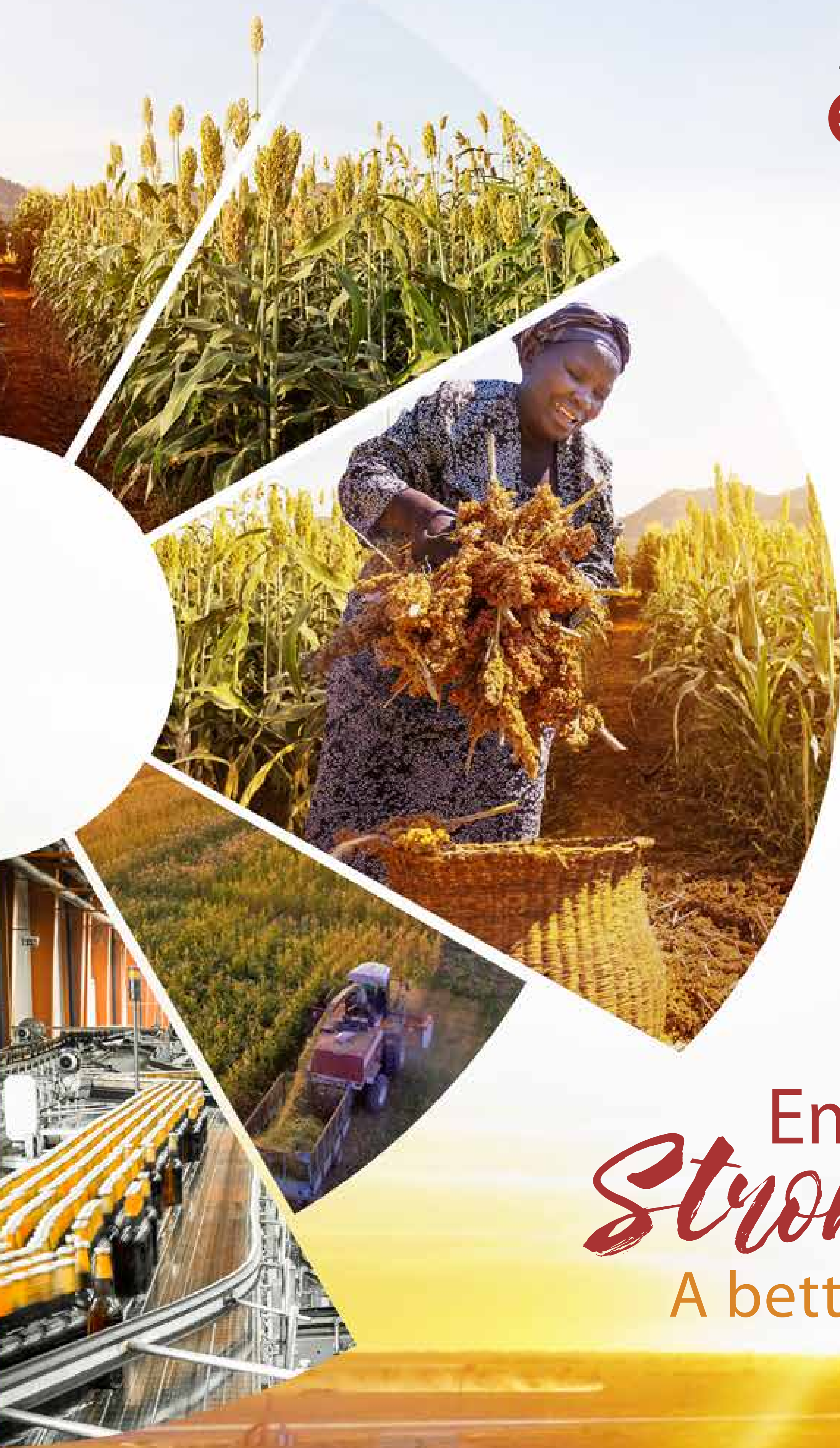

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## 2021 INTEGRATED REPORT AND FINANCIAL STATEMENTS

# 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 129 to 196, which comprise the consolidated statement of financial position at 30 June 2021, 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 2021, 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 2021 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 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's' B Okundi K Saiti

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

*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**<br><br>As disclosed in Note 24 of the financial statements, the Group has goodwill of Kshs 2.9 billion and indefinite-lived brand intangible assets of Kshs 485 million as at 30 June 2021 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 2021 was Kshs 47 billion.<br><br>As explained in the accounting policies Note 2 (h) and 2 (s) 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.<br><br>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 validated 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.<br><br>Our audit procedures included assessing the appropriateness of the impairment models 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.<br><br>We tested the mathematical accuracy and performed sensitivity analysis of the inputs and assumptions to the models.<br><br>We assessed the adequacy and appropriateness of the related disclosures in Notes 24 and 25 of the financial statements. |

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

*Key audit matters (continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Provisions and contingent liabilities**<br><br>As explained in Note 32 to the financial statements, the group entities have unresolved assessments and claims by tax authorities on a range of tax compliance matters arising in the normal course of business.<br><br>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. | As explained in Note 32 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.<br><br>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:<br><br>• where relevant, assessing independent professional opinions used in the management judgements and estimates; and<br><br>• validation of the management judgements and estimates against the supporting internal information and documents, and communications with relevant tax authorities.<br><br>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 of the Corporate information, the Directors' report, the Directors' remuneration report, the Statement of Directors' responsibilities and the Principal shareholders and share distribution information, which we obtained prior to the date of this auditor's report, and the rest of the other information in the 2021 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, except to the extent otherwise explicitly stated in this report, we do not and will 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 2020 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.

*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.

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

*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 Companies Act, 2015**

*Report of the Directors*

In our opinion, the information given in the Directors' report on pages 112 to 114 is consistent with the financial statements.

*Directors' remuneration report*

In our opinion the auditable part of the Directors' remuneration report on pages 118 to 123 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

**FCPA Michael Mugasa, Practicing Certificate Number 1478**
**Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP**
**Certified Public Accountants**
**Nairobi**

**29th July 2021**

## Consolidated statement of profit or loss

| | Year ended 30 June | | |
|---|---|---|---|
| | **Note** | **2021** | **2020** |
| | | **Kshs '000** | **Kshs '000** |
| Revenue from contracts with customers | 6(a) | 85,961,815 | 74,916,259 |
| Cost of sales | 7(a) | (48,548,122) | (41,896,229) |
| **Gross profit** | | **37,413,693** | **33,020,030** |
| Selling and distribution costs | | (7,362,119) | (6,590,629) |
| Administrative expenses | 8(a) | (9,320,113) | (8,565,240) |
| Other expenses | 9(a) | (5,924,689) | (3,382,811) |
| Finance income | 12(a) | 91,242 | 164,873 |
| Finance costs | 12(a) | (4,039,981) | (3,990,964) |
| **Profit before income tax** | 10 | **10,858,033** | **10,655,259** |
| Income tax expense | 13(a) | (3,896,093) | (3,634,344) |
| **Profit for the year** | | **6,961,940** | **7,020,915** |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | 4,354,228 | 4,086,477 |
| Non-controlling interests | 18(a) | 2,607,712 | 2,934,438 |
| **Profit for the year** | | **6,961,940** | **7,020,915** |
| **Earnings per share** | | | |
| -basic and diluted (Kshs per share) | 15 | 5.51 | 5.17 |

## Consolidated statement of comprehensive income

| | Year ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| | **Kshs '000** | **Kshs '000** |
| Profit for the year | 6,961,940 | 7,020,915 |
| Other comprehensive income, net of tax: | | |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | 209,841 | 657,748 |
| **Total comprehensive income for the year** | **7,171,781** | **7,678,663** |
| | | |
| Total comprehensive income for the year attributable to: | | |
| Equity holders of the Company | 4,549,415 | 4,617,270 |
| Non-controlling interests | 2,622,366 | 3,061,393 |
| **Total comprehensive income for the year** | **7,171,781** | **7,678,663** |

## Company statement of profit or loss and other comprehensive income

| | | Year ended 30 June | |
|---|---|---|---|
| | | 2021 | 2020 |
| | Note | Kshs '000 | Kshs '000 |
| Revenue from contracts with customers | 6(b) | 1,743,771 | 2,019,164 |
| Cost of sales | 7(b) | - | - |
| **Gross profit** | | **1,743,771** | **2,019,164** |
| | | | |
| Administrative expenses | 8(b) | (1,568,599) | (1,493,509) |
| Other income/(expenses) | 9(b) | 1,125,440 | (942,523) |
| Dividend income | | 2,529,344 | 13,557,295 |
| Finance income | 12(b) | 3,210,164 | 3,101,187 |
| Finance costs | 12(b) | (4,445,165) | (5,560,487) |
| **Profit before income tax** | 10 | **2,594,955** | **10,681,127** |
| | | | |
| Income tax credit/(expense) | 13(b) | 367,667 | (620,194) |
| **Profit for the year** | | **2,962,622** | **10,060,933** |
| | | | |
| Profit for the year | | 2,962,622 | 10,060,933 |
| Other comprehensive income, net of tax | | - | - |
| **Total comprehensive income for the year** | | **2,962,622** | **10,060,933** |

## Consolidated statement of financial position

| | | At 30 June | |
|---|---|---|---|
| | | 2021 | 2020 |
| | Note | Kshs '000 | Kshs '000 |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 16 | 1,581,547 | 1,581,547 |
| Share premium | 16 | 1,691,151 | 1,691,151 |
| Other reserves | 17(a) | (2,606,773) | (2,821,327) |
| Retained earnings | | 5,519,268 | 5,869,572 |
| | | **6,185,193** | **6,320,943** |
| Non-controlling interests | 18 | 8,667,237 | 7,672,325 |
| **Total equity** | | **14,852,430** | **13,993,268** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred income tax | 19(a) | 6,239,320 | 5,568,697 |
| Borrowings | 30(a) | 38,260,591 | 36,900,000 |
| Lease liabilities | 31(a) | 1,062,360 | 1,151,841 |
| | | **45,562,271** | **43,620,538** |
| **Total equity and non-current liabilities** | | **60,414,701** | **57,613,806** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 20(a) | 59,747,234 | 56,734,910 |
| Right-of-use assets | 21(a) | 1,451,980 | 1,577,415 |
| Intangible assets – Software | 23(a) | 624,952 | 602,036 |
| Intangible assets – Goodwill | 24(a) | 2,860,728 | 2,831,130 |
| Intangible assets – Brand | 24(b) | 485,008 | 481,219 |
| Other financial assets | 26 | 10,000 | 10,000 |
| Deferred income tax | 19(a) | 844,578 | 453,277 |
| | | **66,024,480** | **62,689,987** |
| | | | |
| **Current assets** | | | |
| Inventories | 27(a) | 11,688,157 | 10,916,370 |
| Trade and other receivables | 28(a) | 13,022,880 | 5,681,444 |
| Current income tax | | 3,769,587 | 3,708,970 |
| Cash and bank balances | 34(b) | 5,611,910 | 5,661,635 |
| | | **34,092,534** | **25,968,419** |
| **Current liabilities** | | | |
| Trade and other payables | 29(a) | 30,543,718 | 21,731,083 |
| Dividends payable | 14 | 673,463 | 815,661 |
| Borrowings | 30(a) | 6,900,000 | 4,106,253 |
| Lease liabilities | 31(a) | 394,243 | 459,265 |
| Bank overdraft | 30(a) | 1,190,889 | 3,932,338 |
| | | **39,702,313** | **31,044,600** |
| **Net current liabilities** | | **(5,609,779)** | **(5,076,181)** |
| | | **60,414,701** | **57,613,806** |

The financial statements on pages 129 to 196 were approved for issue by the board of Directors on 29 July 2021 and signed on its behalf by:

**Ms. Jane Karuku**
Group Managing Director

**Ms. Risper G Ohaga**
Group Chief Financial Officer

## Company statement of financial position

| | | At 30 June | |
|---|---|---|---|
| | | 2021 | 2020 |
| | Note | Kshs '000 | Kshs '000 |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 16 | 1,581,547 | 1,581,547 |
| Share premium | 16 | 1,691,151 | 1,691,151 |
| Other reserves | 17 | 73,476 | 48,310 |
| Retained earnings | | 19,540,747 | 16,578,125 |
| **Total equity** | | **22,886,921** | **19,899,133** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 30(b) | 37,108,333 | 36,900,000 |
| Lease liabilities | 31(b) | 5,283 | 10,986 |
| | | **37,113,616** | **36,910,986** |
| **Total equity and non-current liabilities** | | **60,000,537** | **56,810,119** |
| | | | |
| **Non-current assets** | | | |
| Property and equipment | 20(b) | 443,176 | 480,265 |
| Right-of-use assets | 21(b) | 12,599 | 26,458 |
| Intangible assets – software | 23(b) | 123,519 | 122,344 |
| Investment in subsidiaries | 25 | 47,037,625 | 40,620,200 |
| Other financial assets | 26 | 10,000 | 10,000 |
| Receivables from related parties | 35(b) | 31,036,117 | 27,894,760 |
| Deferred income tax | 19(b) | 841,629 | 442,533 |
| | | **79,504,665** | **69,596,560** |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 28(b) | 3,335,382 | 2,096,784 |
| Current income tax | | 2,300,544 | 1,812,745 |
| Cash and bank balances | 34(b) | 1,761,351 | 3,616,403 |
| | | **7,397,277** | **7,525,932** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 29(b) | 19,320,605 | 12,674,504 |
| Dividends payable | 14 | 673,463 | 815,661 |
| Bank overdraft | 34(b) | - | 2,804,807 |
| Borrowings | 30(b) | 6,900,000 | 4,000,000 |
| Lease liabilities | 31(b) | 7,337 | 17,401 |
| | | **26,901,405** | **20,312,373** |
| **Net current liabilities** | | **(19,504,128)** | **(12,786,441)** |
| | | **60,000,537** | **56,810,119** |

The financial statements on pages 129 to 196 were approved for issue by the board of Directors on 29 July 2021 and signed on its behalf by:

**Ms. Jane Karuku**
Group Managing Director

**Ms. Risper G Ohaga**
Group Chief Financial Officer

## Consolidated statement of changes in equity

| Year ended 30 June 2021 | Share capital | Share premium | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| At 1 July 2020 | **1,581,547** | **1,691,151** | **(2,821,327)** | **5,869,572** | **6,320,943** | **7,672,325** | **13,993,268** |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | 4,354,228 | **4,354,228** | 2,607,712 | **6,961,940** |
| Other comprehensive income | - | - | 195,187 | - | **195,187** | 14,654 | **209,841** |
| **Total comprehensive income for the year** | **-** | **-** | **195,187** | **4,354,228** | **4,549,415** | **2,622,366** | **7,171,781** |
| | | | | | | | |
| **Transactions with owners of the Company** | | | | | | | |
| Acquisition of non-controlling interests (Note 18) | - | - | - | (4,704,532) | **(4,704,532)** | (1,566,844) | **(6,271,376)** |
| Share based payment reserve (Note 17(a)) | - | - | 25,166 | - | **25,166** | - | **25,166** |
| Employees share ownership plan (Note 17(a)) | - | - | (5,799) | - | **(5,799)** | - | **(5,799)** |
| Dividends: | | | | | | | |
| - Interim for 2021 | - | - | - | - | - | (11,020) | **(11,020)** |
| - Final for 2020 | - | - | - | - | - | (49,590) | **(49,590)** |
| **Total transactions with owners of the Company** | **-** | **-** | **19,367** | **(4,704,532)** | **(4,685,165)** | **(1,627,454)** | **(6,312,619)** |
| **At 30 June 2021** | **1,581,547** | **1,691,151** | **(2,606,773)** | **5,519,268** | **6,185,193** | **8,667,237** | **14,852,430** |

## Consolidated statement of changes in equity (continued)

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

## Company statement of changes in equity

| | Share capital | Share premium | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs '000** | **Kshs'000** | **Kshs'000** |
| **At 1 July 2020** | **1,581,547** | **1,691,151** | **48,310** | **16,578,125** | **19,899,133** |
| | | | | | |
| Total comprehensive income for the year | - | - | - | 2,962,622 | 2,962,622 |
| **Transactions with owners of the company:** | | | | | |
| Share based payment reserve (Note 17(a)) | - | - | 25,166 | - | 25,166 |
| Total transactions with owners of the company | - | - | 25,166 | - | 25,166 |
| **At 30 June 2021** | **1,581,547** | **1,691,151** | **73,476** | **19,540,747** | **22,886,921** |
| | | | | | |
| **At 1 July 2019** | **1,581,547** | **1,691,151** | **26,184** | **13,634,161** | **16,933,043** |
| Total comprehensive income for the year | - | - | | 10,060,933 | 10,060,933 |
| **Transactions with owners of the company:** | | | | | |
| Share based payment reserve (Note 17(a)) | - | - | 22,126 | - | 22,126 |
| Dividends: | | | | | |
| - Interim for 2020 | - | - | - | (2,372,323) | (2,372,323) |
| - Final for 2019 | - | - | - | (4,744,646) | (4,744,646) |
| Total transactions with owners of the company | - | - | 22,126 | (7,116,969) | (7,094,843) |
| **At 30 June 2020** | **1,581,547** | **1,691,151** | **48,310** | **16,578,125** | **19,899,133** |

## Consolidated statement of cash flows

| | Notes | At 30 June | |
|---|---|---|---|
| | | 2021 | 2020 |
| | | Kshs '000 | Kshs '000 |
| **Operating activities** | | | |
| Cash generated from operations | 34(a) | 21,523,733 | 13,636,327 |
| Interest received | 12(a) | 91,242 | 164,873 |
| Interest paid on borrowings | | (3,141,386) | (3,865,182) |
| Interest paid on lease liabilities | 31(a) | (89,530) | (104,349) |
| Income tax paid | | (3,772,288) | (6,484,820) |
| **Net cash flows from operating activities** | | **14,611,771** | **3,346,849** |
| | | | |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 20(a) | (7,744,506) | (7,952,915) |
| Purchase of intangible assets - software | 23(a) | (182,354) | (163,187) |
| Purchase of additional interest in a subsidiary | 18(b) | (6,271,376) | (308,147) |
| Proceeds from disposal of property, plant and equipment | | - | 93,992 |
| **Net cash flows from investing activities** | | **(14,198,236)** | **(8,330,257)** |
| | | | |
| **Financing activities** | | | |
| Repayment of principal portion of lease liabilities | 31(a) | (482,774) | (473,709) |
| Dividends paid to Company's shareholders | 14 | - | (7,131,156) |
| Dividends paid to non-controlling interests | | (60,610) | (2,451,476) |
| Unclaimed dividend paid - Unclaimed Financial Assets Authority | | (140,396) | - |
| Proceeds from borrowings | 30(a) | 23,552,160 | 23,400,000 |
| Repayment of borrowings | 30(a) | (19,398,508) | (18,716,209) |
| Movement in treasury shares | 17 | (5,799) | 14,320 |
| **Net cash flows from financing activities** | | **3,464,073** | **(5,358,230)** |
| **Increase/(decrease) in cash and cash equivalents** | | **3,877,608** | **(10,341,638)** |
| | | | |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | 1,729,297 | 12,468,585 |
| Foreign exchange impact on translation | | (1,185,884) | (397,650) |
| Increase/(decrease) in the year | | 3,877,608 | (10,341,638) |
| **At end of year** | 34(b) | **4,421,021** | **1,729,297** |

## Company statement of cash flows

| | | At 30 June | |
|---|---|---|---|
| | **Notes** | **2021** | **2020** |
| | | **Kshs '000** | **Kshs '000** |
| **Operating activities** | | | |
| Cash used in operations | 34(a) | 7,296,773 | (6,324,044) |
| Interest received | 12(b) | 2,725,585 | 3,101,187 |
| Interest paid on borrowings | | (4,583,068) | (5,378,960) |
| Interest paid on lease liabilities | 31(b) | (2,667) | (3,817) |
| Income tax paid | | (519,229) | (596,072) |
| **Net cash flows from operating activities** | | **4,917,394** | **(9,201,706)** |
| | | | |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 20(b) | (70,716) | (686,808) |
| Purchase of intangible assets | 23(b) | (108,770) | (75,988) |
| Purchase of additional interest in a subsidiary | 25 | (6,271,376) | (995,809) |
| Property, plant and equipment - transfer to related companies | 20(b) | 44,712 | - |
| Proceeds from disposal of property and equipment | | 101,733 | 696,524 |
| Movement in intercompany funding | | (3,141,357) | (9,276,496) |
| Dividends received from subsidiaries | | 2,529,344 | 13,702,016 |
| **Net cash flows from investing activities** | | **(6,916,430)** | **3,363,439** |
| | | | |
| **Financing activities** | | | |
| Repayment of principal portion of lease liabilities | 31(b) | (19,146) | (24,170) |
| Dividends paid to Company's shareholders | 14 | - | (7,131,156) |
| Unclaimed dividend paid - Unclaimed Financial Assets Authority | | (140,396) | |
| Proceeds from borrowings - Long term bank loan | 30(b) | 22,400,000 | 23,400,000 |
| Repayment of borrowings | 30(b) | (19,291,667) | (18,615,178) |
| **Net cash flows from financing activities** | | **2,948,791** | **(2,370,504)** |
| **Increase/(decrease) in cash and cash equivalents** | | **949,755** | **(8,208,771)** |
| | | | |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | 811,596 | 9,020,367 |
| Increase/(decrease) during the year | | 949,755 | (8,208,771) |
| **At end of year** | 35(b) | **1,761,351** | **811,596** |

# Notes

## 1. General information

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

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

The consolidated financial statements for the Company as at 30 June 2021 and for the year then ended comprise the Company and the subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in marketing, production and distribution of a collection of brands that range from beer, spirits to adult non-alcoholic drinks.

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

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

## 2. Summary of significant accounting policies

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

### (a) Basis of preparation

#### (i) Basis of accounting

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

#### (ii) Going Concern

The Group's statement of financial position indicates a net current liabilities position of Kshs 5,609,779,000 (2020: Kshs 5,076,181,000). 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 2023. The Group had undrawn funding available as at 30 June 2021 of Kshs 11.4 billion (30 June 2020: Kshs 4.1 billion) as disclosed in Note 30.

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 2020:

***Amendments to IAS 1 and IAS 8: Definition of Material***

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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

***Amendments to IFRS 3: Definition of a business***

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

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

***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

# Notes (continued)

## 2. Summary of significant accounting policies (continued)

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

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

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

***Revised Conceptual Framework for Financial Reporting***

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting,
- reinstating prudence as a component of neutrality,
- defining a reporting entity, which may be a legal entity, or a portion of an entity,
- revising the definitions of an asset and a liability,
- removing the probability threshold for recognition and adding guidance on derecognition,
- adding guidance on different measurement basis, and,
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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

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

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

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg.: the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

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

***Amendments to IAS 16: Property, Plant and Equipment: Proceeds before intended use***

The amendment to IAS 16 Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of a property, planet and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities

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

***Amendments to IFRS 3: Reference to the Conceptual Framework***

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

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

***Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract***

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract

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

***Annual Improvements to IFRS Standards 2018-2020***

The Annual Improvements to IFRS Standards 2018-2020 cycle make amendments to the followings standards:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

# 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)**

- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

**(vii) Early adoption of standards**

The Group did not early adopt new or amended standards in the year ended 30 June 2021.

**(b) Basis of consolidation**

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

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

**(i) Subsidiaries**

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

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

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

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

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

**(iv) Balances and transactions eliminated at consolidation**

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

**(c) Revenue recognition**

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

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

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured.

(ii) Royalty income is recognised based on agreed rates applied on net sales value of the related products.

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

**(d) Dividend income**

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

**(e) Finance income and costs**

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

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

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

**(f) Foreign currency translation**

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

# Notes (continued)

## 2. Summary of significant accounting policies (continued)

### (f) Foreign currency translation (continued)

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

***Consolidation of Group entities***

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at actual rates at the dates of the transactions); 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.

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

# Notes (continued)

## 2. Summary of significant accounting policies (continued)

### (i) Financial instruments (continued)

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) 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.

### (k) Leases

#### (i) Leases under which the Group is the lessee

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

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

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

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

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

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

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

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

# Notes (continued)

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

### (k) Leases (continued)

### (ii) Leases under which the Group is the lessor

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

### (l) 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.

### (m) 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.

### (n) 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.

### (o) 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.

### (p) Income tax expense

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

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

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

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

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

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

# Notes (continued)

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

### (q) 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.

### (r) 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.

### (s) 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.

### (t) Earnings per share

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

### (u) 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.

### (v) 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.

### (w) 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.

### (x) Comparatives

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

**3. Critical accounting estimates and judgements**

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal

# Notes (continued)

**3. Critical accounting estimates and judgements (continued)**

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

### (ii) Calculation of loss allowance on financial assets

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

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

### (iii) Tax provisions

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. Disclosures on contingent liabilities with respect to tax are included in Note 32.

### (iv) Property, plant and equipment

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

### (v) Lease liabilities

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

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

**4. Financial risk management objectives and policies**

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

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

### Market risk

**i. Foreign currency risk**

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

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

A 5 percent strengthening of the Kenya shilling against the following currencies at 30 June 2021 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 2020.

# Notes (continued)

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

**Market risk (continued)**

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

| Group | | Profit or loss | |
|---|---|---|---|
| **At 30 June** | | **2021** | **2020** |
| | | **Kshs'000** | **Kshs'000** |
| EUR | Euro | 61,659 | (35,510) |
| GBP | Sterling Pound | (30,491) | 18,137 |
| RWF | Rwandan Franc | 8,327 | 9,478 |
| TZS | Tanzania Shillings | 3,661 | 2,437 |
| UGX | Uganda Shillings | 52,751 | 51,284 |
| USD | US Dollar | (57,597) | (41,801) |
| ZAR | South African Rand | (1,847) | 4,664 |
| | | **36,463** | **8,689** |

| Company | | Profit or loss | |
|---|---|---|---|
| **At 30 June** | | **2021** | **2020** |
| | | **Kshs'000** | **Kshs'000** |
| EUR | Euro | 123 | (676) |
| GBP | Pound Sterling | 45,952 | 52,131 |
| SSP | South Sudanese Pound | - | 2,680 |
| TZS | Tanzanian Shilling | 3,714 | - |
| UGX | Ugandan Shilling | 56,533 | 53,797 |
| USD | US Dollar | 1,848 | 1,829 |
| ZAR | South African Rand | 41 | 310 |
| | | **108,211** | **110,071** |

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

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

As at 30 June 2021, an increase/decrease of 1 percentage point would have resulted in a decrease/increase in profit for the year of Kshs 32,583,336 (2020: Kshs 38,260,910), 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.

# Notes (continued)

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

**Credit risk (continued)**

**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:

| | 2021 | 2020 |
|---|---|---|
| | **Kshs 000** | **Kshs 000** |
| **(a) Group** | | |
| Trade receivables (Note 28(a)) | 7,762,422 | 4,895,259 |
| Other receivables (Note 28(a)) | 6,299,109 | 1,600,375 |
| Receivables from related companies (Note 35(a)) | 161,355 | 299,857 |
| Bank balances (Note 34(b)) | 5,611,910 | 5,661,635 |
| | **19,834,796** | **12,457,126** |
| | | |
| **(b) Company** | | |
| Long-term receivables from subsidiaries (Note 35(b)) | 31,036,117 | 27,894,760 |
| Receivables from related companies (Note 35(b)) | 3,061,335 | 1,430,603 |
| Other receivables (Note 28(b)) | 267,762 | 655,103 |
| Bank balances (Note 34(b)) | 1,761,351 | 3,616,403 |
| | **36,126,565** | **33,596,869** |

**Credit risk management policy**

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

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

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

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

# Notes (continued)

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

## Credit risk (continued)

### Impairment of financial assets

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

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

**(a) Group**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Not due | 5,766,007 | 907,214 |
| Past due but not impaired: | | |
| -by up to 30 days | 4,660,853 | 2,960,205 |
| -by 31 to 120 days | 437,178 | 1,362,379 |
| -over 121 days | 2,158,842 | 726,112 |
| **Trade and other receivables** | **13,022,880** | **5,955,910** |
| | | |
| Receivables determined to be impaired: | | |
| Carrying amount before provision for expected credit losses | 2,038,200 | 1,511,581 |
| Provision for expected credit losses | (2,038,200) | (1,511,581) |
| **Net carrying amount** | **13,022,800** | **5,955,910** |

**(b) Company**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Not due | 3,219,724 | 1,795,162 |
| Past due but not impaired: | | |
| - by up to 30 days | 62,949 | 290,521 |
| - by 31 to 120 days | 2,492 | 23 |
| - by 121 days and above | 50,218 | - |
| **Trade and other receivables** | **3,335,383** | **2,085,706** |
| | | |
| Receivables determined to be impaired: | | |
| Carrying amount before provision for expected credit losses | - | - |
| Provision for expected credit losses | - | - |
| **Net carrying amount** | **3,335,383** | **2,085,706** |

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 2021:**
**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 | - | 10,642,114 | 17,861,128 | 13,835,982 | 12,887,562 | **55,226,786** |
| Lease liabilities | - | 460,651 | 319,839 | 1,565,244 | - | **2,345,734** |
| Trade and other payables | 8,572,682 | 21,971,036 | - | - | - | **30,543,718** |
| Bank overdraft | - | 1,190,889 | - | - | - | **1,190,889** |
| Dividend payable | 673,463 | - | - | - | - | **673,463** |
| | **9,246,145** | **34,264,690** | **18,180,967** | **15,401,226** | **12,887,562** | **89,980,589** |

**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 | - | 10,502,702 | 17,721,717 | 12,294,234 | 12,887,562 | **53,406,215** |
| Lease liabilities | - | 8,285 | 4,208 | 1,425 | - | **13,918** |
| Trade and other payables | - | 19,320,605 | - | - | - | **19,320,605** |
| Bank overdraft | - | - | - | - | - | **-** |
| Dividend payable | 673,463 | - | - | - | - | **673,463** |
| | **673,463** | **29,831,592** | **17,725,925** | **12,295,659** | **12,887,562** | **73,414,201** |

# Notes (continued)

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

**Liquidity risk (continued)**

**At 30 June 2020:**
**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 | 855,831 | 2,673,747 | 9,915,825 | 20,355,875 | 12,350,000 | **46,151,278** |
| Lease liabilities | 24,259 | 463,903 | 423,409 | 472,015 | 323,866 | **1,707,452** |
| Trade and other payables | 1,635,144 | 20,095,939 | - | - | - | **21,731,083** |
| Bank overdraft | - | 3,932,338 | - | - | - | **3,932,338** |
| Dividend payable | 815,661 | - | - | - | - | **815,661** |
| | **3,330,895** | **27,165,927** | **10,339,234** | **20,827,890** | **12,673,866** | **74,337,812** |

**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 | 855,831 | 2,567,494 | 9,915,825 | 20,355,875 | 12,350,000 | **46,045,025** |
| Lease liabilities | 3,631 | 13,770 | 9,653 | 1,333 | - | **28,387** |
| Trade and other payables | - | 12,674,504 | - | - | - | **12,674,504** |
| Bank overdraft | - | 2,804,807 | - | - | - | **2,804,807** |
| Dividend payable | 815,661 | - | - | - | - | **815,661** |
| | **1,675,123** | **18,060,575** | **9,925,478** | **20,357,208** | **12,350,000** | **62,368,384** |

**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 1.5 times. The Group regularly reviews the net borrowings to EBITDA leverage to ensure that it is within the set limits.

COVID-19 pandemic continued to present significant challenges for our business. This was characterized by starting the financial year under government imposed lockdown or restrictions with a partial re-opening of bars in Kenya in quarter one of the financial year and closing the financial year in yet another lockdown in Uganda and limited bar operating hours in Kenya. The Group's brands, financial stability, and resilience in the face of adversity were critical factors that helped the business navigate this period which demonstrates a recovery in performance. As a result net revenue increased by 15% compared compared to prior year, driven by broad based growth across all markets. EBITDA increased by 3% resulting from the impact of one-off tax provisions. The business remained heavily leveraged resulting from the one off cash requirements for example the purchase of additional 30% stake in its subsidiary, Serengeti Breweries Limited for Kshs 6.3 billion in order to tap into more returns in the future. This came at the time the COVID-19 impact was at its peak. The Directors believe that the financial impact of COVID-19 on the Group's and Company's operations is temporary in nature and they remain optimistic of the business prospects for the future as the global economy recovers from this crisis.

The Group is not subject to externally imposed capital requirements.

# Notes (continued)

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

#### Capital risk management (continued)

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

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Net borrowings: | | |
| Total borrowings (Note 30) | 46,351,480 | 44,938,591 |
| Lease liabilities (Note 31) | 1,456,603 | 1,611,106 |
| Less: cash and bank balances (Note 34(b)) | (5,611,910) | (5,661,635) |
| **Net debt** | **42,196,173** | **40,888,062** |
| | | |
| **EBITDA** | | |
| Profit before tax | 10,858,033 | 10,655,259 |
| **Adjusted for:** | | |
| Net finance costs | 3,948,739 | 3,826,091 |
| Depreciation and amortisation | 5,293,444 | 4,985,669 |
| Total EBITDA | 20,100,216 | 19,467,019 |
| **Net Debt to EBITDA** | **x2.10** | **x2.10** |

#### Fair value measurement

Fair value measurements of financial instruments are presented through the use of a three-level fair value hierarchy that prioritizes 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.

# Notes (continued)

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

**Fair value measurement (continued)**

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

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

The following table presents the Group and Company's financial assets and liabilities that are measured at fair value at 30 June 2021.

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

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

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

There were no transfers between levels during the years ended 30 June 2021 and 30 June 2020.

# Notes (continued)

### 5. Operating segments

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

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

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

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

| | Kenya | | Uganda | | Tanzania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| External sales | 56,849,012 | 51,518,731 | 16,021,240 | 12,047,155 | 13,091,563 | 11,350,373 | - | - | 85,961,815 | 74,916,259 |
| Inter segment sales | 4,521,313 | 3,959,299 | 63,250 | 37,849 | 4,587 | - | (4,589,150) | (3,997,148) | - | - |
| **Total sales** | **61,370,325** | **55,478,030** | **16,084,490** | **12,085,004** | **13,096,150** | **11,350,373** | **(4,589,150)** | **(3,997,148)** | **85,961,815** | **74,916,259** |

# Notes (continued)

**5. Operating segments (continued)**

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

| | Kenya | | Uganda | | Tanzania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| Segment non-current assets | 90,210,157 | 83,298,222 | 11,306,820 | 9,183,143 | 10,535,754 | 9,888,947 | (45,879,151) | (39,680,326) | 66,024,480 | 62,689,987 |
| Total segment assets | 115,994,551 | 103,812,646 | 18,243,181 | 12,653,222 | 15,773,097 | 14,249,582 | (48,982,531) | (42,056,984) | 99,367,646 | 88,658,466 |
| Segment liabilities | 71,363,823 | 65,225,437 | 14,691,438 | 8,974,295 | 5,742,714 | 5,225,182 | (5,706,289) | (4,759,777) | 84,515,216 | 74,665,137 |
| Capital expenditure | 3,693,510 | 4,595,691 | 2,685,493 | 1,922,509 | 1,547,857 | 1,597,902 | - | - | 7,926,860 | 8,116,102 |
| Depreciation and amortization | 3,513,610 | 3,350,911 | 891,700 | 846,968 | 888,134 | 787,790 | - | - | 5,293,444 | 4,985,669 |

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

# Notes (continued)

### 6. Revenue from contracts with customers

**a) Group**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| | | |
| Gross sales | 152,572,477 | 133,351,955 |
| Indirect taxes | (66,610,662) | (58,435,696) |
| | **85,961,815** | **74,916,259** |
| | | |
| **(b) Company** | | |
| Management fees | 913,784 | 1,212,836 |
| Royalties | 829,987 | 806,328 |
| | **1,743,771** | **2,019,164** |

### 7. Cost of sales

**(a) Group**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| | | |
| Raw materials and consumables | 24,930,181 | 20,195,033 |
| Distribution and warehousing | 7,894,835 | 6,375,413 |
| Maintenance and other costs | 7,845,567 | 7,872,189 |
| Staff costs | 3,617,615 | 3,590,529 |
| Depreciation and amortization | 4,259,924 | 3,863,065 |
| | **48,548,122** | **41,896,229** |

# Notes (continued)

### 8. Administrative expenses

**(a) Group**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| | | |
| Staff costs | 6,734,013 | 6,378,316 |
| Office supplies and other costs | 1,425,264 | 1,077,330 |
| Depreciation and amortisation | 1,033,520 | 916,048 |
| Travelling and entertainment | 127,316 | 193,546 |
| | **9,320,113** | **8,565,240** |
| | | |
| **(b) Company** | | |
| Staff costs | 1,430,060 | 1,142,287 |
| Office supplies and other costs | 21,024 | 145,730 |
| Depreciation and amortisation | 110,329 | 152,852 |
| Travelling and entertainment | 7,186 | 52,640 |
| | **1,568,599** | **1,493,509** |

### 9. Other (expenses)/income

**(a) Group**

| | 2021 | 2020 |
|---|---|---|
| **Other income** | **Kshs '000** | **Kshs '000** |
| Sundry income | 44,007 | 144,000 |
| | **44,007** | **144,000** |
| | | |
| **Other expenses** | | |
| Indirect tax expenses (*) | 3,255,764 | 1,299,439 |
| Expected credit losses on trade receivables (Note 28(a)) | 583,279 | 660,920 |
| Transactional foreign exchange losses | 1,218,413 | 195,143 |
| Write-down of inventories | - | 324,081 |
| Loss on disposal of property, plant and equipment | - | 68,390 |
| Sundry expenses | 911,240 | 978,838 |
| | **5,968,696** | **3,526,811** |
| | **(5,924,689)** | **(3,382,811)** |

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

# Notes (continued)

### 9. Other income/(expenses) (continued)

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Other income | | |
| Sundry income | 1,711,290 | - |
| | **1,711,290** | **-** |
| | | |
| **Other expenses** | | |
| Indirect expenses | 222,478 | - |
| Net transactional foreign exchange losses | 58,857 | 24,451 |
| Irrecoverable withholding tax | 94,549 | 122,523 |
| Loss on disposal of equipment | - | 9,568 |
| Sundry expenses | 209,966 | 785,981 |
| | **585,850** | **942,523** |
| | **1,125,440** | **(942,523)** |

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

### 10. Profit before income tax

#### (a) Group

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

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Inventories expensed (Note 27) | 24,930,181 | 20,195,033 |
| Employee benefits expense (Note 11(a)) | 10,024,254 | 9,968,845 |
| Depreciation on property, plant and equipment (Note 20(a)) | 4,640,708 | 4,265,062 |
| Depreciation of right-of-use assets (Note 21) | 458,680 | 509,680 |
| Amortisation of intangible assets - software (Note 23(a)) | 194,056 | 210,927 |
| Auditor's remuneration | 37,247 | 36,158 |

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Employee benefits expense (Note 11(b)) | 1,159,656 | 1,413,372 |
| Depreciation on property and equipment (Note 20(b)) | 30,120 | 51,588 |
| Depreciation of right-of-use assets (Note 21) | 17,239 | 26,099 |
| Amortisation of intangible assets - software (Note 23(b)) | 37,517 | 78,947 |
| Auditor's remuneration | 6,623 | 5,746 |

# Notes (continued)

### 11. Employee benefits expense

**a) Group**

The following items are included within employee benefits expense:

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Salaries and wages | 6,902,877 | 6,677,908 |
| Defined contribution scheme | 460,769 | 482,734 |
| National Social Security Fund | 146,892 | 127,338 |
| Share based payments | 25,166 | 22,126 |
| Employee share ownership plan of the parent company(*) | 83,022 | 63,980 |
| Other staff costs | 2,405,528 | 2,594,759 |
| | **10,024,254** | **9,968,845** |

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

| | 2021 | 2020 |
|---|---|---|
| Production | 818 | 772 |
| Sales and distribution | 404 | 392 |
| Management and administration | 278 | 349 |
| | **1,500** | **1,513** |

**(b) Company**

The following items are included within employee benefits expense:

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Salaries and wages | 728,561 | 681,703 |
| Defined contribution scheme | 65,414 | 101,930 |
| National Social Security Fund | (8,044) | 23,430 |
| Share based payments | 25,166 | 22,126 |
| Employee share ownership plan of the parent company(*) | 48,797 | 48,807 |
| Other staff costs | 299,762 | 535,376 |
| | **1,159,656** | **1,413,372** |

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

| | 2021 | 2020 |
|---|---|---|
| Management and administration | 85 | 148 |
| | **85** | **148** |

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

# Notes (continued)

### 12. Finance income/(expenses)

**(a) Group**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| **Finance income** | | |
| Interest income | 91,242 | 164,873 |
| | **91,242** | **164,873** |
| **Finance costs** | | |
| Interest expense on borrowings | (3,950,158) | (3,817,504) |
| Interest expense on lease liabilities | (89,530) | (104,349) |
| Other finance costs | (293) | (69,111) |
| | **(4,039,981)** | **(3,990,964)** |

**(b) Company**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| **Finance income** | | |
| Interest income | 3,210,164 | 3,101,187 |
| | **3,210,164** | **3,101,187** |
| **Finance costs** | | |
| Interest expense on borrowings | (4,442,498) | (5,489,497) |
| Interest expense on lease liabilities | (2,667) | (3,817) |
| Other finance costs | - | (67,173) |
| | **(4,445,165)** | **(5,560,487)** |

### 13. Income tax expense

**(a) Group**

The income tax expense has been calculated using income tax rate of 27.5% as at 30 June 2021 (2020: 25%). The applicable rate changed from 25% to 30% during the year following the enactment of the Tax Laws (Amendment) Act, 2020 on 24 December 2020 in Kenya. In line with amendments, for Group entities incorporated in Kenya, the applied tax rate was 25% for the first half of the year and 30% for the second half of the year.

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| **Income tax expense** | | |
| Current income tax: | | |
| Current year charge | 3,883,464 | 3,864,468 |
| (Over)/under provision of tax in prior years | (166,702) | 285,123 |
| Current income tax charge | 3,716,762 | 4,149,591 |
| | | |
| **Deferred income tax:** | | |
| Current year (credit)/charge | (565,636) | 267,463 |
| Impact of change in tax rates | 670,823 | (799,089) |
| Under provision in prior years | 74,144 | 16,379 |
| Deferred income tax charge | 179,331 | (515,247) |
| **Total income tax expense** | **3,896,093** | **3,634,344** |

# 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:

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Profit before income tax | 10,858,033 | 10,655,259 |
| Tax calculated at the statutory income tax rate of 27.5% (2020 - 25%) | 2,985,959 | 2,663,813 |
| | | |
| **Tax effects of:** | | |
| - Expenses not deductible for tax purposes | 803,355 | 1,321,132 |
| - Effect of different tax rates of foreign subsidiaries | 74,254 | 146,984 |
| - Tax losses previously not recognised | (521,990) | - |
| - Impact of change in tax rates | 647,072 | (799,089) |
| (Over)/under provision of current tax in prior years | (166,701) | 285,123 |
| (Over)/under provision of deferred tax in prior years | 74,144 | 16,379 |
| **Income tax expense** | **3,896,093** | **3,634,344** |

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| **Income tax expense** | **Kshs '000** | **Kshs '000** |
| **Current income tax:** | | |
| Current year charge | 171,035 | 221,214 |
| (Over)/under provision of tax in prior years | (139,606) | 333,825 |
| Current income tax expense | 31,429 | 555,039 |
| | | |
| **Deferred income tax:** | | |
| Current year credit | (274,173) | (35,194) |
| Impact of change in tax rates | (94,576) | 81,468 |
| (Over)/under provision in prior years | (30,347) | 18,881 |
| Deferred income tax charge (Note 19(b)) | (399,096) | 65,155 |
| **Total tax (credit)/expense** | **(367,667)** | **620,194** |

# Notes (continued)

### 13. Income tax expense (continued)

**(b) Company (continued)**

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

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Profit before income tax | 2,594,955 | 10,681,127 |
| Tax calculated at the statutory income tax rate of 27.5% (2020 - 25%) | 713,613 | 2,670,282 |
| | | |
| **Tax effects of:** | | |
| - Non-taxable income | (695,570) | (4,164,621) |
| - Expenses not deductible for tax purposes | 423,656 | 1,680,359 |
| - Tax losses previously not recognised | (521,990) | - |
| - Impact of changes in tax rates | (117,423) | 81,468 |
| (Over)/under provision of deferred income tax in prior year | (30,347) | 18,881 |
| (Over)/under provision of current income tax in prior year | (139,606) | 333,825 |
| **Income tax (credit)/expense** | **(367,667)** | **620,194** |

### 14. Dividends

The directors do not recommend a dividend for the year ended 30 June 2021 in recognition of the need to conserve cash in view of the continued volatility occasioned by the COVID-19 pandemic and the impact on our industry (2020: total dividend of Kshs 3 per share amounting to Kshs 2,372,323,000).

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

### 15. Earnings per share

**Basic and diluted earnings per share**

The calculation of basic earnings per share at 30 June 2021 was based on profit attributable to ordinary shareholders of Kshs 4,354,228,000 (2020: Kshs 4,086,477,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2020 of 790,774,356 (2020: Kshs 790,774,356). The basic and diluted earnings per share are the same as there is no dilutive effect.

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| Profit attributable to ordinary shareholders | 4,354,228 | 4,086,477 |
| **Weighted average number of ordinary shares** | | |
| Issued and paid shares (Note 16) | 790,774,356 | 790,774,356 |
| Basic and diluted earnings per share (Kshs per share) | 5.51 | 5.17 |

# Notes (continued)

## 16. Share capital

| Group and Company | Number of shares | Ordinary shares | Share premium |
|---|---|---|---|
| | | Kshs'000 | Kshs'000 |
| **Issued and fully paid** | | | |
| Balance as at 1 July 2019, 30 June 2020 and 30 June 2021 | 790,774,356 | 1,581,547 | 1,691,151 |

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

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

## 17. Other reserves

### (a) Employee share based payment reserves

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

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

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

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

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 2021 | | 30 June 2020 | |
|---|---|---|---|---|
| | Number of shares | Kshs'000 | Number of shares | Kshs'000 |
| At start of year | 2,815,644 | 594,677 | 2,915,194 | 608,997 |
| **Movement in the year:** | | | | |
| Transer of shares | 40,326 | 6,765 | - | - |
| Issue of shares upon exercise of options | (6,714) | (966) | (99,550) | (14,320) |
| **Total movement in the year** | **33,612** | **5,799** | **(99,550)** | **(14,320)** |
| **At end of year** | **2,849,256** | **600,476** | **2,815,644** | **594,677** |

# Notes (continued)

### 17. Other reserves (continued)

#### (a) Employee share based payment reserves (continued)

#### (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:

| | 2020 series | 2019 series | 2018 series |
|---|---|---|---|
| Grant date share price | n/a | 197 | 187 |
| Exercise price | | | |
| -ESOP | n/a | 197 | 187 |
| -RSU | n/a | | |
| -ESSS | n/a | 158 | 150 |
| Expected volatility | n/a | 46.20% | 20.01% |
| Dividend yield | n/a | 5.2% | 3.6% |
| Forfeiture rate | n/a | 3.3% | 3.9% |
| Option life | n/a | 5 years | 5 years |

During the year ended 30 June 2021, no share options were granted to the employees.

The assumptions above were determined based on the historical trends.

Share based payment reserves are not distributable.

#### (b) Currency translation reserve

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

# Notes (continued)

### 18. Non-controlling interests

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

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

**At 30 June 2021**

| | UDV (Kenya) Limited | Serengeti Breweries Limited | Other subsidiaries | Total |
|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| **Non-controlling interest percentage** | **53.68%** | **7.5%** | **1% - 1.8%** | |
| Non-current assets | 2,322,459 | 11,018,638 | 11,299,287 | |
| Currents assets | 19,218,002 | 5,183,871 | 6,750,324 | |
| Non-current liabilities | (1,147,340) | (892,337) | (4,451,336) | |
| Current liabilities | (5,865,229) | (4,557,808) | (10,140,296) | |
| Net assets | 14,527,892 | 10,752,364 | 3,457,979 | |
| **Carrying amount of non-controlling interest** | **7,798,572** | **806,427** | **62,238** | **8,667,237** |
| | | | | |
| Net sales | 21,402,754 | 13,091,482 | 16,062,588 | |
| Profit after tax | 4,488,268 | 1,578,809 | (135,151) | |
| Total comprehensive income | 4,488,268 | 1,578,809 | (135,151) | |
| **In respect of non-controlling interest** | **2,409,302** | **200,842** | **(2,432)** | **2,607,712** |
| | | | | |
| **Cash generated from** | | | | |
| Operating activities | 1,453,751 | 2,450,960 | 3,647,365 | |
| Cash used in investment activities | (332,018) | (1,153,554) | (2,010,843) | |
| Cash used in financing activities | (10,516) | (648,547) | 451,057 | |
| **Net increase in cash and cash equivalents** | **1,111,217** | **648,859** | **2,087,579** | |

# Notes (continued)

### 18. Non-controlling interests (continued)

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

**At 30 June 2020**

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

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

In February 2020, the Company entered into an agreement to purchase an additional 30% of the legal shareholding in Serengeti Breweries Limited (SBL) from the non-controlling shareholders. As a result of the transaction, the effective economic interest in SBL has increased from 77.50% to 92.50%, while the legal shareholding has increased from 55% to 85%. The transaction was completed with an effective date of 31 October 2020.

The consideration for the shares was Kshs 8,303 million. Out of this consideration, Kshs 6,271 million was paid in cash and the additional Kshs 2,032 million was utilised to repay the outstanding loan receivables from the non-controlling interest arising from the capital restructuring in 2018.

***Financial impact of the transactions with non-controlling shareholder:***

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

| | Kshs'000 |
|---|---|
| Cash consideration | 6,271,376 |
| 15% additional share of net assets acquired at completion date | (1,566,844) |
| **Difference arising on transactions with non-controlling interests** | **4,704,532** |

# Notes (continued)

### 18. Non-controlling interests (continued)

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

***Amounts due from non-controlling interests:***

Movement of the amounts outstanding from the non controlling shareholders is as reflected in the table below:

| | Kshs'000 |
|---|---|
| Loan advanced to non-controlling shareholders | 2,836,496 |
| Settlement through assignment of 50% of dividends declared by the subsidiary | (39,845) |
| Settlement through purchase of shares (as disclosed above) | (2,031,727) |
| Total settlement of the loan to non-controlling shareholders | (2,071,572) |
| Effect of exchange rate changes | 109,676 |
| **Balance as at 30 June 2021** | **874,600** |

### 19. Deferred income tax

Deferred income tax is calculated using the enacted domestic tax rate of 30% as at 30 June 2021 (2020 – 25%). The movement on the deferred income tax account is as follows:

#### (a) Group

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| At start of year | 5,115,420 | 5,555,556 |
| (Credit)/charge to profit or loss | (565,636) | 267,463 |
| Effect of change in tax rates | 670,823 | (799,089) |
| (Over)/under provision of deferred income tax in prior years | 74,144 | 16,379 |
| Effect of change in exchange rates | 99,991 | 75,111 |
| Total deferred income tax movement | 279,322 | (440,136) |
| **At end of year** | **5,394,742** | **5,115,420** |
| | | |
| **Analysed as follows:** | | |
| Deferred income tax liabilities | 6,239,320 | 5,568,697 |
| Deferred income tax assets | (844,578) | (453,277) |
| **At end of year** | **5,394,742** | **5,115,420** |

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| At start of year | (442,533) | (507,688) |
| Credit to profit or loss | (274,173) | (35,194) |
| Effect of change in tax rates | (94,576) | 81,468 |
| (Over)/under provision of deferred income tax in prior year | (30,347) | 18,881 |
| Total deferred income tax movement | (399,096) | 65,155 |
| **At end of year** | **(841,629)** | **(442,533)** |

# Notes (continued)

### 19. Deferred income tax (continued)

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

**(a) Group**

**Year ended 30 June 2021**

| | At 1 July 2020 | Impact of change in tax rate | Prior year (over)/under provision | Charged/ (credited) to profit or loss | Effects of exchange rate changes | At 30 June 2021 |
|---|---|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Deferred income tax liabilities** | | | | | | |
| Property, plant and equipment | 7,321,742 | 944,781 | 107,561 | (60,081) | 130,827 | 8,444,830 |
| Right-of-use assets | 450,278 | 49,400 | 1,401 | (48,886) | 8,851 | 461,044 |
| Unrealised exchange gains/(losses) | 167,881 | 111 | - | 34,345 | 1,593 | 203,930 |
| **Deferred income tax liabilities** | **7,939,901** | **994,292** | **108,962** | **(74,622)** | **141,271** | **9,109,804** |
| | | | | | | |
| **Deferred income tax assets** | | | | | | |
| Property, plant and equipment | (274,782) | - | - | - | (1,670) | (276,452) |
| Unrealised exchange gains/(losses) | 334,327 | (24,031) | 17,511 | 82,201 | (1,561) | 408,447 |
| Lease liabilities | (459,088) | (51,541) | (9,251) | 29,988 | (62) | (489,954) |
| Tax losses carried forward | (1,255,297) | (14,980) | 10,850 | 146,760 | (4,780) | (1,117,447) |
| Tax losses previously not recognised | - | - | - | (515,098) | - | (515,098) |
| Other deductible differences | (1,169,641) | (232,917) | (53,928) | (234,865) | (33,207) | (1,724,558) |
| **Deferred income tax assets** | **(2,824,481)** | **(323,469)** | **(34,818)** | **(491,014)** | **(41,280)** | **(3,715,062)** |
| **Net deferred income tax** | **5,115,420** | **670,823** | **74,144** | **(565,636)** | **99,991** | **5,394,742** |

**Year ended 30 June 2020**

| | At 1 July 2019 | Impact of change in tax rate | Prior year (over)/under provision | Charged/ (credited) to profit or loss | Effects of exchange rate changes | At 30 June 2020 |
|---|---|---|---|---|---|---|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| **Deferred income tax liabilities** | | | | | | |
| Property, plant and equipment | 7,987,768 | (928,784) | 80,369 | 97,871 | 84,518 | 7,321,742 |
| Right-of-use assets | - | - | - | 450,011 | 267 | 450,278 |
| Unrealised exchange gains/(losses) | 341,692 | (7,865) | (52,795) | (115,486) | 2,335 | 167,881 |
| **Deferred income tax liabilities** | **8,329,460** | **(936,649)** | **27,574** | **432,396** | **87,120** | **7,939,901** |
| | | | | | | |
| **Deferred income tax assets** | | | | | | |
| Property, plant and equipment | (312,537) | 5,267 | - | 40,320 | (7,832) | (274,782) |
| Unrealised exchange gains/(losses) | 341,207 | (6,973) | 123,430 | (118,441) | (4,896) | 334,327 |
| Lease liabilities | - | - | - | (459,351) | 263 | (459,088) |
| Tax losses carried forward | (1,578,168) | - | - | 343,143 | (20,272) | (1,255,297) |
| Other deductible differences | (1,224,406) | 139,266 | (953) | (104,276) | 20,728 | (1,169,641) |
| **Deferred income tax assets** | **(2,773,904)** | **137,560** | **122,477** | **(298,605)** | **(12,009)** | **(2,824,481)** |
| **Net deferred income tax** | **5,555,556** | **(799,089)** | **150,051** | **267,463** | **75,111** | **5,115,420** |

# Notes (continued)

**19. Deferred income tax (continued)**

**(b) Company**

**Year ended 30 June 2021**

| | At 1 July 2020 | Impact of change in tax rate | Prior year (over)/under provision | Charged/ (credited) to profit or loss | At 30 June 2021 |
|---|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| **Deferred income tax liabilities** | | | | | |
| Property, plant and equipment | (44,304) | (8,861) | (1) | (4,281) | (57,447) |
| Right-of-use assets | 6,615 | (96) | 1,419 | (4,158) | 3,780 |
| Unrealised exchange gains | 7 | 1 | - | 40,122 | 40,130 |
| **Deferred income tax liabilities** | **(37,682)** | **(8,956)** | **1,418** | **31,683** | **(13,537)** |
| | | | | | |
| **Deferred income tax assets** | | | | | |
| Unrealised exchange losses | (83,705) | (13,072) | 18,343 | 66,610 | (11,824) |
| Lease liabilities | (7,097) | - | (1,419) | 4,730 | (3,786) |
| Tax losses previously not recognised | - | - | - | (515,098) | (515,098) |
| Other deductible differences | (314,049) | (72,548) | (48,689) | 137,902 | (297,384) |
| **Deferred income tax assets** | **(404,851)** | **(85,620)** | **(31,765)** | **(305,856)** | **(828,092)** |
| **Net deferred income tax** | **(442,533)** | **(94,576)** | **(30,347)** | **(274,173)** | **(841,629)** |

**Year ended 30 June 2020**

| | At 1 July 2019 | Impact of change in tax rate | Prior year (over)/under provision | Charged/ (credited) to profit or loss | At 30 June 2020 |
|---|---|---|---|---|---|
| | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| **Deferred income tax liabilities** | | | | | |
| Property, plant and equipment | (44,461) | 7,437 | (159) | (7,121) | (44,304) |
| Right-of-use assets | - | - | - | 6,615 | 6,615 |
| Unrealised exchange gains | 39,121 | (6,520) | - | (32,594) | 7 |
| **Deferred income tax liabilities** | **(5,340)** | **917** | **(159)** | **(33,100)** | **(37,682)** |
| | | | | | |
| **Deferred income tax assets** | | | | | |
| Unrealised exchange losses | 874 | (146) | 3 | (84,433) | (83,705) |
| Lease liabilities | - | - | - | (7,097) | (7,097) |
| Other deductible differences | (503,222) | 80,697 | 19,037 | 89,436 | (314,049) |
| Deferred income tax assets | (502,348) | 80,551 | 19,040 | (2,094) | (404,851) |
| **Net deferred income tax** | **(507,688)** | **81,468** | **18,881** | **(35,194)** | **(442,533)** |

# Notes (continued)

### 20. Property, plant and equipment

#### (a) Group

| | Freehold property | Leasehold buildings | Plant & equipment | Returnable packaging | Capital work in progress | Total |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2021** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Cost** | | | | | | |
| 1 July 2020 | 6,074,617 | 6,241,585 | 55,461,615 | 13,999,283 | 7,548,309 | **89,325,409** |
| Additions | 83,739 | 498,641 | 1,717,839 | 2,293,921 | 3,150,366 | **7,744,506** |
| Transfers from capital work in progress | 366,346 | 437,059 | 2,395,290 | 95,687 | (3,294,382) | **-** |
| Transfer to intangible assets (Note 22) | - | - | - | - | (38,878) | **(38,878)** |
| Assets written off | (3,899) | (15,412) | (1,653,888) | (1,187,574) | (8,149) | **(2,868,922)** |
| Effect of exchange rate changes | 4,499 | 86,276 | 528,042 | 123,595 | 151,222 | **893,634** |
| **At 30 June 2021** | **6,525,302** | **7,248,149** | **58,448,898** | **15,324,912** | **7,508,488** | **95,055,749** |
| | | | | | | |
| **Depreciation and impairment** | | | | | | |
| At 1 July 2020 | 1,339,609 | 1,090,541 | 23,057,793 | 7,102,556 | - | **32,590,499** |
| Charge for the year | 200,870 | 91,785 | 2,678,962 | 1,669,091 | - | **4,640,708** |
| Assets written off | (2,491) | (9,452) | (1,156,519) | (1,020,377) | - | **(2,188,839)** |
| Effect of exchange rate changes | 3,011 | 22,427 | 178,770 | 61,939 | - | **266,147** |
| **At 30 June 2021** | **1,540,999** | **1,195,301** | **24,759,006** | **7,813,209** | **-** | **35,308,515** |
| **Carrying amount at 30 June 2021** | **4,984,303** | **6,052,848** | **33,689,892** | **7,511,703** | **7,508,488** | **59,747,234** |

There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 30.

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

# Notes (continued)

**20. Property, plant and equipment (continued)**

**(a) Group (Continued)**

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

There are no assets pledged by the Group to secure liabilities other than as disclosed under Note 30.

The capital work in progress mainly relates to capacity expansion in Tanzania and beer and spirits upgrade in Uganda.

# Notes (continued)

### 20. Property and equipment (continued)

**(b) Company**

**Year ended 30 June 2021**

| | Freehold property | Leasehold buildings | Equipment | Capital work in progress | Total |
|---|---|---|---|---|---|
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| 1 July 2020 | 312,396 | 14,896 | 310,534 | 65,153 | **702,979** |
| Additions | 1,216 | - | - | 69,500 | **70,716** |
| Write-off | - | - | (154,310) | - | **(154,310)** |
| Transfers from capital work in progress | 854 | - | - | (854) | **-** |
| Transfer to intangible assets - software | - | - | - | (31,655) | **(31,655)** |
| Transfers to Group companies | - | - | - | (44,712) | **(44,712)** |
| **At 30 June 2021** | **314,466** | **14,896** | **156,224** | **57,432** | **543,018** |
| | | | | | |
| **Depreciation and impairment** | | | | | |
| At 1 July 2020 | 4,822 | 877 | 217,015 | - | **222,714** |
| Write-off | - | - | (152,992) | - | **(152,992)** |
| Charge for the year | 4,711 | - | 25,409 | - | **30,120** |
| **At 30 June 2021** | **9,533** | **877** | **89,432** | **-** | **99,842** |
| **Carrying amount at 30 June 2021** | **304,933** | **14,019** | **66,792** | **57,432** | **443,176** |

There are no assets pledged by the Company to secure liabilities other than as disclosed under Note 30.

# Notes (continued)

### 20. Property and equipment (continued)

### (b) Company (Continued)

**Year ended 30 June 2020**

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

There are no assets pledged by the Company to secure liabilities other than as disclosed under Note 30.

# Notes (continued)

### 21. Right-of-use assets

**Movement of right-of-use assets:**

**(a) Group**

**Year ended 30 June 2021**

| | Buildings | Motor vehicles | Leasehold property | Total |
|---|---|---|---|---|
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **Gross carrying value** | | | | |
| At 1 July 2020 | 689,296 | 1,362,954 | 69,235 | **2,121,485** |
| Additions | 33,526 | 346,875 | - | **380,401** |
| Disposals | - | (159,642) | - | **(159,642)** |
| Effect of exchange rate changes | 13,089 | 33,124 | 45 | **46,258** |
| **At 30 June 2021** | **735,911** | **1,583,311** | **69,280** | **2,388,502** |
| | | | | |
| **Accumulated amortisation** | | | | |
| At 1 July 2020 | 47,576 | 469,432 | 27,062 | **544,070** |
| Amortisation charge | 84,812 | 373,860 | 8 | **458,680** |
| Disposals | - | (82,944) | - | **(82,944)** |
| Effect of exchange rate changes | 2,076 | 14,636 | 4 | **16,716** |
| **At 30 June 2021** | **134,464** | **774,984** | **27,074** | **936,522** |
| **Net carrying value** | **601,447** | **808,327** | **42,206** | **1,451,980** |

**Year ended 30 June 2020**

| | Buildings | Motor vehicles | Leasehold property | Total |
|---|---|---|---|---|
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **Gross carrying value** | | | | |
| At 30 June 2019 - As reported | - | - | - | **-** |
| IFRS 16 transitional adjustment | | | | |
| - Prepaid operating lease rentals (Note 22) | - | - | 7,167 | **7,167** |
| - Non-prepaid operating lease rentals (Note 31) | 38,794 | 1,150,282 | - | **1,189,076** |
| At 1 July 2019 | 38,794 | 1,150,282 | 7,167 | **1,196,243** |
| Additions | 647,681 | 193,585 | - | **841,266** |
| Reclassifications from property, plant and equipments (Note 20(a)) | - | - | 62,068 | **62,068** |
| Effect of exchange rate changes | 2,821 | 19,087 | - | **21,908** |
| **At 30 June 2020** | **689,296** | **1,362,954** | **69,235** | **2,121,485** |
| | | | | |
| **Accumulated amortisation** | | | | |
| At 1 July 2019 | - | - | - | **-** |
| Amortisation charge | 46,569 | 462,936 | 175 | **509,680** |
| Reclassifications from property, plant and equipments (Note 20(a)) | - | - | 26,885 | **26,885** |
| Effect of exchange rate changes | 1,007 | 6,496 | 2 | **7,505** |
| **At 30 June 2020** | **47,576** | **469,432** | **27,062** | **544,070** |
| **Net carrying value** | **641,720** | **893,522** | **42,173** | **1,577,415** |

# Notes (continued)

**21. Right-of-use assets (Continued)**

**(b) Company**

**At 30 June 2021**

| | Motor vehicles Kshs '000 | Total |
|---|---|---|
| **Gross carrying value** | | |
| At 1 July 2020 | 52,557 | 52,557 |
| Additions | 3,379 | 3,379 |
| Disposals | (31,407) | (31,408) |
| | **24,529** | **24,528** |
| | | |
| **Accumulated amortisation** | | |
| At 1 July 2020 | 26,099 | 26,099 |
| Amortisation charge | 17,239 | 17,239 |
| Disposals | (31,408) | (31,408) |
| **At 30 June 2021** | **11,930** | **11,930** |
| **Net carrying value** | **12,599** | **12,598** |

**At 30 June 2020**

| | Motor vehicles Kshs '000 | Total |
|---|---|---|
| **Gross carrying value** | | |
| At 30 June 2019 – As reported | - | - |
| IFRS 16 transitional adjustment | 52,557 | 52,557 |
| At 1 July 2020 and 30 June 2020 | 52,557 | 52,557 |
| | | |
| **Accumulated amortisation** | | |
| At 1 July 2019 | - | - |
| Amortisation charge | 26,099 | 26,099 |
| **At 30 June 2021** | **26,099** | **26,099** |
| **Net carrying value** | **26,458** | **26,458** |

The Group leases space for offices, motor vehicles and office equipment. The leases of office space is for an average of 10 years with an option to renew. The Directors were not reasonably certain that the option to renew the lease would be exercised at the expiry of the lease. The option has therefore not been considered in determining the lease term. The leases of motor vehicles is on average 4 to 5 years, while the leases of office equipment are for periods of not more than 12 months.

# Notes (continued)

### 22. Prepaid operating lease rentals

**(a) Group**

| | At 30 June 2020 |
|---|---|
| | **Kshs'000** |
| **Cost** | |
| At start of year | 10,385 |
| Derecognition upon adoption of IFRS 16 Leases | (10,385) |
| Effect of exchange rate changes | - |
| **At end of year** | **-** |
| | |
| **Amortisation** | |
| At start of year | 3,218 |
| Charge for the year | - |
| Derecognition upon adoption of IFRS 16 Leases | (3,218) |
| Effect of exchange rate changes | - |
| **At end of year** | **-** |
| **Net book value** | **-** |
| Net book value derecognised upon adoption of IFRS 16 Leases (Note 21) | **7,167** |

# Notes (continued)

### 23. Intangible assets - software

**(a) Group**

| | 2021 | 2020 |
|---|---|---|
| | Kshs'000 | Kshs'000 |
| **Cost** | | |
| At start of year | 2,384,698 | 2,309,929 |
| Additions | 182,354 | 163,187 |
| Disposals | (31,902) | (128,666) |
| Transfer from property plant and equipment (Note 20(a)) | 38,878 | 22,237 |
| Effect of exchange rate changes | 7,143 | 18,011 |
| **At end of year** | **2,581,171** | **2,384,698** |
| | | |
| Amortisation | | |
| At start of year | 1,782,662 | 1,688,853 |
| Charge for the year | 194,056 | 210,927 |
| Disposals | (29,081) | (128,666) |
| Effect of exchange rate changes | 8,582 | 11,548 |
| **At end of year** | **1,956,219** | **1,782,662** |
| **Net book value** | **624,952** | **602,036** |

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

**(b) Company**

| | 2021 | 2020 |
|---|---|---|
| | Kshs'000 | Kshs'000 |
| **Cost** | | |
| At start of year | 1,434,894 | 1,487,572 |
| Additions | 108,770 | 75,988 |
| Transfer from property plant and equipment (Note 20(a)) | 31,655 | - |
| Transfer to Group companies | (101,733) | - |
| Disposals | - | (128,666) |
| **At end of year** | **1,473,586** | **1,434,894** |
| | | |
| **Amortisation** | | |
| At start of year | 1,312,550 | 1,362,269 |
| Charge for the year | 37,517 | 78,947 |
| On assets disposed | - | (128,666) |
| **At end of year** | **1,350,067** | **1,312,550** |
| **Net book value** | **123,519** | **122,344** |

# Notes (continued)

### 24. Intangible assets - goodwill and brand

#### (a) Goodwill

| | Carrying amount at start of year | Effect of exchange rate changes | Carrying amount at end of year |
|---|---|---|---|
| **Year ended 30 June 2021** | **Kshs'000** | **Kshs'000** | **Kshs'000** |
| Serengeti Breweries Limited (SBL) | 2,219,246 | 17,481 | 2,236,727 |
| UDV (Kenya) Limited (UDV) | 415,496 | - | 415,496 |
| International Distillers (Uganda) Limited (IDU) | 196,388 | 12,117 | 208,505 |
| **Total** | **2,831,130** | **29,598** | **2,860,728** |
| | | | |
| **Year ended 30 June 2020** | | | |
| Serengeti Breweries Limited (SBL) | 2,137,180 | 82,066 | 2,219,246 |
| UDV (Kenya) Limited (UDV) | 415,496 | - | 415,496 |
| International Distillers (Uganda) Limited (IDU) | 190,325 | 6,063 | 196,388 |
| **Total** | **2,743,001** | **88,129** | **2,831,130** |

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

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| At start of year | 481,219 | 463,430 |
| Effect of exchange rate changes | 3,789 | 17,789 |
| **At end of year** | **485,008** | **481,219** |

The balance represents the purchase price allocation to the "Premium Serengeti Lager" brand at acquisition of Serengeti Breweries Limited.

# Notes (continued)

**24. Intangible assets - goodwill and brand (continued)**

**(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.

### (ii) Key assumptions used for value in use calculations

| | Tanzania | | Kenya | | Uganda | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Terminal growth rate[1] | 4% | 5% | 5% | 5% | 5% | 5% |
| WACC rate[2] | 12% | 15% | 10% | 13% | 10% | 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 profit margin based on past performance and its expectations for market developments. The weighted average growth rates used are consistent with the forecasts included in industry reports.

### (iii) Results of impairment testing on the carrying amount of goodwill and brand

**Goodwill**

Based on the above assumptions, the recoverable value of the relevant operating segment exceeded the carrying net asset amount (including the goodwill) for SBL, UDV and IDU at 30 June 2021. As a result, the Group has not recognized an impairment charge (2020: Nil).

**Brand**

Based on the above assumptions, the recoverable value of the brand exceeded the carrying value at 30 June 2021. As a result, the Group has not recognized an impairment charge (2020: Nil).

### (iv) Significant estimates: Impact of possible changes in key assumptions

There were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment charge for SBL, UDV and IDU goodwill and the SBL brand.

# Notes (continued)

### 25. Investments in subsidiaries

| | | | Book value at | |
|---|---|---|---|---|
| | Country of incorporation | Effective ownership interest | 30 June 2021 | 30 June 2020 |
| | | | Kshs'000 | Kshs'000 |
| Kenya Breweries Limited | Kenya | 100% | 22,377,809 | 22,377,809 |
| Serengeti Breweries Limited | Tanzania | 92.5% | 22,387,848 | 15,970,420 |
| East African Maltings (Kenya) Limited | Kenya | 100% | 687,662 | 687,662 |
| Uganda Breweries Limited | Uganda | 98% | 687,648 | 687,648 |
| UDV (Kenya) Limited | Kenya | 46% | 589,410 | 589,410 |
| International Distillers Uganda Limited | Uganda | 100% | 300,000 | 300,000 |
| EABL Tanzania Limited | Tanzania | 100% | 5,610 | 5,610 |
| East African Breweries (Rwanda) Limited | 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 | 2 |
| Salopia Limited | Kenya | 100% | - | - |
| East African Maltings (Uganda) Limited | Uganda | 100% | - | - |
| **Net book amount** | | | **47,037,628** | **40,620,200** |

#### Movement in investment in subsidiaries

The movement in the carrying amount of the total investment in subsidiaries figure is as reflected below:

| Year ended 30 June 2021 | |
|---|---|
| | Kshs'000 |
| At 1 July 2020 | 40,620,200 |
| **Serengeti Breweries Limited** | |
| Purchase of additional shares | 6,271,376 |
| Settlement of amounts due from non-controlling interests (Note 18 (b)) | 146,052 |
| **At 30 June 2021** | **47,037,628** |

| Year ended 30 June 2020 | |
|---|---|
| | Kshs'000 |
| At 1 July 2019 | 39,955,009 |
| **Serengeti Breweries Limited** | |
| Purchase of additional shares | 308,147 |
| Settlement of amounts due from non-controlling interests | (330,618) |
| **East African Matlings (Kenya) Limited** | |
| Conversion of long-term loan to equity investments | 687,662 |
| | 995,809 |
| **At 30 June 2020** | **40,620,200** |

# Notes (continued)

### 25. Investments in subsidiaries (continued)

**Movement in investment in subsidiaries (continued)**

As explained in Note 18, the carrying amount of investment in subsidiaries includes loans due from the non-controling shareholders in Serengeti Breweries Limited of Kshs 874,600,000 (2020: Kshs 2,836,496,000) arising from the capital restructuring of the subsidiary in 2018.

The details of the movement in investment in subsidiaries is as disclosed below:

**(a) Serengeti Breweries Limited (SBL)**

The investment in SBL increased by Kshs 308 million in the year ended 30 June 2020 and Kshs 6,271 million in the year ended 30 June 2021, arising from purchase of shares from non-controlling shareholders as disclosed in Note 18.

**Impairment assessment**

An impairment assessment of the carrying amount of the investment in SBL at Company level was performed at the end of the year using the value-in-use model. The key assumptions used in the value-in-use model are shown in Note 24. Based on the assumptions, the carrying amount of the investment was lower than the recoverable amount.

***Significant estimate: Impact of possible changes in key assumptions***

If the budgeted cash flows used in the value-in-use calculation for SBL had been 10% lower than management's estimates at 30 June 2021, the Company would not have recognized any impairment against the carrying amount of the investment in subsidiary (2020: Nil).

If the pre-tax discount rate applied to the cash flow projections for SBL had been 1% higher than management's estimates (13% instead of 12%), the Company would not have to recognize an impairment against the carrying value of the investment in subsidiary (2020: Nil).

If the terminal growth rate applied to the cash flow projections for SBL had been 1% lower than management's estimates (2.5% instead of 3.5%), the Company would not have had to recognize any impairment against the carrying value of the investment in subsidiary (2020: Nil).

**(b) East African Maltings Limited (EAML)**

During the year ended 30 June 2020, the Company converted a portion of its long term loan in EAML of Kshs 688 million into equity investment represented by issue of ordinary share capital.

### 26. Other financial assets (Group and Company)

| | 2021 | 2020 |
|---|---|---|
| | **Kshs '000** | **Kshs '000** |
| 20% investment in Challenge Fund Limited who in turn have subscribed to 50% in Central Depository and Settlement Corporation Limited | 10,000 | 10,000 |
| **At end of year** | **10,000** | **10,000** |

During the year, the investment in Challenge Fund Limited did not change. The carrying amount of the investment estimates its fair value.

### 27. Inventories

| | 2021 | 2020 |
|---|---|---|
| **(a) Group** | **Kshs'000** | **Kshs'000** |
| Raw materials and consumables | 7,540,796 | 7,091,534 |
| Work in progress | 650,119 | 588,459 |
| Finished goods | 3,324,322 | 3,213,469 |
| Goods in transit | 172,920 | 22,908 |
| | **11,688,157** | **10,916,370** |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Kshs 24,930,181,000 (2020: Kshs 20,195,033,000).

# Notes (continued)

### 28. Trade and other receivables

#### (a) Group

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Trade receivables | 7,762,422 | 4,895,259 |
| Less: provision for expected credit losses | (1,419,475) | (1,142,429) |
| | **6,342,947** | **3,752,830** |
| | | |
| **Other receivables** | **6,299,109** | **1,600,375** |
| Less: provision for expected credit losses | (618,725) | (369,152) |
| Prepayments | 838,194 | 397,534 |
| Receivables from related parties (Note 35 (a) (iii)) | 161,355 | 299,857 |
| | **13,022,880** | **5,681,444** |

#### Movement in expected credit losses allowance

The following table shows the movement in lifetime expected credit losses that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| At start of year | 1,511,581 | 850,661 |
| Charge to profit or loss (Note 9(a)) | 583,279 | 660,920 |
| Write-offs | (56,660) | - |
| At end of year | **2,038,200** | **1,511,581** |

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Receivables from related companies (Note 35 (b) (iii)) | 3,061,335 | 1,430,603 |
| Other receivables | 267,762 | 655,103 |
| Prepayments | 6,285 | 11,078 |
| | **3,335,382** | **2,096,784** |

# Notes (continued)

### 29. Trade and other payables

#### (a) Group

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Trade payables | 8,772,866 | 5,672,679 |
| Other payables and accrued expenses | 20,076,301 | 15,186,925 |
| Payables to related parties (Note 35 (a) (iii)) | 1,694,551 | 871,479 |
| | **30,543,718** | **21,731,083** |
| | | |
| **(b) Company** | | |
| Trade payables | 781,219 | 126,357 |
| Payables to related parties (Note 35 (b) (iii)) | 17,661,253 | 10,356,587 |
| Other payables and accrued expenses | 878,133 | 2,191,560 |
| | **19,320,605** | **12,674,504** |

### 30. Borrowings

#### (a) Group

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| The borrowings are made up as follows: | | |
| **Non-current** | | |
| Bank loans | 38,260,591 | 30,900,000 |
| Medium term note | - | 6,000,000 |
| | **38,260,591** | **36,900,000** |
| | | |
| **Current** | | |
| Bank loans | 6,900,000 | 4,106,253 |
| | 6,900,000 | 4,106,253 |
| Bank overdraft | 1,190,889 | 3,932,338 |
| | **8,090,889** | **8,038,591** |
| | **46,351,480** | **44,938,591** |

The carrying amounts of current borrowings approximate their fair value, as the impact of discounting is not material.

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| **The movement in borrowings is as follows:** | | |
| At start of year | 44,938,591 | 36,319,744 |
| Advanced in the year | 23,552,160 | 23,400,000 |
| Repayments in the year | (19,398,508) | (18,716,209) |
| Movement in bank overdrafts | (2,741,449) | 3,932,338 |
| Effect of exchange rate changes | 686 | 2,718 |
| **At end of year** | **46,351,480** | **44,938,591** |

# Notes (continued)

**30. Borrowings (continued)**

**(a) Group (continued)**

(i) Bank loans comprise:

- Long term loan from Stanbic Bank Kenya Limited of Kshs 3,500,000,000 (2020: Kshs 4,500,000,000) at a weighted average interest rate of 8.9% (2020: 8.9%). The loan is unsecured and matures in March 2025.
- Long term loan from Standard Chartered bank of Kenya of Kshs 7,600,000,000 (2020: Kshs 7,600,000,000) at a weighted average interest rate of 9%. The loan is unsecured and matures in December 2026.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 3,000,000,000 (2020: Kshs 3,000,000,000) at average annual interest rates of (CBR+300bps), effectively 8.0% (2020: 8%). This facility is secured by a letter of comfort from Diageo Plc for Kshs 7.8 billion and matures in December 2026.
- Medium term loan from Stanbic Bank Kenya of Kshs 5,958,333,333.33 (2020: Kshs 6,500,000,000) at interest rate of 8.4% (2020: 8.4%). The loan is unsecured and matures on June 2026..
- Medium term loan from Standard Chartered bank of Kenya of Kshs 3,750,000,000 (2020: Kshs 4,500,000,000 at interest rate of 8.3% (2020: 8.3%). The loan is unsecured and matures on 28 December 2023.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 4,800,000,000 (2020: Kshs 4,800,000,000) at an interest of 8.0% (2020: 8%). The loan is unsecured and is repayable in 12 quarterly instalments of Kshs 400,000,000 beginning July 2022.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 11,000,000,000 (2020: Nil) at an interest of 10.3% (2020: Nil). The loan is unsecured and matures on July 2022.
- Medium term loan from Stanbic Bank of Uganda of UGX 38,000,000,000 at an effective interest rate of (182 T-bill rate +1.85%), effectively 12.10%.This facility is unsecured and matures on 15 April 2026.
- Short-term loan from Stanbic bank Kenya of Kshs. 2,400,000,000 (2020: Nil) at an interest of SPR (Stanbic Prime rate) +1.4% margin. The loan is unsecured and matures in September 2021.
- Short-term loan from Citibank Kenya of Kshs. 1,300,000,000 (2020: Nil) at an interest of 10% per annum. The loan is unsecured and matures on 28 July 2021.
- Short-term loan from Standard Chartered bank of Kshs. 700,000,000 (2020: Nil) at an interest of 9.8% per annum. The loan is unsecured and matures on 19 April 2022.

(ii) The bank overdraft facilities have an effective interest rate of 10% (2020: 9%) and is sourced from SCB Bank of Kenya, ABSA Kenya, Equity Bank Kenya, Absa Bank of Uganda, and Citibank Uganda.

(iii) Medium term note of Kshs Nil (2020: Kshs 6,000,000,000). The medium-term note was in two tranches previously. The first tranch of Kshs 5,000,000,000, which had an annual interest rate of 12.95% matured in March 2020. The second tranche of Kshs 6,000,000,000 was redeemed in June 2021 which was a date earlier than the maturity scheduled for March 2022 and it was refinanced by a long-term loan from Absa Bank Kenya

The Group is not in breach of any financial covenants for facilities issued by its bankers as at 30 June 2021. The Group had available undrawn facilities of Kshs 11.4 billion as at 30 June 2021 (2020: Kshs 4.1 billion).

# Notes (continued)

### 30. Borrowings (continued)

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| The borrowings are made up as follows: | | |
| **Non-current** | | |
| Medium term note | 37,108,333 | 6,000,000 |
| Bank loans | - | 30,900,000 |
| | **37,108,333** | **36,900,000** |
| | | |
| **Current** | | |
| Bank loans | 6,900,000 | 4,000,000 |
| | 6,900,000 | 4,000,000 |
| Bank overdraft | - | 2,804,807 |
| | **6,900,000** | **6,804,807** |
| **Total borrowings** | **44,008,333** | **43,704,807** |

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:

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| **The movement in borrowings is as follows:** | | |
| At start of year | 43,704,807 | 36,115,178 |
| Advanced in the year | 22,400,000 | 23,400,000 |
| Repayments | (19,291,667) | (18,615,178) |
| Movement in bank overdrafts | (2,804,807) | 2,804,807 |
| **At end of year** | **44,008,333** | **43,704,807** |

***(i) Bank loans comprise:***

- Long term loan from Stanbic Bank Kenya Limited of Kshs 3,500,000,000 (2020: Kshs 4,500,000,000) at a weighted average interest rate of 8.9% (2020: 8.9%). The loan is unsecured and matures in March 2025.
- Long term loan from Standard Chartered bank of Kenya of Kshs 7,600,000,000 (2020: Kshs 7,600,000) at a weighted average interest rate of 9%. The loan is unsecured and matures in December 2026.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 3,000,000,000 (2020: Kshs 3,000,000,000) at average annual interest rates of (CBR+300bps), effectively 8.0% (2020: 8.0%). This facility is secured by a letter of comfort from Diageo Plc for Kshs 7.8 billion and matures in December 2026.
- Medium term loan from Stanbic Bank Kenya of Kshs 5,958,333,333.33 (2020: Kshs 6,500,000,000) at interest rate of 8.4% (2020: 10.4%). The loan is unsecured and matures on 31 December 2023.
- Medium term loan from Standard Chartered bank of Kenya of Kshs 3,750,000,000 (2020: Kshs 4,500,000,000) at interest rate of 8.3% (2020: 8.3%). The loan is unsecured and matures on 28 December 2023.
- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 4,800,000,000 (2020: 4,800,000,000) at an interest of 8.0% (2020: 8.0%). The loan is unsecured and is repayable in 12 quarterly instalments of Kshs 400,000,000 beginning July 2022.

# Notes (continued)

**30. Borrowings (continued)**

**(b) Company (Continued)**

- Medium term loan from Absa Bank Kenya (formerly Barclays Bank of Kenya) of Kshs 11,000,000,000 (2020: Nil) at an interest of 10.3% (2020: Nil). The loan is unsecured and matures on July 2022.
- Short-term loan from Stanbic bank Kenya of Kshs. 2,400,000,000 (2020: Nil) at an interest of SPR (Stanbic Prime rate) +1.4% margin. The loan is unsecured and matures in September 2021.
- Short-term loan from Citibank Kenya of Kshs. 1,300,000,000 (2020: Nil) at an interest of 10% per annum. The loan is unsecured and matures on 28 July 2021.
- Short-term loan from Citibank Kenya of Kshs. 700,000,000 (2020: Nil) at an interest of 9.8% per annum. The loan is unsecured and matures on 19 April 2022.

(ii) The bank overdraft facilities have an effective interest rate of 10% (2020: 9%) and is sourced from SCB Bank of Kenya, ABSA Kenya, Equity Bank Kenya, Absa Bank of Uganda, and Citibank Uganda.

(iii) Medium term note of Kshs Nil (2020: Kshs 6,000,000,000). The medium-term note was in two tranches previously. The first tranch of Kshs 5,000,000,000, which had an annual interest rate of 12.95% matured in March 2020. The second tranche of Kshs 6,000,000,000 was redeemed in June 2021 which was a date earlier than the maturity scheduled for March 2022 and it was refinanced by a long-term loan from Absa Bank Kenya

# Notes (continued)

### 31. Lease liabilities

#### (a) Group

| | 2021 | 2020 |
|---|---|---|
| **Movement of lease liabilities:** | | |
| | **Kshs '000** | **Kshs '000** |
| At 30 June 2019 | - | - |
| IFRS 16 transitional adjustment (Note 2(a)) | - | 1,189,076 |
| At 1 July | 1,611,106 | 1,189,076 |
| Additions | 380,401 | 841,266 |
| Interest expense on leases | 89,530 | 104,349 |
| Repayment of lease liabilities | | |
| - Payment of the principal portion of the lease liability | (482,774) | (473,709) |
| - Interest paid on lease liabilities | (89,530) | (104,349) |
| Effect of change in exchange rates | (52,130) | 54,473 |
| **At June 30** | **1,456,603** | **1,611,106** |
| | | |
| **Presented as:** | | |
| Current lease liabilities | 394,243 | 459,265 |
| Non-current lease liabilities | 1,062,360 | 1,151,841 |
| | **1,456,603** | **1,611,106** |

#### (b) Company

| | 2021 | 2020 |
|---|---|---|
| **Movement of lease liabilities:** | **Kshs '000** | **Kshs '000** |
| At 30 June 2019 | - | - |
| IFRS 16 transitional adjustment (Note 2(a)) | - | 52,557 |
| At 1 July | 28,387 | 52,557 |
| Additions | 3,379 | - |
| Interest expense on leases | 2,667 | 3,817 |
| **Repayment of lease liabilities** | | |
| - Payment of the principal portion of the lease liability | (19,146) | (24,170) |
| - Interest paid on lease liabilities | (2,667) | (3,817) |
| **At June 30** | **12,620** | **28,387** |
| | | |
| **Presented as:** | | |
| Current lease liabilities | 7,337 | 17,401 |
| Non-current lease liabilities | 5,283 | 10,986 |
| | **12,620** | **28,387** |

# Notes (continued)

### 32. 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.

### 33. Commitments

#### (i) Capital commitments - Group

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

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Contracted but not provided for | 4,064,138 | 5,138,376 |
| Authorised but not contracted for | - | 884,876 |
| | **4,064,138** | **6,023,252** |

# Notes (continued)

### 34. Cash generated from operations

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

| | 2021 | 2020 |
|---|---|---|
| **Group** | **Kshs'000** | **Kshs'000** |
| Profit before income tax | 10,858,033 | 10,655,259 |
| **Adjusted for:** | | |
| Interest income (Note 12(a)) | (91,242) | (164,873) |
| Interest expense on borrowings (Note 12(a)) | 3,950,158 | 3,886,615 |
| Interest expense on lease liabilities (Note 12(a)) | 89,530 | 104,349 |
| Depreciation of property, plant and equipment (Note 20(a)) | 4,640,708 | 4,265,062 |
| Amortisation of right-of-use asset (Note 21(a)) | 458,680 | 509,680 |
| Amortisation of intangible asset - software (Note 23(a)) | 194,056 | 210,927 |
| Share based payments | 25,166 | 22,126 |
| Loss on disposal of property, plant and equipment | - | 68,390 |
| Adjustment of dividends payable | - | 239,225 |
| Write-off of property, plant and equipment | 680,083 | 381,531 |
| **Cash generated from operations before working capital adjustments** | **20,805,172** | **20,178,291** |
| **Changes in working capital:** | | |
| -Trade and other receivables | (7,245,538) | 2,621,475 |
| - Inventories | (645,030) | (3,434,483) |
| -Trade and other payables | 8,609,129 | (5,728,956) |
| **Cash generated from operations** | **21,523,733** | **13,636,327** |

| **Company** | | |
|---|---|---|
| Profit before income tax | 2,594,955 | 10,681,127 |
| **Adjustments for:** | | |
| Interest income (Note 12(b)) | (3,210,164) | (3,101,187) |
| Interest expense on borrowings (Note 12(b)) | 4,442,498 | 5,556,670 |
| Interest expense on lease liabilities (Note 32(b)) | 2,667 | 3,817 |
| Depreciation of property and equipment (Note 20(b)) | 30,120 | 51,588 |
| Amortisation of right-of-use asset (Note 21(b)) | 17,239 | 26,099 |
| Amortisation of intangible asset - software (Note 23(b)) | 37,517 | 78,947 |
| Share based payments | 25,166 | 22,126 |
| Dividend income | (2,529,344) | (13,557,295) |
| Settlement of amounts due from non-controlling interests (non-cash) (Note 18(b)) | (146,049) | 185,897 |
| Loss on disposal of property and equipment | 1,318 | 9,568 |
| Adjustment of dividends payable | - | 239,225 |
| **Cash generated from operations** | **1,265,923** | **196,582** |
| **Changes in working capital:** | | |
| -Trade and other receivables (Note 35(c)) | (754,019) | (946,310) |
| - Inventory | - | - |
| -Trade and other payables (Note 35(c)) | 6,784,869 | (5,574,316) |
| **Cash generated from operations** | **7,296,773** | **(6,324,044)** |

# Notes (continued)

### 34. Cash generated from operations (continued)

**(b) Cash and cash equivalents**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| **Group** | | |
| Cash and bank balances | 5,611,910 | 5,661,635 |
| Bank overdraft (Note 30(a)) | (1,190,889) | (3,932,338) |
| | **4,421,021** | **1,729,297** |
| | | |
| **Company** | | |
| Cash and bank balances | 1,761,351 | 3,616,403 |
| Bank overdraft (Note 30(b)) | - | (2,804,807) |
| | **1,761,351** | **811,596** |

**(c) Movement in working capital**

**Group**

| | 2021 | 2020 |
|---|---|---|
| **Movement in trade and other receivables** | | |
| Movement per statement of financial position | (7,341,436) | 2,541,550 |
| Foreign currency translation differences | 95,898 | 79,925 |
| **Net movement in receivables as per cash flow** | **(7,245,538)** | **2,621,475** |
| | | |
| **Movement in inventory** | | |
| Movement per statement of financial position | (771,787) | (3,548,358) |
| Foreign currency translation differences | 126,757 | 113,875 |
| **Net movement in payables as per cash flow** | **(645,030)** | **(3,434,483)** |
| | | |
| **Movement in trade and other payables** | | |
| Movement per statement of financial position | 8,812,635 | (6,133,109) |
| External interest payable | (382,299) | 158,207 |
| Foreign currency translation differences | 178,793 | 245,946 |
| **Net movement in payables as per cash flow** | **8,609,129** | **(5,728,956)** |

# Notes (continued)

### 35. 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**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Diageo Great Britain | 916,956 | 1,385,933 |
| Diageo Ireland | 366,825 | 512,106 |
| Diageo North America, Inc. | 252,871 | 282,669 |
| Diageo Brands B.V. | 138,105 | 250,752 |
| Diageo Scotland Limited | 29,112 | 79,238 |
| Guinness Cameroon S.A. | 8,934 | - |
| Diageo Business Services India | 7,796 | - |
| Diageo Business Services Hungary | - | 48,513 |
| Guinness Ghana Breweries Limited | - | 15,761 |
| R & A Bailey & Co | - | 6,056 |
| Other related parties | 3,583 | 6,828 |
| | **1,724,182** | **2,587,856** |

**(ii) Purchase of goods and services**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Diageo Brands B.V. | 1,764,326 | 1,255,601 |
| Diageo Ireland | 1,021,500 | 1,222,395 |
| Diageo Great Britain | 516,029 | 803,026 |
| Guinness Storehouse Limited | 69,937 | - |
| Diageo South Africa (Pty) Limited | 14,728 | - |
| Diageo Scotland Limited | 8,672 | - |
| Diageo Business Services India | 4 | - |
| United Spirits Singapore Pte. Limited | - | 7,858 |
| | **3,395,196** | **3,288,880** |

# Notes (continued)

### 35. Related party transactions (continued)

**(a) Group (continued)**

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

**Receivables from related parties**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Meta Abo Breweries Limited | 71,343 | 25,349 |
| Diageo North America, Inc. | 58,260 | 1,043 |
| Guinness Nigeria Plc | 17,897 | 23,037 |
| Diageo plc | 5,195 | 538 |
| Guinness Cameroon S.A. | 2,482 | 1,552 |
| Guinness Ghana Breweries Limited | 810 | 4,642 |
| Seychelles Breweries Limited | 162 | 3,071 |
| Diageo Great Britain Limited | - | 215,926 |
| Diageo Ireland | - | 16,104 |
| Diageo Business Services Hungary | - | 5,380 |
| Other related parties | 5,206 | 3,215 |
| | **161,355** | **299,857** |

**Payables to related parties**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Diageo Brands B.V | 830,093 | 460,634 |
| Diageo Ireland | 609,500 | 132,867 |
| Diageo Great Britain Limited | 180,445 | 208,996 |
| Diageo North America, Inc | 57,550 | 41,035 |
| Diageo South Africa (Pty) Limited | 12,253 | - |
| Guinness Cameroon S.A. | 1,920 | - |
| Diageo Business Services Hungary | 1,101 | 1,497 |
| United Spirits Limited | - | 11,728 |
| Other related parties | 1,689 | 14,722 |
| | **1,694,551** | **871,479** |

# Notes (continued)

**35. Related party transactions (continued)**

**(b) Company**

### (i) Management fees and royalties received/(paid)

**Transactions with subsidiaries**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Kenya Breweries Limited | 1,204,747 | 1,539,840 |
| UDV (Kenya) Limited | 327,954 | 289,947 |
| Uganda Breweries Limited | 258,103 | 189,377 |
| Serengeti Breweries Limited | 103,670 | - |
| East Africa Maltings Limited | 19,553 | - |
| | **1,914,027** | **2,019,164** |

**Transactions with related parties with related parties**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Diageo Great Britain Limited | (175,373) | - |
| Other related parties | 5,117 | - |
| | **(170,256)** | **-** |
| | **1,743,771** | **2,019,164** |

### (ii) Purchase of goods and services

| | 2021 | 2020 |
|---|---|---|
| | **Kshs 000** | **Kshs 000** |
| Serengeti Breweries Limited | 1,209,530 | 44,579 |
| Diageo Great Britain Limited | 773,986 | 912,425 |
| Kenya Breweries Limited | 97,806 | 217,444 |
| Diageo Scotland Limited | 29,112 | 77,272 |
| Diageo Ireland | 28,966 | 57,394 |
| Uganda Breweries Limited | 12,455 | 21,728 |
| Diageo Business Services India | 7,136 | 6,056 |
| Guiness Nigeria plc | 1,435 | 3,633 |
| Diageo Business Services Hungary | 838 | 48,513 |
| Diageo Brands B.V. | - | 71,032 |
| Guinness Ghana Breweries Limited | - | 15,761 |
| Other related parties | 4 | 4,302 |
| | **2,161,268** | **1,480,139** |

# Notes (continued)

**35. Related party transactions (continued)**

**(b) Company (continued)**

**(iii) Outstanding balances arising from sale and purchases of goods and services**

| Long-term receivables from subsidiaries | 2021 | 2020 |
|---|---|---|
| | Kshs'000 | Kshs'000 |
| Kenya Breweries Limited | 26,800,000 | 23,800,000 |
| Uganda Breweries Limited | 2,449,117 | 2,308,422 |
| UDV Kenya Limited | 1,100,000 | 1,100,000 |
| East Africa Maltings Limited | 687,000 | 686,338 |
| | **31,036,117** | **27,894,760** |

The Company has advanced loans to the subsidiaries to finance their capital expenditure and working capital requirements as part of the Group's centralized treasury 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)

**35. Related party transactions (continued)**

**(b) Company (continued)**

**(iii) Outstanding balances arising from sale and purchases of good/services (continued)**

**Receivables from related companies**

| | 2021 | 2020 |
|---|---|---|
| **Receivables from subsidiaries** | **Kshs'000** | **Kshs'000** |
| East African Maltings Limited | 2,895,889 | 603,500 |
| Kenya Breweries Limited | - | 506,700 |
| UDV (Kenya) Limited | - | 48,503 |
| Uganda Breweries Limited | 73,606 | 23,277 |
| Serengeti Breweries Limited | 39,962 | - |
| | **3,009,457** | **1,181,980** |
| **Receivables from related parties** | | |
| Meta Abo Breweries Limited | 30,197 | 1,428 |
| Diageo Great Britain Limited | 8,969 | 215,926 |
| Guinness Nigeria Plc | 3,273 | 17,215 |
| Guinness Cameroun S.A. | 2,482 | 1,552 |
| Diageo Business Services Limited | 2,482 | - |
| Diageo Angola Limitada | 2,314 | - |
| Guinness Ghana Breweries Limited | 810 | 4,642 |
| Diageo plc | 779 | 538 |
| Diageo Polski Sp. Z.o.o. | 410 | - |
| Seychelles Breweries Limited | 162 | 3,071 |
| Diageo North America, Inc. | - | 1,043 |
| Other related parties | - | 3,208 |
| | **51,878** | **248,623** |
| | **3,061,335** | **1,430,603** |

**Payables to related companies**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| **Payables to subsidiaries** | | |
| UDV (Kenya) Limited | 11,368,851 | 7,627,310 |
| Kenya Breweries Limited | 5,984,098 | 2,448,966 |
| EABL international Limited | 254,524 | 254,524 |
| | **17,607,473** | **10,330,800** |
| **Payables to related parties** | | |
| Diageo Great Britain Limited | 52,616 | - |
| Diageo Ireland | 227 | - |
| Diageo Business Services India | 937 | - |
| Diageo Brands B.V | - | 19,881 |
| Diageo Scotland Limited | - | 3,254 |
| Diageo Business Services Hungary | - | 1,497 |
| Other related parties | - | 1,155 |
| | **53,780** | **25,787** |
| | **17,661,253** | **10,356,587** |

# Notes (continued)

### 35. Related party transactions (continued)

#### (c) Other related party disclosures

#### (i) Directors' remuneration

**Group**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Fees for services as a Director | 36,946 | 34,339 |
| Share based payments | 47,504 | 29,018 |
| Other emoluments (included in key management compensation in (ii) below) | 158,219 | 328,607 |
| | **242,669** | **391,964** |

Directors' remuneration include fees in relation to non-executive Directors and compensation to executive Directors in the Company and its subsidiaries.

**Company**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Fees for services as a Director | 36,946 | 34,339 |
| Share based payments | 37,044 | 17,277 |
| Other emoluments included in key management | | |
| compensation in (ii) below) | 131,713 | 248,426 |
| | **205,703** | **300,042** |

#### (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**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Salaries and other shorter term employment benefits | 835,322 | 1,275,118 |
| Share based payments | 87,950 | 63,980 |
| Post-employment benefits | 79,558 | 55,513 |
| | **1,002,830** | **1,394,611** |

**Company**

| | 2021 | 2020 |
|---|---|---|
| | **Kshs'000** | **Kshs'000** |
| Salaries and other shorter term employment benefits | 165,758 | 447,938 |
| Share based payments | 54,580 | 17,277 |
| Post-employment benefits | 4,179 | 1,625 |
| | **224,517** | **466,840** |

### 36. Events after the reporting period

As at the date of approval of the financial statements for issue, the Directors were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Group and results of its operation as laid out in these financial statements.

# PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

The ten largest shareholdings in the Company and the respective number of shares held at 30 June 2021 are as follows:

| Name(s) and Address | Number of shares | % |
|---|---|---|
| Diageo Kenya Limited | 395,608,434 | 50.03% |
| Standard Chartered Nominees Non-Resd. A/C KE10085 | 19,784,000 | 2.50% |
| Standard Chartered Nominees Non-Resd. A/C KE004667 | 10,999,994 | 1.39% |
| Kenya Commercial Bank Nominees Limited A/C 915B | 9,575,144 | 1.21% |
| Standard Chartered Kenya Nominees Limited A/C KE004553 | 7,737,449 | 0.98% |
| Kenya Commercial Bank Nominees Limited A/C NR1873738 | 6,998,964 | 0.89% |
| Standard Chartered Nominees Non-Resd. A/C 915A | 6,879,617 | 0.87% |
| Standard Chartered Nominees Limited | 6,241,665 | 0.79% |
| Stanbic Nominees Limited A/C NR4323488 | 5,823,892 | 0.74% |
| Stanbic Nominees Limited A/C NR7522171 | 5,327,622 | 0.67% |
| **Total number of shares** | **474,976,781** | **60.06%** |

| Distribution of shareholders | Number of shares | Number of shareholders | % |
|---|---|---|---|
| 1 – 500 shares | 2,519,605 | 13,448 | 0.32% |
| 501 – 5,000 shares | 15,827,774 | 9,889 | 2.00% |
| 5,001 – 10,000 shares | 6,693,681 | 936 | 0.85% |
| 10,001 – 100,000 shares | 38,635,356 | 1,312 | 4.89% |
| 100,001 – 1,000,000 shares | 116,058,048 | 355 | 14.68% |
| Over 1,000,000 shares | 611,039,892 | 79 | 77.27% |
| **Total** | **790,774,356** | **26,019** | **100.00%** |

**EABL Directors' shareholding as at 30 June 2021:**

| Director's names | Number of shares |
|---|---|
| Caroline Musyoka | 2,782 |
| Jane Karuku | 1,296 |
| Ory Okolloh | 720 |
| Risper Ohaga | 700 |

# PROXY FORM

I/WE_______________________________________________

Share A/c No_______________________________________________

Of (Address) _______________________________________________

Being a member(s) of East African Breweries Limited, hereby appoint: ______________________________

Or failing him/her, the duly appointed Chairperson of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the AnnualGeneral Meeting of the Company, to be held virtually, by electronic means on Tuesday, 14th September 2021 at 11:00 a.m. East African Time (GMT+3) and at any adjournment thereof.

As witness I/We lay my/our hand (s) this ______________________ day of ______________________ 2021.

Signature ______________________ Signature ______________________

**Please clearly mark the box below to instruct your proxy how to vote**

| RESOLUTION | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| 1. To receive, consider and adopt the audited Financial Statements for the year ended 30$^{th}$ June 2021 together with the Chairman's, Directors' and Auditors' Reports thereon. | | | |
| 2. To re-elect directors:<br>a. Japheth Katto who has attained the age of 70 years, and being eligible, offers himself for re-election. | | | |
| b. Ory Okolloh who was appointed during the financial year to fill a casual vacancy on the Board. She retires in accordance with the provisions of Article 116 of the Company's Articles of Association, and, being eligible, offers herself for re-election.. | | | |
| c. Dayalan Nayager who was appointed during the financial year to fill a casual vacancy on the Board. He retires in accordance with the provisions of Article 116 of the Company's Articles of Association, and being eligible, offers himself for re-election. | | | |
| d. Martin Otieno-Oduor, who retires by rotation in accordance with the provisions of Article 117 of the Company's Articles of Association, and being eligible, offers himself for re-election. | | | |
| e. John Ulanga, who retires by rotation in accordance with the provisions of Article 117 of the Company's Articles of Association, and being eligible, offers himself for re-election. | | | |
| 3. To elect the following Directors, being members of the Board Audit & Risk Management Committee to continue to serve as members of the said Committee: - John Ulanga; Japheth Katto; Jimmy Mugerwa; Leo Breen and Ory Okolloh | | | |
| 4. To receive, consider and if thought fit approve the Directors' Remuneration Report and the remuneration paid to the Directors' for the year ended 30th June 2021. | | | |
| 5. To reappoint, PricewaterhouseCoopers (PwC) LLP as Auditors of the Company by virtue of Section 721(2) of the Companies Act, 2015 and to authorize the Board of Directors to fix their remuneration for the ensuing financial year. | | | |
| **Special Business**<br>**Change of Company Name**<br>To consider and if thought fit to pass the following resolution as a special resolution, as recommended by the Directors: -<br>"That the name of the Company be and is hereby changed from 'East African Breweries Limited' to 'East African Breweries Plc' in compliance with Section 53 of the Companies Act, 2015 and with effect from the date set out in the Certificate of Change of Name issued in that regards by the Registrar of Companies". | | | |

# ELECTRONIC COMMUNICATIONS CONSENT FORM

**Please complete in BLOCK CAPITALS**

Full name of Proxy(s): ______________________________________________

______________________________________________

______________________________________________

Address: ______________________________________________

______________________________________________

Mobile Number

| |
|---|
| |

Date: ______________________ Signature: ______________________

Please tick ONE of the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street:

| | | |
|---|---|---|
| **Approval of Registration**<br>I/We approve to register to participate in the virtual Annual General Meeting of East African Breweries Limited to be held on 14th September 2021. | | |
| **Consent for use of the Mobile Number provided**<br>I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. | | |

**Notes:**

1. If a member is unable to attend personally, this Proxy Form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to EABL offices situated at EABL Bustani Office, 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Thika Superhighway, Ruaraka, Nairobi P.O. Box 30161-00100 Nairobi, or sent via email to eabl.agm@eabl.com to arrive not later than Sunday, 12th September 2021 at 11:00 a.m. i.e. 48 hours before the meeting or any adjournment thereof or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
2. If a member is unable to attend personally, this Proxy Form should be completed and delivered to EABL offices situated at EABL Bustani Office, 5th Floor, Garden City Business Park, Block A, Garden City Road, off Exit 7 Superhighway, Ruaraka, Nairobi P.O. Box 30161-00100 Nairobi, or sent via email to eabl.agm@eabl.com to arrive not later than Sunday, 12 September 2021 at 11:00 a.m. i.e. 48 hours before the meeting or any adjournment thereof.
3. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
4. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
5. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
7. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
8. The Company offices are open during normal business hours on any weekday (Saturday, Sunday and Kenya public holidays excluded) unless closed for any other legal or legitimate reason. Unless stated otherwise, all timings quoted in this form of proxy are East African Time (GMT+3).

# FOMU YA UWAKILISHI

MIMI/SISI_______________________________________________

Akaunti ya Hisa Nambar _______________________________________________

Wa (Anwani) _______________________________________________

Nikiwa/tukiwa mwanachama/wanachama wa East African Breweries Limited, namteua/tunamteua: ____________________

_______________________________________________

Na asipopatikana Mwenyekiti wa mkutano, kuwa mwakilishi wangu/wetu na kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa kampuni utakaoandaliwa kwa njia ya kielektroniki Jumanne, 14 Septemba 2021 saa tano asubuhi (11:00 a.m.) saa za Afrika Mashariki (GMT+3) na tarehe nyingine yoyote iwapo utaahirishwa.

Kama shahidi/mashahidi Naweka saini /Tunaweka saini tarehe ____________________ ya mwezi wa ____________________ 2021.

Saini ____________________ Saini ____________________

**Tafadhali weka alama vyema kwenye kijisanduku hapa chini kumuelekeza mwakilishi wako/wenu jinsi ya kupiga kura**

| AZIMIO | KUUNGA MKONO | KUPINGA | KUSUSIA |
|---|---|---|---|
| 1. Kupokea, kutathmini na iwapo itakubalika, kuidhinisha Taarifa za Kifedha Zilizokaguliwa za mwaka uliokamilika mnamo 30 Juni 2021 pamoja na ripoti za Mwenyekiti, Mkurugenzi na Mkaguzi wa hesabu zilizomo. | | | |
| 2. Kuwachagua tena wakurugenzi:<br>a. Bw Japheth Katto aliyetimiza miaka 70, na, kwa kuwa amehitimu, anajiwasilisha kuomba kuchaguliwa tena. | | | |
| b. Ory Okolloh aliyeteuliwa wakati wa mwaka huo wa kifedha kujaza nafasi iliyokuwa imetokea kwenye Bodi. Anastaafu kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa amehitimu, anajiwasilisha kuomba kuchaguliwa tena. | | | |
| c. Dayalan Nayager aliyeteuliwa wakati wa mwaka huo wa kifedha kujaza nafasi iliyokuwa imetokea kwenye Bodi. Anastaafu kuambatana na Kifungu 116 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa amehitimu, anajiwasilisha kuomba kuchaguliwa tena. | | | |
| d. Martin Oduor-Otieno, anayestaafu kwa mzunguko kuambatana na Kifungu 117 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa amehitimu, anajiwasilisha kuomba kuchaguliwa tena. | | | |
| e. John Ulanga anayestaafu kwa mzunguko kuambatana na Kifungu 117 cha Sheria za Kuundwa kwa Kampuni, na, kwa kuwa amehitimu, anajiwasilisha kuomba kuchaguliwa tena. | | | |
| 3. Kuwachagua Wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu & Usimamisi wa Hatari, wachaguliwe kuendelea kuhudumu kama wanachama wa Kamati hiyo: -<br>John Ulanga; Japheth Katto; Jimmy Mugerwa; Leo Breen na Ory Okolloh. | | | |
| 4. Kupokea, kutathmini na iwapo itakubalika, kuidhinisha Ripoti ya Malipo ya Wakurugenzi kwa mwaka uliomalizika 30 Juni 2021. | | | |
| 5. Kuwateua tena, PricewaterhouseCoopers (PwC) LLP kuhudumu kama Wakaguzi wa Hesabu wa Kampuni kwa mujibu wa Kifungu 721(2) cha Sheria za Kampuni, 2015 na kuwapa idhini Wakurugenzi wa Bodi kuamua malipo yao kwa mwaka wa kifedha unaofuata. | | | |
| **Shughuli maalum**<br>**Kubadilishwa kwa jina la Kampuni**<br>Kujadili na iwapo itakubalika, kuidhinisha azimio lifuatalo kama Azimio Maalum, kama ilivyopendekezwa na Wakurugenzi: -<br>"Kwamba jina la Kampuni liwe na limebadilishwa kutoka kuwa "East African Breweries Limited" na kuwa "East African Breweries plc" kwa kufuata Kifungu 53 cha Sheria za Kampuni, 2015 na hili kutekelezwa kuanzia tarehe iliyoandikwa kwenye Cheti cha Kubadilishwa kwa Jina kilichotolewa kuhusiana na hili na Msajili wa Kampuni". | | | |

# FOMU YA IDHINI YA MAWASILIANO YA KIELEKTRONIKI

**Tafadhali jaza kwa HERUFI KUBWA**

Jina kamili la mwakilishi (wawakilishi): ______________________________

______________________________

______________________________

Anwani: ______________________________

______________________________

Nambari ya simu

| |
|---|
| |

Tarehe: ______________________________ Saini: ______________________________

Tafadhali weka alama katika MOJA kati ya visanduku vilivyo hapa chini na kuirejesha fomu hii kwa Image Registrars S.L.P. 9287- 00100 Nairobi, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street:

| | | |
|---|---|---|
| **Idhini ya kusajiliwa**<br>MIMI/SISI ninatoa/tunatoa idhini ya kusajiliwa kushiriki katika Mkutano Mkuu wa Kila Mwaka utakaofanyika kwa njia ya kielektroniki mnamo 14 Septemba, 2021. | | |
| **Idhini ya kutumiwa kwa nambari ya simu iliyotolewa**<br>NINGEPENGA/TUNGEPENDA kutoa idhini yangu/yetu ya kutumiwa kwa nambari ya simu niliyotoa/tuliyotoa kwa ajili ya kupiga kura katika AGM. | | |

**Maelezo:**

1. Iwapo mwanachama atashindwa kuhudhuria yeye binafsi, Fomu hii ya Uwakilishi inafaa kujazwa na kutiwa saini na ifikishwe (pamoja na idhini kwa wakili au mamlaka nyingine yoyote (iwapo ipo) ambapo mamlaka yametolewa au barua yenye kiapo ya kutoa idhini au mamlaka hayo kwa mhusika) kwa afisi za EABL zilizopo EABL Bustani Office, Ghorofa ya 5, Garden City Business Park, Jumba A, Barabara ya Garden City, kwa kutumia Exit 7 katika Barabara Kuu ya Thika, Ruaraka, Nairobi S.L.P. 30161-00100, Nairobi au kwa njia ya barua pepe kupitia anwani eabl.agm@eabl.com ili ifike si baada ya Jumapili,12 Septemba, 2021 saa tano asubuhi (11:00 a.m.), yaani si chini ya saa 48 kabla ya wakati wa kufanyika kwa mkutano, au iwapo kura itapigwa katika tarehe nyingine baada ya mkutano, au mkutano ukiahirishwa hadi siku nyingine, sio chini ya saa 24 kabla ya wakati uliotengwa wa kupigwa kwa kura ambapo kawaida huwa ni zaidi ya saa 48 baada ya tarehe ya kuandaliwa kwa mkutano au ya kuandaliwa kwa mkutano ulioahirishwa.
2. Iwapo mwanachama atashindwa kuhudhuria yeye binafsi, Fomu hii ya Uwakilishi inafaa kujazwa na ifikishwe kwa afisi za EABL zilizopo EABL Bustani Office, Ghorofa ya 5, Garden City Business Park, Jumba A, Barabara ya Garden City, kwa kutumia Exit 7 katika Barabara Kuu ya Thika, Ruaraka, Nairobi S.L.P. 30161-00100, Nairobi, au kwa njia ya barua pepe kupitia anwani eabl.agm@eabl.com ili ifike si baada ya Jumapili tarehe 12 Septemba, 2020 saa tano asubuhi (11:00 a.m.), yaani si chini ya saa 48 kabla ya wakati wa kufanyika kwa mkutano, au siku yoyote ile nyingine iwapo mkutano utaahirishwa.
3. Iwapo anayeteua mwakilishi ni kampuni au shirika, Fomu ya Uwakilishi inafaa kupigwa mhuri rasmi wa kampuni au kuidhinishwa na afisa au wakili aliyeidhinishwa kuiwakilisha kampuni au shirika hilo.
4. Kama mwenyehisa, una haki ya kumteua mwakilishi au wawakilishi wa kutekeleza haki zote au baadhi ya haki zako kama mwenyehisa na kuzungumza na kupiga kura kwa niaba yako katika mkutano. Uteuzi wa Mwenyekiti kama mwakilishi umetolewa kama njia moja ili kurahisisha mambo. Ili kuteua mtu mwingine kuwa mwakilishi, piga kalamu maneno 'Mwenyekiti wa Mkutano au" na uandike majina kamili ya mwakilishi wako katika nafasi iliyotolewa. Mwakilishi sio lazima awe mwenyehisa wa Kampuni.
5. Kujazwa na kuwasilishwa kwa fomu ya uwakilishi hakutakuzuia wewe mwenyewe kuhudhuria na kupiga kura mkutanoni, ambapo iwapo itafanyika kura itakayopigwa na mwakilishi wako haitahesabiwa.
6. Iwapo shirika au kampuni ndiyo mwenyehisa basi fomu ya uwakilishi inafaa kupigwa mhuri rasmi wa kampuni au kuidhinishwa na afisa au wakili aliyeidhinishwa kuiwakilisha kampuni au shirika hilo.
7. Chaguo la "kususia" limeorodheshwa kwenye sehemu ya kupiga kura kwenye fomu hii ya uwakilishi. Matokeo ya kisheria ya kutumia chaguo hili kwenye azimio lolote ni kwamba utahesabiwa kama mtu ambaye hakupigia kura azimio hilo. Idadi ya kura zilizosusiwa, hata hivyo, itahesabiwa na kurekodiwa, lakini hazitatumiwa katika kuhesabu idadi ya kura zilizounga mkono au kupinga kila azimio.
8. Afisi za Kampuni huwa zimefunguliwa wakati wa saa za kawaida za kuendesha shughuli kila siku ya wiki (isipokuwa Jumamosi, Jumapili na siku za mapumziko Kenya) isipokuwa tu ziwe zimefungwa kwa sababu nyingine za kisheria au halali. Isipokuwa kama imeelezwa vinginevyo, saa zote zilizorejelewa kwenye fomu hii ni za Afrika Mashariki (GMT+3)

# NOTES


WAKATI WAKO
NI SASA
Pilsner
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BIA IMARA KAMA SIMBA
SBL
SUPERIOR CLARITY, AUTHENTIC TASTE
Pilsner
LAGER
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SIMAMA IMARA - SONGA MBELE