



Emerging
Stronger
A better Future



Annual Report and Financial Statements



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CORPORATE INFORMATION

DIRECTORS

| | |
|--------------------------|---|
| Dr. M Oduor-Otieno | Group Chairman |
| Mrs. J Karuku | Group Managing Director – Appointed on 1 January 2021 |
| Mrs. R G Ohaga | Group Chief Financial Officer |
| Mr. J O’Keeffe** | |
| Mr. L Breen* | |
| Ms. C Musyoka | |
| Mr. J Ulanga**** | |
| Mr. J Katto*** | |
| Mr. J Mugerwa*** | |
| Ms. Ory Okolloh | Appointed on 16 October 2020 |
| Mr. Dayalan Nayager***** | Appointed on 1 March 2021 |
| Mr. A Cowan* | Resigned on 1 March 2021 |

* British ** Irish *** Ugandan ****Tanzanian ***** South African

SECRETARY

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

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way / Chiromo Road
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ADVOCATES

Bowmans
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P.O. Box 10643
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SHARE REGISTRARS

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PRINCIPAL BANKERS

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

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

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

Absa Bank Kenya PLC (formerly Barclays Bank of Kenya Limited)
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00100 Nairobi, GPO

REGISTERED OFFICE

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Garden City Business Park, Ruaraka
PO Box 30161
00100 Nairobi GPO

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2021, which disclose the state of affairs of East African Breweries Limited ("EABL" or the "Company") together with its subsidiaries (together the "Group"). The annual report and financial statements have been prepared in accordance with the requirements of the Kenyan Companies Act 2015.

1. Principal activities

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

2. Results

The Group and Company results for the year are set out on page 129 and page 131 respectively.

3. Business review

i) Business performance

In the year under review, the COVID-19 pandemic continued to present significant challenges to our business. This was characterized by starting the financial year under trade and movement restrictions with a partial re-opening of bars in Kenya in the first quarter of the financial year and closing the financial year in yet another lockdown in Uganda and limited bar operating hours in Kenya.

Throughout the year, the three countries were variously impacted by COVID-19. The Group's brands, financial stability, and resilience in the face of adversity were critical factors that helped us navigate this period, which demonstrates a recovery in performance. Net revenue increased 15% to Kshs 86 billion, driven by broad based growth across all markets. This performance reflects a strong recovery and resilience in consumer demand despite a challenging operating environment. Gross profit increased 13% to Kshs 37.4 billion compared to prior year as net revenue growth was partially offset by higher cost of sales. The drivers of high cost of sales include excise duty increases, additional costs related to digital tax stamp implementation in Uganda and general price inflation which was partially mitigated by pro-active cost-saving initiatives.

Profit before tax increased by 2% to Kshs 10.8 billion compared to the prior year with net revenue growth partially offset by the impact of one-off tax provisions. Profit after tax marginally declined 1% to Kshs 6.9 billion compared to Kshs 7.0 billion reported in the prior year. Excluding the impact of one-off tax provisions of Kshs 2.8 billion, the group's profit after tax would have closed at Kshs 8.8 billion, representing a 25% growth compared to the prior year.

Net cash from operating activities closed at Kshs 14.6 billion, a significant improvement of Kshs 11.3 billion compared to the prior year where liquidity was strained due to the impact of COVID on business performance. The improvement in net cash from operations is attributable to improvement in operating profit and working capital benefits which demonstrates how we are focusing on day to day cash management.

ii) Operating environment

The COVID-19 pandemic brought about socio-economic challenges that disrupted our customers, strained consumer wallets and interrupted the on-trade channel of our business. Beyond the pandemic, there were also macro-economic pressures, with the depreciation of the Kenya shilling, and the roll-back of COVID tax relief measures. The impact of the pandemic led to unpredictable times, which required us to closely track consumers' attitudes and motivations, and convert these trends to invest effectively in advertising and promotion, and drive sustainable innovation of new products for consumers.

Inflation was relatively stable across the countries, except for Kenya having a relatively higher inflation rate compared to her neighbors; the key driver being fuel and food prices. Tanzanian and Ugandan currencies were relatively stable for the better part of the financial year, with depreciation of the Kenya Shilling ranging between 5% and 9% within the year.

iii) Policy and regulation

The tax and regulatory landscape remain key influencers to the Group's business performance and strategic decisions. The market has some of the highest alcohol excise tax rates in Sub Saharan Africa. The Kenya excise regime is a lot more aggressive than that of Tanzania and Uganda. We expect the Kenya government to continue with between the 5-8% inflationary increases. With general elections concluded in Uganda and Tanzania, we anticipate there might be some policy shifts as governments seek to address post COVID recovery and stimulus packages for ailing sectors of the economy. Kenya general elections will be held in 2022 and there is a possibility of having a constitutional referendum in 2021.

In Uganda, the Alcohol Control Policy was passed in September 2019, and we anticipate this could introduce regulations directed at curbing marketing freedoms, trading hours and licensing, joining Kenya, who already have similar restrictions.

iv) Sustainability

We are committed to creating shared value in the communities where we live, work, source and sell, ensuring that our products and operations do not cause harm. We are therefore taking the lead in developing solutions to challenges such as climate change, water scarcity, inequality, and harmful alcohol consumption.

To promote positive drinking, our objective is to demonstrate leadership in ensuring people drink better, addressing alcohol misuse, and advocating for moderation. We have partnered with a range of organisations and state actors across the region, including the National Transport and Safety Authority Kenya (NTSA), Dodoma Regional Traffic Police Division and the Alcoholic Beverages Association of Kenya (ABAK), to launch a series of campaigns aimed at enhancing road safety and instilling responsible behaviour amongst road users. For example, our Don't Drink and Drive Campaign in Tanzania has reached over 300,000 people, including bus drivers and boda boda riders.

DIRECTORS' REPORT (continued)

3. Business review (Continued)

iv) Sustainability (Continued)

With the ever-increasing demand for visual content driven by global trends that has seen platforms like TikTok, SnapChat and Instagram Stories take root among the youth, UBL's Red Card and 'Cool Teens Don't Drink' campaign launched 'Suubi' under the global Smashed program.

Across East Africa, we are committed to driving an ambitious inclusion and diversity strategy that is consistent with our performance targets and relevant to the consumer base we serve. We successfully launched a pilot project in partnership with Sight Savers whereby 39 farmers with disabilities in Homa Bay county in Kenya were enlisted into our sorghum contract farming scheme. We are keen on advancing this by enlisting more people with disabilities as suppliers, distributors, and employees across our value chain and aim to have 3% representation by 2030.

As part of our commitment to grain to glass sustainability and under the banner 'Water for Life', we have launched a series of community-based water projects aimed at providing safe, reliable and sustainable supply of the commodity to communities across the East African region. Our water projects have improved access and availability of clean and safe water to over six million people in Tanzania, Uganda and Kenya. We are well on our way to accomplishing our 2030 targets on preserving water for life.

Water of Life

In Kenya, we have impacted over 2.5 million people, improving with their access to potable water. In Tanzania, Serengeti Breweries Limited has drilled over 18 boreholes across the country, providing water to over two million people in water-stressed areas. Between Uganda, Tanzania and Kenya, 'Water of Life' has improved access and availability of water for over six million people.

Water is a key ingredient in our manufacturing process. We also recognise that in Africa we operate in some of the most water stressed cities in the world. Water stewardship therefore is a critical enabler to building a sustainable business model for us. We have set ambitious targets to reduce water usage in all our manufacturing sites.

Every day, we treat all our water through an efficient water treatment plant with the aim of returning 100% of wastewater from our operations back to the environment safely. Over the past years we have invested in numerous areas of our business to substantially reduce the amount of water that we use in our processes. Currently, we are investing in new water recovery, purification and reuse facilities across 3 sites in East Africa, including both Tusker and Kisumu sites in Kenya, as well as in Uganda. This very modern technology will drastically reduce our consumption of water further.

When it comes to delivering efficiency in water and energy use per litre of beer produced, our sites are in the top five ranking of all global beer production sites. As of September 2020, Uganda Breweries Ltd recorded the lowest ever water ratio of 2.4HL/HL (2.4 hectolitres per hectolitre of beer) , against its stretch target of 2.79 HL/HL with a previous gross usage of 3.4HL/HL.

We also take pride in a network of over 60,000 farmers from whom we source our raw materials (sorghum and barley). Our local sourcing programme is a crucial business priority for us because it enables us to grow value together with the farmers in East Africa. During the lockdown due to COVID-19, the economic restrictions depressed our sales and in turn caused us to reduce our grain demand. However, we took various steps to mitigate the impacts of the pandemic on our farmers. We honoured all the contracts, purchasing approximately 45,000 tons of barley and 32,000 tons of sorghum and paid all the farmers.

Our smallholder farmers are already feeling the effects of climate change, which is unfortunately likely to get worse in the coming decade. We provide direct support to our farmers in the form of regular trainings on sustainable farming practices, early warning and assessment. We also provide drought-resistant seed varieties to our farmers to help them be more resilient in the face of climate challenges.

Lastly, we have strategically partnered with private and public entities to amplify environmental sustainability and promote coordinated responses to the climate emergency.

v) Employees

Employee support during the COVID-19 pandemic

The business has put in place specific guidelines on critical support to employees that covers the gamut of employee experience and challenges during these unprecedented times. These guidelines include specifics on individual employee well-being and resilience, support with tools and technology to work from home, keeping employees connected virtually, managing people processes such as recruitment, onboarding and absence, and pay principles that should apply due to changes in ways and nature of work.

Inclusion and diversity

We believe the most inclusive and diverse culture makes for a better business; we champion inclusion and diversity across our business, with our partners and communities.

We have targets for our leadership cohort to be 50% female by 2030, we are currently at 36%. We also focus on equal hiring throughout the business across all levels, for example our Commercial Graduate Program intake recruit is 100% women in Kenya and Uganda, we have increased the number of women in STEM (Science, Technology, Engineering Mathematics) roles to 30 through apprenticeships across Kenya, Uganda and Tanzania. Today, 100% of our Cube Spirits Line in Tanzania are female.

DIRECTORS' REPORT (continued)

3. Business review (Continued)

v) Employees (Continued)

We believe the importance of role models should never be overlooked. We make sure our female leaders through our Spirited Women network are highly visible, with a platform to share their career stories with candour; whether that is at panel discussions, awards or coaching and mentoring events.

Continuous learning journey

The pandemic presented a unique growth opportunity and we repurposed our learning to focus on wellbeing, life skills, navigating complex challenges, leading self and others in a virtual environment and building capabilities that are relevant for the future of work. Through the year, we continued to provoke everyday learning from everyday experiences and self-directed learning supported by My Learning Hub as well as leveraging Leaders as Teachers to build the requisite functional and leadership capabilities across the business.

vi) Internal policy framework

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

vii) Related party transactions

The Directors confirm that they have disclosed the Group and Company related party transactions in these financial statements and there were no insider dealings for the year ended 30 June 2021.

4. 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).

5. Directors

The Directors who held office during the year and to the date of this report are set out on page 110.

6. Employees

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

7. Disclosures to Auditors

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

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

8. Terms of appointment of Auditor

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

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

9. Approval of financial statements

The financial statements were approved by the Board of Directors on 29 July 2021.

By order of the Board

Ms. Kathryne Maundu

Company Secretary

Date: 29 July 2021

RIPOTI YA WAKURUGENZI

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za kifedha za mwaka uliokamilika 30 Juni 2021, ambazo zinaonyesha hali ya East African Breweries Limited ("EABL" au "Kampuni") pamoja na kampuni zake tanzu (kwa pamoja "Kundi"). Ripoti ya kila mwaka na taarifa za kifedha zimeandaliwa kwa mujibu wa maelezo kwenye Sheria ya Kampuni ya 2015.

1. Shughuli kuu

Kampuni hii na Kundi zinajihusisha katika mauzo, uzalishaji na usambazaji wa mkusanyiko wa nembo za bidhaa ambazo ni kuanzia bia, pombe kali hadi kwa vinywaji vya watu wazima visivyo na kileo.

2. Matokeo

Matokeo ya Kundi na Kampuni ya kipindi hicho yamechapishwa katika ukurasa wa 127 na ukurasa wa 129 mtawalia.

3. Utathmini wa biashara

i) Matokeo ya biashara

Katika mwaka tunaoungazia, janga la COVID-19 liliendelea kutoa changamoto kwa biashara yetu. Hii ilikuwa ni pamoja na kuanza mwaka kwa watu kuwekewa shuruti la kutotoka nje na masharti ya kutosafiri. Baa zilifunguliwa kwa muda katika robo ya kwanza ya mwaka Kenya. Mwaka wa kifedha ulimalizika kwa shuruti jingine la kutotoka nje Uganda na baa kufunguliwa kwa muda tu Kenya.

Katika mwaka huo wote, mataifa yote matatu yaliathiriwa na COVID-19 kwa njia mbalimbali. Nembo za Kundi, uthabiti wa kifedha, na ukakamavu wakati wa majanga ndivyo vitu vikuu vilivyotusaidia kupitia kipindi hicho ambapo matokeo yetu yalianza kuimarika. Mapato ghafi yalikua kwa 15% hadi Kshs 86 bilioni, hili likichangia na ukuaji mpana katika masoko yote. Matokeo haya ni dhihirisho la kuimarika tena na ukakamavu kwenye mahitaji upande wa wateja licha ya mazingira kuwa magumu. Faida ghafi iliongezeka 13% hadi Kshs 37.4 bilioni ukilinganisha na mwaka uliotangulia. Ukuaji wa mapato halisi ulipunguzwa kiasi na gharama ya juu ya kufanikisha mauzo. Vitu vilivyochangia gharama ya kufanikisha mauzo kupanda ni pamoja na; kuongezwa kwa kodi ya bidhaa, gharama za ziada zilizotokana na utekelezaji wa stempu za kidijitali Uganda pamoja na mfumko wa bei za bidhaa ambao kwa kiwango fulani athari zake zilipunguzwa na mikakati yetu ya kupunguza matumizi.

Faida kabla ya ushuru iliongezeka kwa 2% hadi Kshs 10.8 bilioni ukilinganisha na mwaka uliotangulia huku ukuaji wa mapato halisi ukiathiriwa kiasi na kutengwa kwa pesa za kulipa kodi ya mara moja. Faida baada ya ushuru ilipungua kidogo kwa 1% hadi Kshs 6.9 bilioni ukilinganisha na Kshs 7.0 bilioni tulizopata mwaka uliotangulia. Ukiondoa athari za kutengwa kwa kodi ya mara moja ya jumla ya Kshs 2.8 bilioni, faida ya Kundi baada ya ushuru ingelikuwa Kshs 8.8 bilioni ambao ungekuwa ni ukuaji wa 25% ukilinganisha na mwaka uliotangulia.

Fedha zilizoingia kwa kampuni kutokana na shughuli zetu za kibiashara zilifikia Kshs 14.6 bilioni, ambapo ni kuimarika pakubwa ukilinganisha na Kshs 11.3 bilioni mwaka uliotangulia ambapo kulikuwa na changamoto katika upatikanaji wa pesa kutokana na athari za COVID kwenye biashara yetu. Kuimarika huku kwa pesa zilizotokana na shughuli zetu kunatokana na kuimarika kwa faida ghafi baada ya kuondoa gharama ya uendeshaji shughuli na pia manufaa kutokana na mtaji. Haya yanadhihirisha jinsi tunavyoangazia usimamizi wa fedha siku kwa siku.

ii) Mazingira ya uendeshaji shughuli

Janga la COVID-19 lilileta changamoto za kijamii na kiuchumi zilizowatatiza wateja wetu, kuathiri uwezo wao wa kifedha na kutatiza pia mfumo wa uuzaji wa biashara yetu. Kando na janga, kulikuwa pia na shinikizo za kiuchumi zilizotokana na kushuka thamani kwa shilingi ya Kenya, na kuondolewa kwa nafuu za ushuru zilizokuwa zimewekwa kupunguza makali ya COVID. Athari za janga hili zilichangia kuwepo kwa kipindi cha kutotabirika kilichotuhitaji kufuatilia kwa karibu mitazamo ya wateja na sababu yao ya kufanya mambo, na pia kubadilisha mitindo ili kutuongoza kuwekeza katika matangazo na uvumishaji wa bidhaa, na kuongoza uvumbuzi wa bidhaa endelevu za kutumiwa na wateja.

Kiwango cha mfumko wa bei za bidhaa na huduma kilikuwa imara katika mataifa tunayohudumu, ingawa kiwango hiki Kenya kilikuwa juu kidogo ukilinganisha na majirani zake. Sababu kuu ilikuwa bei ya mafuta na vyakula. Sarafu za Tanzania na Uganda zilikuwa pia thabiti kwa sehemu kubwa ya mwaka huo wa kifedha, huku shilingi ya Kenya ikishuka thamani kwa kati ya 5% na 9% katika mwaka huo.

iii) Sera na sheria

Ushuru na sheria vimebaki kuwa vitu vinavyoathiri sana matokeo ya kibiashara ya Kundi na maamuzi makuu ya kimkakati. Soko hili lina viwango vya ushuru wa bidhaa za vileo vilivyo miongoni mwa viwango vya juu zaidi Afrika kusini mwa Sahara. Mfumo wa ushuru huo Kenya una makali zaidi kuliko Tanzania na Uganda. Tunaitarajia serikali ya Kenya kuendelea na ongezeko la 5-8% kuambatana na mfumko. Ikizingatiwa kwamba Uganda na Tanzania tayari wamefanya uchaguzi, tunatarajia kwamba huenda kukawa na mabadiliko fulani ya kisera serikali zinapokaribia kutafuta njia za kufufua uchumi baada ya janga la COVID na pia kutoa vichocho kwa sekta zilizoathirika kwenye uchumi. Uchaguzi mkuu Kenya utafanyika 2022 na kuna uwezekano wa kura ya maamuzi kuhusu marekebisho ya katiba kufanyika 2021.

Nchini Uganda, Sera ya Udhubi wa Vileo ilipitishwa Septemba 2019, na tunatarajia hii huenda ikaleta mabadiliko ya kisheria yenye lengo la kupunguza uhuru wa kutangaza, masaa ya kuuza vileo pamoja na utoaji leseni, na hivyo kujiunga na Kenya ambayo ina masharti kama hayo.

iv) Uendelevu

Tumejitolea kujenga thamani ya pamoja katika jamii katika maeneo ambapo tunaishi, kufanyia kazi, kununua malighafi na kuuza bidhaa, ili kuhakikisha bidhaa zetu na shughuli zetu hazisababishi madhara. Kwa hivyo, tumechukua uongozi katika kutengeneza suluhu kwa changamoto kama vile mabadiliko ya tabia nchi, uhaba wa maji, ukosefu wa usawa, na unywaji wa kiholela wa pombe.

Ili kuendeleza unywaji pombe wa kuwajibika, lengo letu ni kudhihirisha uongozi katika kuhakikisha watu wanakunywa pombe kwa njia ya kuwajibika, kuangazia matumizi mabaya ya pombe na kuendeleza unywaji wa pombe kwa kipimo. Tumeshirikiana na mashirika mbalimbali na idara za serikali kote kwenye kanda hii, ikiwemo Mamlaka ya Taifa ya Uchukuzi (NTSA), Polisi wa Trafiki Kanda ya Dodoma na Chama cha Vinywaji

RIPOTI YA WAKURUGENZI (inaendelea)

3. Utathmini wa biashara (mwendelezo)

iv) Uendelevu (mwendelezo)

vyenye Vileo Kenya (ABAK), kuzindua msururu wa kampeni zinazolenga kuimarisha usalama barabarani na kuhimiza tabia za kuwajibika kwa watu wanaotumia barabara. Kwa mfano, kampeni yetu ya Don't Drink and Drive kwa maana ya usinywe na kuendesha gari Tanzania imewafikia zaidi ya watu 300,000, wakiwemo madereva wa mabasi na waendeshaji boda boda.

Kutokana na ongezeko la umaarufu wa video ambao ndio mtindo sasa duniani ambapo mitandao kama vile Tik Tok, Snap Chat na Instagram Stories imekuwa maarufu sana miongoni mwa vijana, kampeni ya UBL ya Red Card (Kadi Nyekundu) na 'Cool Teens Don't Drink' (Vijana Wazuri Hawanywi) ilizindua filamu ya 'Suubi' kwenye mpango wa kuhamaisha na kuelimisha vijana wa Smashed.

Kote Afrika Mashariki, tumejitolea kuendeleza mkakati wa kuwajumuisha watu wa aina na asili mbalimbali, kuendana na malengo yetu na kuendana na wateja tunaowahudumia. Tulifanikiwa kuzindua mradi wa majaribio kwa ushirikiano na Sight Savers ambapo wakulima 39 wenye ulemavu wa aina mbalimbali kaunti ya Homa Bay nchini Kenya walijumuishwa kwenye mpango wetu wa wanakandarasi wanaotukuzia mtama. Tuna hamu ya kuendeleza mpango huu kwa kuwajumuisha watu zaidi wenye ulemavu kuwa wauzaji, wasambazaji na wafanyakazi wetu katika ngazi mbalimbali za shughuli zetu. Lengo letu ni wawe 3% kufikia 2030.

Kama sehemu ya kujitolea kwetu katika uendelevu wa kuanzia kwa nafaka hadi kwa gilasi na chini ya kauli mbiu ya 'Water of Life', kwa maana ya Maji ya Uhai, tulizindua msururu wa miradi kadha ya maji yenye lengo la kutoa maji safi, ya kutegemewa na endelevu kwa jamii maeneo mbalimbali kote kanda ya Afrika Mashariki. Miradi yetu ya maji imeboresha upatikanaji wa maji safi na salama kwa zaidi ya watu milioni sita Tanzania, Uganda na Kenya. Tumo kwenye hatua nzuri ya kutimiza malengo yetu ya 2030 kuhusu uhifadhi wa maji kwa ajili ya uhai.

Maji ya Uhai

Nchini Kenya, tumewafaa zaidi ya watu 2.5 milioni kwa kurahisisha upatikanaji wa maji safi kwao. Nchini Tanzania, SBL imechimba visima zaidi ya 18 kote nchini humo, vinavyotoa maji kwa watu zaidi ya milioni mbili katika maeneo yenye shida ya maji. Kwa jumla Uganda, Tanzania na Kenya, 'Maji ya Uhai' imeimarisha upatikanaji wa maji kwa watu zaidi ya milioni sita.

Maji ni kiungo muhimu katika shughuli yetu ya kutengeneza vileo viwandani. Tunatambua kwamba barani Afrika huwa tunaendesha shughuli zetu katika baadhi ya miji yenye shida kubwa zaidi za maji duniani. Uwajibikaji kuhusu maji kwa hivyo ni kiungo muhimu katika kuwa na muundo wa biashara endelevu kwetu. Tumejiwekea malengo makubwa ya kupunguza matumizi ya maji katika viwanda vyetu vyote, na hata zaidi Afrika ambapo hitaji ni la dharura zaidi.

Kila siku, huwa tunatibu maji yetu kupitia kiwanda cha kutibu maji kwa lengo la kuhakikisha 100% ya maji taka kutoka kwa shughuli zetu za viwandani yanarejeshwa kwenye mazingira yakiwa salama. Kwa miaka mingi iliyopita, tumewekeza katika maeneo mengi ya biashara yetu ili kupunguza maji tunayotumia katika viwanda vyetu kwa kiwango kikubwa. Kwa sasa, tunawekeza katika mitambo mipya ya kunusuru maji, kuyasafisha na kuyatumia tena katika viwanda vyetu katika maeneo 3 Afrika Mashariki, ambapo ni pamoja na Tusker na Kisumu nchini Kenya, pamoja na Uganda. Teknolojia hii ya kisasa sana itatusaidia kupunguza matumizi ya maji hata zaidi.

Katika kutumia vyema maji na nishati kwa kila lita ya bia inayozalishwa, viwanda vyetu vimo kwenye tano bora miongoni mwa viwanda bora zaidi duniani. Kufikia Septemba 2020, Uganda Breweries Ltd iliandikisha kipimo cha chini zaidi cha 2.4HL/HL (2.4 hektolita kwa kila hektolita ya bia), ukilinganisha na lengo la 2.79 HL/HL. Kiwango cha awali kilikuwa 3.4HL/HL.

Tunajivunia pia mtandao wa zaidi ya wakulima 60,000 ambao huwa tunanunua malighafi (mtama na shayiri) kutoka kwao. Mpango wetu wa kununua kutoka kwa wenyeji unapewa kipaumbele sana nasi kibiashara kwani hutuwezesha kukuza thamani yetu kwa pamoja na wakulima Afrika Mashariki. Wakati wa shuruti la kutosafiri kutokana na COVID-19, vikwazo vya kiuchumi vilivyowekwa viliathiri mauzo yetu nalo hilo likaathiri mahitaji ya nafaka. Hata hivyo, tulichukua hatua mbalimbali kupunguza athari zake kwa wakulima. Tulitimiza ahadi zote kwenye mikataba ya ununuzi, kwa kununua takriban tani 45,000 za shayiri na tani 32,000 za mtama na kuwalipa wakulima wote.

Wakulima wadogo wadogo tayari wanahisi athari za mabadiliko ya tabia nchi, ambazo zinatarajiwa kuwa mbaya zaidi katika mwongo ujao. Huwa tunatoa usaidizi wa moja kwa moja kwa wakulima kwa njia ya mafunzo ya mara kwa mara kuhusu mbinu endelevu za ukulima, tahadhari ya mapema na utathmini. Pia huwa tunawapa aina za mbegu zinazoweza kuhimili kiangazi ili kuwasaidia kuweza kukabiliana na changamoto za mabadiliko ya tabia nchi.

Mwisho, tumeshirikiana na asasi za kibinafsi na za serikali kupigia debe zaidi uendelevu wa kimazingira na kuhimiza pia juhudi za pamoja katika kukabiliana na dharura ya mabadiliko ya tabia nchi.

v) Wafanyakazi

Usaidizi kwa wafanyakazi wakati wa janga la COVID-19

Biashara imeweka mwongozo wa kina kuhusu usaidizi muhimu kwa wafanyakazi ambao unaangazia upana wa ujuzi na uzoefu wa wafanyakazi na changamoto zilizojitokeza kipindi hicho. Mwongozo huu una miongoni mwa mengine maslahi na hali ya mfanyakazi pamoja na ukamavu, usaidizi wa vifaa na teknolojia kuwezesha watu kufanyia kazi nyumbani, kuwaunganisha wafanyakazi kupitia mtandao, shughuli za usimamizi wa wafanyakazi kama vile uajiri, kukaribishwa kwa wafanyakazi wapya na wafanyakazi kutokuwa kazini. Pia, unaangazia maadili ya mishahara na marupurupu. Yote haya yanafaa kutumika kutokana na mabadiliko ya jinsi watu wanavyofanya kazi na kazi yenyewe.

Ujumuishaji na watu aina tofauti

Tunaamini kuwa utamaduni unaojumuisha wote na kukumbatia watu wa aina mbalimbali hufanikisha biashara; tunatetea ujumuishaji na uwepo wa watu wa aina mbalimbali kote katika biashara yetu, katika washirika wetu na katika jamii.

RIPOTI YA WAKURUGENZI (inaendelea)

3. Utathmini wa biashara (mwendelezo)

v) Wafanyakazi (mwendelezo)

Tuna malengo ya kuhakikisha viongozi wetu 50% ni wanawake kufikia 2030. Kwa sasa ni 36%. Tunaangazia pia kuajiri kwa msingi wa usawa katika ngazi zote. Kwa mfano, katika Mpango wetu wa Waliohitimu Vyuo, tulihakikisha kuna 100% Kenya na Uganda. Tumeongeza idadi ya wanawake katika nafasi za kazi za STEM (Sayansi, Teknolojia, Uhandisi na Hisabati) hadi 30 kupitia mpango wa kujifunza kazi Kenya, Uganda na Tanzania. Leo hii, 100% ya wanaohudumu Cube Spirits Line nchini Tanzania ni wanawake.

Tunatambua umuhimu wa mifano ya kuigwa. Huwa tunahakikisha kuwa viongozi wetu wanawake wanaonekana vyema kupitia mtandao wa Spirited Women. Kuna jukwaa lao kusimulia kuhusu safari zao za kitaaluma kwa njia ya uwazi; iwe ni katika mazungumzo ya majopo, hafla za utoaji wa tuzo au za utoaji wa mafunzo na ulezi.

Safari inayoendelea ya kujifunza

Janga hili lilitoa fursa ya kipekee ya ukuaji na tulifanyia maboresho mfumo wetu wa kujifunza kuangazia maslahi, ujuzi wa kufaa maishani, kukabiliana na changamoto, kujiongoza na kuwaongoza wengine katika mazingira ya kutokutana ana kwa ana na kujenga uwezo utakaofaa kwa kazi siku za usoni. Katika mwaka huo, tuliendelea kujifunza kutoka kwa matukio ya kila siku na mafunzo ya kupitia jukwaa la My Learning Hub pamoja na kuwatumia Viongozi kama Walimu kujenga uwezo unaohitajika kutekeleza majukumu na kuongoza kote katika biashara yetu.

vi) Mfumo wa sera ya ndani

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

vii) Shughuli za kibiashara za uhusiano

Wakurugenzi wanathibitisha kwamba wameweka wazi shughuli zao za kibiashara ambazo zinaweza kuwa zinahusiana na Kundi na Kampuni katika taarifa hizi za kifedha na kwamba hakukuwa na biashara haramu kwenye mwaka uliomalizika 30 Juni 2021.

4. Mgawo wa faida

Wakurugenzi hawapendekezi kulipwa kwa mgawo wa faida kwa mwaka uliomalizika 30 Juni 2021 kwa kutambua hitaji la kuhifadhi fedha kutokana na kuendelea kwa hali ya kutotabirika ambayo imetokana na janga la COVID-19 na athari zake kwa sekta yetu (2020: mgawo wa faida wa jumla ya KShs 3 kwa kila hisa sawa na 2,372,323,000).

5. Wakurugenzi

Wakurugenzi waliohudumu katika mwaka huo na waliopo hadi tarehe ya kutolewa kwa ripoti hii wameorodheshwa katika ukurasa 82-85.

6. Wafanyakazi

Wakurugenzi wana furaha kwa mara nyingine tena kutoa shukrani kwa wafanyakazi wote wa Kundi kwa juhudi zao, nguvu na kujitolea kwao katika mwaka huo.

7. Kuweka bayana mambo kwa Wakaguzi wa Hesabu

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

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

8. Masharti ya uteuzi wa Mkaguzi wa Hesabu

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

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

9. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa na bodi ya Wakurugenzi mnamo 29 Julai 2021.

Kwa agizo la Bodi

Bi. Kathryn Maundu

Katibu wa Kampuni

Tarehe: 29 Julai 2021

DIRECTORS' REMUNERATION REPORT

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

EABL is pleased to present the Directors' remuneration report for the year ended 30 June 2021. This report is compiled pursuant to EABL's reward policy, the Capital Markets Authority Code of Corporate Governance, and the Kenyan Companies Act, 2015 Regulations on Directors' remuneration. A key provision of the Company's principles is that reward directly support the business strategy with clear and measurable linkage to business performance.

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

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

As at 30 June 2021, EABL's Board of Directors consisted of:

- 2 Executive Directors: Mrs. Jane Karuku and Mrs. Risper G. Ohaga. Mr. Andrew Cowan resigned from the Board on 1 March 2021.
- 3 Non-Executive Directors: Mr. John O'Keeffe, Mr. Leo Breen and Mr. Dayalan Nayager who was appointed as a Non-Executive Director on 1 March 2021.
- 6 Independent Non-Executive Directors ("INEDs"): Dr. Martin Oduor-Otieno, Ms. Carol Musyoka, Mr. John Ulanga, Mr. Japheth Katto, Mr Jimmy Mugerwa and Ms. Ory Okolloh. Ms. Ory Okolloh was appointed as Independent Non-Executive Director on 16 October 2020.

In accordance with Section 6 of the Companies (General) (Amendment) Regulations of 2017, the Directors Remuneration Report for the year ended 30 June 2020 was presented to shareholders for approval at the Annual General Meeting (AGM) held on 16th September 2020. 99.98% voted in favour of the report, 0.00% voted against the report while 0.02% of the votes were withheld or spoilt.

The next section outlines the details of the remuneration.

DIRECTORS' REMUNERATION REPORT (continued)

1. Executive Directors

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

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

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

DIRECTORS' REMUNERATION REPORT (continued)

| Reward Element | Description |
|---------------------------------|---|
| Shares / stock options | <p>Purpose and link to Group Strategy These provide focus on delivering superior long term consistent performance in line with EABL's business strategy and to create alignment with the delivery of value and returns to shareholders.</p> <p>Operation The Executive Directors participate in the below plans:</p> <ul style="list-style-type: none"> • Diageo Executive Long Term Investment Plan (DEL TIP) – Under this plan, Diageo has discretion to grant Restricted Stock Units (RSUs) and/or share options in Diageo plc. Awards are normally made annually in September. DELTIP encourages leaders of the business to act like owners by linking reward to Diageo plc's share price performance. Awards will normally vest three years after grant, subject to continued employment. Employees can exercise their options at any time within the seven year period following the vesting date. • The Performance Share Plan (PSP) – This is a long-term incentive that offers the executive the opportunity to receive a conditional award overshares in Diageo plc, subject to the achievement of performance conditions: organic Profit Before Exceptional Items and Tax (PBET), organic Net Sales Value (NSV) growth and Environmental, Social and Governance (ESG) priorities. Provided that the performance conditions are met, shares will vest and be released to participants three years after the date of grant. The proportion of the award released depends on the extent to which the performance conditions are met. <p>Performance measure for the right to receive shares – The vesting of awards is linked to a range of measures which may include, but are not limited to:</p> <ul style="list-style-type: none"> • A growth measure (e.g. net sales growth, operating profit growth); • A measure of efficiency (e.g. operating margin, cumulative free cash flow, return on invested capital); • A measure of Diageo's performance in relation to its peers (e.g. relative total shareholder return); and • A measure relating to ESG priorities. |
| Company product | All Directors are eligible to receive a discretionary choice from a select product range to enable them experience the Company brands first hand. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit. |
| Notice period | The notice period is defined in the individual contracts. Local contracts provide for 3 months notice period. Notice period for international assignees is defined by their home contracts terms of service. |
| Termination payments | These are defined by Company policy, which provides for severance payment, payment in lieu of notice and payment of any accrued fixed pay and leave. |
| Compensation for past Directors | This report includes payments made in the relevant financial year to any person who was not a Director of the Company at the time the payment was made but had previously been a Director of the Company. |

DIRECTORS' REMUNERATION REPORT (continued)

Executive Directors Remuneration – Auditable information

Table 1: Executive Directors Pay and Benefits

| | Salary | Bonuses | Allowances and benefits | Total |
|--------------------------------|---------------|----------------|-------------------------|----------------|
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| Year ended 30 June 2021 | | | | |
| Andrew Cowan | 21,324 | - | 55,932 | 77,256 |
| Jane Karuku | 39,433 | - | 12,878 | 52,311 |
| Risper G. Ohaga | 23,910 | - | 4,742 | 28,652 |
| Total | 84,667 | - | 73,552 | 158,219 |
| Year ended 30 June 2020 | | | | |
| Andrew Cowan | 39,197 | 57,543 | 54,993 | 151,733 |
| Jane Karuku | 30,867 | 24,812 | 6,878 | 62,557 |
| György Geiszl | 16,183 | 23,181 | 52,943 | 92,307 |
| Risper G. Ohaga | 9,963 | 6,121 | 5,926 | 22,010 |
| Total | 96,210 | 111,657 | 120,740 | 328,607 |

The remuneration disclosed for directors who serve for a part of the year constitutes payments during the period they were in employment with the Company.

The bonus is awarded during the annual review cycle and paid out in October of every year. Therefore, the disclosed bonus remuneration is the amounts paid in the financial year based on the individual and company performance in the prior year.

Table 2: Executive Directors Stock options

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

| | At start of year | Shares/options awarded | Shares/options exercised | At end of year |
|--------------------------------|------------------|------------------------|--------------------------|----------------|
| Year ended 30 June 2021 | | | | |
| Andrew Cowan | 37,563 | 13,731 | (12,797) | 38,497 |
| Jane Karuku | 45,468 | 13,198 | (8,365) | 50,301 |
| Risper G. Ohaga | 1,328 | 5,811 | - | 7,139 |
| Total | 84,359 | 32,740 | (21,162) | 95,937 |
| Year ended 30 June 2020 | | | | |
| Andrew Cowan | 40,377 | 12,273 | (15,087) | 37,563 |
| Jane Karuku | 40,683 | 6,901 | (2,116) | 45,468 |
| György Geiszl | 11,541 | 1,069 | (4,781) | 7,829 |
| Risper G. Ohaga | - | 1,328 | - | 1,328 |
| Total | 92,601 | 21,571 | (21,984) | 92,188 |

The charge through profit or loss relating to the share options and awards was Kshs 47,504,000 (2020: Kshs 29,018,000)

DIRECTORS' REMUNERATION REPORT (continued)

2. Non-Executive Directors

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

3. Independent Non-Executive Directors (INEDS)

Independent Non-Executive Directors' remuneration policy and framework

Our reward policy targets to ensure that our pay is competitive at all levels across the business which also extends to include the compensation for the Non-Executive Directors. The Non-Executive Directors remuneration is based on an analysis and understanding of our market practices as well as the Capital Markets Authority (CMA) guidelines on good corporate governance that "the non-executive directors' remuneration should be competitive in line with remuneration for other directors in competing sectors".

EABL's preferred market positioning for remuneration is 75th percentile within a comparable peer group of companies. The approved internal policy and market practice is to review remuneration for Board Members every 2 years.

The list of the reward components is as follows:

(i) Consolidated fees

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

Effective financial year 2020, the Retainer Fees and Siting Allowance was consolidated to provide for one amount paid out monthly and differentiated by level of responsibility in the Board. Therefore, no separate attendance fees are paid in addition to the consolidate fees.

(ii) Insurance cover

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

(iii) Product allowance

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

(iv) Travel and accommodation when on Company business

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

(v) Medical cover

The Company provides Independent Non-Executive Directors with medical cover, both inpatient and outpatient, within the limits provided for EABL employees.

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

DIRECTORS' REMUNERATION REPORT (continued)

Independent non-executive Directors' remuneration policy and framework (continued)

INEDS Remuneration – Auditable information

| | Retainer | Sitting allowances | Total |
|--------------------------------|---------------|--------------------|---------------|
| | Kshs '000 | Kshs '000 | Kshs '000 |
| Year ended 30 June 2021 | | | |
| Martin Oduor-Otieno | 8,800 | - | 8,800 |
| Carol Musyoka | 5,580 | - | 5,580 |
| Japheth Katto | 6,558 | - | 6,558 |
| Jimmy Mugerwa | 6,251 | - | 6,251 |
| John Ulanga | 6,037 | - | 6,037 |
| Ory Okolloh | 3,720 | - | 3,720 |
| Total | 36,946 | - | 36,946 |
| Year ended 30 June 2020 | | | |
| Charles Muchene | 3,772 | 280 | 4,052 |
| Martin Oduor-Otieno | 7,108 | 345 | 7,453 |
| Carol Musyoka | 5,497 | 375 | 5,872 |
| Japheth Katto | 5,651 | 67 | 5,718 |
| Jimmy Mugerwa | 5,651 | 67 | 5,718 |
| John Ulanga | 5,447 | 79 | 5,526 |
| Total | 33,126 | 1,213 | 34,339 |

By order of the Board

Ms Kathryn Maundu

Company Secretary

Date: 29 July 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Group's statement of financial position indicates a net current liabilities position of Kshs 5,609,779,000 (2020: Kshs 5,076,181,000). The Directors believe that this is transient in nature as the Group continues to align its capital expenditure with long term funding. The Capital Markets Authority has exempted the Group from maintaining a current ratio of 1 until June 2023. The Group had undrawn funding available as at 30 June 2021 of Kshs 11.4 billion (2020: Kshs 4.1 billion) as disclosed in Note 30.

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

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

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

Approved by the Board of Directors on 29 July 2021 and signed on its behalf by:

Ms. Jane Karuku
Group Managing Director

Ms. Risper G Ohaga
Chief Financial Officer



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

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of East African Breweries Limited (the Company) and its subsidiaries (together, the Group) set out on pages 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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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 |
|---|--|
| <p>Carrying value of intangible assets (goodwill and brands) and investments in subsidiaries</p> <p>As disclosed in Note 24 of the financial statements, the Group has goodwill of Kshs 2.9 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.</p> <p>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.</p> <p>The determination of the recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires management judgement in both identifying and then valuing the relevant cash generating units (CGUs). Recoverable amounts are based on management’s estimate of variables and market conditions such as future selling prices and sales volume growth rates, the timing of future operating expenditure, and the most appropriate discount and long-term growth rates. Variations in management estimates and judgements could result in material differences in the outcomes of the assessment.</p> | <p>We evaluated and 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.</p> <p>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.</p> <p>We tested the mathematical accuracy and performed sensitivity analysis of the inputs and assumptions to the models.</p> <p>We assessed the adequacy and appropriateness of the related disclosures in Notes 24 and 25 of the financial statements.</p> |

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

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Provisions and contingent liabilities</p> <p>As explained in Note 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.</p> <p>The Directors use the best available information to make significant judgements at the year-end as to the likely outcome of these matters for purposes of calculating any potential liabilities and/or determining the level of disclosures in the financial statements. The future outcome of these claims could be materially different from the Directors' judgements.</p> | <p>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.</p> <p>Our audit focused on assessing the reasonableness of the Directors' judgements in relation to unresolved tax assessments and claims. In particular, our procedures included the following:</p> <ul style="list-style-type: none"> • where relevant, assessing independent professional opinions used in the management judgements and estimates; and • validation of the management judgements and estimates against the supporting internal information and documents, and communications with relevant tax authorities. <p>We evaluated whether the disclosures in the financial statements appropriately reflect any significant uncertainties that exist around the unresolved tax matters.</p> |

Other information

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

| | Note | Year ended 30 June | |
|--|-------|--------------------|-------------------|
| | | 2021 | 2020 |
| | | 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

| | Note | At 30 June | |
|---|-------|--------------------|--------------------|
| | | 2021 Kshs '000 | 2020 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

| | Note | At 30 June | |
|---|-------|---------------------|---------------------|
| | | 2021 Kshs '000 | 2020 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 Kshs '000 | Share premium Kshs '000 | Other reserves Kshs '000 | Retained earnings Kshs '000 | Total | Non-controlling interests Kshs '000 | Total equity 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 Kshs '000 | Share premium Kshs '000 | Other reserves Kshs '000 | Retained earnings Kshs '000 | Total Kshs '000 | Non-controlling interests Kshs '000 | Total equity 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

| | Notes | At 30 June | |
|--|-------|--------------------|--------------------|
| | | 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 waiver 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, plant 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:

- 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.
- Royalty income is recognised based on agreed rates applied on net sales value of the related products.
- 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:

- 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 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 |
|--|--------------------|--------------------|
| | Kshs '000 | Kshs '000 |
| Other income | | |
| 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 |
|--|------------------|----------------|
| | Kshs '000 | Kshs '000 |
| Income tax expense | | |
| 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: | | | | |
| Transfer 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)

| | Freehold property | Leasehold buildings | Plant & equipment | Returnable packaging | Capital work in progress | Total |
|---|-------------------|---------------------|-------------------|----------------------|--------------------------|--------------------|
| Year ended 30 June 2020 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| Cost | | | | | | |
| 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

| | Country of incorporation | Effective ownership interest | Book value at | |
|--|--------------------------|------------------------------|-------------------|-------------------|
| | | | 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-controlling 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 tranche of Kshs 5,000,000,000, which had an annual interest rate of 12.95% matured in March 2020. The second tranche of Kshs 6,000,000,000 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 tranche of Kshs 5,000,000,000, which had an annual interest rate of 12.95% matured in March 2020. The second tranche of Kshs 6,000,000,000 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 |
|---|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Movement of lease liabilities: | | |
| 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 |
|---|---------------|---------------|
| | Kshs'000 | Kshs'000 |
| Movement of lease liabilities: | | |
| 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 |
| Guinness 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 |
|---|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Receivables from subsidiaries | | |
| 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 Annual General 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: | | | |
| 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. | | | |
| <p>Special Business</p> <p>Change of Company Name</p> <p>To consider and if thought fit to pass the following resolution as a special resolution, as recommended by the Directors: - "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".</p> | | | |

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:

| | | |
|--|--|--|
| <p>Approval of Registration 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.</p> | | |
| <p>Consent for use of the Mobile Number provided I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.</p> | | |

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 utahirishwa.

Kama shahidi/mashahidi Naweka saina /Tunaweka saina tarehe _____ ya mwezi wa _____ 2021.

Saina _____

Saina _____

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: <ul style="list-style-type: none"> 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: - 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 Kubadilishwa kwa jina la Kampuni Kujadili na iwapo itakubalika, kuidhinisha azimio lifuatalo kama Azimio Maalum, kama ilivyopendekezwa na Wakurugenzi: - "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 vilivyvo 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 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 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 utahirishwa.
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)

