	**1,591**

(b) Company

The following items are included within employee benefits expense:

	2019	2018
	Kshs '000	**Kshs '000**
Salaries and wages	566,479	880,374
Defined contribution scheme	93,639	72,623
National Social Security Fund	24,538	23,588
Share based payments	11,600	14,584
Employee share ownership plan of the parent company(*)	52,536	47,343
Other staff costs	689,696	611,905
	1,438,488	**1,650,417**

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

	30 June 2019	30 June 2018
Management and administration	187	217
	187	**217**

(*) 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/(costs)

	2019	2018
	Kshs '000	**Kshs '000**
(a) Group		
Finance income		
Interest income	107,567	81,949
Other finance income	13,034	-
	120,601	**81,949**
Finance costs		
Interest expense	(2,953,889)	(3,284,208)
Other finance costs	(538,688)	(156,859)
	(3,492,577)	**(3,441,067)**
(b) Company		
Finance income		
Interest income	2,070,883	1,584,653
	2,070,883	**1,584,653**
Finance costs		
Interest expense	(4,163,332)	(3,749,012)
Other finance costs	(538,689)	(132,851)
	(4,702,021)	**(3,881,863)**

13. Income tax expense

(a) Group

	2019	2018
	Kshs '000	**Kshs '000**
Income tax expense		
Current income tax:		
Current year charge	3,238,540	3,423,241
Underprovision of tax in prior years	3,007	125,196
Current income tax charge	3,241,547	3,548,437
Deferred income tax:		
Current year charge	3,133,644	901,377
(Over)/under provision in prior years	(75,671)	36,441
Deferred income tax charge (Note 19(a))	3,057,973	937,818
Total income tax expense	**6,299,520**	**4,486,255**

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:

	2019	2018
	Kshs '000	**Kshs '000**
Profit before income tax	17,814,650	11,741,810
Tax calculated at the statutory income tax rate of 30% (2018 - 30%)	5,344,395	3,522,543
Tax effects of:		
Expenses not deductible for tax purposes	1,027,789	802,075
Underprovision of tax in prior years	3,007	125,196
(Over)/Under provision in prior years	(75,671)	36,441
Income tax expense	**6,299,520**	**4,486,255**

(b) Company

	2019	2018
	Kshs '000	**Kshs '000**
Income tax expense		
Current income tax:		
Current year charge	269,161	-
Over provision in prior years	(43,703)	(297,145)
Current income tax expense	225,458	(297,145)
Deferred income tax:		
Current year charge	218,394	672,313
Under-provision in prior years	32	25,805
Deferred income tax charge (Note 19 (b))	218,426	698,118
Total tax expense	**443,884**	**400,973**

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:

	2019	2018
	Kshs '000	**Kshs '000**
Profit before income tax	7,409,683	2,460,326
Tax calculated at the statutory income tax rate of 30% (2018 - 30%)	2,222,905	738,098
Tax effects of:		
- Non-taxable income	(2,516,088)	(2,339,644)
- Expenses not deductible for tax purposes	780,738	2,273,859
Underprovision of deferred income tax in prior year	32	25,805
Overprovision of current income tax in prior year	(43,703)	(297,145)
Income tax expense	**443,884**	**400,973**

Notes (continued)

14. Dividends

A final dividend in respect of the year ended 30 June 2019 of Kshs 6 (2018: Kshs 5.50 per share) amounting to a total of Kshs 4,744,646,000 (2018: Kshs 4,349,259,000) has been proposed.

During the year an interim dividend of Kshs 2.50 per share (2018: Kshs 2 per share) amounting to a total of Kshs 1,976,935,000 (2018: 1,581,548,000) was paid. The total dividend for the year is therefore Kshs 8.5 per share (2018: Kshs 7.50) amounting to a total of Kshs 6,721,581,000 (2018: Kshs 5,930,807,000).

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

The following is the movement in dividends during the year:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**
At 1 July	562,611	487,109	562,611	487,109
Dividend declared during the year	7,459,417	6,773,625	6,326,194	5,930,807
Dividends paid	(7,431,405)	(6,698,123)	(6,298,182)	(5,855,305)
At 30 June	**590,623**	**562,611**	**590,623**	**562,611**

15. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 30 June 2019 was based on profit attributable to ordinary shareholders of Kshs 8,877,789,000 (2018: Kshs 5,683,764,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2019 of 790,774,356 (2018: 790,774,356). The basic and diluted earnings per share are the same as there is no dilutive effect.

	2019	**2018**
	Kshs '000	**Kshs '000**
Profit attributable to ordinary shareholders	8,877,789	5,683,764
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)	11.23	7.19

16. Share capital

	Number of shares	**Ordinary shares**	**Share premium**
		Kshs'000	**Kshs'000**
Issued and fully paid			
Balance as at 1 July 2017, 30 June 2018 and 30 June 2019	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 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.

Notes (continued)

17. Other reserves

(a) Employee share based payment reserves

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

a) **Executive Share Option Plan (ESOP)** – Under the plan, an employee is given an option to buy units at a future date but at a 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) **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.

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 2019		30 June 2018	
	Number of shares	Ksh'000	Number of shares	Ksh'000
At start of year	2,478,146	507,275	2,447,083	498,003
Movement in the year:				
Purchase of shares	552,781	109,896	46,020	11,773
Issue of shares upon exercise of options	(56,816)	(8,174)	(14,957)	(2,501)
Total movement in the year	**495,965**	**101,722**	**31,063**	**9,272**
At end of year	**2,974,111**	**608,997**	**2,478,146**	**507,275**

(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:

	2018 series	2017 series	2016 series
Grant date share price	187	250	277
Exercise price			
- ESOP	187	250	277
- ESSS	150	196	224
Expected volatility	20.01%	20.01%	20.01%
Dividend yield	3.6%	3.6%	3.6%
Forfeiture rate	3.9%	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.

Notes (continued)

17. Other reserves (continued)

(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.

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 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	
Currents 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 comprehensive income	4,431,134	891,035	778,164	
In respect of non-controlling interest	**2,378,633**	**244,856**	**13,853**	**2,637,342**
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 interests (continued)

(a) Subsidiaries with material non-controlling interests (continued)

At 30 June 2018

	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	2,230,063	8,550,389	5,458,464	
Currents assets	9,226,109	3,280,227	3,681,980	
Non-current liabilities	(340,000)	-	(4,025,699)	
Current liabilities	(4,463,747)	(3,166,775)	(4,833,729)	
Net assets	**6,652,425**	**8,663,841**	**281,016**	
Carrying amount of non-controlling interest	**3,571,022**	**2,380,824**	**19,245**	**5,971,091**
Net sales	15,637,384	8,189,944	11,919,899	
Profit after tax	2,857,183	112,314	2,592	
Total comprehensive income	2,857,183	112,314	2,592	
In respect on non-controlling interest	**1,533,736**	**30,864**	**7,191**	**1,571,791**
Cash generated from operating activities	3,509,850	1,512,898	2,275,094	
Cash used in investment activities	(525,874)	(815,600)	(1,287,210)	
Cash used in financing activities	(1,570,079)	(199,500)	(24,451)	
Net increase in cash and cash equivalents	**1,413,897**	**497,798**	**963,433**	

(b) Transactions with non- controlling interests

During the year ended 30 June 2018, the Company entered into an agreement with the non-controlling shareholders of its subsidiary Serengeti Breweries Limited (SBL), to convert all its outstanding loans receivable of Kshs 15,306,177,000 from the subsidiary into equity, without proportionate capital contribution by the non-controlling shareholders. Under the terms of the arrangement, the non-controlling shareholders of SBL would pay the Company Tanzania Shillings 70 billion (Kshs 3,243,744,000) from 50% of their dividends received from SBL. The transaction therefore resulted in a temporary increase in the effective economic interest in the subsidiary from 51% to 72.5%. EABL's shareholding in SBL remained unchanged. Upon repayment of the liability through dividends, the effective economic interest of EABL in SBL would revert back to the original 51% status. During the year ended 30 June 2019, Tanzania shillings 367 million (Kshs 16 million) was received as partial repayment of the loan.

The impact of the transaction above was charged to equity, being a transaction between shareholders, and is as disclosed here below:

	2018
	Kshs'000
Loans receivable converted to equity (Note 25)	11,049,895
Loans receivable written off in the Company accounts (Note 9)	4,256,282
	15,306,177
Change in share of net assets of subsidiary:	
Share of net liabilities pre-conversion	(3,395,842)
Share of net assets post conversion	6,216,196
	9,612,038
Difference arising on transaction with non-controlling interests	**5,694,139**

Notes (continued)

19. Deferred income tax

Deferred income tax is calculated using the enacted domestic tax rate of 30% (2018 – 30%). The movement on the deferred income tax account is as follows:

(a) Group

	2019	2018
	Kshs'000	Kshs'000
At start of year	2,538,119	1,791,410
Charge to profit or loss	3,133,644	901,377
(Over)/under provision of deferred income tax in prior year	(75,671)	36,441
Effect of change in exchange rates	(40,536)	(191,109)
Total deferred income tax movement	3,017,437	746,709
At end of year	**5,555,556**	**2,538,119**
Analysed as follows:		
Deferred income tax liabilities	6,136,317	3,264,233
Deferred income tax assets	(580,761)	(726,114)
At end of year	**5,555,556**	**2,538,119**

(b) Company

	2019	2018
	Kshs'000	Kshs'000
At start of year	(726,114)	(1,424,232)
Charge to profit or loss	218,394	672,313
Under provision of deferred income tax in prior year	32	25,805
Total deferred income tax movement	218,426	698,118
At end of year	**(507,688)**	**(726,114)**

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

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)

(a) Group (continued)

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

(b) Company

Year ended 30 June 2019:	At 1 July 2018	Prior year (over)/ under provision	Charged/ (credited) to profit or loss	At 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	(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)**

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

Notes (continued)

20. Property, plant and equipment

(a) Group

Year ended 30 June 2019

	Freehold property	Leasehold buildings	Plant and equipment	Returnable packaging	Capital work in progress	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost						
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 22)	-	-	-	-	(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 other than as disclosed under Note 33.

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 capitalisation rate on funds borrowed is 7%.

Notes (continued)

20. Property, plant and equipment (continued)

(a) Group (continued)

Year ended 30 June 2018

	Freehold property	Leasehold buildings	Plant and equipment	Returnable packaging	Capital work in progress	Total
	Kshs '000	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**	**Kshs '000**
Cost						
1 July 2017	4,611,690	3,047,596	38,439,923	13,829,816	4,553,792	64,482,817
Additions	177,011	37,509	2,075,654	1,370,384	9,368,176	13,028,734
Transfers from work in progress	258,557	41,103	1,011,850	684,444	(1,995,954)	-
Disposals	(50,188)	-	(40,128)	(153,786)	-	(244,102)
Transfer to intangible assets (Note 22)	-	-	-	-	(41,013)	(41,013)
Assets written off	-	-	-	(1,807,349)	-	(1,807,349)
Effect of exchange rate changes	(9,859)	(150,598)	(1,092,307)	(293,200)	(53,204)	(1,599,396)
At 30 June 2018	**4,987,211**	**2,975,610**	**40,394,992**	**13,630,309**	**11,831,797**	**73,819,691**
Depreciation						
At 1 July 2017	1,003,217	894,389	17,649,194	7,618,571	-	27,165,371
Charge for the year	88,707	67,579	1,845,074	1,494,055	-	3,495,415
Disposals	(18,130)	-	(24,419)	(130,676)	-	(173,225)
Assets written off	-	-	-	(1,402,943)	-	(1,402,943)
Effect of exchange rate changes	(5,763)	(36,757)	(407,218)	(179,033)	-	(628,771)
At 30 June 2018	**1,068,031**	**925,211**	**19,062,631**	**7,399,974**	**-**	**28,455,847**
Carrying amount at 30 June 2018	**3,919,180**	**2,050,399**	**21,332,361**	**6,230,335**	**11,831,797**	**45,363,844**

There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 33.

The capital work in progress mainly relates to construction of a brewery in Kisumu, Kenya.

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

Notes (continued)

20. Property and equipment (continued)

(b) Company

Year ended 30 June 2019

	Freehold property	Leasehold buildings	Equipment	Capital work in progress	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
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)	-	(98,306)	(119,037)
At 30 June 2019	**129,599**	**14,896**	**333,351**	**348,640**	**826,486**
Depreciation					
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**	**14,019**	**59,171**	**348,640**	**549,171**

There are no assets pledged by the Company to secure liabilities other than as disclosed under Note 33.

Year ended 30 June 2018

	Freehold property	Leasehold buildings	Equipment	Capital work in progress	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cost					
1 July 2017	132,228	41,490	318,158	104,146	**596,022**
Additions	-	-	9,132	62,527	**71,659**
Transfers from work in progress	-	25,577	3,427	(29,004)	**-**
Transfers to intangible assets (Note 22(b))	-	-	-	(1,858)	**(1,858)**
Transfers to Group companies	-	(34,940)	-	-	**(34,940)**
At 30 June 2018	**132,228**	**32,127**	**330,717**	**135,811**	**630,883**
Depreciation					
At 1 July 2017	3,647	15,213	192,738	-	**211,598**
Transfers to Group companies	-	(10,496)	-	-	**(10,496)**
Charge for the year	711	1,240	45,442	-	**47,393**
At 30 June 2018	**4,358**	**5,957**	**238,180**	**-**	**248,495**
Carrying amount as at 30 June 2018	**127,870**	**26,170**	**92,537**	**135,811**	**382,388**

There are no assets pledged by the Company to secure liabilities other than as disclosed under Note 33.

Notes (continued)

21. Intangible assets - software

(a) Group

	2019	2018
	Kshs'000	**Kshs'000**
Cost		
At 1 July	1,943,999	1,927,111
Additions	91,614	2,627
Transfer from property plant and equipment (Note 21(a))	262,698	41,013
Effect of exchange rate changes	11,618	(26,752)
At end of the year	**2,309,929**	**1,943,999**
Amortisation		
At 1 July	1,502,402	1,364,297
Charge for the year	180,694	149,249
Effect of exchange rate changes	5,757	(11,144)
At end of the year	**1,688,853**	**1,502,402**
Net book value	**621,076**	**441,597**

(b) Company

	2019	2018
	Kshs'000	**Kshs'000**
Cost		
At 1 July	1,485,409	1,480,923
Additions	2,163	2,627
Transfer from property and equipment (Note 21(b))	-	1,858
At end of the year	**1,487,572**	**1,485,408**
Amortisation		
At 1 July	1,278,981	1,198,379
Charge for the year	83,288	80,602
At end of the year	**1,362,269**	**1,278,981**
Net book value	**125,303**	**206,427**

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

Notes (continued)

22. Intangible assets - goodwill and brand

(a) Goodwill

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

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

	2019	2018
	Kshs'000	Kshs'000
At start of year	459,394	482,562
Effect of exchange rate changes	4,036	(23,168)
At end of year	**463,430**	**459,394**

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)

22. 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Terminal growth rate[1]	5%	5%	5%	5%	5%	5%
WACC rate[2]	16%	18%	13%	13%	13%	14%

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 EBITDA margin based on past performance and its expectations for market developments. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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

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 2019. As a result, the Group has not recognised an impairment charge (2018: Nil).

Brand

Based on the above assumptions, the recoverable value of the brand exceeded the carrying value at 30 June 2019. As a result, the Group has not recognised an impairment charge. (2018: 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.

Notes (continued)

23. Prepaid operating lease rentals

Leases of land have been classified as operating leases.

(a) Group

	2019	2018
	Kshs'000	**Kshs'000**
Cost:		
At 1 July	10,341	21,743
Disposals	-	(11,328)
Effect of exchange rate changes	44	(74)
At end of year	**10,385**	**10,341**
Amortisation		
At 1 July	2,990	6,751
Charge for the year	226	816
Disposals	-	(4,575)
Effect of exchange rate changes	2	(2)
At end of year	**3,218**	**2,990**
Net book value	**7,167**	**7,351**

(b) Company

	2019	2018
	Kshs'000	**Kshs'000**
Cost:		
At 1 July	1,380	2,250
Transfers to Group companies	(1,380)	(870)
At end of year	**-**	**1,380**
Amortisation:		
At 1 July	736	1,126
Charge for the year	14	59
Transfers to Group companies	(750)	(449)
At end of year	**-**	**736**
Net book value	**-**	**644**

Notes (continued)

24. Investments in subsidiaries

	Country of incorporation	Effective ownership interest	Book value at 30 June 2019	2018
			Kshs'000	Kshs'000
Kenya Breweries Limited	Kenya	100%	22,377,809	22,377,809
Serengeti Breweries Limited	Tanzania	72.5%	15,992,891	15,992,891
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	Rwanda	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	150,000
Salopia Limited	Kenya	100%	-	200
East African Maltings (Kenya) Limited	Kenya	100%	-	-
East African Maltings (Uganda) Limited	Uganda	100%	-	-
Net book amount			**39,955,009**	**40,105,207**

Movement in investment in subsidiaries

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

	Kshs'000
Year ended 30 June 2019:	
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**
Year ended 30 June 2018:	
At 1 July 2017	29,053,977
Serengeti Breweries Limited	
Purchase of additional non-controlling interests	
- Investment loan converted to equity Investment	15,306,177
-Capital contribution on behalf of non-controlling interests	(4,256,284)
East African Breweries (Rwanda) Limited	
Investment in the subsidiary	1,337
At 30 June 2018	**40,105,207**

Notes (continued)

24. Investments in subsidiaries (continued)

The details of the movement in investment in subsidiaries is as disclosed below:

(a) Serengeti Breweries Limited (SBL):

As disclosed in Note 18, in the year ended 30 June 2018, the Company increased its effective interest in SBL by conversion of loans receivable amounting to Kshs 15.3 billion into equity. The effective interest increased from 51% to 72.5% while the legal shareholding remained at 51%.

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 22. 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 2019, the Company would not have recognised any impairment against the carrying amount of the investment in subsidiary (2018: impairment loss of Kshs 86,659,000).

If the pre-tax discount rate applied to the cash flow projections for SBL had been 1% higher than management's estimates (16.2% instead of 15.2%), the Company would not have to recognise an impairment against the carrying value of the investment in subsidiary (2018: Nil).

If the terminal growth rate applied to the cash flow projections for SBL had been 1.5% lower than management's estimates (5.0% instead of 6.5%), the Company would not have had to recognise any impairment against the carrying value of the investment in subsidiary (2018: impairment loss of Kshs 514,637,000).

(b) EABL International Limited (EABLi)

During the year, 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.

(c) East African Breweries (Rwanda) Limited

During the year ended 30 June 2018, the Company increased its investment in East African Breweries (Rwanda) Limited, a Company that was incorporated to perform marketing activities in Rwanda.

(d) Other subsidiaries

The Company has 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.

25. Other financial assets

	2019	2018
Group and Company	**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.

Notes (continued)

26. Inventories

(a) Group

	2019	2018
	Kshs'000	**Kshs'000**
Raw materials and consumables	4,343,198	4,835,788
Work in progress	604,058	721,933
Finished goods	2,253,687	1,930,324
Goods in transit	167,069	394,561
	7,368,012	**7,882,606**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Kshs 22,514,463,000 (2018: Kshs 21,639,676,000).

(b) Company

	2019	2018
	Kshs'000	**Kshs'000**
Finished goods	-	38,906

27. Trade and other receivables

(a) Group

	2019	2018
	Kshs'000	**Kshs'000**
Trade receivables	4,928,580	5,371,289
Less: provision for expected credit losses	(624,898)	(685,942)
	4,303,682	**4,685,347**
Other receivables	1,847,867	2,657,087
Less: provision for expected credit losses	(225,763)	(170,421)
Prepayments	2,079,441	423,502
Receivables from related companies (Note 34 (a) (iii))	217,767	350,966
	8,222,994	**7,946,481**

Movement in lifetime expected credit losses allowance

The following table shows the movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	2019	2018
	Kshs'000	**Kshs'000**
At 1 July	856,363	956,840
IFRS 9 transition adjustment (*)	105,455	-
Impairment charge on trade receivables (Note 9(a))	134,361	137,650
Write offs	(245,518)	(238,127)
At 30 June	**850,661**	**856,363**

(*) The additional credit loss allowance of Kshs 105,455,000 as at 1 July 2018 was recognised against the Group's retained earnings, net of the related deferred tax impact of Kshs 31,637,000, resulting in a net decrease in retained earnings of Kshs 73,819,000.

Notes (continued)

27. Trade and other receivables (continued)

(b) Company

	2019	2018
	Kshs'000	**Kshs'000**
Trade receivables	-	512,080
Receivables from related companies (Note 34(b))	831,475	2,925,420
Other receivables	230,049	383,818
Prepayments	88,950	4,437
	1,150,474	**3,825,755**

28. Trade and other payables

	2019	2018
(a) Group	**Kshs'000**	**Kshs'000**
Trade payables	6,135,927	5,781,983
Other payables and accrued expenses	20,465,246	17,694,450
Payables to related parties (Note 34 (a))	1,263,019	1,152,866
	27,864,192	**24,629,299**
(b) Company		
Trade payables	108,252	114,640
Payables to related parties (Note 34(b))	15,263,832	16,943,244
Other payables and accrued expenses	2,876,738	2,555,737
	18,248,822	**19,613,621**

29. 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.

Notes (continued)

30. Commitments

i) Capital commitments - Group

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

	2019	2018
	Kshs'000	Kshs'000
Contracted but not provided for	3,331,053	5,626,927
Authorised but not contracted for	4,072,636	4,573,991
	7,403,689	**10,200,918**

ii) Operating lease commitments

(a) Group leases as lessee

The Group has entered into operating lease agreements for leasing of commercial and non-commercial vehicles and point-of-sale refrigerators. Lease payments cover principal rentals, maintenance fees, management costs and insurance costs. Future minimum lease payments under these operating leases are as follows:

	2019	2018
	Kshs'000	Kshs'000
Not later than 1 year	102,116	540,785
Later than 1 year and not later than 5 years	1,425,204	94,157
	1,527,320	**634,942**

During the year ended 30 June 2019, Kshs 582,389,000 was recognised as an expense through profit or loss in respect of the operating leases (2018: Kshs 638,636,000).

(b) Company leases as lessee

The Company has entered into operating lease agreements for leasing of printers and motor vehicles. Future minimum lease payments under these operating leases are as follows:

	2019	2018
	Kshs'000	Kshs'000
Not later than 1 year	41,069	70,875
Later than 1 year and not later than 5 years	58,948	55,056
	100,017	**125,931**

During the year ended 30 June 2019, Kshs 48,005,658 was recognised as an expense through profit or loss in respect of the operating leases (2018: Kshs 89,804,000).

Notes (continued)

31. Cash generated from operations

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

Group

	2019	2018
	Kshs'000	**Kshs'000**
Profit before income tax	17,814,650	11,741,810
Adjusted for:		
Interest income (Note 12)	(120,601)	(81,949)
Interest expense (Note 12)	3,492,577	3,441,067
Depreciation (Note 20 (a))	3,726,411	3,495,415
Amortisation of intangible asset - software (Note 21 (a))	180,694	149,249
Amortisation of prepaid operating lease rentals (Note 23 (a))	226	816
Share based payments	11,600	14,584
Loss / (profit) on disposal of property, plant and equipment	26,478	(699,098)
Write off of property, plant and equipment	464,294	404,406
Cash generated from operations before working capital adjustments	**25,596,329**	**18,466,300**
Changes in working capital:		
Trade and other receivables (Note 31(c))	(416,038)	86,961
Inventories	276,315	(568,417)
Trade and other payables (Note 31(c))	3,034,797	3,732,452
Cash generated from operations	**28,491,403**	**21,717,296**

Company

	2019	2018
	Kshs'000	**Kshs'000**
Profit before income tax	7,409,683	2,460,326
Adjustments for:		
Interest income (Note 12(b))	(2,070,883)	(1,584,653)
Interest expense (Note 12(b))	4,702,021	3,881,863
Depreciation (Note 20 (b))	47,976	47,393
Amortisation of intangible asset - software (Note 21(b))	83,288	80,602
Amortisation of prepaid operating lease rentals (Note 23(b))	14	59
Share based payments	11,600	14,584
Dividend income	(6,131,586)	(7,798,813)
Loss on disposal of property and equipment	106	-
Release of prior year overprovision of current tax	-	329,693
Capital reduction by a subsidiary (Note 24(b))	(2,405,372)	-
Write off of loan receivable from subsidiary (Note 24)	-	4,256,282
Derecognition of Investment in subsidiaries (non cash)	150,200	-
Write off of investment loan	-	1,751,000
Cash generated from operations	**1,797,047**	**3,438,336**
Changes in working capital:		
Trade and other receivables (Note 31(c))	2,352,453	150,470
Inventory	38,906	(4,947)
Trade and other payables (Note 31(c))	1,024,122	6,576,844
Cash generated from operations	**5,212,528**	**10,232,649**

Notes (continued)

31. Cash generated from operations (continued)

(b) Cash and cash equivalents

	2019	2018
	Kshs'000	**Kshs'000**
Group		
Cash and bank balances	12,468,585	3,588,370
Bank overdraft (Note 33(a))	-	(401,245)
	12,468,585	**3,187,125**
Company		
Cash and bank balances	9,020,367	1,685,800
Bank overdraft (Note 33(b))	-	(7,175)
	9,020,367	**1,678,625**

(c) Movement in working capital

	2019	2018
	Kshs'000	**Kshs'000**
Group		
Movement in trade and other receivables		
Movement per statement of financial position	(276,513)	1,981,519
Proceeds from sale of leasehold property	(207,000)	(1,762,500)
Foreign currency translation differences	67,475	(132,058)
Net movement in receivables as per cash flow	**(416,038)**	**86,961**
Movement in trade and other payables		
Movement per statement of financial position	3,234,893	3,815,288
External interest payable	(19,279)	(11,650)
Foreign currency translation differences	(180,817)	(71,186)
Net movement in payables as per cash flow	**3,034,797**	**3,732,452**
Company		
Movement in receivables and prepayments		
Movement per statement of financial position	2,559,453	3,971,483
Proceeds on sale of leasehold property	(207,000)	(1,762,500)
Write off of investment loan (EABSS)	-	(1,751,000)
Conversion of debt to equity (SBL)	-	(15,306,176)
Investment in long term loan (KBL)	-	15,000,000
Investment in subsidiaries (EABL Rwanda)	-	(1,337)
Net movement in receivables as per cash flow	**2,352,453**	**150,470**
Movement in trade and other payables		
Movement per statement of financial position	(1,364,799)	6,587,662
External interest payable	(16,451)	(10,818)
Capital reduction by a subsidiary (Note 24(b))	2,405,372	-
Net movement in payables as per cash flow	**1,024,122**	**6,576,844**

(d) Movement in non cash items in current tax

	2019	2018
	Kshs'000	**Kshs'000**
Company		
Release of prior year overprovision	-	329,693
Net movement in receivables as per cash flow	**-**	**329,693**

Notes (continued)

32. Derivative financial instruments

The amount represents the fair value of forward foreign exchange contracts held to manage foreign currency risk on the Euro denominated borrowings (see Note 33). These derivative financial instruments are measured at fair value through profit or loss.

	2019	2018
	Kshs'000	**Kshs'000**
Derivative financial assets		
Foreign exchange forward contracts	179,678	-
Derivative financial liabilities		
Foreign exchange forward contracts	-	71,946

33. Borrowings

(a) Group

	2019	2018
	Kshs'000	**Kshs'000**
The borrowings are made up as follows:		
Non-current		
Bank loans	25,115,178	8,077,553
Medium term note	6,000,000	11,000,000
Related party loan	-	11,469,236
	31,115,178	**30,546,789**
Current		
Medium term note	5,000,000	-
Bank loans	204,566	118,667
	5,204,566	**118,667**
Bank overdraft	-	401,245
	5,204,566	**519,912**
	36,319,744	**31,066,701**

The carrying amounts of current borrowings approximate their fair value, as the impact of discounting is not material.

	2019	2018
	Kshs'000	**Kshs'000**
The movement in borrowings is as follows:		
At start of year	31,066,701	28,077,640
Advanced in the year - Long term bank loan	17,334,800	4,907,194
- Short term bank loan	-	3,800,000
Repayments in the year	(11,525,326)	(5,492,942)
Movement in bank overdrafts	(401,245)	(188,121)
Effect of exchange rate changes	(155,186)	(37,070)
At end of year	**36,319,744**	**31,066,701**

Notes (continued)

33. Borrowings (continued)

(a) Group (continued)

(i) Related party loan from Diageo Finance Plc: The loan of Kshs 11,469,236,000 was repaid during the year. The related party loan was issued in 2012 and attracted variable interest rates at 2% above Kenya Bankers' Reference Rate (KBRR) (2018: 2%). This loan was unsecured.

(ii) Bank loans comprise:

- Long term loan from Stanbic Bank Kenya Limited of Kshs 12,283,700,000 (2018: Kshs 4,520,000,000) at a weighted average interest rate of 6%. The loan is unsecured and matures in March 2025.
- Medium term loan from Barclays Bank of Kenya Kshs 2,831,478,000 (2018: Kshs 3,156,250,000) at average annual interest rates of (CBR+300bps) which currently comes to12% (2018: 12.5%). This facility is secured by a letter of comfort from Diageo Plc for Kshs. 7.8 billion and matures in 5 years from June 2017.
- Medium-term Loan from Stanbic Bank Kenya Kshs 5,500,000,000 at interest rate of 10.4%. The loan is unsecured and matures on 31 December 2023.
- Medium-term Loan from Standard Chartered bank of Kenya Kshs 4,500,000,000 at interest rate of 10.3%. The loan is unsecured and matures on 28 December 2023.
- Medium term loan from Stanbic Bank of Uganda USD 2,312,500 (2018: USD 3,250,000) at an effective interest rate of (3 months LIBOR+4.85%) which currently comes to 7.2% (2018: 6%). This facility is unsecured and matures on 30 April 2021.

(iii) Medium term note of Kshs 11,000,000,000 (2018: Kshs 11,000,000,000) in two tranches. The first tranche of Kshs 5,000,000,000 is unsecured, has an annual interest rate of 12.95% (2018:12.95%) and matures in March 2020. The second tranche of Kshs 6,000,000,000 also unsecured has an annual interest rate of 14.17% (2018: 14.17%) and matures in March 2022.

(iv) The bank overdraft facilities have an effective interest rate of 10% (2018: 10%) and is sourced from Barclays Bank of Kenya, Barclays Bank of Uganda, Citibank Uganda and Citibank Kenya.

The Group is not in breach of any financial covenants for facilities issued by its bankers as at 30 June 2019. For the medium term note, the Capital Markets Authority has exempted the Group from maintaining a current assets ratio of 1 until 2020. The Group had available undrawn facilities of Kshs 11.7 billion as at 30 June 2019 (2018: Kshs 13.4 billion).

(b) Company

	2019	2018
	Kshs'000	**Kshs'000**
The borrowings are made up as follows:		
Non-current		
Bank loans	25,115,178	7,868,462
Medium term note	6,000,000	11,000,000
Related party loan	-	11,469,236
	31,115,178	**30,337,698**
Current		
Medium term note	5,000,000	-
Bank overdraft	-	7,175
Total borrowings	**36,115,178**	**30,344,873**

Notes (continued)

33. 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:

	2019	2018
	Kshs'000	**Kshs'000**
The movement in borrowings is as follows:		
At start of year	30,344,873	26,969,605
Advanced in the year - Long term bank loan	17,334,800	4,907,194
- Short term bank loan	-	3,800,000
Repayments	(11,557,320)	(5,338,732)
Movement in bank overdrafts	(7,175)	6,806
At end of year	**36,115,178**	**30,344,873**

(i) Related party loan from Diageo Finance Plc: The loan of Kshs 11,469,236,000 was repaid during the year. The related party loan was issued in 2012 and attracted variable interest rates at 2% above Kenya Bankers' Reference Rate (KBRR) (2018: 2%). This loan was unsecured.

(ii) Bank loans comprise:

- Long term loan from Stanbic Bank Kenya Limited of Kshs 12,283,700,000 (2018: Kshs 4,520,000,000) at a weighted average interest rate of 6%. The loan is unsecured and matures in March 2025.
- Medium term loan from Barclays Bank of Kenya Kshs 2,831,478,000 (2018: Kshs 3,156,250,000) at average annual interest rates of (CBR+300bps) which currently comes to12% (2018: 12.5%). This facility is secured by a letter of comfort from Diageo Plc for Kshs. 7.8 billion and matures in 5 years from June 2017.
- Medium-term Loan from Stanbic Bank Kenya Kshs 5,500,000,000 at interest rate of 10.4%. The loan is unsecured and matures on 31 December 2023.
- Medium-term Loan from Standard Chartered bank of Kenya Kshs 4,500,000,000 at interest rate of 10.3%. The loan is unsecured and matures on 28 December 2023.

(iii) Medium term note of Kshs 11,000,000,000 (2018: Kshs 11,000,000,000) in two tranches. The first tranche of Kshs 5,000,000,000 is unsecured, has an annual interest rate of 12.95% (2018:12.95%) and matures in March 2020. The second tranche of Kshs 6,000,000,000 also unsecured has an annual interest rate of 14.17% (2018: 14.17%) and matures in March 2022.

(iv) The bank overdraft has an effective interest rate of 10% (2018: 10%) and is sourced from Barclays Bank of Kenya, Barclays Bank of Uganda, Citibank Uganda and Citibank Kenya.

Notes (continued)

34. 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

	2019	2018
	Kshs'000	**Kshs'000**
Diageo Great Britain Limited	1,670,341	1,554,262
Diageo Ireland	697,756	273,040
Diageo North America, Inc	279,626	591,465
Diageo Scotland Limited	185,639	109,718
Diageo Brands B.V.	122,378	111,386
Diageo Business Services Limited Hungary	42,475	155,614
Guinness Nigeria plc	13,638	12,844
Guinness Ghana Breweries Limited	9,059	29,050
Diageo plc	-	11,651
Other related parties	8,200	7,108
	3,029,112	**2,856,138**

(ii) Purchase of goods and services

	2019	2018
	Kshs'000	**Kshs'000**
Diageo Ireland	1,439,139	1,498,684
Diageo Brands B.V.	453,654	420,040
Diageo Great Britain Limited	385,665	132,906
Diageo North America, Inc	257,975	354,455
Guinness Storehouse Limited	154,690	-
Diageo Scotland Limited	26,568	35,806
Diageo South Africa (Pty) Limited	1,506	33,387
Guinness Cameroun S A	-	46,081
Other related parties	-	8,111
	2,719,250	**2,529,470**

Notes (continued)

34. Related party transactions (continued)

(a) Group (continued)

(iii) Outstanding balances arising from sale and purchase of goods/services

	2019	2018
	Kshs'000	**Kshs'000**
Receivables from related parties		
Diageo Southern Africa Markets (Pty) Limited	100,061	105,639
Guinness Cameroun S.A.	45,290	51,971
Guinness Nigeria plc	18,655	23,838
Sumagro Limited	-	97,994
Diageo Great Britain Limited	-	23,104
Other related parties	53,761	48,420
	217,767	**350,966**
Payables to related parties		
Diageo Ireland	468,493	444,579
Diageo Brands B.V.	463,865	108,191
Diageo Great Britain Limited	234,584	397,215
Diageo North America, Inc	73,708	66,312
Diageo Business Services Hungary	6,560	12,943
Diageo Finance plc	-	102,752
Other related parties	15,809	20,874
	1,263,019	**1,152,866**
Long term debt		
Loan from Diageo Finance Plc	**-**	**11,469,236**

Terms of the Diageo Finance plc loan have been disclosed in Note 33.

Notes (continued)

34. Related party transactions (continued)

(b) Company

(i) Management fees and royalties paid

	2019	2018
	Kshs'000	**Kshs'000**
Sale of goods and services		
Kenya Breweries Limited	1,646,725	1,501,955
UDV (Kenya) Limited	385,212	696,065
Uganda Breweries Limited	169,456	135,187
East African Maltings Limited	3,624	4,433
Other related parties	18,001	-
	2,223,018	**2,337,640**
Purchase of goods and services		
Kenya Breweries Limited	1,899,104	2,742,801
Diageo Great Britain Limited	909,798	540,766
Diageo Scotland Limited	183,673	93,243
Uganda Breweries Limited	67,696	68,890
Diageo Business Services Limited Hungary	42,475	88,831
Diageo Brands B.V.	39,613	33,372
Diageo North America, Inc	13,806	27,338
Guinness Ghana Breweries Limited	9,059	28,796
Serengeti Breweries Limited	7,798	-
Diageo Americas Supply Inc	7,728	15,653
Diageo South Africa (Pty) Limited	3,988	39,890
Diageo Business Services India	-	62,774
Guiness Nigeria plc	-	12,844
Other related parties	8,044	19,292
	3,192,782	**3,774,490**

(ii) Outstanding balances arising from sale and purchases of goods and services

Loans receivable from related parties

	2019	2018
	Kshs'000	**Kshs'000**
Kenya Breweries Limited	15,000,000	15,000,000
Uganda Breweries Limited	1,875,602	1,759,774
East Africa Maltings Limited	1,742,662	1,742,662
	18,618,264	**18,502,436**

The Company advanced loans to the subsidiaries to finance their capital expenditure and working capital requirements as part of the Group's centralized treasure management process. The loans are repayable on demand depending on the cash flows of the subsidiaries. At the year end, the Company had committed not to recall the loans for at least twelve months from the date of approval of the financial statements. The loans receivable are unsecured. They attract interest based on the Central Bank of Kenya Rate (CBR) plus 2.5% p.a.

Notes (continued)

34. Related party transactions (continued)

(b) Company (continued)

(ii) Outstanding balances arising from sale and purchases of good/services (continued)

Receivables from related companies

	2019	2018
Receivables from subsidiaries	**Kshs'000**	**Kshs'000**
Kenya Breweries Limited	551,902	1,933,792
Uganda Breweries Limited	60,215	46,338
UDV (Kenya) Limited	59,010	96,321
East African Maltings Limited	14,912	629,090
	686,039	**2,705,541**
Receivables from other related parties		
Diageo Southern Africa Markets (Pty) Limited	100,061	100,608
Diageo plc	22,485	-
Guinness Ghana Breweries Limited	7,842	-
Diageo Great Britain Limited	6,059	23,104
Seychelles Breweries Limited	2,782	800
Meta Abo Brewery Share Company	1,465	11,679
Diageo North America, Inc	148	9,482
Diageo Supply Marracuene Limitada	-	51,376
Diageo Scotland Limited	-	5,031
Other related parties	-	11,649
	145,436	**219,879**
Total	**831,475**	**2,925,420**

Current liabilities	2019	2018
	Kshs'000	**Kshs'000**
Payables to subsidiaries		
Kenya Breweries Limited	6,588,246	9,577,351
UDV (Kenya) Limited	7,927,002	4,558,847
EABL international Limited	254,524	2,659,896
East African Maltings Limited	458,304	8,796
East African Breweries (Rwanda) Limited	1,337	1,152
EABL Employee Share Ownership Plan (ESOP)	-	5,343
	15,229,413	**16,811,385**
Payables to other related parties		
Diageo Business Services Hungary	18,533	-
Diageo Americas Supply	6,527	12,943
Diageo Great Britain Limited	-	102,752
Others	9,359	16,164
	34,419	**131,859**
Total	**15,263,832**	**16,943,244**

Long term debt

Current liabilities	2019	2018
	Kshs'000	**Kshs'000**
Loan from Diageo Finance Plc	**-**	11,469,236

Terms of the Diageo Finance plc loan have been disclosed in Note 33.

Notes (continued)

34. Related party transactions (continued)

(c) Other related party disclosures

(i) Directors' remuneration

Group

	2019	2018
	Kshs'000	**Kshs'000**
Fees for services as a Director	33,516	37,755
Share based payments	50,571	39,459
Other emoluments (included in key management compensation in (ii) below)	230,256	189,638
	314,343	**266,852**

Directors' remuneration include fees in relation to non-executive Directors and compensation to executive Directors in the Company and its subsidiaries.

Company

	2019	2018
	Kshs'000	**Kshs'000**
Fees for services as a Director	33,516	37,754
Share based payments	40,645	32,469
Other emoluments (included in key management compensation in (ii) below)	183,801	150,788
	257,962	**221,011**

(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

	2019	2018
	Kshs'000	**Kshs'000**
Salaries and other shorter term employment benefits	864,115	952,511
Share based payments	52,535	79,444
Post-employment benefits	49,085	49,420
	965,735	**1,081,375**

Company

	2019	2018
	Kshs'000	**Kshs'000**
Salaries and other shorter term employment benefits	276,059	315,455
Share based payments	52,535	47,343
Post-employment benefits	1,647	1,110
	330,241	**363,908**

35. Events after the reporting period

There were no material events after the reporting period requiring adjustment to, or disclosure in the financial statements.

Principal shareholders and share distribution

The ten largest shareholdings in the Company and the respective number of shares held at 30 June 2019 are as follows:

Name(s) and Address	Number of shares	%
Diageo Kenya Limited	338,618,340	42.82%
Diageo Holdings Netherlands B.V.	36,361,290	4.60%
Guiness Overseas Limited	20,628,804	2.61%
	395,608,434	**50.03%**
Standard Chartered Nominees Non-Resd. A/C KE10085	17,580,000	2.22%
Standard Chartered Nominees Non-Resd. A/C 9069	17,556,547	2.22%
Kenya Commercial Bank Nominees Limited A/C 915B	10,834,544	1.37%
Standard Chartered Kenya Nominees Limited A/C KE003250	8,327,449	1.05%
Kenya Commercial Bank Nominees Limited A/C 915A	6,841,117	0.87%
Standard Chartered Nominees Non-Resd. A/C 9866	5,964,552	0.75%
Stanbic Nominees Limited A/C NR4323488	5,944,250	0.75%
Total number of shares	**468,656,893**	**59.26%**

Distribution of shareholders	Number of shares	Number of shareholders	%
1 – 500 shares	2,380,388	12,630	0.30%
501 – 5,000 shares	15,488,105	9,698	1.96%
5,001 – 10,000 shares	6,530,615	920	0.83%
10,001 – 100,000 shares	39,099,220	1,345	4.94%
100,001 – 1,000,000 shares	106,981,851	339	13.53%
Over 1,000,000 shares	620,294,177	81	78.44%
Total	**790,774,356**	**25,013**	**100.00%**

EABL Directors' shareholding as at 30 June 2019:

Director's names	Number of shares
Jane Karuku	1,296
Caroline Musyoka	2,782

Information to Shareholders

EABL is pleased to inform you that its share registrar – CandR Group set up an online link called SHAREHUB – www.sharehub.co.ke through which shareholders can access or query information relating to their shares, dividends and any other corporate information such as Annual General Meetings and / or access statutory information. To access or use the portal, please follow the steps below:

1. **Dividend status query –** a shareholder can query his / her past dividends and confirm their status.

Benefits:

a. Fast and hassle free dividend query, and information for follow up for shareholder;
b. Security is maintained as only minimal information is provided through a generic response and query logging to track and stop potential abuse.

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke
b. Click on 'Dividend Query' and Select Company, Account Type and enter your Account Number.
c. Click on the 'Send' button and the system will generate an appropriate message depending on the shareholders dividend status.
d. If needed the shareholder can then raise a query or contact CandR shareholder services department for further assistance.

2. **Send a Query -** here a shareholder can raise a query online and have CandR shareholder services department follow up and resolve the issue.

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke.
b. Click on 'Send a Query' and fill in the form and 'Captcha'.
c. Click on the 'Send' button and the query will be submitted to the shareholder services department for resolution and the shareholder contacted through the contact details provided.

3. **A central source of information for corporate events calendar such as historical dividends, bonus issues and IPO's.**

Benefits:

a. One stop information source for Kenyan market.
b. Allows shareholders to monitor corporate and financial activities.
c. Calendar (for AGM attendance, dividend payments, bonus and rights issue activities).

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke
b. Click on 'Corporate Events Calendar' or 'Reports/Notices'
   i. Under 'Corporate Events Calendar' browse the calendar and view all the added corporate action events.
   ii. Under 'Reports/Notices' filter by 'Event type', 'Security' or 'Year' to get the events of interest.
c. Click on the event name to download the associated event notice.

4. **Quick and hassle free AGM registration online followed by express access at the AGM venue and Online access to follow the AGM proceedings.**

Benefits:

a. Efficient AGM registration process and proxy nomination.
b. Access to the express counter for AGM attendance.

To access this functionality a shareholder should:

a. Open the sharehub portal on www.sharehub.co.ke.
b. Register by clicking on 'Not yet registered? Click here to register as a user' and fill in the forms and click on the 'Register' button to submit the form to the shareholder services department for verification and approval.
c. Once the newly created account has been approved by the shareholder services department the shareholder will receive a notification with his/her login credentials.
d. He/she can then login and register for any upcoming AGMs for listed companies that he/she is a shareholder of.

ShareHub


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12

Proxy Form

I/We ____

Of (address) ____

Being a member/members of East African Breweries Limited, hereby appoint

______________ of ______________ , or failing him

______________ of ______________ as my / our proxy to vote for me/us on my/our behalf at the 97th Annual General Meeting of the Company to be held on the 18th of September 2019 at 11.00 a.m. and at any adjournment thereof.

Number of shares held ______________ (if available)

Account Number ______________________

Signature (s) ______________________

Signed this ____________ day of ____________ 20 ______.

Note:

1. A member may appoint the Chairman of the meeting as his proxy.
2. If the appointer is a corporation, this Form of Proxy must be completed under the hand of the officer or attorney duly authorized on that behalf.
3. Proxies must be completed and returned to the Company's Registered Office or to Custody and Registrar Services Limited, Bruce House, 6th Floor, Standard Street P. O. Box 8484 – 00100, Nairobi. Alternatively, duly signed proxy forms can be scanned and emailed to: ***proxy@candrgroup.co.ke*** in PDF format, no later than 2:30pm on 16th September 2019.
4. Please note the proxy should also avail a copy of the shareholder's ID/Passport when returning the Form.

ADMISSION CARD

Please Admit ____

To the 97th Annual General Meeting of East African Breweries Limited which will be held at **Safari Park Hotel, Ruaraka, Nairobi on 18th September, 2019 at 11.00 pm.**

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

Joyce N. Munene

Group Company Secretary

Fomu ya Uwakilishi

Mimi/Sisi ____

Wa (anwani) ____

Kama mwanachama / wanachama wa East African Breweries Limited, namteua / twamteua

______________________ wa ______________________, na akikosekana

______________________ wa ______________________ kama mwakilishi wangu / wetu kupiga kura kwa ajili yangu/ yetu katika Mkutano Mkuu wa 97 wa Kampuni kufanyika Septemba 18, 2019 saa tano asubuhi na wakati kuahirishwa kwake kukiweko.

Idadi ya hisa zilizoshikiliwa ______________________ (kama ipo)

Nambari ya akaunti ______________________________

Sahihi ______________________________

Siku ya ______________ Mwezi ______________ 20 ______.

Kumbuka:

1. Mwanachama anaweza kuteua Mwenyekiti wa mkutano kama wakala wake.
2. Ikiwa mteuzi ni shirika, fomu hii ya wakala lazima ijiazwe na afisa au wakili aliyeteuliwa na shirika.

   Mibadala lazima yawe yamekamilika na kurudishwa kwa Ofisi ya Kampuni iliyosajiliwa ama Huduma ya Usimamizi na Usajili yaani Custody and Registrar Services Limited, Bruce House, 6th Floor, Standard Street na S.L.P 8484 – 00100, Nairobi. Kama sivyo, fomu za uwakilishi zikitiwa saini zaweza kutumwa kama barua pepe kwa: ***proxy@candrgroup.co.ke***, katika muundo wa PDF kabla saa nane unusu tarehe 16 Septemba 2019.
3. Lazima fomu hii iambatanishwe na nakala ya cheti cha kitambulisho (ID) / pasipoti ya mwenyehisa wakati inaporejeshwa.

KADI YA KIINGILIO

Tafadhali mruhusu ____

Kwa Mkutano Mkuu wa 97 wa Kampuni ya East African Breweries Limited utakaofanyika katika Safari Park Hotel, Ruaraka, Nairobi,

Septemba 18, 2019 saa tano asubuhi.

Kadi hii ya kiingilio lazima ionyeshwe na Mwanahisa au wakala wake ili aruhusiwe kuingia kwenye Mkutano wa Mwaka.

Joyce N. Munene

Katibu Mkuu wa Kampuni

Notes

Notes


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