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**ABInBev** family

2018 Annual Report

# Shaping the future.



# Bringing People Together for a Better World.

To be the most aspirational company in Africa, one that grows a lot, is super-efficient, everyone loves to work for, and makes a real difference in society.



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## COMPANY PROFILE

Tanzania Breweries Limited (TBL), a member of the Anheuser-Busch InBev group of companies, manufactures sells and distributes clear beer, alcoholic fruit beverages and non-alcoholic beverages within Tanzania. TBL as a major player in the beverage sector is committed to the export of its products to niche and neighboring markets under the East Africa common market trading arrangement.

TBL has a controlling interest in Tanzania Distilleries Limited, Darbrew Limited and Kibo Breweries Limited.

TBL's most popular clear beer brands include Safari Lager, Kilimanjaro Premium Lager, Ndovu Special Malt, Castle Lager and Castle Lite. Other prominent brands associated with the TBL Group are Konyagi Gin, Valeur, Vladimir Vodka and Redds Premium Cold. The TBL Group is listed on the Dar es Salaam Stock Exchange, employs 1,515 people and is represented throughout the country with four clear beer breweries, a distillery, an opaque beer business, a malting facility and 8 distribution depots.



# Chairman's statement

## Resilient performance in a volatile environment

Tanzania Breweries Limited Group of Companies ("TBL Group") is pleased to declare its results for the financial year ended 31 December 2018.

The 2018 financial year was not without challenges, the business performance for the period is one of resilience in a volatile environment. TBL experienced 3% y-o-y decline in Revenue performance mainly impacted by heavy rains in the second quarter which disrupted sales as well as distribution of our products. Impacting our top line growth was the scale down of the Darbrew business. Despite revenue reduction the business showed steady development on a well-defined strategy to enhance affordability and accessibility of our brands through production of affordable brands and packs, hence persuading more consumers to switch from the informal sector. All this supported by dedicated team of our management and marketing and sales team across the nation.

Considering the above, below is an analysis of performance by business. Beer business volumes declined by 0.3% versus prior period. Wines and Spirits grew by 8.2% versus prior year, as we cycled effects from the sachet ban. However, Traditional African Beer declined by 64.6% as a direct consequence of an average 25% increase in price on Chibuku products to cover operational costs. Despite the tough operating environment, the Group demonstrated resilience and delivered encouraging performance in the flagship Core brands of Safari Lager and Kilimanjaro Premium Lager and it's Spirits business.

Consequently, our operating profit for the period was Tshs. 210bn and the TBL Group was able to approve dividend payment of Tshs. 206bn to our shareholders for the financial period, which translates to Tshs. 700 per share, a 9% reduction compared to the prior year

## Maintaining Responsible Corporate Citizenship

Despite the challenges, TBL Group remains one of the largest tax payers in the country making significant contributions to Government revenue in the form of corporate tax, excise duty and value added tax. A total of Tshs 504bn was paid to the Government during the year, compared to Tshs 430bn in prior year.

In support of social growth, we partnered with Kilimanjaro Project by donating USD 100,000 to plant 100,000 trees on the slopes of Mt. Kilimanjaro. The Kilimanjaro project aims to plant 50million trees within the next 10 years in the Kilimanjaro region. Additionally, our business remains committed to supporting local farming and sourcing of raw materials. Last year we held the East Africa Agriculture Drive for the first time, giving entrepreneurial Tanzanian companies an opportunity to partner with our business to revolutionize agriculture using modern technology with the main aim of assisting small holder farmers to increase production with innovative solutions that will make agriculture practices more efficient.

## Strict focus on our unbending core values

Our core values are firmly centred on the foundation of our unified African dream which is simply *"To be the most aspirational company in Africa, one that grows a lot, is super-efficient, everyone loves to work for, and makes a real difference in society"*. Looking ahead, TBL is committed to focus on the following strategic objectives: -

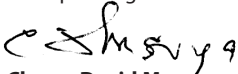
1. To partner with the government and other stakeholders to spearhead positive environment for socio-economic growth.
2. To enhance our ability to influence consumer and retailer buying decisions by continually improving customer service levels, providing consumers with greater access to our full brand portfolio and providing consumers with optimal value for money products.
3. To promote local sourcing of raw materials; this not only improves our efficiencies but also supports the development of the communities across the region.
4. To grow and develop our greatest strength, our people, and as such reward them accordingly.
5. To recruit, retain, develop and reward the best talents accordingly.
6. To manage our costs tightly, to free up resources that will support sustainable and profitable top line growth

## Commercial Strategy

After a very challenging year, we expect to deliver good underlying performance in the year ahead, our dream as TBL is to be the most aspirational company in East Africa delivering long term sustainable growth. Our actions aligned with our strategy have placed us in a good position to continue to grow and lead in the industry. Therefore, we can look forward to a year of renewed growth with anticipation coupled with continuous investment in people, innovation and technology that continues to sustain our momentum.

In the light of this positive outlook, management continues its efforts to return the business to growth, to deliver margin improvements through increased focus on cost efficiencies, to increase investment in our brands and in capital expenditure, to establish the right organizational set up and to build capabilities of employees to support this growth, towards our long term ambition. This task has been conferred on Mr. Phillip Redman who takes stewardship as the Managing Director from Mr. Roberto Jarrin after five years of exemplary services. TBL is fortunate to have team leaders with experience and commitment to take our company to a higher level of growth and profitability.

In closing, I would like to record my and the Board's appreciation first, to consumers of our products for their loyalty and support and then to management and staff for their commitment in driving the business to the level of performance we have reported this year and for positioning the business for continued growth in future. Finally, I extend my gratitude to all our shareholders and stakeholders for their contribution and effective oversight during the year, for their commitment to their role and for upholding the highest standards of corporate governance.

  
**Cleopa David Msuya**  
Chairman of the Board

# Taarifa ya mwenyekiti wa bodi

## Utendaji Thabiti katika mazingira magumu ya kibiashara

Kampuni ya Tanzania Breweries Limited ("TBL Group") inayo furaha kutangaza matokeo yake kwa mwaka wa fedha uliomalizika Desemba 31, 2018.

Mwaka wa fedha wa 2018, haukupita bila kuwepo misukosuko. Utendaji wetu wa kibiashara kipindi hiki, ulikumbana na mazingira magumu yenye changamoto mbalimbali. Mapato ya kampuni yalishuka kutokana na changamoto ya mvua kubwa iliyonyesha katika kipindi cha pili cha robo mwaka, ambayo iliathiri pia mauzo na usambazaji wa bidhaa zetu. Mkakati wetu wa ukuaji katika kipindi hiki pia uliathiriwa na kushuka kwa biashara za kampuni ya Darbrew. Licha ya kupungua kwa mapato ya biashara bado mkakati wetu wa kutengeneza bidhaa zetu kutumia vifungashio vidogo, ambavyo wateja wengi wanamudu, uliendelea kutasaidia katika masoko na kuweza kushawishi wateja wengi kuacha kutumia pombe za asili. Mkakati huu ulifanikishwa na timu ya wafanyakazi wetu wenye ari ya kujituma, kuanzia viongozi wa kampuni, kitengo cha masoko na kitengo cha mauzo katika viwanda vyetu nchini kote.

Kutokana na sababu zilizoelzwa hapo juu, ufuatao ni uchambuzi wa hali ya kibiashara ilivyokuwa, mauzo ya bia yalipungua kwa asilimia 0.3, kwa kulinganisha na kipindi kama hiki kwa mwaka uliotangulia, mauzo ya mvinyo na vinywaji vikali yaliongezeka kwa asilimia 8.2, kulinganisha na kipindi kama hiki mwaka uliotangulia wakati vifungashio vya mifuko ya plastiki vilipopigwa marufuku. Mauzo ya Pombe za Asili yalishuka kwa asilimia 64.6, kutokana na ongezeko la bei ya Chibuku kwa asilimia 25 ili kufidia gharama za uendeshaji.

Pamoja na mazingira magumu ya uendeshaji wa biashara, ustahimilifu wa biashara katika masoko uliendelea vizuri kwa kusaidiwa na mkakati wetu wa kutumia vifungashio vyenye ujazo mdogo katika bidhaa zetu maarufu za Safari Lager na Kilimanjaro Premium Lager na biashara yetu ya vinywaji vikali.

Kwa hiyo, faida iliyopatikana katika biashara yetu ni shilingi bilioni 201 na kutokana na faida hiyo, kampuni ya TBL Group iliweza kuidhinisha malipo ya gawio la shilingi bilioni 206 kwa wanahisa wetu katika kipindi hicho cha mwaka wa fedha, ambacho kwa tafsiri ni shilingi 700 kwa kila hisa, ikiwa imepunga kwa asilimia 9 kulinganisha na mwaka wa biashara uliopita.

## Kuendeleza rekodi ya kuchangia pato la serikali

Licha ya changamoto za kibiashara zilizokuwepo, TBL Group, imeendelea kushikilia rekodi ya kuwa kuwa mlipa kodi bora nchini na kuchangia kwa kiasi kikubwa pato la Serikali kupitia kodi ya Mapato, Kodi ya Ushuru wa Bidhaa, na Kodi ya Ongezeko la Thamani. Katika kipindi cha mwaka huu wa biashara, kodi iliyolipwa Serikalini ni kiasi cha shilingi bilioni 504, kulinganisha na kiasi cha shilingi bilioni 403 zilizolipwa mwaka uliopita.

Katika dhamira ya kampuni kukuza shughuli za kijamii, ilishirikiana na mradi wa Kilimanjaro na kutoa msaada wa Dola za Kimarekani 100,000 ili kufanikisha kupanda miti 100,000 kuzunguka maeneo ya mlima Kilimanjaro. Mradi wa Kilimanjaro umelenga kupanda miti milioni 50 kwenye mkoa wa Kilimanjaro katika kipindi cha miaka 10. Pia biashara yetu imeendelea kuwawezesha wakulima wadogo kwa kununua malighafi hapa nchini. Mwaka jana tuliwezesha kufanyika kongamano la ubunifu wa teknolojia za kilimo la Afrika Mashariki kwa mara ya kwanza ambalo lilitoa fursa kwa wajasiriamali wa Tanzania kubuni mashine za kurahisha kilimo kwa ajili ya kuwezesha wakulima kuendesha shughuli zao kisasa na kwa faida.

## Mtazamo wetu katika kuzingatia maadili yanayoongoza shughuli za kampuni

Maadili yetu yanazingatia msingi tuliojiwekea kwa kufanikisha ndoto yetu ya "Kujenga kampuni bora barani Afrika, itakayokua kwa kasi kubwa, inayoendeshwa kwa ufanisi kiasi cha kuvutia kila mmoja kufanya nazo kazi, inayotoa umuhimu katika suala la kuleta mabadiliko katika jamii." Mbeleni tunakoelekea, TBL imedhamiria kujikita kufanikisha mambo yafuatayo:

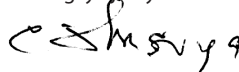
1. Kushirikiana na Serikali na wadau wengine kujenga mazingira mazuri ya kukuza shughuli za kijamii na uchumi nchini.
2. Kuimarisha uwezo wa kushawishi wateja wa rejareja wa bidhaa zetu kuendelea kutuunga mkono kwa kuwapatia huduma bora, kuhakikisha wanazipata bidhaa zetu kwa urahisi na kiwango wanachotarajia kutokana na fedha zao wanazotumia kuzinunua.
3. Kuendelea kununua malighafi nchini, utaratibu huu mbali na kuboresha zaidi ufanisi wetu unafanikisha kukuza maendeleo katika jamii tunazofanyia biashara zetu.
4. Nguzo kubwa ya kuendelea na kukua kwa biashara yetu inategemea watu wetu, tunaendelea kuwajali na kuwapatia motisha.
5. Kuajiri timu nzuri ya wafanyakazi, kuwahudumia ipasavyo, kuwapatia motisha sambamba na kuendeleza vipaji vyao.
6. Kupunguza matumizi na kutumia vizuri rasimili zetu ili kuafanikisha ukuaji wa biashara yetu, kupata faida na kuwa endelevu.

## Mkakati wetu wa Kibiashara

Baada ya kumaliza mwaka uliokuwa na changamoto za kibiashara, Tumejiipanga kuhakikisha utendaji wetu unazidi kuwa mzuri mwaka ujao, kufanikisha ndoto yetu ya kuwa kampuni bora katika kanda ya Afrika Mashariki katika ukuaji na kuwa biashara endelevu. Vitendo vyetu vinaenda sambamba na mkakati wetu umetuwezesha kuwa katika nafasi nzuri ya kuendelea kukua kwa biashara zetu na kuongoza katika sekta ya vinywaji. kwa hiyo katika mwaka ujao matarajio yetu ni kukua zaidi kibiashara na kuendelea kufanya uwekezaji kuanzia kwa wafanyakazi wetu, ubunifu na teknolojia kwendana na kasi yetu.

Kwa nia na mtazamo huu mzuri, uongozi unafanya jitihada kuhakikisha biashara inaendelea vizuri na kukua, kuleta ufanisi sambamba na kupunguza gharama, kuwekeza katika bidhaa zetu na katika matumizi ya mtaji, kuimarisha kampuni na kuweka misingi ya wafanyakazi wake kushiriki kuleta mafanikio katika mchakato wa ukuaji wake tuliojiwekea katika mpango wetu wa kipindi cha muda mrefu. Jukumu hilo linaongozwa na Bw. Phillip Redman, ambaye amechukua uongozi kutoka kwa Bw. Roberto Jarrin, ambaye ameiongoza vizuri kampuni kwa kipindi cha miaka mitano. TBL inayo bahati ya kuwa na timu ya viongozi wenye uzoefu mkubwa na wenye dhamira ya kufanikisha kampuni yetu kukua kwa kiwango kikubwa na kupata faida.

Kwa Kumalizia, napenda kutoa shukrani zangu na wajumbe wa bodi, kwanza kwa wateja wanaotumia bidhaa zetu, kwa kuendelea kutuamini na kutuunga mkono, pia kwa uongozi na wafanyakazi kwa jitihada zao katika utekelezaji wa majukumu yao kwa kufanikisha mafanikio yaliyopatikana mwaka huu sambamba na kujipanga kukuza biashara zetu katika siku za mbeleni. Mwisho natoa shukrani zangu za dhati kwa wanahisa wetu wote na wadau wengine kwa mchango wao wa mawazo ya kuleta mafanikio katika kipindi hiki cha mwaka, kwa kujitoa kwao kufanikisha kuwepo na misingi ya juu ya utawala bora.



**Cleopa David Msuya**  
Mwenyekiti wa Bodi

# Managing director's statement

## Overview

Tanzania Breweries Limited Group of Companies ("TBL Group") is pleased to declare its results for the financial year ended 31 December 2018. As mentioned in last year's statement and approved at the 44th Annual General Meeting of shareholders, the prior period that ended on 31 December 2017 is 9 months from 1 April 2017 to 31 December 2017, due to the change of the Accounting year from end of March to end of December.

## Performance Overview

2018 has been a year of challenging dynamics in terms of the operating environment which forced us to be more strategic in our forecast, relentless and agile, both in execution and delivery of our performance ambition.

After a strong 2017, in 2018 we were faced with challenging macro economics that affected the businesses. This paired with an increase in cost of production and reduction in the spending capacity of consumers impacted the business.

Specific headwinds in our quest for growth included:

1. Q2 performance posted a volume decline; impacted by heavy rains across the country, April deemed the worst rains in the past 50 years, this in turn affected sales and distribution in some areas which were inaccessible due to floods and damages.
2. Top line growth was impacted by the downsizing of Darbrew business.
3. Changing processes and operations by extracting synergies and deploying shared learning from other AB InBev operations.

In reference to the top-line performance by business, beer posted 0.3%\* volume decline versus prior period. Wine and Spirits volume 8.2%\* growth versus prior year and Traditional African Beer declined by 64.6%\* as a direct consequence of 25% increase in price on Chibuku products from the second quarter of the year to cover increased cost of sale due to higher raw material prices. Despite the tough operating environment, the business demonstrated resilience and delivered encouraging performance in the core small packs of our flagship brands, Safari Lager and Kilimanjaro Premium Lager.

Given the above, operating profit declined on a year on year normalized basis as a result of lower volumes and an increase in costs of sales, there was an increase in selling and of marketing initiatives related to the FIFA World Cup and the launch of Budweiser in Dar es Salaam.

The company continues to support the Government in promoting socio-economic growth in the country. We contributed to the Government revenue in form of corporate tax, excise duty, value added tax, amounting to Tshs 504,000 million. Thus retaining the honour of being one of the largest tax payers in the country, and recipient of the President's Manufacturer of the Year Award.

## Playing our role in societal issues

The business continues to be a driving pillar in ensuring we have the right influence in the community we operate in and the people who interact with us. The business strategy is focused on the entire value chain and an integral part being the community we work in, through our role in society initiatives focusing on responsible alcohol consumption, sustainable resources utilisation and environmental initiatives.

Reputation is a key pillar that drives the way we do business and relate to the communities where we operate. Additionally, consumers consider more than just the quality of goods and services when choosing a brand, many are holding corporations accountable for effecting social change with their business practices and profits. TBL is committed to investing in programmes that benefit our local communities.

Our business remains committed to supporting local farming and sourcing of raw materials. East Africa Agri Innovation competition was held at Mlimani City. It involved competition from innovators on farming methods and equipment, such as simple and affordable mechanized farming, seedling technology. The main aim was to assist small holder farmers to increase production through innovative technological solutions.

Furthermore, we re-launched our Retail Development Programme as a pilot programme in Tanzania, Ghana and South Africa with the objective of training 200 retailers in Tanzania with basic skills such as marketing, human resources, stock management, revenue generation, financing, ethics, compliance and corporate social investment. Post the class training, bar owners and managers were equipped with one-on-one in-store coaching to better serve their individual needs.

We remain committed to positively influencing our communities advocating responsible drinking. We partnered with Police Traffic Division, Surface and Marine Transport Regulatory Authority (SUMATRA), Tanzania National Road Agency (TANROAD) and UBER Company to create awareness of the effects of driving while drunk.

## Future Prospects

Our focus goes well beyond the day to day challenges we faced in year 2018 and which in one way or the other had an impact on our business.

As I take over as Managing Director of the business, I am very excited about the opportunities and prospects for the future. Our ambition is *"To be the most aspirational company in Africa, one that grows a lot, is super-efficient, everyone loves to work for, and makes a real difference in society"*. Our actions are aligned to our strategy and will continue to position the business at a competitive advantage for the future. The consumer remains at the centre of our organisation and everything we do, our plans will ensure we meet the needs of our consumers and customers both today and into the future. At the same time we continue to deploy global best practices in our workplace to create a safe working environment for all and ensure we deliver products of the finest quality every time.

**Continuing to build a winning team**

I strongly believe we have the right people, processes, tools, technology, brands and strategies in place to succeed on our journey forward. Our people will always be our greatest strength and I wish to assure our stakeholders that we will continue to work hard to seize strategic opportunities and mitigate the risks that this dynamic environment creates by effectively managing our short-term performance and setting a firm foundation for the long-term growth of our business in order to continue creating value for our shareholders.

I want to congratulate my team, who worked tirelessly and with energy and enthusiasm for our shareholders to deliver this solid performance across diverse geographies and segments and for their increasing agility and unwavering determination to steer the business in spite a relatively turbulent year. I would also like to thank Roberto Jarrin who has led the business so admirably over the last 5 years, his leadership has inspired the business to new heights and I look forward to taking the business forward from the strong foundations that he has created. We wish him every success in his new role within our broader organisation.



**Philip Redman**  
Managing Director

# Taarifa ya mkurugenzi mkuu

## Maelezo kwa ujumla

Kampuni ya Tanzania Breweries Limited ("TBL Group"), inayo furaha kutangaza matokeo yake kwa mwaka wa fedha uliomalizika Desemba 31, 2018. Kama ilivyoelezwa katika taarifa ya mwaka jana na kuidhinishwa katika Mkutano Mkuu 44 wa wanahisa, kipindi kilichomalizika 31 Desemba 2017 ni miezi 9 kuanzia Aprili 1, 2017 hadi Desemba 31, 2017, kutokana na mabadiliko yaliyofanywa ya mwaka wa hesabu za biashara kutoka mwishoni mwa mwezi Machi badala yake kuwa mwishoni mwa mwezi wa Desemba.

## Taarifa ya Utendaji

Mwaka wa 2018, umekuwa na changamoto katika mazingira ya uendeshaji wa biashara ambazo zimetulazimisha kuwa makini kuweka mkakati wa siku za usoni, kuendelea na kasi ya kuhakikisha tunatekeleza na kufanikisha malengo tuliyojiwekekea.

Baada ya kupata mafanikio makubwa mwaka 2017, katika kipindi cha mwaka huu tulikabiliwa na changamoto ya mabadiliko ya kiuchumi, yaliyowakumba pia wateja wetu, hali ambayo iliathiri biashara zetu. Changamoto za kuongezeka kwa gharama za uzalishaji na uwezo mdogo wa wateja kumudu kununua bidhaa tunazozalisha kulitathiri.

Vikwazo ambazo vilirudisha nyuma jitihada za kukua biashara zetu ni pamoja na:

1. Mkakati wetu wa masoko wa robo ya pili ya mwaka, ulionyesha kushuka kwa mauzo, kutokana na mvua kubwa ilionyesha nchi nzima hususani mwezi wa Aprili, ambayo haijawahi kutokea katika kipindi cha miaka 50 iliyopita, Hali hii iliathiri mauzo na usambazaji kutokana na mafuriko yaliyotokea sehemu mbalimbali na kuharibika kwa miundo mbinu kutokana na mvua hizo.
2. Kikwazo kingine kilichopunguza kasi ya ukuaji ni kushuka kwa biashara za kampuni ya Darbrew.
3. Kubadilika kwa mfumo wa uendeshaji uliozoeleka na kuanza kujifunza mifumo mipya ya kampuni ya AB InBev.

Kwa kuzingatia hali ya kibiashara ilivyokuwa, mauzo ya vinywaji vya bia yalishuka kwa asilimia 0.3, kwa kulinganisha na kipindi kama hicho katika mwaka uliopita. Mauzo ya vinywaji vya Mvinyo na Pombe kali yaliongezeka kwa asilimia 8.2, kwa kulinganisha na kipindi kama hicho katika mwaka uliopita. Mauzo ya Pombe za Asili, yalishuka kwa asilimia 64.6, hali hii ilitokana na kuongezeka kwa bei ya kinywaji cha Chibuku kwa asilimia 25 kuanzia kipindi cha robo ya mwaka kufidia gharama za mauzo, kutokana na kupanda bei kwa malighafi. Pamoja na mazingira magumu ya uendeshaji wa biashara, ustahimilifu wa biashara katika masoko uliendelea vizuri kwa kusaidiwa na mkakati wetu wa kutumia vifungashio vyenye ujazo mdogo katika bidhaa zetu maarufu za Safari Lager na Kilimanjaro Premium Lager.

Kutokana na changamoto zilizoelzwa hapo juu, faida kutokana na uendeshaji ilipungua katika kipindi cha mwaka kutokana na kushuka kwa mauzo na kuongezeka kwa gharama za mauzo, kulikuwepo na ongezeko la mauzo kutokana na jitihada za kimasoko kuhusisha bidhaa zetu na mashindano ya Kombe la Dunia la FIFA na kuzinduliwa kwa bia ya Budweiser jijini Dar es Salaam.

Kampuni imeendelea kuunga mkono jitihada za Serikali katika kukuza uchumi na shughuli za kijamii nchini. Tumechangia mapato ya Serikali kupitia kulipa kodi ya mapato, kodi ya ushuru wa bidhaa na kodi ya Ongezeko la Thamani, jumla ya shilingi milioni 504,000. Tumeendelea kujijengea heshima ya kuwa kampuni inayoongoza kwa kulipa kodi nchini, na tuliweza kutunukiwa Tuzo ya Rais ya Mzalishaji Bora.

## Uwajibikaji wetu katika masuala ya kijamii

Biashara yetu inaendelea kuwa nguzo ya kutuongoza kuhakikisha tunakubalika katika jamii tunakofanyia shughuli zetu kwa kushirikiana na kuwa na uhusiano mzuri na watu wanaoishi katika maeneo hayo. Mkakati wetu wa kibiashara unazingatia kufanya kazi na kuwa sehemu ya jamii iliyotuzunguka, tunalo jukumu la kuhakikisha tunatoa elimu ya unywaji wa pombe kistaarabu na matumizi ya rasilimali endelevu na mipango ya mazingira.

Kujijengea sifa nzuri ni nguzo muhimu katika biashara zetu hasa kuhusiana na jinsi tunavyoshirikiana na jamii zilizopo kwenye maeneo tunayofanyia biashara, walaji wanazingatia zaidi ubora wa bidhaa na huduma wakati wa kuchagua bidhaa kwa matumizi ya matakwa yao, hali hiyo inasababisha makampuni kuwajibika kwendana na jamii yanapofanyia biashara na kutumia sehemu ya faida katika kusaidia jamii. TBL Imekuwa na dhamira na kuwekeza katika miradi ya kusaidia jamii zilizo katika maeneo ya biashara zake.

Biashara yetu imeendelea dhamira ya kuwasaidia wakulima wadogo wanaotuzia malighafi. Shindano la ubunifu wa teknolojia wa zana za kilimo la Afrika Mashariki lilifanyika katika ukumbi wa Mlimani City, lilishirikisha wabunifu mbalimbali wa zana za kufanikisha kilimo cha kisasa, ambazo zinaweza kupatikana kwa wakulima wengi kwa gharama nafuu, na teknolojia ya kupanda mbegu mashambani. Lengo lilikuwa ni kuwawezesha wakulima wadogo kuongeza uzalishaji kupitia ubunifu wa teknolojia za kuwarahisisha kazi.

Pia tulizindua tena mpango wetu wa kuendelea wafanyabiashara wadogo tunaoshirikiana nao. Kwa kuwapatia mafunzo ya kuwawezesha kufanya biashara zao kwa ufanisi, Tanzania ikiwa ni moja ya nchi iliyochaguliwa kwa majaribio ya utekelezaji, nchi nyingine zikiwa ni Ghana na Afrika ya Kusini, lengo lilikuwa kuwapatia wafanyabiashara wadogo wapatao 200 mbinu za masoko, utawala, hesabu za biashara, jinsi ya kuongeza mapato, mikopo ya biashara, kanuni za biashara na jinsi ya kufuata sheria za kufanya biashara. Mafunzo yaliwafikia wamiliki wa mabaa na Ma Meneja wao walipatiwa mafunzo ya kutoa huduma bora kwa wateja.

Tumeendelea na dhamira yetu ya kutoa elimu ya Unywaji Kistaarabu, kwa makundi mbalimbali ya jamii. Tumeshirikiana na Jeshi la Polisi Kitengo cha Usalama Barabarani, SUMATRA, TANROADS na kampuni ya usafirishaji abiria ya UBER, kutoa elimu iliowalenga madereva wanaoendesha vyombo vya moto kwa kuwakumbusha kuwa unywaji wa pombe na kuendesha vyombo vya moto hakuendani.

### Matarajio ya Baadaye

Mtazamo wetu tumejipanga kukabiliana na changamoto za siku hadi siku tulizokabiliana nazo katika mwaka 2018 ambazo zilichangia kuathiri biashara yetu.

Nikiwa Mkurugenzi Mtendaji na msimamizi mkuu wa biashara za kampuni, ninafurahi sana juu ya fursa na matarajio ya siku zijazo.

Lengo letu linaendelea zaidi ya changamoto za siku hadi siku tulizokabili mwaka 2018 na ambazo kwa njia moja au nyingine zilikuwa na athari katika biashara yetu. Ndoto yetu kubwa ni "Kuwa kampuni mfano wa kuigwa katika kanda ya Afrika Mashariki yenye mipango ya ukuaji endelevu". Vitendo vyetu vinaenda sambamba na mkakati na tutaendelea kujiweka katika nafasi ya kusimamia biashara kwa faida na kuhimili ushindani kwa siku zijazo.

Watumiaji wa bidhaa zetu wataendelea kupewa umuhimu mkubwa kwenye kila jambo tunalofanya, katika mipango yetu tutahakikisha inakidhi matakwa yao kwa kipindi cha sasa na siku zijazo. Wakati huohuo tutaendelea kuzingatia na kutekeleza kanuni za kazi katika maeneo yetu kwa viwango vya kimataifa, kuhakikisha tunaboresha zaidi mazingira ya kufanyia kazi kwa watu wetu wote na kuhakikisha tunazalisha bidhaa zenye ubora wa viwango vya juu wakati wote.

### Tunaendelea kujenga timu ya kuleta mafanikio

Nina imani kwa timu ya wafanyakazi wetu nzuri, mitambo yetu ya uzalishaji, teknolojia tunazotumia, chapa za bidhaa zetu na mikakati tuliyonayo itafanikisha kupata mafanikio mbele tunakoelekea. Tunajivunia timu ya watu wetu na napenda kuwahakikishia wadau wetu kuwa tutaendelea kufanya kazi kwa bidi, kutumia mkakati na fursa zitakazokuwepo vizuri, kupunguza athari zitatazojitokeza katika mazingira ya biashara zetu kwa kutumia vizuri mkakati wetu wa utendaji wa kipindi cha muda mfupi na kuweka msingi wa ukuaji wa muda mrefu wa biashara yetu ili kufanikisha matarajio ya wanahisa wetu.

Napenda kuipongeza timu yangu, ambayo ilifanya kazi kwa bidii na moyo wa kufanikisha matarajio ya wanahisa wetu na kupata mafanikio licha ya changamoto zilizokuwepo katika kipindi cha mwaka huu. Napenda pia kumshukuru Roberto Jarrin, ambaye aliongoza na kusimamia biashara za kampuni kwa zaidi ya kipindi cha miaka 5 iliyopita, uongozi wake umeipandisha biashara kwenda juu, nami kwa misingi aliyoicha natarajia kuiteleka biashara kwa mafanikio mbele zaidi. Tunamtaka kila mafanikio katika kutekeleza majukumu yake mapya aliyopewa na kampuni yetu.



**Philip Redman**  
Mkurugenzi Mkuu

# Better world initiatives



## Alcohol is #NoExcuse for abuse

The 2nd anniversary of our #NoExcuse campaign that is held each year during the 16 Days of Activism continues to raise awareness of the fact that alcohol is #NoExcuse for [gender-based] abuse.



## Safety is part of our DNA

Safety is first in everything that we do. We share our safety messages with our internal and external stakeholders. To commemorate our 10-year partnership with the Tanzania Police Force – who are one of the custodians of safety in Tanzania – we supported car inspections for road worthiness and donated breathalyzers to address drunk driving.



## Our people are our greatest strength

At the core of our operations is our people. In 2018, our Human Resource Management, Training and Development were recognized by the Association of Tanzania Employers. Internationally, TBL has been a certified TOP Employer for 2 years in a row.



## We care about our communities

Our employees contribute towards a better world by spending time at local orphanages where they play with the kids and donate items such as food.



## We share our processes with our stakeholders

This year, the Parliamentary Trade, Industries and Environment Committee visited the Dar es Salaam Plant as part of their annual tour to learn more about our manufacturing processes and business operations.



## Konyagi - Spirit of the nation

The Konyagi Brand was vibrant at the Tanzania week in Kenya which showcased iconic Tanzanian brands during the Union Day commemoration.



## We celebrate diversity

TBL's celebration of the International Women's Day was about bringing diversity to life by addressing the concerns of our female employees through the TBL Women's Forum.



## Climate action

The reduction of our carbon footprint extends to include various community initiatives such as beach clean ups and tree planting on the slopes of Mt. Kilimanjaro.



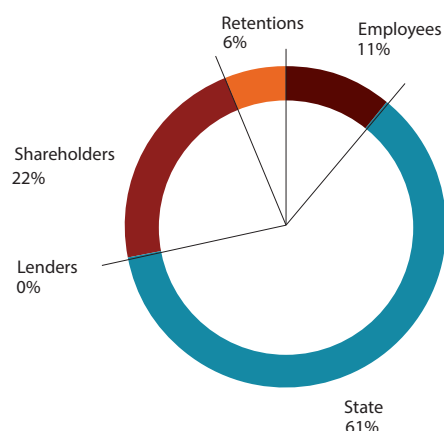
# Performance in a snapshot

## Cash value added statement

| Million Tanzania Shillings                                                | 12 months to<br>31 Dec 2018 | %     | 9 months to<br>31 Dec 2017 | %     |
|---------------------------------------------------------------------------|-----------------------------|-------|----------------------------|-------|
| <b>Cash generated</b>                                                     |                             |       |                            |       |
| Cash derived from sales                                                   | 1,539,616                   |       | 1,012,007                  |       |
| Cash value generated                                                      | 1,539,616                   |       | 1,012,007                  |       |
| Cash paid to suppliers                                                    | (599,421)                   |       | (262,047)                  |       |
| <b>Cash value added</b>                                                   | <b>940,195</b>              | 100.0 | 749,960                    | 100.0 |
| <b>Cash utilised to</b>                                                   |                             |       |                            |       |
| Remunerate employees for their services                                   | (100,510)                   | 10.7  | (89,761)                   | 9.3   |
| Pay direct taxes to Government                                            | (75,969)                    | 8.1   | (67,720)                   | 9.0   |
| Pay excise duty and Value Added Tax                                       | (498,177)                   | 53    | (340,085)                  | 45.4  |
| Provide lenders with a return on borrowings                               | (2,454)                     | 0.3   | (307)                      | 0     |
| Provide shareholders with cash dividends                                  | (206,420)                   | 22    | (209,038)                  | 27.9  |
| <b>Cash disbursed among stakeholders</b>                                  | <b>(883,531)</b>            | 94    | (686,911)                  | 91.6  |
| Cash retained to fund replacement of assets and facilitate further growth | 56,664                      | 6     | 63,049                     | 8.4   |

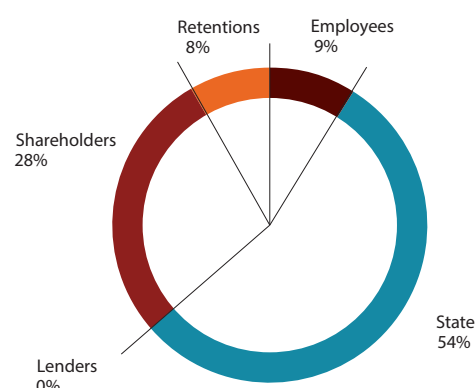
12 months to 31 Dec 2018

%



9 months to 31 Dec 2017

%



# Directors' report

for the year ended 31 December 2018

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of Tanzania Breweries Limited (the "Company", TBL) and its subsidiaries, Tanzania Distilleries Limited (TDL), Darbrew Limited and Kibo Breweries Limited, (together the "Group").

## 1 Incorporation

Tanzania Breweries Limited (TBL) is incorporated in the United Republic of Tanzania under the Companies Act as a limited liability Company. The Company is listed on the Dar es Salaam Stock Exchange and is domiciled in the United Republic of Tanzania. The address of its registered office and the principal place of business is:

Uhuru Street,  
Mchikichini, Ilala District,  
Plot 79, Block "AA",  
PO Box 9013,  
Dar es Salaam, Tanzania.

## 2 Principal activities

The Company's principal activities are the production, distribution and sale of malt beer, non-alcoholic malt beverages and alcoholic fruit beverages (AFB's) in Tanzania. It operates breweries in Dar es Salaam, Arusha, Mwanza and Mbeya and eight depots throughout the country. It also produces malt at its malting plant in Moshi. The Company has controlling interest in Tanzania Distilleries Limited, a spirituous liquor company that is situated in Dar es Salaam and Darbrew Limited an opaque beer company located in Dar es Salaam. It also fully owns Kibo Breweries Limited, an Property management company domiciled in Dar es Salaam.

The Group owns some of Tanzania's most popular beer and liquor brands, notably:

Safari Lager;  
Kilimanjaro Premium Lager;  
Ndovu Special Malt; and  
Konyagi.

The Company also produces and distributes Castle Lager, Castle Milk Stout, Castle Lite, and Redds Premium Cold under licence from SABMiller International BV. The subsidiary undertaking, Tanzania Distilleries Limited, distributes various international brands of wines and spirits under licence from Distell (Pty) Limited of South Africa.

## 3 Dream

"To be the most aspirational company in Africa one that grows a lot, is super-efficient, everyone loves to work for, and makes a real difference in society."

## 4 Operating and financial review

### Market overview

After several years of stagnated growth, the beer industry in Tanzania is poised for good growth opportunities. The industry benefitted from a shift in strategy towards more affordable brands and packs. This year we have seen an uptick in the consumption of alcohol through the formal market, as more consumers switch out of the informal sector. We believe this renewed focus will boost the Group's volumes in the long-term.

### Financial Review

As approved in our 44<sup>th</sup> Annual General Meeting of Shareholders, the period ended on December 2017 was an irregular financial reporting period for TBL due to the change of the Accounting year from end of March to end of December. Thus, the financial reporting period that ended 31 December 2017 was for the 9 months from April 1, 2017 to December 31, 2017.

To facilitate the understanding of TBL's underlying performance, all comments in the financial review, unless otherwise indicated, are based on twelve months period-on-period (January – December) comparisons.

On the basis of a 12 months comparison, TBL experienced a challenging year that saw revenue decline by 3%. Performance was adversely impacted by heavy rains in the second quarter which disrupted sales as well as distribution of our products. Also affecting our top line growth was the scale down of our Darbrew business. Despite the reduction in revenue, the company continues to drive the strategy of more affordable brands and packs to enable more consumers to switch out of the informal sector.

Operating profit declined by 11% as a result of lower volumes and an increase in cost of sales, driven by higher raw material prices. In addition, there was an increase in selling and distribution costs as a result of marketing initiatives related to the FIFA World Cup and the launch of Budweiser in Dar es Salaam.

#### 4 Operating and financial review (continued)

Non-recurring items for the period totalled TShs 60,623 million, primarily related to restructuring costs including stock write-offs; compared to TShs 142,953 million in the 9 months (December 2017) period.

A total of TShs 111,966 million was invested in capital expenditure during the year compared to TShs 83,657 million invested in the 9 months (April – December 2017) period.

The group's reported cash generated from operations was TShs 303,346 million during the period versus TShs 340,114 million generated in the 9 months period to 31 December 2017. Of this amount, TShs 76,876 million was utilized to pay corporate income tax and the remaining amount funded capital expenditure and dividends to shareholders.

Future development:

The level of business and the year-end position is satisfactory. The Company will continue with its expansion and facility upgrade program. The Directors believe that the future prospects of the Company and the Group are promising.

#### 5 Dividend

The Board of Directors approved two payments from Group totalling TZS 700 per share as dividend during the year ended December 2018. This amounted to TZS 206,540 million (12 months to December 2017: TZS 770 per share amounting to TZS 209,283 million).

The total dividend paid out in the year amounted to TZS 206,431 million (TZS 209,038 million 9 months to December 2017) as per below;

##### Total dividend paid out in the year ended 31 December 2018;

| Dividends declared in;                        | TZS millions |
|-----------------------------------------------|--------------|
| Nine Month period ended December 2017 closing | 3,279        |
| Year ended December 2018                      | 203,152      |
| Total                                         | 206,431      |

#### 6 Composition of the board of directors

The Directors of the Company at the date of this report, all of whom have served since 1 January 2018, unless otherwise stated, are:

##### Board of directors:

| Name                    | Nationality | Remarks                                                                                                                                                                                                                                     |
|-------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hon. C.D. Msuya         | Tanzanian   | Chairman. Retired Vice President and Prime Minister of United Republic of Tanzania. He was appointed to the Board on 18 August 2005. For the period under review, he was an appointee of AB Inbev Africa BV "formerly" SABMiller Africa BV. |
| Mr. R. Jarrin           | Ecuadorian  | He was the Managing Director, Tanzania Breweries Limited. He was appointed to the Board in May 2014. He is representing AB Inbev Africa BV "formerly" SABMiller Africa BV. Resigned on 1 February 2019.                                     |
| Mr. Philip Redman       | British     | He is the Managing Director, Tanzania Breweries Limited. He was appointed to the Board in February 2019. He is representing AB Inbev Africa BV.                                                                                             |
| Ambassador A.R. Mpungwe | Tanzanian   | Businessman, appointed by AB Inbev Africa BV "formerly" SABMiller Africa BV, in October 2001.                                                                                                                                               |
| Mr. L. Mususa           | Tanzanian   | A Certified Public Accountant and Private Management Consultant. He was appointed on 1 July 2015. He is an appointee of AB Inbev Africa BV "formerly" SABMiller Africa BV. He also serves as the Chairman of the Group Audit Committee.     |

## 6 Composition of the board of directors (continued)

| Name                | Nationality   | Remarks                                                                                                                                                                                                                        |
|---------------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. A. B. S. Kilewo | Tanzanian     | Former Executive Managing Director of Tanzania Breweries Limited. He was appointed in September 1999. He is an appointee of AB Inbev Africa BV “formerly” SABMiller Africa BV.                                                 |
| Mr. P. J. I. Lasway | Tanzanian     | Business Consultant. He was appointed on 18 February 2010. He is an appointee of AB Inbev Africa BV “formerly” SABMiller Africa BV.                                                                                            |
| Ms. L. Swartz       | South African | Vice President, People Africa Zone AB Inbev Africa. She was appointed to the Board on 15 December 2015. She is an appointee of AB Inbev Africa BV “formerly” SABMiller Africa BV.                                              |
| Dr. Khatibu Kazungu | Tanzanian     | Deputy Permanent Secretary - Ministry of Finance and Planning. He was appointed by the Government with effect from 1 July 2018. He represents the public and minority shareholders on the Board.                               |
| Mr. Andrew Murray   | American      | Vice President, Finance Africa Zone AB Inbev Africa BV “formerly” SABMiller Africa BV – Africa Zone. He was appointed on 3 <sup>rd</sup> April, 2017. He is an appointee of AB Inbev Africa BV “formerly” SABMiller Africa BV. |

In accordance with the Company's Articles of Association, the directors are not required to retire by rotation. The Board met three times during the year.

### Operating Board:

| Name                   | Nationality | Remarks                                                              |
|------------------------|-------------|----------------------------------------------------------------------|
| Mr. Philip Redman      | British     | Managing Director – Appointed in February 2019                       |
| Mr. Roberto Jarrin     | Ecuadorian  | Managing Director - Appointed in May 2014 and resigned February 2019 |
| Mr. David Magese       | Tanzanian   | Human Resources Director – Appointed in September 2013               |
| Mr. James Bokella      | Tanzanian   | Regional Director North – Appointed in December 2016                 |
| Mr. Devis Deogratius   | Tanzanian   | Regional Director – TDL – Appointed in December 2016                 |
| Ms. Mary Nassali       | Ugandan     | Revenue Management Director – Appointed in July 2018                 |
| Mr. Carlos Bernitt     | Ecuadorian  | Sales & Route To Market Director – Appointed in February 2017        |
| Mr. Bruno Zambrano     | Colombian   | Business Development Director, Appointed in September 2017           |
| Ms. Georgia Mutagahywa | Tanzanian   | Legal & Corporate Affairs Director – Appointed in November, 2015     |
| Mr. Vivianus Rwezaura  | Tanzanian   | Regional Director South – Appointed in December 2016                 |
| Mr. Hosea Kajange      | Tanzanian   | Solutions Director - Appointed in June, 2017                         |
| Mr. Waziri Jemedari    | Tanzanian   | Technical Director – Appointed in July 2018                          |

Company secretary as at the date of this report who has served throughout the period is Huruma Ntahena.

As at the date of this report, the Directors holding shares are listed below:

|               | Ordinary Shares<br>Dec 2018 | Ordinary Shares<br>Dec 2017 |
|---------------|-----------------------------|-----------------------------|
| C.D. Msuya    | 8,000                       | 8,000                       |
| A.R. Mpungwe  | 7,000                       | 7,000                       |
| A.B.S. Kilewo | 37,641                      | 37,641                      |
| P.J.I. Lasway | 36,216                      | 36,162                      |
| <b>Total</b>  | <b>88,857</b>               | <b>88,803</b>               |

## 7 Corporate governance

The Board of Directors of the Company consists of nine Directors. Apart from the Managing Director, no other directors hold executive position in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control, policies and procedures is operative, and for compliance with sound corporate governance principles.

## 7 Corporate governance (continued)

The Board is scheduled to meet quarterly. The Board delegates the day to day management of the business to the Managing Director assisted by Senior Management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability. During the year the Board had board sub-committees to ensure a high standard of corporate governance throughout the Company. These are audit and risk committee and remuneration committee.

### Group audit and risk committee

The Group Audit and Risk Committee oversees the effectiveness of risk identification and management, regulatory compliance, internal control systems, and the quality and integrity of financial reporting. The Group Audit Committee is a sub-committee of the Board and comprises three non-executive members. It is regulated by specific terms of reference and meets at least three times during the year. The Committee meets the external auditors and the internal audit department to review, inter alia, accounting, auditing, internal control, financial reporting matters and the published financial statements of the Company and the Group. The external auditors have unrestricted access, at all times, to the Group and subsidiary audit committees. Mr. L. Mususa chairs the Audit and Risk Committee.

The overall objective of the Group Audit Committee is to ensure that the operating board has created and maintains an effective control environment within the organization and that management demonstrates and stimulates the necessary respect of the internal control structure amongst all parties.

The Group Audit Committee members, as well as the internal and external auditors, have unlimited access to whatever information they require in performing their responsibilities.

### Remuneration committee

The remuneration committee comprises the Managing Director and two non-executive members, one of whom chairs the committee. The committee is responsible for the assessment and approval of a broad remuneration strategy for the Company, including short term incentives for executive and senior management. The remuneration strategy is aimed at rewarding employees at market related levels and in accordance with their contribution to the Company's operating and financial performance in terms of basic pay as well as short-term incentives.

## 8 Capital structure and shareholders

The Company's authorised, issued and fully paid up share capital during the twelve months period was 295,056,063 ordinary shares of a par value of TZS 100 each (2017 December: 295,056,063). The Company has only one class of ordinary shares which carries no right to fixed income. The ownership structure is as set out in Note 23.2 of the financial statements.

## 9 Management

The Management of the Company is under the Managing Director and is organized in the following departments:

- Finance department;
- Supply Chain department
- Logistics department
- Solutions department
- Marketing department;
- Sales department;
- People department; and
- Corporate affairs and legal department.

## 10 Stock exchange information

The Company is listed on the Dar es Salaam Stock Exchange. The share price at 31 December 2018 was TZS 12,900 (December 2017: TZS 14,000) and market capitalization was TZS 3,806,223 million (December 2017: TZS 4,130,785 million).

## 11 Risk management and internal control

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

## 11 Risk management and internal control (continued)

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2018 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Audit Committee.

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

## 12 Employee welfare

### Management and Employees' Relationship

Relations between employees and management continued to be good during the year. A healthy relationship continues to exist between management and trade union. The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees. This is achieved through formal and informal meetings.

### Training Facilities

The Company spent about TZS 896 million for staff training programs in the 12 month period compared to TZS 572 million in the nine month period ended December 2017. The programs are aimed at improving the employee's technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

### Medical Assistance

The Company provides medical services through onsite dispensaries and outside hospitals. Staff are entitled to access referral hospitals as the need arises. All members of staff, their spouses and four children to the age of 21 years were availed medical insurance. Currently these services are provided by Strategis Insurance.

### Health and Safety

The Company has a strong health and safety section which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary. All breweries and a malting plant operated by the Company are audited by National Occupational Safety Association (NOSA) annually.

### Financial Assistance to Staff

Loans are available to all employees depending on the assessment of and the discretion of management as to the need and circumstances. Management has established loan facility with favourable borrowing terms with a commercial bank and has assisted staff to establish and join the Company Savings and Credit Co-operative Society (SACCOS) to assist in promoting the welfare of its employees.

### Persons with Disabilities

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employees Benefit Plan

The Company pays contributions to various publicly administered defined contribution plans on a mandatory basis.

## 13 Gender parity

at 31 December 2018, the Company had 1,515 (December 2017: 1,769) employees, out of which 265 (December 2017: 318) were female and 1,250 (December 2017: 1,451) were male.

## 14 Related party transactions

All related party transactions and balances are disclosed in note 36 to the financial statements.

## 15 Political and charitable donations

The Company did not make any political donations during the year. Donations made to charitable organisations during the year amounted to TZS 583 million (9 months period ended December 2017: TZS 203 million).

## 16 Environmental control programme

With the focused improvement methodology under the SABMiller Manufacturing Way Principles, practiced by the Breweries, the Company maintained its water usage ratio of 3.27 hl/hl of water used to beer produced, in alignment to its goal. With energy consumption being the major focus for the year, the Company achieved a 1% reduction over prior year. These improvements are coming through ABInBev Voyager Plant Optimization (VPO) and BOB (SABMiller Manufacturing Way) practices and process improvement implementation in all our breweries.

## 17 Corporate social responsibility (CSR)

### The Water Futures Partnership

The Company has been an active member of the 2030 WRG (2030 Water Resources Group), an association which addresses degradation of country's water sources and catchment areas for future generation use. Through this Partnership which involves both public and stakeholders, including the Ministry of Water, Dar es Salaam Water & Sewage Corporation (DAWASCO), and private sector; strategies have been developed in ensuring the identified potential risks are managed and/or mitigated immediately. TBL Group is also working with AMREF Tanzania to ensure proper management of water initiatives.

### Clean energy

The Group has several ongoing initiatives on clean energy. These include; an award winning dry de-husking project in Mwanza where barley grain husks are used to power turbines in the boiler room; solar energy project in Mbeya where solar energy is used to power sections of the brewery. The company staff have also participated in tree-planting initiatives and taken part in cleaning the environment neighboring factory sites.

### Other CSR initiatives

The Group was involved in water projects in collaboration with local partners and continues to work closely with the government and other stakeholders to enable the availability of safe water.

The Group continues with its Partnership with the Police force on road safety in Tanzania with trainings held in the year for members of the press and the police force.

The Group also encourages employees to live a healthy lifestyle in the Afya Kwanza program where health check services are provided throughout all our sites as well as various fitness activities.

Several training initiatives have also been undertaken by the company including; Retail Development Program where micro-retailers are equipped with basic business skills; on-site vocational training to prospective artisans from the Mbeya Sunrise College and the Vocational Education and Training Authority (VETA); training of local barley suppliers to adopt improved farming practices.

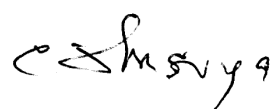
In addition the company has provided the Group female employees with a platform to address professional and personal concerns through the Women's Forum and participate in the 'the Female Futures Program' which aims to fast-track women into management positions.

For the first time the Group launched the #No Excuse Campaign, with the objective of addressing the social norms that alcohol is a factor in 'Gender Based Violence' (GBV). The aim is shifting the narrative to responsible consumption and that alcohol is not a factor in GBV.

## 18 Auditor

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office as auditor and is eligible to apply for re-appointment. A resolution proposing appointment of an auditor of the Company for the next financial year will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



Hon. C.D. Msuya  
Chairman

Date: 25<sup>th</sup> June 2019

# Statement of directors' responsibilities

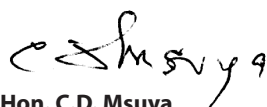
for the year ended 31 December 2018

The Companies Act, No. 12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the Company and Group keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and Group. They are also responsible for safeguarding the assets of the Company and Group and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and results of operations of the Company and Group in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Company or Group will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on and signed on its behalf by:



**Hon. C.D. Msuya**  
Chairman

Date: 25<sup>th</sup> June 2019

# Declaration of the head of finance

for the year ended 31 December 2018

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

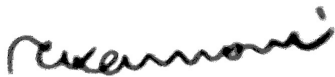
It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing the true and fair view of the entity's financial position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under Statement of directors' responsibilities on an earlier page.

I CHARITY MWAKIO being the Finance Manager representing Head of Finance of the Company (i.e Tanzania Breweries Limited) and its subsidiaries (i.e Tanzania Distilleries Limited, Darbrew Limited and Kibo Breweries Limited ) together "the Group", hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018 have been prepared in compliance with International Financial Reporting Standards and Companies Act No 12 of 2002.

I thus confirm that the financial statements give a true and fair view of the financial position of the Company and Group, that is, Tanzania Breweries Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed:



Position: FINANCE MANAGER  
NBAA Membership No.: TACPA 3171

Date: 25<sup>th</sup> June 2019

# Report of the independent auditor

to the members of tanzania breweries limited

*Report on the audit of the Group and Company financial statements*



## Our opinion

In our opinion, the Group and Company financial statements give a true and fair view of the Group and Company financial position of Tanzania Breweries Limited (the Company) and its subsidiaries, Tanzania Distilleries Limited (TDL), Darbrew Limited and Kibo Breweries Limited (together the "Group") as at 31 December 2018 and of its Group and Company financial performance and its Group and Company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Companies Act, No. 12 of 2002

## **What we have audited**

Tanzania Breweries Limited's Group and Company financial statements as set out on pages 25 to 76 comprise:

the Group and Company statements of financial position as at 31 December 2018;  
the Group and Company statements of profit or loss and other comprehensive income for the year then ended;  
the notes to the financial statements, which include significant accounting policies.

## 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 Group and Company financial statements* section of our report.

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

## **Independence**

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

## Key audit matters

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

*Report on the audit of the Group and Company financial statements (continued)*  
*Key audit matters (continued)*

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | How our audit addressed the Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Excise duty contingent liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>The Company's subsidiary Tanzania Distilleries Limited (TDL) received tax assessments relating to excise duty for years of income 2008 to 2017. The liability for the principal amounts and the associated penalties and interest was assessed at TZS 97.4 billion. The assessments could have a significant impact on the results if the exposures were to crystallize. Refer to Note 34(ii) for further details.</p> <p>Where the tax payable is uncertain the Group establishes provisions based on Management's judgements and estimates of the probable amount of future liabilities. The estimates are based on the advice received from the tax experts and engagement with the revenue authority. The settlement of this dispute could be materially different from the Directors' estimates.</p> | <p>We tested management's process for identification and evaluation of tax exposures from TRA assessments.</p> <p>We examined a list of open tax matters and tax assessments by TRA as at 31 December 2018.</p> <p>We tested completeness of the list by examining minutes of the board meetings and legal correspondences between the Group and its lawyers and inquired from Group tax manager.</p> <p>We examined correspondence between Management and the Tanzania Revenue Authority, and the Government.</p> <p>We obtained and assessed advice from management expert that was applied by management to assess the level of provisioning required and the tax objections filed thereon.</p> <p>We reviewed the provisions for tax exposures based on management's own assessment and the advice provided by the Group's tax advisor.</p> <p>We evaluated the adequacy of the disclosures made in the financial statements in relation to contingent liabilities and significant judgement applied by directors.</p> |

*Other information*

The directors are responsible for the other information. The other information comprises the directors' report, statement of directors' responsibilities and declaration of the head of finance which we obtained prior to the date of this auditor's report, and other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report. Other information does not include the Group and Company financial statements and our auditor's report thereon.

Our opinion on the Group and Company financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the Group and Company 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 Group and Company 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 that we obtained 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 other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request them to take appropriate corrective measures.

*Responsibilities of the directors for the Group and Company financial statements*

The directors are responsible for the preparation of the Group and Company financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of Group and Company financial statements that are free from material misstatement, whether due to fraud or error.

*Report on the audit of the Group and Company financial statements (continued)**Responsibilities of the directors for the Group and Company financial statements (continued)*

In preparing the Group and Company financial statements, the directors are responsible for assessing the Group and the Company's 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 and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

*Auditor's responsibilities for the audit of the Group and Company financial statements*

Our objectives are to obtain reasonable assurance about whether the Group and Company 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 Group and Company 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 Group and Company 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 and the Company'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 and the Company'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 Group and Company 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 and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group and Company financial statements, including the disclosures, and whether the Group and Company 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 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 and Company 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 legal and regulatory requirements*

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



**Zainab S Msimbe, ACPA – PP**

**For and on behalf of PricewaterhouseCoopers**

Certified Public Accountants

Dar es Salaam

Date: 25<sup>th</sup> June 2019

# Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

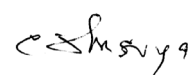
| Million Tanzania Shillings                                | Notes | Group                    |                         | Company                  |                         |
|-----------------------------------------------------------|-------|--------------------------|-------------------------|--------------------------|-------------------------|
|                                                           |       | 12 months<br>31 Dec 2018 | 9 months<br>31 Dec 2017 | 12 months<br>31 Dec 2018 | 9 months<br>31 Dec 2017 |
| Revenue                                                   | 6     | 1,078,770                | 877,527                 | 906,423                  | 753,416                 |
| Cost of sales                                             | 7     | (669,351)                | (567,768)               | (565,585)                | (459,742)               |
| <b>Gross profit</b>                                       |       | <b>409,419</b>           | 309,759                 | <b>340,838</b>           | 293,674                 |
| Selling and distribution costs                            | 7     | (128,164)                | (130,549)               | (122,327)                | (109,696)               |
| Administrative expenses                                   | 7     | (54,701)                 | (61,964)                | (52,684)                 | (58,303)                |
| Other expenses                                            | 9     | (16,277)                 | (10,266)                | (10,870)                 | (5,766)                 |
| Fair value gain/(loss) on derivatives                     | 10    | 59                       | 26                      | 59                       | (446)                   |
| <b>Operating profit</b>                                   |       | <b>210,336</b>           | 107,006                 | <b>155,016</b>           | 119,463                 |
| Finance income                                            | 11    | 1,914                    | 7,111                   | 5,534                    | 18,397                  |
| Finance costs                                             | 11    | (1,315)                  | (644)                   | (2,443)                  | (3,369)                 |
| <b>Profit before income tax</b>                           |       | <b>210,935</b>           | 113,473                 | <b>158,107</b>           | 134,491                 |
| Income tax expense                                        | 12    | (77,916)                 | (64,896)                | (70,153)                 | (66,128)                |
| <b>Profit for the year/period</b>                         |       | <b>133,019</b>           | 48,577                  | <b>87,954</b>            | 68,363                  |
| <b>Attributable to:</b>                                   |       |                          |                         |                          |                         |
| Non-controlling interests                                 |       | 6,573                    | (7,390)                 | -                        | -                       |
| Owners of the parent                                      |       | 126,446                  | 55,967                  | -                        | -                       |
|                                                           |       | 133,019                  | 48,577                  | -                        | -                       |
| <b>Other comprehensive income:</b>                        |       |                          |                         |                          |                         |
| <i>Items that may be reclassified to profit or loss:</i>  |       |                          |                         |                          |                         |
| Gain on re-measurement of defined benefit plan            |       | 67                       | 63                      | 73                       | 38                      |
| Deferred tax on re-measurement of defined pension benefit |       | (20)                     | (19)                    | (22)                     | (11)                    |
| <i>Items that may be reclassified to profit or loss:</i>  |       |                          |                         |                          |                         |
| Cash flow hedges:                                         |       |                          |                         |                          |                         |
| Gains on cash flow hedges                                 |       | -                        | 199                     | -                        | 22                      |
| Deferred tax on gains on cashflow hedges                  |       | -                        | (60)                    | -                        | (6)                     |
| <b>Total comprehensive income:</b>                        |       | <b>133,066</b>           | 48,760                  | <b>88,005</b>            | 68,406                  |
| <b>Attributable to:</b>                                   |       |                          |                         |                          |                         |
| Non-controlling Interests                                 |       | 6,571                    | (7,341)                 | -                        | -                       |
| Equity holders of company                                 |       | 126,495                  | 56,101                  | -                        | -                       |
|                                                           |       | 133,066                  | 48,760                  | -                        | -                       |
| <i>Basic earnings per share (Tshs)</i>                    | 13    | <b>428</b>               | 190                     |                          |                         |
| <i>Diluted earnings per share (Tshs)</i>                  | 13    | <b>428</b>               | 190                     |                          |                         |

# Statement of financial position

For the year ended 31 December 2018

|                                                                  |        | Group          |                  | Company        |                |
|------------------------------------------------------------------|--------|----------------|------------------|----------------|----------------|
| Million Tanzania Shillings                                       | Notes  | 31 Dec 2018    | 31 Dec 2017      | 31 Dec 2018    | 31 Dec 2017    |
| <b>ASSETS</b>                                                    |        |                |                  |                |                |
| <b>Non-current assets</b>                                        |        |                |                  |                |                |
| Property, plant and equipment                                    | 15     | 579,902        | 547,909          | 539,534        | 509,672        |
| Intangible assets                                                | 16     | 43,978         | 49,932           | 4,310          | 1,706          |
| Investments                                                      | 17     | 88             | 88               | 48,687         | 53,942         |
| Deferred income tax asset                                        | 27(ii) | 6,534          | 7,301            | -              | -              |
|                                                                  |        | 630,502        | 605,230          | 592,531        | 565,320        |
| <b>Current assets</b>                                            |        |                |                  |                |                |
| Derivative financial instruments                                 | 18     | 328            | 437              | 328            | 437            |
| Inventories                                                      | 19     | 97,424         | 98,797           | 75,642         | 75,200         |
| Trade and other receivables                                      | 20     | 135,770        | 144,339          | 117,225        | 178,732        |
| Income tax recoverable                                           | 31     | -              | 5,151            | -              | 631            |
| Restricted bank balance                                          | 22     | 38,300         | -                | 38,300         | -              |
| Bank and cash balances                                           | 21     | 63,518         | 152,684          | 61,861         | 146,240        |
|                                                                  |        | 335,340        | 401,408          | 293,356        | 401,240        |
| <b>Total assets</b>                                              |        | <b>965,842</b> | <b>1,006,638</b> | <b>885,887</b> | <b>966,560</b> |
| <b>EQUITY</b>                                                    |        |                |                  |                |                |
| <b>Capital and reserves attributable to owners of the parent</b> |        |                |                  |                |                |
| Share capital                                                    | 23     | 29,506         | 29,506           | 29,506         | 29,506         |
| Share premium                                                    |        | 45,346         | 45,346           | 45,346         | 45,346         |
| Retained earnings                                                |        | 414,009        | 494,054          | 378,197        | 496,732        |
| Other reserves                                                   | 24     | 66,643         | 66,643           | 66,683         | 66,683         |
|                                                                  |        | 555,504        | 635,549          | 519,732        | 638,267        |
| <b>Non-controlling interests</b>                                 |        | <b>7,317</b>   | <b>746</b>       | <b>-</b>       | <b>-</b>       |
| <b>Total equity</b>                                              |        | <b>562,821</b> | <b>636,295</b>   | <b>519,732</b> | <b>638,267</b> |
| <b>LIABILITIES</b>                                               |        |                |                  |                |                |
| <b>Non-current liabilities</b>                                   |        |                |                  |                |                |
| Deferred income tax liability                                    | 27(i)  | 37,969         | 47,283           | 37,733         | 47,047         |
| Defined pension benefits                                         | 28     | 1,933          | 1,962            | 1,893          | 1,936          |
|                                                                  |        | 39,902         | 49,245           | 39,626         | 48,983         |
| <b>Current liabilities</b>                                       |        |                |                  |                |                |
| Provisions                                                       | 29     | 12,704         | 12,533           | 7,190          | 7,013          |
| Derivative financial liabilities                                 | 18     | -              | 727              | -              | 727            |
| Trade and other payables                                         | 30     | 342,305        | 307,597          | 312,086        | 271,570        |
| Current income tax payable                                       | 31     | 5,294          | -                | 6,870          | -              |
| Borrowings                                                       | 26     | 2,816          | 241              | 383            | -              |
|                                                                  |        | 363,119        | 321,098          | 326,529        | 279,310        |
| <b>Total liabilities</b>                                         |        | <b>403,021</b> | <b>370,343</b>   | <b>366,155</b> | <b>328,293</b> |
| <b>Total equity and liabilities</b>                              |        | <b>965,842</b> | <b>1,006,638</b> | <b>885,887</b> | <b>966,560</b> |

The financial statements on pages 25 to 76 were approved by the board of directors on 25<sup>th</sup> June 2019 and signed on its behalf by:-



**Hon. C.D. Msuya**  
Chairman

# Statement of changes in equity

For the year ended 31 December 2018

| Million Tanzania Shillings                          | Notes | Attributable to owners of the parent |               |                |                   |           | Non-controlling interest | Total equity |
|-----------------------------------------------------|-------|--------------------------------------|---------------|----------------|-------------------|-----------|--------------------------|--------------|
|                                                     |       | Share capital                        | Share premium | Other reserves | Retained earnings | Total     |                          |              |
| GROUP                                               |       |                                      |               |                |                   |           |                          |              |
| Year ended 31 December 2018:                        |       |                                      |               |                |                   |           |                          |              |
| Balance at 1 January 2018                           |       | 29,506                               | 45,346        | 66,643         | 494,054           | 635,549   | 746                      | 636,295      |
| Profit for the year                                 |       | -                                    | -             | -              | 126,446           | 126,446   | 6,573                    | 133,019      |
| Other Comprehensive Income                          |       |                                      |               |                |                   |           |                          |              |
| Re-measurement of defined benefit plan (net of tax) |       | -                                    | -             | -              | 49                | 49        | (2)                      | 47           |
| Total comprehensive income                          |       | -                                    | -             | -              | 126,495           | 126,495   | 6,571                    | 133,066      |
| Transaction with owners                             |       |                                      |               |                |                   |           |                          |              |
| Dividends provided for or paid                      | 14    | -                                    | -             | -              | (206,540)         | (206,540) | -                        | (206,540)    |
| At 31 December 2018                                 |       | 29,506                               | 45,346        | 66,643         | 414,009           | 555,504   | 7,317                    | 562,821      |

|                            |                    | Attributable to owners of the parent |               |               |                |                   | Non-controlling interest | Total equity |           |
|----------------------------|--------------------|--------------------------------------|---------------|---------------|----------------|-------------------|--------------------------|--------------|-----------|
|                            |                    | Notes                                | Share capital | Share premium | Other reserves | Retained earnings |                          |              | Total     |
| Million                    | Tanzania Shillings |                                      |               |               |                |                   |                          |              |           |
| 9 month period ended       |                    |                                      |               |               |                |                   |                          |              |           |
| 31 December 2017:          |                    |                                      |               |               |                |                   |                          |              |           |
|                            |                    |                                      | 29,493        | 45,346        | (12,293)       | 647,332           | 709,878                  | 8,087        | 717,965   |
|                            |                    |                                      | -             | -             | -              | 55,967            | 55,967                   | (7,390)      | 48,577    |
| Other comprehensive Income |                    |                                      |               |               |                |                   |                          |              |           |
|                            |                    |                                      |               |               |                |                   |                          |              |           |
|                            |                    |                                      | -             | -             | -              | 38                | 38                       | 6            | 44        |
|                            |                    |                                      |               |               |                |                   |                          |              |           |
|                            |                    | 24                                   | -             | -             | 96             | -                 | 96                       | 43           | 139       |
|                            |                    |                                      |               |               |                |                   |                          |              |           |
| Total comprehensive income |                    |                                      | -             | -             | 96             | 56,005            | 56,101                   | (7,341)      | 48,760    |
| Transaction with owners    |                    |                                      |               |               |                |                   |                          |              |           |
|                            |                    | 24                                   |               |               | 78,840         | -                 | 78,840                   | -            | 78,840    |
|                            |                    | 14                                   | -             | -             | -              | (209,283)         | (209,283)                | -            | (209,283) |
|                            |                    |                                      | 13            | -             | -              | -                 | 13                       | -            | 13        |
|                            |                    |                                      |               |               |                |                   |                          |              |           |
| At 31 December 2017        |                    |                                      | 29,506        | 45,346        | 66,643         | 494,054           | 635,549                  | 746          | 636,295   |

# Statement of changes in equity (continued)

For the year ended 31 December 2018

| Million Tanzania Shillings                          | Notes | Share capital | Share premium | Other reserves | Retained earnings | Total Equity   |
|-----------------------------------------------------|-------|---------------|---------------|----------------|-------------------|----------------|
| <b>COMPANY</b>                                      |       |               |               |                |                   |                |
| <b>Year ended 31 December 2018:</b>                 |       |               |               |                |                   |                |
| Balance at 1 January 2018                           |       | 29,506        | 45,346        | 66,683         | 496,732           | 638,267        |
| Profit for the year                                 |       | -             | -             | -              | 87,954            | 87,954         |
| <i>Other comprehensive Income:</i>                  |       |               |               |                |                   |                |
| Re-measurement of defined benefit plan (net of tax) |       | -             | -             | -              | 51                | 51             |
| <b>Total comprehensive income</b>                   |       | -             | -             | -              | 88,005            | 88,005         |
| <i>Transaction with owners</i>                      |       |               |               |                |                   |                |
| Dividends provided for or paid                      | 14    | -             | -             | -              | (206,540)         | (206,540)      |
| <b>At 31 December 2018</b>                          |       | <b>29,506</b> | <b>45,346</b> | <b>66,683</b>  | <b>378,197</b>    | <b>519,732</b> |

| Million Tanzania Shillings                          | Notes | Share capital | Share premium | Other reserves  | Retained earnings | Total Equity   |
|-----------------------------------------------------|-------|---------------|---------------|-----------------|-------------------|----------------|
| <b>9 months period ended</b>                        |       |               |               |                 |                   |                |
| <b>31 December 2017:</b>                            |       |               |               |                 |                   |                |
| <b>Balance at 1 April 2017</b>                      |       | <b>29,493</b> | <b>45,346</b> | <b>(12,173)</b> | <b>637,625</b>    | <b>700,291</b> |
| Profit for the period                               |       | -             | -             | -               | 68,363            | 68,363         |
| <i>Other Comprehensive income:</i>                  |       |               |               |                 |                   |                |
| Re-measurement of defined benefit plan (net of tax) |       | -             | -             | -               | 27                | 27             |
| Fair value gain on cash flow hedges (net of tax)    | 24    | -             | -             | 16              | -                 | 16             |
| <b>Total comprehensive income</b>                   |       | -             | -             | 16              | 68,390            | 68,406         |
| <i>Transactions with owners</i>                     |       |               |               |                 |                   |                |
| Sale of treasury shares                             | 24    | -             | -             | 78,840          | -                 | 78,840         |
| Dividends provided for or paid                      | 14    | -             | -             | -               | (209,283)         | (209,283)      |
| Adjustment on issued shares                         |       | 13            | -             | -               | -                 | 13             |
| <b>At 31 December 2017</b>                          |       | <b>29,506</b> | <b>45,346</b> | <b>66,683</b>   | <b>496,732</b>    | <b>638,267</b> |

# Statement of cash flows

For the year ended 31 December 2018

| Million Tanzania Shillings                                           | Notes   | Group       |             | Company     |             |
|----------------------------------------------------------------------|---------|-------------|-------------|-------------|-------------|
|                                                                      |         | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| <b>Cash flows from operating activities</b>                          |         |             |             |             |             |
| Cash generated from operations                                       | 35(i)   | 303,392     | 340,114     | 300,376     | 318,583     |
| Interest paid                                                        | 35(ii)  | (951)       | (307)       | (2,276)     | (3,054)     |
| Income tax paid                                                      | 35(iii) | (76,911)    | (67,720)    | (71,967)    | (61,172)    |
| Net cash inflow from operating activities                            |         | 225,530     | 272,087     | 226,133     | 254,357     |
| <b>Cash flows from investing activities</b>                          |         |             |             |             |             |
| Purchase of property, plant and equipment and intangible assets      | 35(v)   | (111,966)   | (71,486)    | (109,253)   | (65,098)    |
| Interest received                                                    | 35(iv)  | 1,914       | 7,111       | 5,534       | 18,397      |
| Proceeds from disposal of property, plant and equipment              |         | 188         | 224         | 36          | 71          |
| Net cash used in investing activities                                |         | (109,864)   | (64,151)    | (103,683)   | (46,630)    |
| <b>Cash flows from financing activities</b>                          |         |             |             |             |             |
| Dividends paid to owners of the parent                               | 35(vi)  | (206,431)   | (209,038)   | (206,431)   | (209,036)   |
| Repayment of bank borrowings                                         | 35(vii) | (241)       | (741)       | -           | -           |
| Proceeds from sale of shares owned by employee share ownership trust |         | -           | 78,840      | -           | 78,840      |
| Net cash utilised in financing activities                            |         | (206,672)   | (130,939)   | (206,431)   | (130,196)   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>          |         | (91,006)    | 76,997      | (83,981)    | 77,531      |
| Cash and cash equivalents at beginning of the year                   |         | 152,684     | 76,013      | 146,240     | 69,012      |
| Exchange loss on cash and cash equivalent                            |         | (976)       | (326)       | (781)       | (303)       |
| <b>Cash and cash equivalents at the end of the year</b>              | 21      | 60,702      | 152,684     | 61,478      | 146,240     |

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for the year ended 31 December 2018

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# Notes

## 1 General information

Tanzania Breweries Limited is incorporated in the United Republic of Tanzania under the Companies Act as a limited liability Company. The Company is listed on the Dar es Salaam Stock Exchange and is domiciled in the United Republic of Tanzania. The principal activities of the Company and its subsidiaries are disclosed in the Directors' report. The address of its registered office is:

Uhuru Street,  
Mchikichini, Ilala District,  
Plot 79, Block "AA",  
PO Box 9013,  
Dar es Salaam, Tanzania.

## 2 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

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act, No. 12 of 2002 applicable to companies reporting under IFRS. The measurement basis applied is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzanian Shillings (TZS), rounded to the nearest million.

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

### *Changes in accounting policy and disclosures*

#### (i) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018 and have an impact on the Group and Company.

The Group and Company have initially applied IFRS 15 and IFRS 9 from 1 January 2018. On IFRS 9 the Group applied transitional provisions, 'entity that adopts the classification and measurement requirements of this Standard (which include the requirements related to amortised cost measurement for financial assets and impairment) shall provide the disclosures but need not restate prior period'. Due to the transition methods chosen by the Group and Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

#### IFRS 9 'FINANCIAL INSTRUMENTS'

IFRS 9 with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced new requirements such as expected credit loss (ECL) impairment model and new requirements for the classification and measurement of financial assets. IFRS 9, adopted on 1 January 2018, has not impacted the Group and Company's results upon transition. Based on management assessment, the impact of IFRS 9 on opening equity adjustment was immaterial.

#### IFRS 9 'FINANCIAL INSTRUMENTS' - CLASSIFICATION AND MEASUREMENT

IFRS 9 requires all financial assets which are debts instruments to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2(z). In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. On 1 January 2018 (the date of initial application of IFRS 9), the Group

## 2 Significant accounting policies (continued)

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

#### Changes in accounting policy and disclosures (continued)

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

and Company performed classification and measurement assessment on the financial assets held by the Group and Company and has classified its financial instruments into the appropriate IFRS 9 categories. The assessment was performed by considering the business model that applies to the group of asset and whether the cash flow characteristics of the instrument represent solely payments of principal and interest).

**Amortised cost** - Amortised cost financial assets are subsequently measured using the effective interest method and are subject to the impairment requirements in IFRS 9. Gains and losses are recognised in profit or loss when the instrument is derecognised or impaired.

**FVOCI** - Objective is to hold assets to collect contractual cash flows or both collecting contractual cash flows and selling financial assets.

**FVTPL** - Include assets that do not meet the criteria for amortised cost or FVOCI.

| Financial asset/<br>liability | Characteristic                                       | IAS 39 Classification                      | IFRS 9 Classification                                                   |
|-------------------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------|
| Trade and other receivables   | Loans and receivables from normal trading activities | Amortised cost                             | Held to collect the contractual cash flows. Measured at amortised cost. |
| Cash and cash equivalents     | Short- term bank balances                            | Amortised cost                             | Held to collect the contractual cash flows. Measured at amortised cost. |
| Borrowings                    | Borrowings from bank and related parties             | Amortised cost                             | Amortised cost.                                                         |
| Derivatives                   | Derivatives embedded in host contracts               | Fair value through profit and loss (FVTPL) | Fair value through profit and loss (FVTPL).                             |
| Trade and other payables      | Payable to others for normal trading activities      | Amortised cost                             | Amortised cost                                                          |

IFRS 9 'FINANCIAL INSTRUMENTS' - impairment of financial assets

### 1. ECL impairment requirements

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and FVOCI. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

### Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 at 1 January 2018

| Measurement category<br>Million Tanzania Shillings | Loss<br>allowance<br>under IAS 39 | Reclassification | Remeasurement | Loss<br>allowance<br>under IFRS 9 |
|----------------------------------------------------|-----------------------------------|------------------|---------------|-----------------------------------|
| <b>GROUP</b>                                       |                                   |                  |               |                                   |
| Loans and receivables                              |                                   |                  |               |                                   |
| - Cash at bank and in hand                         | -                                 | -                | -             | -                                 |
| - Trade and other receivables                      | 34,071                            | -                | -             | 34,071                            |
| <b>Total</b>                                       | <b>34,071</b>                     | <b>-</b>         |               | <b>34,071</b>                     |
| <b>COMPANY</b>                                     |                                   |                  |               |                                   |
| Loans and receivables                              |                                   |                  |               |                                   |
| - Cash at bank and in hand                         | -                                 | -                | -             | -                                 |
| - Trade and other receivables                      | 1,903                             | -                | -             | 1,903                             |
| <b>Total</b>                                       | <b>1,903</b>                      | <b>-</b>         | <b>-</b>      | <b>1,903</b>                      |

The Group and Company have determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not result in a material additional allowance for impairment. For further information on impairment of financial assets, refer to Note 2(z).

## 2 Significant accounting policies (continued)

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

#### *Changes in accounting policy and disclosures (continued)*

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

##### REVENUE FROM CONTRACT WITH CUSTOMERS 'IFRS 15'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group and Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group and Company has identified the following areas of impact following the adoption of IFRS 15:

#### *Assessment of performance obligations – sale of goods:*

IFRS 15 para 31 states an entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The Group and Company performed assessments to establish a point when goods are considered to have transferred to customers. Based on the 'control indicators' provided under IFRS 15, the Group and Company concluded that control of the goods sold to the customer transfers at the point of delivery to the customer's premises. There is no significant changes in revenue recognition between previous standard IAS 18 and the new standard IFRS 15.

#### *Accounting for customers' discounts:*

The Group and Company have discounts arrangement in place. Determination of discounts is based on monthly sales as per agreed volume targets with its customers.

Management performed an assessment of the IFRS 15 impact to the Group and Company and concluded that the standard did not have a significant impact on the amounts as of 1 January 2018. Volume-related discounts are recognized as a reduction of revenue on a monthly basis. The Group's and Company's accounting policies have been updated to reflect IFRS 15 requirements. For additional information about the accounting policies relating to revenue recognition, see Note 2(w).

#### (ii) *New and amended standards not yet adopted by the Group and Company*

| Number           | Effective date                                                                            | Executive summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 16 – Leases | 1 January 2019<br>Early adoption is permitted only if IFRS 15 is adopted at the same time | <p>IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.</p> <p>The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.</p> <p>Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.</p> <p>The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>The Group and Company are performing impact assessment with the Regional Offices.</p> |

## 2 Significant accounting policies (continued)

## (a) Basis of preparation (continued)

*Changes in accounting policy and disclosures (continued)*(i) *New and amended standards adopted by the Group and Company (continued)*

| Number                                                            | Effective date | Executive summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interpretation 23<br>Uncertainty over<br>Income Tax<br>Treatments | 1 January 2019 | <p>The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:</p> <ul style="list-style-type: none"> <li>• how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty</li> <li>• that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored</li> <li>• that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment</li> <li>• that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and</li> <li>• that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.</li> <li>• While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.</li> </ul> <p>The Group and Company are performing impact assessment.</p> |
| Plan Amendment, Curtailment or Settlement - Amendments to IAS 19  | 1 January 2019 | <p>The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :</p> <ul style="list-style-type: none"> <li>• calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change</li> <li>• any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling</li> <li>• separately recognise any changes in the asset ceiling through other comprehensive income.</li> </ul> <p>The Group and Company are performing impact assessment.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Annual Improvements to IFRS Standards 2015-2017 Cycle             | 1 January 2019 | <p>The following improvements were finalised in December 2017:</p> <ul style="list-style-type: none"> <li>• IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.</li> <li>• IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.</li> <li>• IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.</li> <li>• IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and the Company.

## 2 Significant accounting policies (continued)

### (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of their shareholders give the group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted within equity.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Profit or losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint

## 2 Significant accounting policies (continued)

### (b) Consolidation (continued)

#### (iii) Disposal of subsidiaries (continued)

venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker has been identified as operating board that makes strategic decisions.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Tanzanian Shillings (TZS), rounded to the nearest million, which is the Group and Company's functional currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities at the statement of financial position date, which are expressed in foreign currencies, are translated into Tanzania Shillings at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other exchange gain or losses are presented in the profit or loss within other income/expenses.

### (e) Property, plant and equipment

All property, plant and equipment is stated at cost, less subsequent depreciation and impairment. Cost includes expenditure directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchase in respect of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or Company and the cost of the item can be measured reliably.

Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over the estimated useful life, as follows:

|                         |                                       |
|-------------------------|---------------------------------------|
| Land and buildings      | Shorter of the lease term or 50 years |
| Plant and machinery     | 10 – 15 years                         |
| Containers              | 3 years                               |
| Furniture and equipment | 3 – 12 years                          |
| Vehicles                | 4 – 8 years                           |

Land and buildings comprises mainly factories, depots and offices.

Containers in circulation are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss. Depreciation of returnable bottles and containers is calculated to write the containers off over the course of their economic life. Breakages and losses in trade are written off from the relevant cost and accumulated depreciation accounts.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

## 2 Significant accounting policies (continued)

### (e) Property, plant and equipment (continued)

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and, for qualifying assets, certain borrowing costs. When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as on other property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identifiable assets (including intangibles), less liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the Group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recorded as negative goodwill. Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment identified is recognised immediately in profit or loss and is not reversed.

#### (ii) Software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring them to use.

Capitalised computer software, license and development costs are amortised over their useful economic lives of between 3 and 5 years.

Internally generated costs associated with maintaining computer software programmes are expensed as incurred.

#### (iii) Brands

Brands are recognized as an intangible asset where the brand has a long-term value. Acquired brands are only recognized where title is clear or the brand could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable.

The Group considers Brands to have an indefinite life and are therefore, not amortized but tested for impairment on an annual basis. During the year, the brand was written-off.

### (g) Impairment of non-financial assets

Impairment reviews are performed by comparing the carrying value of the non-current asset to its recoverable amount, being the higher of the fair value less costs to sell and value in use.

The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in profit or loss in the period in which it is incurred.

## 2 Significant accounting policies (continued)

### (g) Impairment of non-financial assets (continued)

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group or Company estimates the recoverable amount of the cash generating unit (CGU) to which the assets belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets and liabilities that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

When impairment is recognised, the impairment loss is applied firstly to reduce the carrying amount of any goodwill allocated to the CGU then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in profit or loss in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset is restricted to the amount that it would have been had the original impairment not occurred. Impairment losses in respect of goodwill are irreversible.

Intangible non-current assets with an indefinite life and goodwill are tested annually for impairment.

### (h) Investments in subsidiaries

Investments in subsidiaries are carried at cost. If there is objective evidence that an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income.

### (i) Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows:

- Raw materials: Purchase cost net of discounts and rebates on a first-in first-out basis (FIFO);
- Consumable stores and spares: Purchase cost net of discounts and rebates on a weighted average basis;
- and
- Finished goods and work in progress: Raw material cost plus direct costs and a proportion of manufacturing overhead expenses on a FIFO basis.

The purchase costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of the materials.

Net realisable value is the estimated selling price in an open market less further costs expected to be incurred to completion and disposal.

### (j) Deposits by customers

Bottles and containers in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay customers' deposit. Deposits paid by customers for branded returnable containers are reflected in statement of financial position within current liabilities. Any estimated liability that may arise in respect of deposits for containers and bottles is shown in provisions.

### (k) Trade receivables

New accounting policy (effective from 1 January 2018)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all receivables aging from 0 – 30 days are all classified as current. Trade receivables are recognised initially at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 2(aa).

*Previous accounting policy (applied until 31 December 2017)*

## 2 Significant accounting policies (continued)

### (k) Trade receivables (continued)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2(aa) for previous description of the group's impairment policies.

### (l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits payable on demand, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on statement of financial position and are included within cash and cash equivalents on the face of the cash flows as they form an integral part of the Group's or Company's cash management. Restricted cash are not included as part of cash and equivalents.

### (m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (n) Investment in own shares (treasury and shares held by employee benefit trusts)

Shares held by employee share benefit trusts and in treasury are treated as a deduction from equity until the shares are cancelled, reissued or disposed of.

Purchases of such shares are classified in the statement of cash flows as a purchase of own shares for share trust or purchase of own shares for treasury within net cash from financing activities.

Where such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental costs and related tax effects is included in equity attributable to the Company's equity shareholders.

### (o) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### (p) Trade payables

*New accounting policy (effective from 1 January 2018)*

These amounts represent liabilities for goods and services provided to the Group and Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

*Previous accounting policy (applied until 31 December 2017)*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (q) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable

## 2 Significant accounting policies (continued)

### (q) Provisions (continued)

estimate can be made of the amount of the obligation. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in profit or loss within finance costs.

### (r) Income tax

Income tax expense is the aggregate of the charge in profit or loss in respect of current and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that the directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (t) Employee benefits

#### (i) Bonus plans

The Group and the Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (ii) Defined contribution plan

The Group and Company pay contributions to the National Social Security Fund (NSSF) and Parastatal Pensions Fund (PPF), which are publicly administered pension plans, on a mandatory basis. These are defined contribution schemes. A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity.

The Group and the Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's and the Company's contributions are recognised as employee benefit expense when they are due.

#### (iii) Defined pension benefits

The Company introduced a defined benefit plan for selected employees. The plan is a final salary pension plan, which provides benefit of 50% monthly basic salary for each year of service to permanent employees of grades A - FA in the form of a lump sum amount payable on retirement or on the occurrence of any event giving rise to the accrual of that benefit. The level of benefit provided depends on member's length of service and the final salary at retirement. The plan is unfunded and the company meets benefit payment obligations as they fall due.

## 2 Significant accounting policies (continued)

### (t) Employee benefits (continued)

#### (iii) Defined pension benefits (continued)

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

### (u) Earnings per share

Basic earnings per share represent the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares outstanding during the year, excluding the weighted average number of ordinary shares held in the Group's and the Company's employee benefit trust during the year.

Diluted earnings per share represent the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares outstanding during the year, including the weighted average number of ordinary shares held in the Group's and the Company's employee benefit trust during the year, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

### (v) Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### (w) Revenue recognition

The Group and Company present revenue gross of excise duties because, unlike value added tax, excise is not directly related to the value of sales, it is not recognised as a separate item on invoices, increases in excise duties are not always directly passed on to customers, and the Group and Company cannot reclaim the excise duties where customers do not pay for product received. The Group and Company, therefore, consider excise duties as a cost to the entity and reflect it as a production cost. Consequently, any excise duties that is recovered in the sale price is included in revenue.

The Group and Company adopted IFRS 15 effective from 1 January 2018. There is no difference on revenue recognition from the previous standard IAS 18.

Revenue is measured based on the consideration specified in a contract with the customer. The Group and Company recognises revenue when it transfers control over a good or service to a customer.

#### Revenue recognition under IFRS 15 (applicable from 1 January 2018)

Revenue from a contract with customers are recognised when the goods are delivered to the customers' premises, and control of the goods have been transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract/sales order, or the group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sale of goods is measured at the amount that reflects the best estimate of the consideration expected to receive in exchange for those goods. The effects for discounts that relate to variable consideration resulting from discounts on the price of the products provided to the customers once the customer meets specific volume have been assessed to be immaterial for adjustments.

## 2 Significant accounting policies (continued)

### (w) Revenue recognition (continued)

#### Revenue recognition under IAS 18 (applicable before 1 January 2018)

Revenue represents the fair value of consideration received or receivable for goods and services sold to third parties and is recognised when the risks and rewards of ownership are substantially transferred. Risks and rewards are deemed to have substantially transferred once goods leave the relevant Group's warehouse or depot, based on a customer's order.

Revenue excludes value added tax. It is stated net of price discounts, promotional discounts and after an appropriate amount has been provided to cover the sales value of credit notes yet to be issued that relate to the current and prior periods. The same recognition criteria also apply to the sale of by-products and waste (such as spent grain, malt dust and yeast).

### (x) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### (y) Borrowing cost

General and specific borrowing costs 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 added to 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 borrowing 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.

### (z) Financial assets - Accounting policy under IFRS 9

#### (i) Classification and measurements

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI or FVTPL. The Group classifies its financial assets as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Contractual cash flow characteristic of the asset: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, The Company considers whether the contractual cash flows are consistent with the nature of the assets/liabilities and basic

## 2 Significant accounting policies (continued)

### (z) Financial assets - Accounting policy under IFRS 9 (continued)

#### (i) Classification and measurements (continued)

lending arrangement i.e Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The SPPI test will be applied to the typical financial assets below:

| Asset                  | Characteristic                                                                | SPPI (Pass/ fail)                                                                                   |
|------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Trade receivables      | Receivables from normal trading activities, interest is not normally charged. | Repayment represents payment of the transaction price, which represents the principal amount – Pass |
| Cash and bank balances | Short- term bank balances                                                     | Pass                                                                                                |
| Derivatives            | Arose from foreign exchange forward contracts and futures contracts           | Fail                                                                                                |

Trade and other receivables, cash and cash equivalents are subsequently carried at amortised cost, and derivatives are measured at FVTPL.

#### ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. 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 the risks and rewards of ownership.

### aa) Impairment of financial assets

#### *As per IFRS 9 impairment of financial asset*

The Group has trade and other receivables that impairment assessments are subject to the expected credit loss model. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade are grouped based on shared credit risk characteristics in the following categories: distribution centres, distributors and others and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the growth domestic product (GDP) of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

#### *Previous accounting policy for impairment of financial asset*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is

## 2 Significant accounting policies (continued)

### aa) Impairment of financial assets (continued)

reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised profit or loss.

### (ab) Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

These include derivatives embedded in host contracts. Such embedded derivatives need not be accounted for separately if the host contract is already fair valued; if it is not considered as a derivative if it was freestanding; or if it can be demonstrated that it is closely related to the host contract.

There are certain currency exemptions which the Group and Company have applied to these rules which limit the need to account for certain potential embedded foreign exchange derivatives, namely where a contract is denominated in the functional currency of either party or in a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place.

For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in profit or loss.

### (ac) Derivative financial instruments – hedge accounting

Financial assets and financial liabilities at fair value through profit or loss include all derivative financial instruments. The derivative instruments used by the Group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise forward foreign exchange contracts and other specific instruments as necessary under the approval of the board. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. The Group also has derivatives embedded in other contracts primarily cross border foreign currency supply contracts for raw materials.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group documents at inception, the relationship between the hedged item and the hedging instrument as well as its risk management objectives and strategy for undertaking hedging transactions. The group documents and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The Group designates certain derivatives as either: hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions or commitments (cash flow hedge).

#### Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognized in other comprehensive income. The ineffective portion is recognized immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

### 3 Critical accounting estimates and judgments

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

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

(i) *Income tax*

Significant judgment is required in determining the Group's and Company's overall income tax provision or estimated future recovery of income tax losses. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company and Group recognise liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the tax provisions in the periods in which the determination is made. The Group received a number of additional tax assessments from Tanzania Revenue Authority.

The Directors have exercised significant judgement in concluding whether liability will crystalize from the tax assessments. As disclosed in Note 34 of the financial statements, some of these amounts have not been taken into account by Directors in preparation of the Group financial statements.

(ii) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2 (f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The value in use of the clear beer segment as at 31 December 2018 was estimated at TZS 2,796,520 million (December 2017: TZS 1,644,401 million). The recoverable amount calculated based on value in use exceeded carrying value by TZS 2,237,157 million. (December 2017: TZS 1,599,535 million). In light of the decline in performance of Darbrew, management made a decision to impair goodwill related to Darbrew amounting to TZS 5,237 million. Refer to note 16 for sensitivity analysis disclosures of the key assumptions used in goodwill impairment assessment of the clear beer segment.

(iii) *Impairment of Chibuku brand*

The Group tests annually whether Chibuku brand has suffered any impairment, in accordance with the accounting policy stated in note 2 (f). The recoverable amount of brand has been determined based on value-in-use calculations. These calculations require the use of estimates. In 2018 the asset was considered fully impaired and therefore it was written off.

(iv) *Property, plant and equipment*

The determination of the useful economic life and residual values of property, plant and equipment is subject to management estimation. The Group and Company regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and any changes that could affect prospective depreciation charges and asset carrying value.

(v) *Defined pension benefit*

The present value of the retirement benefit plan depends on a number of factors that are determined in an actuarial basis using assumptions of discount rate, salary escalation rate, mortality rates, invalidity rates and withdrawal rates.

Any changes in these assumptions will impact the carrying amount of obligations. The assumptions used in determining the net cost for pensions include the discount rate. Other key assumptions for pension obligations are based in part on current market conditions. Refer to note 27 for the risk exposure and sensitivity analysis.

(vi) *Impairment of financial assets*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed to Note 2(aa) and Note 4.1.

## 4 Financial risk management

### 4.1 Financial risk factors

The Group's and Company's activities expose them to a variety of financial risks including: market risk (including foreign exchange, interest rate and price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimize potential adverse effects on the Group's financial performance. Risks management is carried out by the management on behalf of the Board of Directors.

#### Market risk

##### (i) Foreign exchange risk

The Group and Company import raw materials, capital equipment and services and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and SA Rand. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

The tables below set out the Group's currency exposures from financial assets and liabilities held by the Group in currencies other than their functional currencies and resulting in exchange movements in profit or loss and statement of financial position.

| Million Tanzania Shillings            | Exposure<br>in ZAR | Exposure<br>in US\$ | Exposure<br>in Euro | Exposure in<br>KES | Total<br>exposure |
|---------------------------------------|--------------------|---------------------|---------------------|--------------------|-------------------|
| <b>GROUP</b>                          |                    |                     |                     |                    |                   |
| <b>31 December 2018</b>               |                    |                     |                     |                    |                   |
| <b>Financial assets/(liabilities)</b> |                    |                     |                     |                    |                   |
| Cash and cash equivalents             | 137                | (2,277)             | 793                 | -                  | 1,346             |
| Trade and other receivables           | -                  | 3,061               | -                   | -                  | 3,061             |
| Trade and other payable               | (13,888)           | (64,058)            | (27,815)            | (4,485)            | (110,245)         |
| <b>Net monetary liabilities</b>       | <b>(13,751)</b>    | <b>(63,274)</b>     | <b>(27,022)</b>     | <b>(4,485)</b>     | <b>(105,838)</b>  |
| <b>31 December 2017</b>               |                    |                     |                     |                    |                   |
| <b>Financial assets/(liabilities)</b> |                    |                     |                     |                    |                   |
| Cash and cash equivalents             | 492                | 4,188               | 347                 | -                  | 5,027             |
| Trade and other receivables           | 43                 | 4,140               | -                   | -                  | 4,183             |
| Trade and other payable               | (5,984)            | (31,012)            | (11,728)            | -                  | (48,724)          |
| <b>Net monetary liabilities</b>       | <b>(5,449)</b>     | <b>(22,684)</b>     | <b>(11,381)</b>     | <b>-</b>           | <b>(39,514)</b>   |
| <b>COMPANY</b>                        |                    |                     |                     |                    |                   |
| <b>31 December 2018</b>               |                    |                     |                     |                    |                   |
| <b>Financial assets/(liabilities)</b> |                    |                     |                     |                    |                   |
| Cash and cash equivalents             | 317                | (250)               | 664                 | -                  | 731               |
| Trade and other receivables           | 742                | 545                 | -                   | 101                | 1,388             |
| Trade and other payable               | (12,241)           | (56,444)            | (27,531)            | (4,485)            | (100,701)         |
| <b>Net monetary liabilities</b>       | <b>(11,182)</b>    | <b>(56,149)</b>     | <b>(26,867)</b>     | <b>(4,384)</b>     | <b>(98,582)</b>   |
| <b>31 December 2017</b>               |                    |                     |                     |                    |                   |
| <b>Financial assets/(liabilities)</b> |                    |                     |                     |                    |                   |
| Cash and cash equivalents             | 469                | 2,829               | 302                 | -                  | 3,600             |
| Trade and other receivables           | 43                 | 975                 | -                   | -                  | 1,018             |
| Trade and other payable               | (5,463)            | (27,191)            | (9,713)             | -                  | (42,367)          |
| <b>Net monetary liabilities</b>       | <b>(4,951)</b>     | <b>(23,387)</b>     | <b>(9,411)</b>      | <b>-</b>           | <b>(37,749)</b>   |

## 4 Financial risk management (continued)

### 4.1 Financial risk factors (continued)

#### (i) Foreign exchange risk (continued)

At 31 December 2018, if the Tanzania shilling (TZS) had weakened/strengthened by 10% (December 2017: 10%) against the US dollar with all other variables held constant, Group's post-tax profit for the year would have been higher or lower by TZS 4,429 million (December 2017: TZS 1,588 million) and the Company's post-tax profit for the year by TZS 3,930 million (December 2017: TZS 1,637 million), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash and cash equivalents, trade receivables and trade and other payable.

At 31 December 2018, if the Tanzania shilling (TZS) had weakened/strengthened by 10% (December 2017: 10%) against the Euro with all other variables held constant, Group's post-tax profit for the year would have been higher/lower by TZS 1,892 million (December 2017: TZS 797 million) and Company's post-tax profit for the year by TZS 1,881 million (December 2017: TZS 659 million), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated cash and cash equivalents and trade and other payable.

At 31 December 2018, if the Tanzania shilling (TZS) had weakened/strengthened by 10% (December 2017: 10%) against the SA Rand with all other variables held constant, Group's post-tax profit for the year would have been higher or lower by TZS 963 million (December 2017: TZS 381 million) and Company's by TZS 783 million (December 2017: TZS 347 million), mainly as a result of foreign exchange losses/gains on translation of SA Rand-denominated cash and cash equivalents and trade and other payable.

The effect of movement by 10% of KES is not material.

#### (ii) Cash flow and fair value interest rate risk

The Group's and Company's interest bearing financial liabilities include its bank overdrafts and term loans, some of which are at a variable rate, and on which it is therefore exposed to cash-flow interest rate risk. The Group and Company regularly monitor financing options available to ensure optimum interest rates are obtained. At 31 December 2018, an increase/decrease of 100 basis points (December 2017: 100 basis points) would have resulted in a decrease/increase in post-tax profit of the Group TZS 135 million (December 2017: TZS 2 million) and Company TZS 40 million (December 2017: TZS NIL million).

#### (iii) Price risk

The Group and Company exposure to price risk is considered negligible both to the Group and Company.

#### Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and credit exposures to customers, including outstanding receivables. These are carried at amortised costs.

Credit risk is managed by the National Credit Manager. Credit risk arises from cash at bank and short-term deposits with banks, as well as trade and other receivables and derivatives. The Group or Company has no significant concentrations of credit risk. The National Credit Manager assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The counterparties to the transactions relating to the Group's and Company's cash and cash equivalents are financial institutions with a strong financial standing. The Group manages the risk by banking with financial institutions assessed as financially strong. Management does not believe there is a significant risk of non-performance by these counterparties.

The Group and Company monitor receivables ensuring that all trade receivables are within their approved credit limits and no receivables have had their terms renegotiated.

The Group's and Company's maximum exposure to credit risk (for financial instruments subject to impairment) is made up as follows:

#### 4 Financial risk management (continued)

##### 4.1 Financial risk factors (continued)

##### (iii) Price risk (continued)

##### Credit risk (continued)

| Million Tanzania Shillings                          | Group    |          | Company  |          |
|-----------------------------------------------------|----------|----------|----------|----------|
|                                                     | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Trade and other receivables (excluding prepayments) | 116,604  | 95,086   | 104,421  | 138,858  |
| Bank balances (restricted and unrestricted)         | 101,818  | 152,684  | 100,161  | 146,240  |
| Derivative financial assets                         | 328      | 437      | 328      | 437      |
|                                                     | 218,750  | 248,207  | 204,910  | 285,535  |

There is no independent credit rating for banks operating in Tanzania. However, the Group and Company's bankers are reputable local banks and subsidiaries of reputable international banks. The Group banks with the following banks: Stanbic Bank Tanzania Limited, Standard Chartered Bank Tanzania Limited, Citibank Tanzania Limited, National Bank of Commerce Limited, CRDB Bank Plc and NMB Bank Plc.

All major credit customers are required to give collateral in the form of cash deposits or bank guarantees. Credit risk is managed by limiting the aggregate amount of exposure to any counterparty. The guarantees can be called upon if the counter party is in default under the terms of the agreement.

| Million Tanzania Shillings             | Group    |          | Company  |          |
|----------------------------------------|----------|----------|----------|----------|
|                                        | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| <b>Collateral held comprises:</b>      |          |          |          |          |
| Cash security                          | 28,079   | 35,181   | 22,989   | 29,994   |
| Bank guarantees and share certificates | 41,158   | 48,067   | 38,967   | 47,219   |
|                                        | 69,237   | 83,248   | 61,956   | 77,213   |

##### Impairment of financial assets

The Group and Company financial assets that are subject to impairments as per IFRS 9 using expected credit loss model. These financial assets include trade and other receivables and cash and cash equivalents.

Management performed impairment assessment for cash and cash equivalents as per requirements of IFRS 9. The expected credit allowance as at 1 January 2018 was not material. It was assessed that no additional impairment is required.

The group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the Growth Domestic Product (GDP) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in GDP.

The Group and Company consider default customers with outstanding balances of more than 90 days. For purposes of ECL, loss is based on debts that are outstanding for more than 360 days and the Group exhausted all means of enforcing the payments. The loss rates are based on the historical loss rates of 3 years experiences. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined to be immaterial. Refer to below 31 December 2018 analysis of impairment provision as per IFRS 9, which is below recognised impairment losses for trade receivables.

## 4 Financial risk management (continued)

### 4.1 Financial risk factors (continued)

#### (iii) Price risk (continued)

#### Impairment of financial assets (continued)

| GROUP                  | 0 - 30 days | 30 - 60 days | 60 - 90 days | 90 - 180 days | 180 - 360 days | Over 360      | Total         |
|------------------------|-------------|--------------|--------------|---------------|----------------|---------------|---------------|
| Trade receivables      | 94,311      | 909          | 654          | 821           | 3,534          | 35,792        | 136,021       |
| Loss rates             | 0.8%        | 8.3%         | 22.8%        | 39%           | 68.3%          | 98.4%         |               |
| <b>Loss allowances</b> | <b>719</b>  | <b>75</b>    | <b>149</b>   | <b>320</b>    | <b>2,414</b>   | <b>35,237</b> | <b>38,914</b> |

| COMPANY                | 0 - 30 days | 30 - 60 days | 60 - 90 days | 90 - 180 days | 180 - 360 days | Over 360     | Total        |
|------------------------|-------------|--------------|--------------|---------------|----------------|--------------|--------------|
| Trade receivables      | 80,969      | 331          | 557          | 749           | 3,405          | 4,369        | 90,380       |
| Loss rates             | 0.5%        | 7%           | 23.7%        | 40.3%         | 69.6%          | 98.4%        |              |
| <b>Loss allowances</b> | <b>453</b>  | <b>23</b>    | <b>132</b>   | <b>301</b>    | <b>2,369</b>   | <b>4,301</b> | <b>7,579</b> |

However, the Group and Company determined impairment provision based on ageing profile of its trade receivables with impairment provision considered for balances outstanding for more than 90 days. The individually impaired receivables mainly relate to sale of goods and other receivables. It was assessed that a portion of the receivables is expected to be recovered.

#### Impairment of financial assets

The factors that were considered in assessing impairment for each customer's balance individually include:

- financial difficulties of a customer based on information obtained by the Credit controller;
- balances not paid for more than 90 days
- the impact of the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Below are balances impaired based on the above factors;

|                                               | Group    |          | Company  |          |
|-----------------------------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings                    | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Trade receivables – from goods sold on credit | 42,914   | 34,071   | 9,292    | 1,903    |
| Other receivables                             | -        | -        | 27,919   | -        |
| Net carrying amount                           | 42,914   | 34,071   | 37,211   | 1,903    |

For movement of loss allowance for trade and other receivables refer to note 21.

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 the customer to meet the agreed payment plans and severe financial difficulties faced by the customer. This assessment is performed on a case by case basis.

#### 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 and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines and through inter-Company short term advances. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below shows the availability of funding for the Group from banks and their related utilisation at the statement of financial position dates.

## 4 Financial risk management (continued)

## 4.1 Financial risk factors (continued)

## (iii) Price risk (continued)

## Liquidity risk (continued)

| Name of bank                             | Group        |          |              |          | Company      |          |              |          |
|------------------------------------------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|
|                                          | Dec 2018     |          | Dec 2017     |          | Dec 2018     |          | Dec 2017     |          |
| Million Tanzania Shillings               | Credit limit | Utilised | Credit limit | Utilised | Credit limit | Utilised | Credit limit | Utilised |
| Stanbic Bank Tanzania                    |              |          |              |          |              |          |              |          |
| - Overdraft facility                     | 30,000       | -        | 30,000       | -        | 30,000       | -        | 30,000       | -        |
| - FX spot facility                       |              |          |              |          |              |          |              |          |
| - USD 2,500,000                          | 5,500        | -        | -            | -        | 5,500        | -        | -            | -        |
| National Bank of Commerce Limited        | 39,600       | 2,432    | 41,600       | 241      | 39,600       | 383      | 41,600       | 241      |
| Standard Chartered Bank Tanzania Limited |              |          |              |          |              |          |              |          |
| • Short terms loan/ overdraft            | 30,000       | -        | 30,000       | -        | 30,000       | -        | 30,000       | -        |

The table below analyses the Group's non derivative financial liabilities and derivative financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Million Tanzania Shillings                                                                   | Group         |                       | Company       |                       |
|----------------------------------------------------------------------------------------------|---------------|-----------------------|---------------|-----------------------|
|                                                                                              | Within 1 year | Between 2 and 5 years | Within 1 year | Between 2 and 5 years |
| <b>At 31 December 2018</b>                                                                   |               |                       |               |                       |
| <i>Non-derivative financial liabilities</i>                                                  |               |                       |               |                       |
| Borrowings                                                                                   | 2,816         | -                     | 383           | -                     |
| Trade and other payable (excluding statutory and other non-financial liabilities)            | 247,044       | -                     | 231,569       | -                     |
|                                                                                              | 249,860       | -                     | 231,952       | -                     |
| Financial guarantee                                                                          | 100           | -                     | 100           | -                     |
| <b>At 31 December 2017</b>                                                                   |               |                       |               |                       |
| <i>Non-derivative financial liabilities</i>                                                  |               |                       |               |                       |
| Borrowings                                                                                   | 241           | -                     | -             | -                     |
| Trade and other payable (excluding statutory and other non-financial liabilities)            | 266,209       | -                     | 236,962       | -                     |
|                                                                                              | 266,450       | -                     | 236,962       | -                     |
| <b>Derivative financial liabilities - Gross settled (forward foreign exchange contracts)</b> |               |                       |               |                       |
| • Cash (inflow)                                                                              | (1,047)       | -                     | (1,047)       | -                     |
| • Cash outflow                                                                               | 1,053         | -                     | 1,053         | -                     |
|                                                                                              | 6             | -                     | 6             | -                     |
| Financial guarantee                                                                          | 2,214         | -                     | 2,214         | -                     |

## 4 Financial risk management (continued)

### 4.2 Capital management (continued)

#### 4.2 Capital management

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

During the year ended 31 December 2018 the Group's and Company's strategy, which was unchanged from the prior year, was to maintain a gearing ratio of below 150%. The gearing ratios at 31 December 2018 and 2017 were as follows:

| Million Tanzania Shillings     | Note | Dec 2018        | Dec 2017  |
|--------------------------------|------|-----------------|-----------|
| <b>GROUP</b>                   |      |                 |           |
| Total borrowings               | 26   | <b>2,816</b>    | 241       |
| Less: cash at bank and in hand | 21   | <b>(63,518)</b> | (152,684) |
| Net debt                       |      | -               | -         |
| Total equity                   |      | <b>562,822</b>  | 636,295   |
| Total capital                  |      | <b>502,120</b>  | 483,852   |
| Gearing ratio                  |      | <b>0%</b>       | 0%        |
| <b>COMPANY</b>                 |      |                 |           |
| Total borrowings               | 26   | <b>383</b>      | -         |
| Less: cash at bank and in hand | 21   | <b>(61,861)</b> | (146,240) |
| Net debt                       |      | -               | -         |
| Total equity                   |      | <b>519,732</b>  | 638,267   |
| Total capital                  |      | <b>458,254</b>  | 492,027   |
| Gearing ratio                  |      | <b>0%</b>       | 0%        |

#### 4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period.
- Level 2 - The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's and Company's financial assets and liabilities that are measured at fair value at 31 December 2018.

## 4 Financial risk management (continued)

## 4.3 Fair value estimation (continued)

| Million Tanzania Shillings           | Level 1 | Level 2 | Level 3 | Total balance |
|--------------------------------------|---------|---------|---------|---------------|
| <b>GROUP</b>                         |         |         |         |               |
| <b>Year ended 31 December 2018</b>   |         |         |         |               |
| <i>Assets</i>                        |         |         |         |               |
| Embedded derivatives                 |         |         | 328     | 328           |
| Derivatives used for hedging         | -       | -       | -       | -             |
| - Foreign exchange contracts         | -       | -       | -       | -             |
|                                      | -       | -       | 328     | 328           |
| <b>Period ended 31 December 2017</b> |         |         |         |               |
| <i>Assets</i>                        |         |         |         |               |
| Embedded derivatives                 | -       | -       | 344     | 344           |
| Derivatives used for hedging         | -       | -       | 93      | 93            |
| - Foreign exchange contracts         | -       | -       | 437     | 437           |
| <i>Liabilities</i>                   |         |         |         |               |
| Derivatives used for hedging         | -       | -       | (727)   | (727)         |
| - Foreign exchange contracts         | -       | -       | 344     | 344           |

The carrying value of trade receivables less impairment provision, borrowings and payables are assumed to approximate their fair values.

| Million Tanzania Shillings           | Level 1 | Level 2 | Level 3 | Total balance |
|--------------------------------------|---------|---------|---------|---------------|
| <b>COMPANY</b>                       |         |         |         |               |
| <b>Year ended 31 December 2018</b>   |         |         |         |               |
| <i>Assets</i>                        |         |         |         |               |
| Embedded derivatives                 | -       | -       | 328     | 328           |
|                                      | -       | -       | 328     | 328           |
| <b>Period ended 31 December 2017</b> |         |         |         |               |
| <i>Assets</i>                        |         |         |         |               |
| Embedded derivatives                 | -       | -       | 344     | 344           |
| Derivatives used for hedging         | -       | -       | 93      | 93            |
| - Foreign exchange contracts         | -       | -       | 437     | 437           |
| <i>Liabilities</i>                   |         |         |         |               |
| Derivatives used for hedging         | -       | -       | (727)   | (727)         |
| - Foreign exchange contracts         | -       | -       | (727)   | (727)         |

The carrying value of trade receivables less impairment provision, borrowings and payables are assumed to approximate their fair value.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The valuation technique maximises the use of observable market data where it is available and rely as little as possible on the Group and Company's specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of forward foreign exchange contracts is determined using forward exchange rates (unobservable inputs) at the statement of financial position date, with the resulting value discounted back to present value.

There were no transfers between levels during the period under audit (December 2017: None).

**Fair value measurements using significant unobservable inputs (level 3)**

## 4 Financial risk management (continued)

### 4.3 Fair value estimation (continued)

The following table presents the changes in level 3 items for the periods ended 31 December 2018 and 31 December 2017:

| Million Tanzania Shillings                     | Group                |                              | Company              |                              |
|------------------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
|                                                | Embedded derivatives | Derivatives used for hedging | Embedded derivatives | Derivatives used for hedging |
| <b>Opening Balance as at 1 April 2017</b>      | 807                  | (1,322)                      | 807                  | (674)                        |
| Additions                                      | -                    | -                            | -                    | -                            |
| Gains recognised in other comprehensive income | -                    | 199                          | -                    | 22                           |
| Gains/ (losses) recognised in other income     | (464)                | 489                          | (463)                | 18                           |
| <b>Closing balance as at 31 December 2017</b>  | <b>343</b>           | <b>(634)</b>                 | <b>344</b>           | <b>(634)</b>                 |
| Gain recognised in other comprehensive income  | -                    | -                            | -                    | -                            |
| Gains/ (losses) recognised in other income     | <b>(343)</b>         | <b>634</b>                   | <b>(344)</b>         | <b>634</b>                   |
| <b>Closing balance 31 December 2018</b>        | -                    | -                            | -                    | -                            |

## 5 Business segments information

The operating board have determined the operating segments based on reports reviewed by the board of directors that are used to make strategic decisions.

The operating board of directors considers the business from market and product perspectives. Market wise, management considers the main lines through which the Group derives its revenue. Costs relating to the general group management are shared between the Company and its subsidiaries based on agreed management fees. The Group is currently organised into two main operating divisions; – Beer and Wines and Spirits. The beer operating segment comprises clear beer and opaque beer. The results of the asset management entity are immaterial hence have also been aggregated as part of the beer segment. The segment information provided by management for the reportable segments for the year ended 31 December 2018 and 31 December 2017 is as follows:

### Segmental statement of profit or loss

| Million Tanzania Shillings                      | Beer           | Wines & Spirits | (Eliminations)/ Consolidation | Total Group    |
|-------------------------------------------------|----------------|-----------------|-------------------------------|----------------|
| <b>December 2018</b>                            |                |                 |                               |                |
| <b>Revenue</b>                                  |                |                 |                               |                |
| Exports                                         | 911,765        | 151,100         | -                             | 1,062,865      |
| Local                                           | 417            | 15,488          | -                             | 15,905         |
| Total revenue from external customers           | 912,182        | 166,588         | -                             | 1,078,770      |
| Operating profit                                | 173,688        | 36,648          | -                             | 210,336        |
| Finance income/(cost) (net)                     | 2,946          | (2,347)         | -                             | 599            |
| Profit/ (loss) before tax                       | 176,634        | 34,301          | -                             | 210,935        |
| Income tax (expense)/ credit                    | (70,557)       | (7,359)         | -                             | (77,916)       |
| <b>Profit for the year</b>                      | <b>106,077</b> | <b>26,942</b>   | -                             | <b>133,019</b> |
| <b>Depreciation, amortisation and breakages</b> | <b>74,401</b>  | <b>1,893</b>    | -                             | <b>76,294</b>  |

## 5 Business segments information (continued)

## Segment assets, liabilities and capital expenditure

| Million Tanzania Shillings    | Beer           | Wines & Spirits | (Eliminations)/ Consolidation | Total Group    |
|-------------------------------|----------------|-----------------|-------------------------------|----------------|
| <b>December 2018</b>          |                |                 |                               |                |
| <b>Assets</b>                 |                |                 |                               |                |
| Investments                   | 48,687         | -               | (48,599)                      | 88             |
| Other non-current assets      | 553,676        | 37,108          | 39,630                        | 630,414        |
| Current assets                | 289,790        | 55,637          | (10,087)                      | 335,340        |
|                               | <b>892,153</b> | <b>92,745</b>   | <b>(19,056)</b>               | <b>965,842</b> |
| <b>Liabilities and equity</b> |                |                 |                               |                |
| Current liabilities           | 306,935        | 46,096          | 10,087                        | 363,118        |
| Non-current liabilities       | 39,902         | -               | -                             | 39,902         |
| Owner's equity                | 525,189        | 46,649          | (16,333)                      | 555,505        |
| Non-controlling interest      | (9,016)        | -               | 16,333                        | 7,317          |
|                               | <b>863,076</b> | <b>92,745</b>   | <b>10,087</b>                 | <b>965,842</b> |

## Capital expenditure

## December 2018

|                               |                |              |          |                |
|-------------------------------|----------------|--------------|----------|----------------|
| Property, plant and equipment | 109,686        | 2,280        | -        | 111,966        |
|                               | <b>109,686</b> | <b>2,280</b> | <b>-</b> | <b>111,966</b> |

## Statement of cash flows

## December 2018

|                      |           |         |         |           |
|----------------------|-----------|---------|---------|-----------|
| Operating activities | 224,051   | (2,316) | 3,784   | 225,519   |
| Investing activities | (103,888) | (2,192) | (3,784) | (109,864) |
| Financing activities | (206,661) | -       | -       | (206,661) |

## Net decrease in cash and cash equivalents

|                                                          |                 |                |          |                 |
|----------------------------------------------------------|-----------------|----------------|----------|-----------------|
|                                                          | <b>(86,498)</b> | <b>(4,508)</b> | <b>-</b> | <b>(91,006)</b> |
| Cash and cash equivalents at the beginning of the period | 146,893         | 5,791          | -        | 152,684         |
| Exchange gain/loss on cash and cash equivalent           | (917)           | (59)           | -        | (976)           |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>59,478</b>   | <b>1,224</b>   | <b>-</b> | <b>60,702</b>   |

## Segmental statement of profit or loss

| Million Tanzania Shillings               | Beer          | Wines & Spirits | (Eliminations)/ consolidation | Total Group   |
|------------------------------------------|---------------|-----------------|-------------------------------|---------------|
| <b>Nine months to December 2017</b>      |               |                 |                               |               |
| <b>Revenue</b>                           |               |                 |                               |               |
| Exports                                  | 424           | 9,217           | -                             | 9,641         |
| Local                                    | 764,418       | 103,468         | -                             | 867,886       |
| Total revenue from external customers    | 764,842       | 112,685         | -                             | 877,527       |
| Operating profit                         | 113,443       | (6,843)         | 406                           | 107,006       |
| Finance income/(cost) (net)              | 14,930        | (8,463)         | -                             | 6,467         |
| Profit/ (loss) before tax                | 128,373       | (15,306)        | 406                           | 113,473       |
| Income tax (expense)/ credit             | (66,791)      | 1,895           | -                             | (64,896)      |
| <b>Profit for the period</b>             | <b>61,582</b> | <b>(13,411)</b> | <b>406</b>                    | <b>48,577</b> |
| Depreciation, amortisation and breakages | <b>51,451</b> | <b>1,895</b>    | <b>-</b>                      | <b>53,346</b> |

## 5 Business segments information (continued)

## Segment assets, liabilities and capital expenditure

| Million Tanzania Shillings    | Beer           | Wines & Spirits | Eliminations/consolidation | Total Group      |
|-------------------------------|----------------|-----------------|----------------------------|------------------|
| <b>December 2017</b>          |                |                 |                            |                  |
| <b>Assets</b>                 |                |                 |                            |                  |
| Investments                   | 53,942         | -               | (53,854)                   | 88               |
| Other non-current assets      | 518,378        | 34,596          | 52,168                     | 605,142          |
| Current assets                | 407,675        | 53,635          | (59,902)                   | 401,408          |
|                               | <b>979,995</b> | <b>88,231</b>   | <b>(61,588)</b>            | <b>1,006,638</b> |
| <b>Liabilities and equity</b> |                |                 |                            |                  |
| Current liabilities           | 313,429        | 68,580          | (60,911)                   | 321,098          |
| Non-current liabilities       | 49,218         | 27              | -                          | 49,245           |
| Owner's equity                | 617,348        | 19,624          | (1,423)                    | 635,549          |
| Non-controlling interest      | -              | -               | 746                        | 746              |
|                               | <b>979,995</b> | <b>88,231</b>   | <b>(61,588)</b>            | <b>1,006,638</b> |

## Capital expenditure

| Million Tanzania Shillings    | Beer          | Wines & Spirits | Eliminations/consolidation | Total Group   |
|-------------------------------|---------------|-----------------|----------------------------|---------------|
| <b>December 2017</b>          |               |                 |                            |               |
| Property, plant and equipment | 63,373        | 6,790           | -                          | 70,163        |
| Intangible assets             | 1,323         | -               | -                          | 1,323         |
|                               | <b>64,696</b> | <b>6,790</b>    | <b>-</b>                   | <b>71,486</b> |

## Statement of cash flows

| Million Tanzania Shillings                                | Beer           | Wines & Spirits | Eliminations/consolidation | Total Group    |
|-----------------------------------------------------------|----------------|-----------------|----------------------------|----------------|
| <b>December 2017</b>                                      |                |                 |                            |                |
| Operating activities                                      | 258,807        | 4,318           | 8,962                      | 272,087        |
| Investing activities                                      | (47,436)       | (5,686)         | (11,029)                   | (64,151)       |
| Financing activities                                      | (130,939)      | -               | -                          | (130,939)      |
| <b>Net increase in cash and cash equivalents</b>          | <b>80,432</b>  | <b>(1,368)</b>  | <b>(2,067)</b>             | <b>76,997</b>  |
| Cash and cash equivalents at the beginning of the period  | 68,109         | 7,904           | -                          | 76,013         |
| Exchange gain/loss on cash and cash equivalent            | (326)          | -               | -                          | (326)          |
| <b>Cash and cash equivalents at the end of the period</b> | <b>148,215</b> | <b>6,536</b>    | <b>(2,067)</b>             | <b>152,684</b> |

The elimination relates to management fees from its subsidiary, Tanzania Distilleries Limited. There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's and Company's revenues.

## 6 Revenue

|                            | Group                 |                      | Company               |                      |
|----------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Million Tanzania Shillings | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 |
| Sale of goods – Local      | 1,062,865             | 877,102              | 906,006               | 752,992              |
| Sale of goods – Export     | 15,905                | 425                  | 417                   | 424                  |
|                            | 1,078,770             | 877,527              | 906,423               | 753,416              |

- Segment revenue is disclosed to Note 5.
- Trade receivables from contract with customers are disclosed to Note 20.

## 7 Expenses by nature

|                                               | Group                 |                      | Company               |                      |
|-----------------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Million Tanzania Shillings                    | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 |
| Excise duty                                   | 294,137               | 228,072              | 240,833               | 188,540              |
| Raw materials used                            | 228,428               | 185,885              | 167,161               | 136,209              |
| Transport and vehicle running costs           | 50,697                | 29,102               | 45,853                | 27,088               |
| Depreciation, write down and amortisation     | 76,294                | 53,346               | 71,938                | 50,704               |
| Royalties                                     | 11,494                | 11,837               | 11,461                | 11,814               |
| Impairment loss – receivables                 | 8,975                 | 7,923                | 35,306                | 263                  |
| Employee benefits expense (Note 8)            | 114,334               | 151,600              | 104,059               | 144,161              |
| Advertising and promotion costs               | 14,623                | 9,797                | 13,530                | 8,859                |
| Office running expenses                       | 7,115                 | 5,161                | 6,965                 | 4,425                |
| Operating lease rentals                       | 8,425                 | 7,278                | 6,177                 | 5,625                |
| Other operating costs                         | 7,575                 | 28,577               | 6,892                 | 11,782               |
| Maintenance                                   | 12,059                | 25,932               | 12,757                | 23,707               |
| Managerial, technical and administrative fees | 17,268                | 14,409               | 17,031                | 14,134               |
| Auditors' remuneration - audit services       | 792                   | 411                  | 633                   | 430                  |
| Professional fees - non audit services        | -                     | 951                  | -                     | -                    |
|                                               | 852,216               | 760,281              | 740,596               | 627,741              |
| <i>Classified as follows:</i>                 |                       |                      |                       |                      |
| Cost of sales                                 | 669,351               | 567,768              | 565,585               | 459,742              |
| Selling and distribution costs                | 128,164               | 130,549              | 122,327               | 109,696              |
| Administrative expenses                       | 54,701                | 61,964               | 52,684                | 58,303               |
|                                               | 852,216               | 760,281              | 740,596               | 627,741              |

## 8 Employee benefits expense

|                                                       |         |         |         |         |
|-------------------------------------------------------|---------|---------|---------|---------|
| Wages, salaries and other benefits                    | 109,434 | 145,393 | 99,649  | 138,101 |
| Retirement benefit costs (defined contribution plans) | 4,872   | 5,936   | 4,380   | 5,775   |
| Defined pension benefit (Note 28)                     | 38      | 271     | 30      | 285     |
|                                                       | 114,344 | 151,600 | 104,059 | 144,161 |

## 9 Other expenses

| Million Tanzania Shillings                               | Group                 |                      | Company               |                      |
|----------------------------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                                          | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 |
| Gain/(loss) on disposal of property, plant and equipment | 68                    | (8,168)              | 28                    | (3,395)              |
| Foreign exchange gain/(loss)                             | 250                   | (2,247)              | 599                   | (1,879)              |
| Sundry income/ (expenses)                                | (6,812)               | 149                  | (1,714)               | (492)                |
| Impairment provision – non-financial assets              | (9,783)               | -                    | (9,783)               | -                    |
|                                                          | (16,277)              | (10,266)             | (10,870)              | (5,766)              |

## 10 Derivative income

|                                       |    |    |    |       |
|---------------------------------------|----|----|----|-------|
| Fair value gain/(loss) on derivatives | 59 | 26 | 59 | (446) |
|---------------------------------------|----|----|----|-------|

## 11 Finance income and costs

|                                                      |         |       |         |         |
|------------------------------------------------------|---------|-------|---------|---------|
| <b>Finance income</b>                                |         |       |         |         |
| Interest income on bank balances                     | 1,912   | 7,111 | 1,750   | 6,892   |
| Interest income on current account with a subsidiary | 2       | -     | 3,784   | 11,505  |
|                                                      | 1,914   | 7,111 | 5,534   | 18,397  |
| <b>Finance costs</b>                                 |         |       |         |         |
| Interest expense on bank borrowings                  | (377)   | (118) | (192)   | (20)    |
| Interest expenses on current account with parent     | (574)   | (200) | (2,084) | (3,046) |
| Foreign exchange loss                                | (364)   | (326) | (167)   | (303)   |
|                                                      | (1,315) | (644) | (2,443) | (3,369) |

## 12 Income tax expenses

| Million Tanzania Shillings                   | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 | 12 months<br>Dec 2018 | 9 months<br>Dec 2017 |
|----------------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Current income tax (Note 31)                 |                       |                      |                       |                      |
| - Current tax on profit for the year         | 64,699                | 65,428               | 57,814                | 65,393               |
| - Adjustments in respect of prior years      | 21,764                | 3,030                | 21,654                | 1,231                |
| Deferred income tax (Note 27)                |                       |                      |                       |                      |
| - Current year charge on profit for the year | (6,453)               | (3,896)              | (8,718)               | (845)                |
| - Adjustments in respect of prior years      | (2,094)               | 334                  | (596)                 | 349                  |
| <b>Income tax expense</b>                    | <b>77,916</b>         | <b>64,896</b>        | <b>70,153</b>         | <b>66,128</b>        |

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

|                                                                      |               |               |               |               |
|----------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Profit before income tax                                             | 210,935       | 113,473       | 158,107       | 134,491       |
| Tax calculated at a rate of 30%                                      | 63,281        | 34,042        | 47,432        | 40,347        |
| Income not subject to tax                                            | (1,074)       | (1,319)       | -             | (1,319)       |
| Expenses excluded for tax purposes                                   | 2,517         | 27,326        | 1,664         | 25,536        |
| Adjustment to tax in respect of prior periods **                     | 19,671        | 3,366         | 21,058        | 1,580         |
| Profit on sales of non-qualifying assets                             | -             | 1,507         | -             | (16)          |
| Alternative minimum tax (DarBrew)                                    | 18            | 35            | -             | -             |
| Other temporary differences (Impairment of receivables from DarBrew) | (7,957)       | -             | -             | -             |
| Deferred tax asset not recognised (Darbrew)                          | 1,460         | (61)          | -             | -             |
| <b>Income tax expense</b>                                            | <b>77,916</b> | <b>64,896</b> | <b>70,153</b> | <b>66,128</b> |

\*\* Include previous years' tax matters on transfer pricing that were under objections with Tanzania Revenue Authority (TRA). These matters were closed during the year and the TRA issued amended tax assessments.

## 13 Earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

| Million Tanzania Shillings                                 | Dec 2018           | Dec 2017   |
|------------------------------------------------------------|--------------------|------------|
| <b>Group</b>                                               |                    |            |
| Net profit attributable to ordinary shareholders (TZS'000) | <b>126,446,000</b> | 55,966,732 |
| Outstanding shares in issue (000's) [Note 23]              | <b>295,056</b>     | 295,056    |
| Basic earnings per share (TZS per share)                   | <b>428</b>         | 190        |

### Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

|                                                                          |                    |            |
|--------------------------------------------------------------------------|--------------------|------------|
| Net profit attributable to shareholders (TZS'000)                        | <b>126,446,000</b> | 55,966,732 |
| Weighted average number of shares for diluted earnings per share (000's) | <b>295,056</b>     | 295,056    |
| Diluted earnings per share (TZS per share)                               | <b>428</b>         | 190        |

## 14 Dividends

| Million Tanzania Shillings            | Company        | Non-controlling interest | Group          | Dividend per share<br>TZS/SHARE |
|---------------------------------------|----------------|--------------------------|----------------|---------------------------------|
| <b>Twelve months to December 2018</b> |                |                          |                |                                 |
| First interim dividend                | 103,270        | -                        | 103,270        | 350                             |
| Second and final dividend             | 103,270        | -                        | 103,270        | 350                             |
| Total dividend expense                | <b>206,540</b> | -                        | <b>206,540</b> | <b>700</b>                      |

Dividend of TZS 700 per share amounting to TZS 206,540 million was approved by the board of directors of the Company and TZS 206,431 million paid during the twelve month period. Unpaid dividend as at 31 December 2018 amounted to TZS 3,388 million.

| Million Tanzania Shillings          | Company        | Non-controlling interest | Group          | Dividend per share<br>TZS/SHARE |
|-------------------------------------|----------------|--------------------------|----------------|---------------------------------|
| <b>Nine months to December 2017</b> |                |                          |                |                                 |
| First interim dividend              | 81,539         | -                        | 81,539         | 300                             |
| Second and final dividend           | 127,744        | -                        | 127,744        | 470                             |
| Total dividend expense              | <b>209,283</b> | -                        | <b>209,283</b> | <b>770</b>                      |

Dividend of TZS 770 per share amounting to TZS 209,283 million was approved by the board of directors of the Company and paid during the nine month period. Unpaid dividend as at 31 December 2017 amounted to TZS 3,390 million.

## 15 Property, plant and equipment

| Million Tanzania Shillings                  | Land and buildings | Plant and machinery | Furniture and equipment | Vehicles      | Containers    | Capital work in progress | Total          |
|---------------------------------------------|--------------------|---------------------|-------------------------|---------------|---------------|--------------------------|----------------|
| <b>GROUP</b>                                |                    |                     |                         |               |               |                          |                |
| <b>Year ended 31 December 2018</b>          |                    |                     |                         |               |               |                          |                |
| Opening net book value                      | 71,587             | 365,251             | 36,553                  | 10,077        | 59,518        | 4,923                    | 547,909        |
| Additions                                   | -                  | -                   | -                       | -             | 622           | 111,344                  | 111,966        |
| Disposals                                   | -                  | (1)                 | (1)                     | (118)         | -             | -                        | (120)          |
| Transfers                                   | 5,937              | 67,151              | 5,948                   | 3,873         | 27,657        | (110,567)                | -              |
| Reallocations to intangibles and write-offs | (7,738)            | 5,229               | (941)                   | (202)         | -             | (1,958)                  | (5,610)        |
| Container breakages and write-down          | -                  | -                   | -                       | -             | (6,657)       | -                        | (6,657)        |
| Depreciation charge                         | (4,620)            | (38,390)            | (8,359)                 | (2,291)       | (13,926)      | -                        | (67,587)       |
| Closing net book value                      | <b>65,166</b>      | <b>399,240</b>      | <b>33,200</b>           | <b>11,339</b> | <b>67,215</b> | <b>3,742</b>             | <b>579,902</b> |
| <b>At 31 December 2018</b>                  |                    |                     |                         |               |               |                          |                |
| Cost                                        | 110,097            | 690,481             | 96,469                  | 38,857        | 137,478       | 3,742                    | 1,077,124      |
| Accumulated depreciation                    | (44,931)           | (291,241)           | (63,269)                | (27,518)      | (70,263)      | -                        | (497,222)      |
| Net book value                              | <b>65,166</b>      | <b>399,240</b>      | <b>33,200</b>           | <b>11,339</b> | <b>67,215</b> | <b>3,742</b>             | <b>579,902</b> |

The Group's buildings, plant and machinery with net book value of TZS 131,375 million (Dec 2017: TZS 127,000 million) have been secured against borrowings/facilities as set out in Note 26 to the financial statements.

### Container breakages and write-down

Container breakages and write down relates to actual value of containers that were damaged in use and an estimate of containers damaged while in customers' hands.

| Million Tanzania Shillings           | Land and buildings | Plant and machinery | Furniture and equipment | Vehicles      | Containers    | Capital work in progress | Total          |
|--------------------------------------|--------------------|---------------------|-------------------------|---------------|---------------|--------------------------|----------------|
| <b>GROUP</b>                         |                    |                     |                         |               |               |                          |                |
| <b>Period ended 31 December 2017</b> |                    |                     |                         |               |               |                          |                |
| Opening net book value               | 64,584             | 315,929             | 36,300                  | 8,027         | 46,602        | 67,148                   | 538,590        |
| Additions                            | -                  | -                   | -                       | -             | -             | 70,163                   | 70,163         |
| Disposals                            | -                  | (5,861)             | (2,387)                 | (144)         | -             | -                        | (8,392)        |
| Transfer                             | 10,541             | 82,679              | 9,818                   | 4,206         | 25,144        | (132,388)                | -              |
| Container Breakages and write-down   | -                  | -                   | -                       | -             | (4,269)       | -                        | (4,269)        |
| Depreciation charge                  | (3,538)            | (27,496)            | (7,178)                 | (2,012)       | (7,959)       | -                        | (48,183)       |
| Closing net book value               | <b>71,587</b>      | <b>365,251</b>      | <b>36,553</b>           | <b>10,077</b> | <b>59,518</b> | <b>4,923</b>             | <b>547,909</b> |
| <b>At 31 December 2017</b>           |                    |                     |                         |               |               |                          |                |
| Cost                                 | 111,898            | 618,102             | 91,463                  | 35,304        | 115,856       | 4,923                    | 977,546        |
| Accumulated depreciation             | (40,311)           | (252,851)           | (54,910)                | (25,227)      | (56,338)      | -                        | (429,637)      |
| Net book value                       | <b>71,587</b>      | <b>365,251</b>      | <b>36,553</b>           | <b>10,077</b> | <b>59,518</b> | <b>4,923</b>             | <b>547,909</b> |

## 15 Property, plant and equipment (continued)

The capital work in progress amount mainly relates to the on-going capital projects for expansion of production facilities of the Company and its subsidiaries which are being undertaken in Dar es Salaam plants.

**Container breakages and write-down**

Container breakages and write down relates to actual value of containers that were damaged in use and an estimate of containers damaged while in customers' hands.

| Million Tanzania Shillings                  | Land and buildings | Plant and machinery | Furniture, equipment | Vehicles      | Containers    | Capital work in progress | Total          |
|---------------------------------------------|--------------------|---------------------|----------------------|---------------|---------------|--------------------------|----------------|
| <b>COMPANY</b>                              |                    |                     |                      |               |               |                          |                |
| <b>Year ended 31 December 2018</b>          |                    |                     |                      |               |               |                          |                |
| Opening net book value                      | 62,907             | 345,502             | 34,786               | 7,883         | 57,874        | 720                      | 509,672        |
| Additions                                   | -                  | -                   | -                    | -             | 398           | 108,855                  | 109,253        |
| Disposals                                   | -                  | (1)                 | (1)                  | (6)           | -             | -                        | (8)            |
| Transfers                                   | 5,569              | 66,465              | 5,838                | 3,873         | 27,657        | (109,403)                | -              |
| Reallocations to intangibles and write-offs | (7,679)            | 1,472               | (3,010)              | (64)          | -             | -                        | (9,281)        |
| Container breakages and write-down          | -                  | -                   | -                    | -             | (6,657)       | -                        | (6,657)        |
| Depreciation charge                         | (4,221)            | (35,752)            | (8,006)              | (1,658)       | (13,808)      | -                        | (63,445)       |
| <b>Closing net book value</b>               | <b>56,576</b>      | <b>377,686</b>      | <b>29,607</b>        | <b>10,028</b> | <b>65,464</b> | <b>172</b>               | <b>539,534</b> |
| <b>At 31 December 2018</b>                  |                    |                     |                      |               |               |                          |                |
| Cost                                        | 98,534             | 661,714             | 88,262               | 28,423        | 134,054       | 172                      | 1,011,159      |
| Accumulated depreciation                    | (41,958)           | (284,028)           | (58,655)             | (18,395)      | (68,590)      | -                        | (471,625)      |
| <b>Net book value</b>                       | <b>56,576</b>      | <b>377,686</b>      | <b>29,607</b>        | <b>10,028</b> | <b>65,464</b> | <b>172</b>               | <b>539,534</b> |

The Company's buildings, plant and machinery with a net book value of TZS 128,250 million (Dec 2017: TZS 121,375 million) have been secured against borrowings as set out in Note 26 to the financial statements.

**Container breakages and write-down**

Container breakages and write down relates to actual value of containers that were damaged in use and an estimate of containers damaged while in customers' hands.

**COMPANY****Period ended 31 December 2017**

|                                    |               |                |               |              |               |            |                |
|------------------------------------|---------------|----------------|---------------|--------------|---------------|------------|----------------|
| Opening net book value             | 56,448        | 296,106        | 34,426        | 5,222        | 45,300        | 61,567     | 499,069        |
| Additions                          | -             | -              | -             | -            | -             | 64,041     | 64,041         |
| Disposals                          | -             | (1,082)        | (2,384)       | -            | -             | -          | (3,466)        |
| Transfers                          | 9,829         | 76,233         | 9,595         | 4,087        | 25,144        | (124,888)  | -              |
| Container breakages and write-down | (65)          | -              | -             | -            | (4,611)       | -          | (4,676)        |
| Depreciation charge                | (3,305)       | (25,755)       | (6,851)       | (1,426)      | (7,959)       | -          | (45,296)       |
| <b>Closing net book value</b>      | <b>62,907</b> | <b>345,502</b> | <b>34,786</b> | <b>7,883</b> | <b>57,874</b> | <b>720</b> | <b>509,672</b> |
| <b>At 31 December 2017</b>         |               |                |               |              |               |            |                |
| Cost                               | 100,644       | 593,778        | 85,435        | 29,058       | 112,656       | 720        | 922,291        |
| Accumulated depreciation           | (37,737)      | (248,276)      | (50,649)      | (21,175)     | (54,782)      | -          | (412,619)      |
| <b>Net book value</b>              | <b>62,907</b> | <b>345,502</b> | <b>34,786</b> | <b>7,883</b> | <b>57,874</b> | <b>720</b> | <b>509,672</b> |

**Container breakages and write-down**

Container breakages and write down relates to actual value of containers that were damaged in use and an estimate of containers damaged while in customers' hands.

## 16 Intangible assets

| Million Tanzania Shillings         | Group         |              |              |               | Company      |
|------------------------------------|---------------|--------------|--------------|---------------|--------------|
|                                    | Goodwill      | Software     | Brand        | Total         | Software     |
| <b>Year ended 31 December 2018</b> |               |              |              |               |              |
| Opening net book value             | <b>44,867</b> | <b>1,790</b> | <b>3,276</b> | <b>49,932</b> | <b>1,706</b> |
| Impairment                         | (5,237)       | -            | (3,276)      | (8,513)       | -            |
| Reallocations from PPE             | -             | 4,608        | -            | 4,608         | 4,440        |
| Amortisation charge                | -             | (2,050)      | -            | (2,050)       | (1,836)      |
| <b>Closing net book value</b>      | <b>39,630</b> | <b>4,348</b> | <b>-</b>     | <b>43,978</b> | <b>4,310</b> |
| At 31 December 2018                |               |              |              |               |              |
| Cost                               | 44,867        | 13,096       | 3,276        | 61,239        | 12,471       |
| Impairment                         | (5,237)       | -            | (3,276)      | (8,513)       | -            |
| Accumulated amortisation           | -             | (8,748)      | -            | (8,748)       | (8,161)      |
| <b>Net book value</b>              | <b>39,630</b> | <b>4,348</b> | <b>-</b>     | <b>43,978</b> | <b>4,310</b> |

### Period ended 31 December 2017

|                               |               |              |              |               |              |
|-------------------------------|---------------|--------------|--------------|---------------|--------------|
| Opening net book value        | <b>44,867</b> | <b>1,360</b> | <b>3,276</b> | <b>49,503</b> | <b>1,381</b> |
| Additions                     | -             | 1,323        | -            | 1,323         | 1,057        |
| Amortisation charge           | -             | (894)        | -            | (894)         | (732)        |
| <b>Closing net book value</b> | <b>44,867</b> | <b>1,789</b> | <b>3,276</b> | <b>49,932</b> | <b>1,706</b> |
| At 31 December 2017           |               |              |              |               |              |
| Cost                          | <b>44,867</b> | <b>7,828</b> | <b>3,276</b> | <b>55,971</b> | <b>7,204</b> |
| Accumulated amortisation      | -             | (6,038)      | -            | (6,038)       | (5,498)      |
| <b>Net book value</b>         | <b>44,867</b> | <b>1,790</b> | <b>3,276</b> | <b>49,932</b> | <b>1,706</b> |

Goodwill represents expected synergies from different beverage categories. The carrying amounts of the intangible assets approximate their recoverable amounts. The goodwill arose from acquisition of Kibo Breweries Limited and Darbrew Limited respectively. During the year, the Group impaired TZS 5,237 million of goodwill from acquisition of Darbrew Limited as the subsidiary performance has been constantly below the budget. The carrying amount of goodwill is TZS 39,630 million (Dec 2017: TZS 44,867 million).

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on prior year growth rates approved by management covering a five-year period. Cash flows beyond the third-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the clear beer business in which the CGU operates.

Key assumptions used for value in use calculations are as follows;

| Rate (% per annum)                        |                                                                                    |          |
|-------------------------------------------|------------------------------------------------------------------------------------|----------|
|                                           | Dec 2018                                                                           | Dec 2017 |
| Compound annual growth rate (CAGR)        | <b>5.6%</b>                                                                        | 6.1%     |
| Earnings before Interest and tax (EBITDA) | <b>5.6%</b>                                                                        | 6.1%     |
| Long-term growth rate                     | <b>5.6%</b>                                                                        | 6.1%     |
| Discount rate (WACC)                      | <b>17.7%</b>                                                                       | 17.2%    |
| Key                                       |                                                                                    |          |
| Compound annual growth rate (CAGR)        | Rate growth of revenue in the initial five years                                   |          |
| Long-term growth Rate                     | Weighted average growth rate used to estimate cash flows beyond the five years.    |          |
| Discount rate (WACC)                      | Pre-tax working cost of capital rate (WACC rate) applied to cash flow projections. |          |

The recoverable amount calculated based on value in use exceeded carrying value by TZS 2,237,157 million (Dec 2017: TZS 1,599,535 million). A rise in discount rate to 74.95% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount. If the long term growth rate were to change by +/-10% it would not have a material impact on the recoverable amount.

## 16 Intangible assets (continued)

### Sensitivity analysis:

Below is the impact of changes in key assumptions used in determining value in use of the goodwill for the clear beer segment.

| Factors applied                                    | % change<br>(-/+) | Impact to<br>value in use 12<br>months<br>31 Dec 2018<br>TZS 'Millions | Impact to value in<br>use 9 months<br>31 Dec 2017<br>TZS 'Millions |
|----------------------------------------------------|-------------------|------------------------------------------------------------------------|--------------------------------------------------------------------|
| Revenue growth rate                                | 10%               | 16,851                                                                 | Nil                                                                |
| Earnings before Interest and tax (EBITDA)          | 10%               | 36,683                                                                 | 6,696                                                              |
| Estimated long-term growth rate                    | 10%               | 92,817                                                                 | 54,925                                                             |
| WACC used in determining the pre-tax discount rate | 10%               | 348,097                                                                | 202,541                                                            |

## 17 Investments

|                                       | Group    |          | Company  |          |
|---------------------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings            | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| (a) <b>Investment in subsidiaries</b> |          |          |          |          |
| Kibo Breweries Ltd                    | -        | -        | 42,414   | 42,414   |
| Darbrew Limited                       | -        | -        | 3,579    | 8,834    |
| Tanzania Distilleries Ltd             | -        | -        | 2,606    | 2,606    |
|                                       |          | -        | 48,599   | 53,854   |
| (b) <b>Other equity investments</b>   |          |          |          |          |
| Mountainside Farms Limited            | 88       | 88       | 88       | 88       |
|                                       | 88       | 88       | 48,687   | 53,942   |

Other investments relate to a 4% shareholding in Mountainside Farms Limited.

Set out below are the Group's principal subsidiaries at 31 December 2018. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation is also their principal place of business.

| Name of undertaking           | Nature of business                  | Country of<br>incorporation | % of ownership held<br>by NCI |          | % of ownership held<br>by Group |          |
|-------------------------------|-------------------------------------|-----------------------------|-------------------------------|----------|---------------------------------|----------|
|                               |                                     |                             | Dec 2018                      | Dec 2017 | Dec 2018                        | Dec 2017 |
| Tanzania Distilleries Limited | Manufacturer of spirituous liquor   | Tanzania                    | 35%                           | 35%      | 65%                             | 65%      |
| Darbrew Limited               | Manufacturer of Opaque beer         | Tanzania                    | 40%                           | 40%      | 60%                             | 60%      |
| Kibo Breweries Limited        | Rental of assets to related parties | Tanzania                    | -                             | -        | 100%                            | 100%     |

Set out below is the summarised financial information for each of the two subsidiaries, Tanzania Distilleries Limited and DarBrew Limited.

## 17 Investments (continued)

## Summarised statement of financial position

| Million Tanzania Shillings             | Tanzania Distilleries Limited |          | Darbrew Limited |          |
|----------------------------------------|-------------------------------|----------|-----------------|----------|
|                                        | Dec 2018                      | Dec 2017 | Dec 2018        | Dec 2017 |
| <b>Current</b>                         |                               |          |                 |          |
| Assets                                 | 55,637                        | 53,936   | 2,988           | 5,687    |
| Liabilities                            | (40,541)                      | (68,881) | (37,036)        | (34,119) |
| Total net current assets/(liabilities) | 15,096                        | (14,945) | (34,048)        | (28,432) |
| <b>Non-Current</b>                     |                               |          |                 |          |
| Assets                                 | 37,108                        | 34,596   | 8,487           | 7,513    |
| Liabilities                            | (5,555)                       | (27)     | -               | -        |
| Total non - current net assets         | 31,553                        | 34,569   | 8,487           | 7,513    |
| Net assets/(liabilities)               | 46,649                        | 19,624   | (25,561)        | (20,919) |

## Summarised statements of profit or loss and other comprehensive income

| Million Tanzania Shillings                     | Tanzania Distilleries Limited |                     | Darbrew Limited         |                        |
|------------------------------------------------|-------------------------------|---------------------|-------------------------|------------------------|
|                                                | 12 month 31 Dec 2018          | 9 month 31 Dec 2017 | 12 month to 31 Dec 2018 | 9 month to 31 Dec 2017 |
| Revenue                                        | 166,588                       | 112,686             | 5,847                   | 11,762                 |
| Profit/(loss) before income tax                | 34,301                        | (15,306)            | (7,130)                 | (6,646)                |
| Income tax (expense)/income                    | (7,359)                       | 1,895               | (17)                    | (125)                  |
| (Loss)/ profit after tax                       | 26,942                        | (13,411)            | (7,147)                 | (6,771)                |
| <b>Other comprehensive income</b>              |                               |                     |                         |                        |
| Re-measurement loss on defined benefit         | (4)                           | 17                  | -                       | -                      |
| (Losses)/gain on cash flow hedges              | -                             | (55)                | -                       | -                      |
| <b>Total comprehensive income for the year</b> | 26,938                        | (13,449)            | (7,147)                 | (6,771)                |
| Allocated to Non- Controlling interest         | 9,430                         | (4,707)             | (2,859)                 | (2,708)                |

## Summarised statement of cash flows

| Million Tanzania Shillings                           | Tanzania Distilleries Limited |          | Darbrew Limited |          |
|------------------------------------------------------|-------------------------------|----------|-----------------|----------|
|                                                      | Dec 2018                      | Dec 2017 | Dec 2018        | Dec 2017 |
| Net cash (used in) /generated from operations        | (2,316)                       | 4,318    | (1,009)         | (2,242)  |
| Net cash used in investing activities                | (2,192)                       | (6,431)  | (89)            | (296)    |
| Net cash outflow from financing activities           | -                             | -        | -               | (185)    |
| Net (decrease)/increase in cash and cash equivalents | (4,508)                       | (2,113)  | (1,098)         | (2,723)  |
| Cash and cash equivalents at start of the year       | 5,791                         | 7,904    | (903)           | 1,820    |
| Exchange loss on cash and cash equivalents           | (59)                          | -        | -               | -        |
| Cash and cash equivalents at end of the year         | 1,224                         | 5,791    | (2,001)         | (903)    |

## 18 Derivative financial instruments

|                                                       | Group    |          | Company  |          |
|-------------------------------------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings                            | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| <i>Assets</i>                                         |          |          |          |          |
| Forward foreign exchange contracts – cash flow hedges | -        | 93       | -        | 93       |
| Embedded derivatives                                  | 328      | 344      | 328      | 344      |
| Total                                                 | 328      | 437      | 328      | 437      |
| <i>Liabilities</i>                                    |          |          |          |          |
| Forward foreign exchange contracts – cash flow hedges | -        | 727      | -        | 727      |

### Cash flow hedges

The Group and Company hedges are in respect of anticipated cash flows mainly from purchase of raw materials, settling obligations dominated in foreign currency and capital expenditure.

The hedge accounting reserve represents the effective portion of changes in the fair value of the hedging instruments (derivative); the ineffective portion is recognised immediately in profit or loss. There were no hedging activities during the year. All cash flow hedging activities are being facilitated centrally by the AB InBev Group Treasury function resulting in significant synergies and savings for the Group.

The notional amount of outstanding forward foreign exchange contracts as at 31 December 2018 was NIL (Dec 2017: Group TZS 1,053 million and Company TZS 1,053 million).

### Embedded derivatives

The embedded derivatives arise from the future contracts for supply of raw materials. These are forward foreign exchange that are embedded in the suppliers' contracts. The fair value of embedded derivatives represents the present value of the cash flows which would have been occurred if the rights and obligations arising from those derivatives were closed out in an orderly market place transaction at year end. The notional principal amounts of the outstanding forward contracts for supply of raw materials at 31 December 2018 amounted to TZS 24,960 million (Dec 2017: TZS 4,553 million).

## 19 Inventories

|                                       | Group    |          | Company  |          |
|---------------------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings            | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Raw materials                         | 70,700   | 58,119   | 57,545   | 45,657   |
| Consumable stores and spares          | 37,324   | 36,528   | 35,941   | 35,196   |
| Work in progress                      | 5,884    | 10,128   | 5,682    | 10,070   |
| Finished goods                        | 15,905   | 17,042   | 7,730    | 6,656    |
|                                       | 129,813  | 121,817  | 106,898  | 97,579   |
| Less: Provision for impairment losses | (32,389) | (23,020) | (31,256) | (22,379) |
|                                       | 97,424   | 98,797   | 75,642   | 75,200   |

The cost of inventories recognised as an expense and included in 'cost of sales' in the Group's profit or loss amounted to TZS 228,428 million (Dec 2017: TZS 185,885 million). Similarly, this amounts to TZS 167,161 million (Dec 2017: TZS 136,209 million) in the Company's statement of profit or loss and other comprehensive income.

During the twelve months to December 2018, TZS 13,504 million (Dec 2017: TZS 23,020 million) was charged to the Group's statement of profit or loss for damaged, obsolete and lost inventories. Similarly, TZS 11,583 million (Dec 2017: TZS 22,379 million) were charged to the Company's statement of profit or loss and other comprehensive income for damages, obsolete and lost inventories.

During the year there was no inventory from Darbrew Limited that was pledged as security against borrowings (Dec 2017: TZS 3,607 million).

## 20 Trade and other receivables

| Million Tanzania Shillings              | Group           |          | Company         |          |
|-----------------------------------------|-----------------|----------|-----------------|----------|
|                                         | Dec 2018        | Dec 2017 | Dec 2018        | Dec 2017 |
| Trade receivables                       | <b>136,021</b>  | 141,276  | <b>90,380</b>   | 95,611   |
| Less: Losses allowance                  | <b>(42,914)</b> | (34,071) | <b>(9,232)</b>  | (1,903)  |
| Trade receivables-net                   | <b>93,107</b>   | 107,205  | <b>81,148</b>   | 93,708   |
| Advances to suppliers                   | <b>9,738</b>    | 9,304    | <b>7,770</b>    | 6,918    |
| Staff advances and loans                | <b>1,052</b>    | 1,048    | <b>1,079</b>    | 818      |
| Due from related parties (Note 36 (iv)) | <b>4,882</b>    | 4,053    | <b>34,849</b>   | 61,589   |
| Less: Losses allowance **               | -               | -        | <b>(27,919)</b> | -        |
| Due from related parties - Net          | <b>4,882</b>    | 4,053    | <b>6,930</b>    | 61,589   |
| VAT receivable                          | -               | 1,193    | -               | -        |
| Other receivables                       | <b>10,909</b>   | 7,929    | <b>7,573</b>    | 4,329    |
| Prepayments                             | <b>16,082</b>   | 13,607   | <b>12,725</b>   | 11,370   |
|                                         | <b>135,770</b>  | 144,339  | <b>117,225</b>  | 178,732  |

None of the Group receivables have been pledged as security against borrowings (Dec 2017; TZS 1,798 million).

Movements on the provision for impairment of trade and other receivables are as follows:

|                                                    |                 |          |                 |         |
|----------------------------------------------------|-----------------|----------|-----------------|---------|
| At start of the year – trade receivables           | <b>(34,071)</b> | (26,148) | <b>(1,903)</b>  | (1,640) |
| Loss allowance during the year – Trade receivables | <b>(8,843)</b>  | (7,923)  | <b>(7,389)</b>  | (263)   |
| – Other receivables**                              | -               | -        | <b>(27,919)</b> | -       |
| At end of the year                                 | <b>(42,914)</b> | (34,071) | <b>(37,211)</b> | (1,903) |

\*\* Impairment provision related to balance due from a subsidiary, Darbrew Limited.

## 21 Bank and cash balances

|                              |               |         |               |         |
|------------------------------|---------------|---------|---------------|---------|
| Cash in hand                 | <b>6</b>      | 36      | -             | 22      |
| Cash at bank                 | <b>63,512</b> | 152,648 | <b>61,861</b> | 146,218 |
| Total cash and bank balances | <b>63,518</b> | 152,684 | <b>61,861</b> | 146,240 |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

|                               |                |         |               |         |
|-------------------------------|----------------|---------|---------------|---------|
| Cash and bank balances        | <b>63,518</b>  | 152,684 | <b>61,861</b> | 146,240 |
| Bank overdrafts (Note 26)     | <b>(2,816)</b> | -       | <b>(383)</b>  | -       |
| Net cash and cash equivalents | <b>60,702</b>  | 152,684 | <b>61,478</b> | 146,240 |

## 22 Restricted bank balance

|                 |               |   |               |   |
|-----------------|---------------|---|---------------|---|
| Balance at bank | <b>38,300</b> | - | <b>38,300</b> | - |
|-----------------|---------------|---|---------------|---|

Relate to bank balances with restriction imposed by Registration, Insolvency and Trusteeship Agency (RITA). Therefore, the monies are not available for general and immediate use within the Group and Company.

## 23 Share capital

| Million Tanzania Shillings                                                        | Group         |          | Company       |          |
|-----------------------------------------------------------------------------------|---------------|----------|---------------|----------|
|                                                                                   | Dec 2018      | Dec 2017 | Dec 2018      | Dec 2017 |
| Authorised, issued and fully paid:<br>295,056,063 ordinary shares of TZS 100 each | <b>29,506</b> | 29,506   | <b>29,506</b> | 29,506   |
| Share premium                                                                     |               |          |               |          |
| Share premium at the start and end of year                                        | <b>45,346</b> | 45,346   | <b>45,346</b> | 45,346   |

The Company has only one class of ordinary shares which carries no right to fixed income. There was no movement in the share premium of the Company during the period. The ownership structure is as set out in Note 23.2 below.

### 23.2 Ownership structure

| Million Tanzania Shillings                          | Ordinary<br>Shares<br>Dec 2018 | Ordinary<br>Shares<br>Dec 2017 | % holding<br>Dec 2018 | % holding<br>Dec 2017 |
|-----------------------------------------------------|--------------------------------|--------------------------------|-----------------------|-----------------------|
| <b>Resident shareholders:</b>                       |                                |                                |                       |                       |
| Parastatal Pension Fund                             | <b>12,402,720</b>              | 12,402,720                     | 4.20                  | 4.20                  |
| National Health Insurance Fund                      | <b>4,854,370</b>               | 4,854,370                      | 1.65                  | 1.65                  |
| Unit Trust of Tanzania (all schemes)                | <b>4,235,750</b>               | 4,235,750                      | 1.44                  | 1.44                  |
| Local Authorities Provident Fund                    | <b>2,796,671</b>               | 2,796,671                      | 0.95                  | 0.95                  |
| National Social Security Fund                       | <b>700,624</b>                 | 700,624                        | 0.24                  | 0.24                  |
| General Public                                      | <b>19,826,476</b>              | 20,616,453                     | 6.72                  | 6.99                  |
| Total resident                                      | <b>44,816,611</b>              | 45,606,588                     | <b>15.19</b>          | 15.46                 |
| <b>Non-resident shareholders</b>                    |                                |                                |                       |                       |
| AB-InBev Africa BV ("formerly" SABMiller Africa BV) | <b>188,693,282</b>             | 188,693,282                    | <b>63.95</b>          | 63.95                 |
| Others – non-resident foreigners                    | <b>61,546,170</b>              | 60,756,193                     | <b>20.86</b>          | 20.59                 |
| Total non-resident                                  | <b>250,239,452</b>             | 249,449,475                    | <b>84.81</b>          | 84.54                 |
| Total ordinary shares in issue                      | <b>295,056,063</b>             | 295,056,063                    | <b>100.00</b>         | 100.00                |

## 24 Other reserves

| Million Tanzania Shillings                        | Hedging<br>reserve | Treasury<br>shares | Total         |
|---------------------------------------------------|--------------------|--------------------|---------------|
| <b>GROUP</b>                                      |                    |                    |               |
| <b>Year ended 31 December 2018</b>                |                    |                    |               |
| At start of the year                              | 3                  | 66,640             | <b>66,643</b> |
| Fair value gain during the year (Excluding NCI)   | -                  | -                  | -             |
| Deferred tax on fair value gain (Excluding NCI)   | -                  | -                  | -             |
| <b>At end of the year</b>                         | <b>3</b>           | <b>66,640</b>      | <b>66,643</b> |
| <b>9 months to 31 December 2017</b>               |                    |                    |               |
| At start of the period                            | (93)               | (12,200)           | (12,293)      |
| Fair value gain during the period (Excluding NCI) | 139                | -                  | 139           |
| Deferred tax on fair value gain (Excluding NCI)   | (43)               | -                  | (43)          |
| Proceeds from sale of treasury shares             | -                  | 78,840             | 78,840        |
| <b>At end of the period</b>                       | <b>3</b>           | <b>66,640</b>      | <b>66,643</b> |

## 24 Other reserves (continued)

| Million Tanzania Shillings            | Hedging reserve | Treasury shares | Total         |
|---------------------------------------|-----------------|-----------------|---------------|
| <b>COMPANY</b>                        |                 |                 |               |
| <b>Year ended 31 December 2018</b>    |                 |                 |               |
| At start of the year                  | 43              | 66,640          | <b>66,683</b> |
| Fair value loss during the year       | -               | -               | -             |
| Deferred tax on fair value loss       | -               | -               | -             |
| <b>At end of the year</b>             | <b>43</b>       | <b>66,640</b>   | <b>66,683</b> |
| <b>9 months to 31 December 2017</b>   |                 |                 |               |
| At start of the period                | 27              | (12,200)        | (12,173)      |
| Fair value gain during the period     | 22              | -               | 22            |
| Deferred tax on fair value gain       | (6)             | -               | (6)           |
| Proceeds from sale of treasury shares | -               | 78,840          | 78,840        |
| <b>At end of the period</b>           | <b>43</b>       | <b>66,640</b>   | <b>66,683</b> |

**Hedging reserve**

Refer to the details on the hedge instruments under note 18.

**Treasury shares**

Treasury shares represents the cost of 5,898,596 shares (2% of the company's paid up share capital) that were held in a Trust that is controlled by the Group. The Trust has been consolidated in the financial statements on the basis of significant control and shares acquired have been accounted for as treasury shares. During the April to December 2017 financial reporting period, the Board of Trustees resolved to sell the Treasury shares and distributed the net proceeds to permanent employees of TBL Group.

## 25 Non-controlling interests

| Million Tanzania Shillings                                                      | Dec 2018       | Dec 2017 |
|---------------------------------------------------------------------------------|----------------|----------|
| 35% of equity of Tanzania Distilleries Limited                                  | <b>16,333</b>  | 6,902    |
| 40% of equity of Darbrew Limited                                                | <b>(9,016)</b> | (6,156)  |
|                                                                                 | <b>7,317</b>   | 746      |
| 35% interest in the profit/(loss) for the year of Tanzania Distilleries Limited | <b>9,428</b>   | (4,686)  |
| 40% interest in the loss for the year of Dar Brew Limited                       | <b>(2,859)</b> | (2,704)  |
| Re-measurement gain on defined benefit                                          | <b>2</b>       | 6        |
| 35% interest in loss on cash flow hedge                                         | -              | 43       |
|                                                                                 | <b>6,571</b>   | (7,341)  |

## 26 Borrowings

| Million Tanzania Shillings                            | Group          |          | Company       |          |
|-------------------------------------------------------|----------------|----------|---------------|----------|
|                                                       | Dec 2018       | Dec 2017 | Dec 2018      | Dec 2017 |
| Current                                               |                |          |               |          |
| Bank overdraft                                        | <b>2,816</b>   | -        | <b>383</b>    | -        |
| Short-term loans                                      | -              | 241      | -             | -        |
| Total borrowings                                      | <b>2,816</b>   | 241      | <b>383</b>    | -        |
| <b>NET DEBT RECONCILIATION</b>                        |                |          |               |          |
| <b>Group</b>                                          |                |          |               |          |
| Cash and cash equivalents (excluding restricted cash) | <b>63,818</b>  | 152,684  | <b>62,161</b> | 146,240  |
| Borrowings repayable within one year                  | <b>(2,816)</b> | (741)    | <b>(383)</b>  | -        |
| <b>Net debt</b>                                       | <b>61,002</b>  | 151,943  | <b>61,778</b> | 146,240  |

## 26 Borrowings (continued)

|                                                       | Group          |          | Company       |          |
|-------------------------------------------------------|----------------|----------|---------------|----------|
| Million Tanzania Shillings                            | Dec 2018       | Dec 2017 | Dec 2018      | Dec 2017 |
| <b>Company</b>                                        |                |          |               |          |
| Cash and cash equivalents (excluding restricted cash) | <b>63,818</b>  | 152,684  | <b>62,161</b> | 146,240  |
| Gross debt – variable interest rate                   | <b>(2,816)</b> | (741)    | <b>(383)</b>  | -        |
| <b>Net debt</b>                                       | <b>61,002</b>  | 151,943  | <b>61,778</b> | 146,240  |
| <b>Bank overdrafts</b>                                |                |          |               |          |
| Overdrafts are made up as follows:                    |                |          |               |          |
| National Bank of Commerce Limited                     | <b>2,433</b>   | -        |               | -        |
| Standard Chartered Bank Tanzania Limited              | <b>383</b>     | -        | <b>383</b>    | -        |
|                                                       | <b>2,816</b>   | -        | <b>383</b>    | -        |

The Group and Company have overdraft facilities of TZS 105,100 million and TZS 102,600 respectively with Stanbic Bank Tanzania Limited, National Bank of Commerce Limited and Standard Chartered Bank Tanzania Limited. The facilities are secured by the Group's property, plant and equipment as disclosed in note 15.

## 27 Deferred income tax

## (i) Deferred tax liabilities

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

| Deferred tax liabilities/(assets)<br>Million Tanzania Shillings | Property,<br>plant and<br>equipment<br>(PPE) | Other<br>temporary<br>differences | Hedge<br>reserve and<br>others | Total         |
|-----------------------------------------------------------------|----------------------------------------------|-----------------------------------|--------------------------------|---------------|
| <b>GROUP</b>                                                    |                                              |                                   |                                |               |
| <b>At 1 January 2018</b>                                        | 53,420                                       | (6,215)                           | 78                             | 47,283        |
| Charged to profit or loss                                       | 3,110                                        | (12,350)                          | (74)                           | (9,314)       |
| <b>At 31 December 2018</b>                                      | <b>56,530</b>                                | <b>(18,565)</b>                   | <b>4</b>                       | <b>37,969</b> |
| At 1 April 2017                                                 | 47,641                                       | 14                                | (1)                            | 47,654        |
| Charged to profit or loss                                       | 5,779                                        | (6,229)                           | -                              | (450)         |
| Charged to OCI                                                  | -                                            | -                                 | 79                             | 79            |
| <b>At 31 December 2017</b>                                      | <b>53,420</b>                                | <b>(6,215)</b>                    | <b>78</b>                      | <b>47,283</b> |

## (ii) Deferred income tax asset

|                            |              |                 |           |                |
|----------------------------|--------------|-----------------|-----------|----------------|
| <b>GROUP</b>               |              |                 |           |                |
| <b>At 1 January 2018</b>   | 4,385        | (11,752)        | 66        | 7,301          |
| Charged to profit or loss  | (973)        | (1,806)         | (66)      | (767)          |
| <b>At 31 December 2018</b> | <b>3,412</b> | <b>(9,946)</b>  | <b>-</b>  | <b>(6,534)</b> |
| At 1 April 2017            | 3,723        | (7,978)         | 66        | (4,189)        |
| Charged to profit or loss  | 662          | (3,774)         | -         | (3,112)        |
| <b>At 31 December 2017</b> | <b>4,385</b> | <b>(11,752)</b> | <b>66</b> | <b>(7,301)</b> |

The directors have assessed the appropriateness of the recognition of a deferred tax asset, taking account of current business plan and have concluded that it is appropriate to recognise a deferred tax asset in the current year because they are certain that the subsidiary will make sufficient taxable profits to utilise the tax losses in the foreseeable future.

## 27 Deferred income tax (continued)

Deferred tax asset of TZS. 1,460 million (Dec 2017: TZS. 3,514 million) has not been recognised for DarBrew due to uncertainty on when the company will have sufficient taxable profits to utilise the asset.

| Deferred income tax liabilities/(assets)<br>Million Tanzania Shillings | Property,<br>plant and<br>equipment<br>(PPE) | Other<br>temporary<br>differences | Hedge<br>reserve and<br>others | Total         |
|------------------------------------------------------------------------|----------------------------------------------|-----------------------------------|--------------------------------|---------------|
| <b>COMPANY</b>                                                         |                                              |                                   |                                |               |
| At 1 January 2018                                                      | 56,214                                       | (9,240)                           | 74                             | 47,047        |
| Charged to profit or loss                                              | 3,111                                        | (12,351)                          | (74)                           | (9,314)       |
| <b>At 31 December 2018</b>                                             | <b>59,325</b>                                | <b>(21,591)</b>                   | <b>-</b>                       | <b>37,733</b> |
| At 1 April 2017                                                        | 50,487                                       | (3,018)                           | 57                             | 47,526        |
| Charged to profit or loss                                              | 5,727                                        | (6,223)                           | -                              | (496)         |
| Charged to OCI                                                         | -                                            | -                                 | 17                             | 17            |
| <b>At 31 December 2017</b>                                             | <b>56,214</b>                                | <b>(9,241)</b>                    | <b>74</b>                      | <b>47,047</b> |

## 28 Defined pension benefits

| Million Tanzania Shillings                      | Group        |              | Company      |              |
|-------------------------------------------------|--------------|--------------|--------------|--------------|
|                                                 | Dec 2018     | Dec 2017     | Dec 2018     | Dec 2017     |
| At start of year                                | 1,962        | 1,691        | 1,936        | 1,651        |
| - current service cost                          | 99           | 84           | 97           | 79           |
| - Interest cost                                 | 356          | 250          | 350          | 244          |
| - Past service cost-Curtailment                 | (417)        | -            | (417)        | -            |
| Amount recognised to profit or loss             | 38           | 334          | 30           | 323          |
| - Loss from change on assumptions               | 263          | 139          | 255          | 136          |
| - Gain from changes of experience               | (330)        | (202)        | (328)        | (174)        |
| Amount recognised in other comprehensive income | (67)         | (63)         | (73)         | (38)         |
| <b>At end of year</b>                           | <b>1,933</b> | <b>1,962</b> | <b>1,893</b> | <b>1,936</b> |

In addition to the statutory National Social Security Contribution, the Company has an unfunded non-contributory employee defined pension plan. The defined benefit plan was introduced as a result of negotiations between management and Tanzania Union of Industrial and Commercial Workers (TUICO) which is an association of the employees.

### Actuarial assumptions:

The significant actuarial assumptions were as follows:

|                        | Dec 2018 | Dec 2017  |
|------------------------|----------|-----------|
| Discount rate          | 15% p.a  | 17.2% p.a |
| Salary escalation rate | 6.5% p.a | 6.5% p.a  |
| Retirement age         | 60 year  | 60 years  |

Assumptions regarding future mortality are set based on actuarial advice in accordance with A1949/52 mortality table published by the Institute of Actuaries UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60. See the table below;

### Mortality rates per million

|        |      |      |      |      |      |      |      |       |      |
|--------|------|------|------|------|------|------|------|-------|------|
| Age    | 20   | 25   | 30   | 35   | 40   | 45   | 50   | 55    | 60   |
| Male   | 1.11 | 1.12 | 1.16 | 1.32 | 1.88 | 3.30 | 5.99 | 10.35 | 0.00 |
| Female | 1.11 | 1.12 | 1.16 | 1.32 | 1.88 | 3.30 | 5.99 | 10.35 | 0.00 |

## 28 Defined pension benefits (continued)

### Risk exposure and sensitivity

Through its defined benefit pension plan the company is exposed to a number of risks. The most significant being changes in discount rates (which are set with reference to the Government of Tanzania bonds) and salary inflation.

The actuarial valuation results are sensitive to the assumptions made with results being more sensitive to financial assumptions than the demographic assumptions. Particularly, the narrower the gap between the discount rate and the rate of salary escalation, the higher the value of the actuarial liabilities disclosed in the valuation.

### Sensitivity analysis

| Million Tanzania Shillings                                                                     | Group    |          | Company  |          |
|------------------------------------------------------------------------------------------------|----------|----------|----------|----------|
|                                                                                                | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Increase in defined pension benefit due to 1% decrease in discount rate                        | 128      | 124      | 124      | 122      |
| Increase in defined pension benefit due to 0.5% increase in future long-term salary assumption | 76       | 133      | 73       | 130      |

The sensitivity analysis above has been determined based on reasonable possible changes and assumptions remaining unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The valuation was done by Willis Towers Watson, South Africa, the next valuation will be done for the period ending 31 December 2019.

## 29 Provisions for the other liabilities and charges

| Million Tanzania Shillings          | Group    |          | Company  |          |
|-------------------------------------|----------|----------|----------|----------|
|                                     | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| At start of the year                | 12,533   | 2,001    | 7,013    | 2,001    |
| Provision increased during the year | 171      | 10,532   | 177      | 5,012    |
| At end of the year                  | 12,704   | 12,533   | 7,190    | 7,013    |

As at 31 December 2018, there was a number of pending legal cases whereby the Company or its subsidiaries were defendants and other outstanding disputes for which the directors have considered it probable that the outcome will be unfavourable to the Group and could result into an estimated loss of TZS 12,704 million (Dec 2017: TZS 12,533 million).

According to the nature of such disputes the timing of settlement is uncertain. Contingent liabilities relating to litigations and other claims have been disclosed in Note 34.

## 30 Trade and other payables

| Million Tanzania Shillings                | Group    |          | Company  |          |
|-------------------------------------------|----------|----------|----------|----------|
|                                           | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Trade payables                            | 114,241  | 105,208  | 91,431   | 84,155   |
| Deposits from customers                   | 43,548   | 35,075   | 41,568   | 30,000   |
| Dividends payable                         | 3,338    | 3,279    | 3,338    | 3,279    |
| VAT payable                               | 10,672   | 15,745   | 9,446    | 13,331   |
| Exercise duty payable                     | 31,921   | 25,203   | 21,281   | 20,918   |
| Payable to related parties (Note 36 (iv)) | 61,202   | 40,820   | 73,294   | 43,629   |
| Container liability                       | 19,419   | 18,777   | 18,868   | 17,868   |
| Other payables and accrued expenses       | 57,964   | 63,490   | 52,860   | 58,390   |
|                                           | 342,305  | 307,597  | 312,086  | 271,570  |

Dividend payable represents unclaimed dividends.

### 31 Current income tax (assets) / liabilities

|                                                  | Group    |          | Company  |          |
|--------------------------------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings                       | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| At start of the year                             | (5,151)  | (7,082)  | (631)    | (6,083)  |
| Current income tax charge for the year (Note 12) | 86,463   | 68,458   | 79,468   | 66,624   |
| Reallocations from other payable                 | 893      |          |          |          |
| Tax paid during the year:                        |          |          |          |          |
| Current income tax                               | (76,201) | (59,260) | (71,421) | (54,190) |
| Tax deposit                                      | -        | (4,941)  | -        | 4,940    |
| Withholding tax                                  | (710)    | (2,326)  | (546)    | (2,042)  |
| At end of the year                               | 5,294    | (5,151)  | 6,870    | (631)    |

The opening balance includes TZS 5,361 million of tax provision related to capital deduction (TZS 5,361 million Dec 2017) as noted in note 34.

### 32 Financial instruments by category

| Million Tanzania Shillings                                                                    | Dec 2018 | Dec 2017 |
|-----------------------------------------------------------------------------------------------|----------|----------|
| <b>a) Group</b>                                                                               |          |          |
| <b>Financial assets - At amortised cost</b>                                                   |          |          |
| Trade and other receivables (excluding VAT receivable, advances to suppliers and prepayments) | 116,604  | 120,237  |
| Cash at hand and bank deposits                                                                | 63,518   | 152,684  |
| <b>Fair value through profit or loss (FVTPL)</b>                                              |          |          |
| Derivative financial instrument                                                               | 328      | 436      |
|                                                                                               | 180,450  | 273,357  |
| <b>Other financial liabilities at amortised costs</b>                                         |          |          |
| Borrowings -                                                                                  | 2,816    | -        |
| Trade and other payable (excluding statutory liabilities)                                     | 289,134  | 272,291  |
| <b>Liabilities at fair value through profit or loss</b>                                       |          |          |
| Derivative financial instruments                                                              | -        | 727      |
|                                                                                               | 291,950  | 273,018  |
| <b>b) Company</b>                                                                             |          |          |
| <b>Financial assets - At amortised cost</b>                                                   |          |          |
| Trade and other receivables (excluding advances to suppliers and prepayments)                 | 104,421  | 160,443  |
| Cash at hand and bank deposits                                                                | 61,861   | 146,240  |
| <b>Fair value through profit or loss (FVTPL)</b>                                              |          |          |
| Derivative financial instrument                                                               | 328      | 426      |
|                                                                                               | 166,610  | 307,109  |
| <b>Other financial liabilities at amortised costs</b>                                         |          |          |
| Borrowings -                                                                                  | 383      | -        |
| Trade and other payable (excluding statutory liabilities)                                     | 272,247  | 243,044  |
| <b>Liabilities at fair value through profit or loss (FVTPL)</b>                               |          |          |
| Derivative financial instruments                                                              | -        | 727      |
|                                                                                               | 272,630  | 243,771  |

### 33 Commitments

#### Capital commitments

The Group and Company had capital expenditure commitments as follows;

| Million Tanzania Shillings                   | Group    |          | Company  |          |
|----------------------------------------------|----------|----------|----------|----------|
|                                              | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Approved and contracted for but not recorded | 8,337    | 918      | 8,237    | 465      |
| Approved but not contracted for              | -        | -        | -        | -        |
|                                              | 8,337    | 918      | 8,237    | 465      |

#### Guarantees

As at 31 December 2018, the Company had provided guarantees totalling TZS 100 million (Dec 2017: TZS 2.2 billion).

#### Operating lease commitments – where the Group and Company is the lessee

The group leases various houses for staff, offices and motor vehicles under non-cancellable operating lease agreements. The lease terms are between 1 to 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

| Million Tanzania Shillings                  | Group    |          | Company  |          |
|---------------------------------------------|----------|----------|----------|----------|
|                                             | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Not later than 1 year                       | 2,172    | 1,738    | 1,043    | 940      |
| Later than 1 year and no later than 5 years | 9,173    | 11,916   | 4,655    | 8,725    |
| Later than 5 years                          | -        | 1,263    | -        | -        |
|                                             | 11,345   | 14,917   | 5,698    | 9,665    |

### 34 Contingent liabilities

#### Legal cases

As at 31 December 2018, the Company was a defendant in several lawsuits, the amount claimed in such lawsuits could amount to TZS 14,160 million (Dec 2017: TZS 7,881 million). Based on advice from legal counsel, a provision is in place for these cases amounting to TZS 7,190 million (Dec 2017: TZS 7,013 million).

For the Company's subsidiary, Tanzania Distilleries Limited (TDL), there is no amount claimed in such lawsuits (Dec 2017: TZS 902 million) and based on advice from legal counsel no amount has been provided for.

Based on legal advice, the directors do not expect the outcome of the actions to have a material effect on the Company and Group's financial performance.

#### Tax related contingent liabilities

##### (i) Capital deduction

The Company has additional income tax assessment of TZS 5,361 million that relates to capital deductions disputes for years of income 2002 to 2005. Management filed an objection with TRA to dispute the assessed tax and the dispute is at Tax Revenue Appeals Tribunal. The full amount of TZS 5,361 million has been provided for in the financial statement.

##### (ii) Excise Duty

The Company's subsidiary Tanzania Distilleries Limited (TDL) received an excise duty assessment of TShs 97,409 million for years of income 2008 to 2017. This relates to excise duty on Valuer Brandy which TDL had a Government Notice (GN) that provided remission of excise duty on valuer brandy based on Memorandum of Understanding (MOU) signed with the Government in 2005. The GN expired on 30 June 2007 while the MOU expired in June 2011. Management applied for an extension of the MoU from the Ministry of Finance. In October 2011, the Ministry of Finance acknowledged receipt of TDL's request for an extension of the MOU, but no further response was obtained afterwards.

### 34 Contingent liabilities (continued)

Based on the MOU, no excise duty was paid until July 2011 after which TDL started paying excise duty at the rate equivalent to locally produced wine instead of the rate applicable for spirits. TDL objected to the assessments and requested a waiver of the 1/3rd tax deposit which was granted by the TRA on 19 January 2019.

Based on the spirit of the MoU and the socio-economic contribution to local farmers, management of TDL engaged the Government and TRA and requested for a retrospective GN to be able to resolve the assessments. Further, in December 2017, the Company submitted a proposal of what is deemed a reasonable excise duty rate for valuer brandy. The Group and Company is awaiting response from Government and the TRA.

On 13 February 2019 the Government of Tanzania reduced excise duty rate for spirits obtained by distilling grape wine or grape marc from locally produced grapes from TZS 3,315. per litre to TZS 450 per litre.

#### (iii) Value Added Tax (VAT)

TDL received an additional assessment of Tshs 17,722 million for principal and penalties which relates to VAT on valuer brandy. This liability was based on the excise duty demand note on an assumption that if the excise duty was applied, the price of Valuer Brandy would increase. In the contrary, the Directors believe that the Company absorbs excise duty as part of its operational costs and in any case, the price would remain at its market level. According to the provisions of the VAT Act 1997 and VAT Act 2014 the amount charged to the customers constitutes consideration, which is defined to include both the value of the supply and VAT thereon. The Directors are of the view that the price charged by TDL to its customers was inclusive of VAT, therefore there should be no additional liability on VAT. As a result, no provision has been made for the additional tax assessed on VAT.

### 35 Cash flow information

|                                                                                     | Group           |          | Company         |          |
|-------------------------------------------------------------------------------------|-----------------|----------|-----------------|----------|
| Million Tanzania Shillings                                                          | Dec 2018        | Dec 2017 | Dec 2018        | Dec 2017 |
| <b>(i) Cash generated from operations</b>                                           |                 |          |                 |          |
| Profit before income tax                                                            | <b>210,935</b>  | 113,473  | <b>158,107</b>  | 134,491  |
| <i>Adjusted for:</i>                                                                |                 |          |                 |          |
| Interest expense (Note 11)                                                          | <b>952</b>      | 318      | <b>2,276</b>    | 3,066    |
| Interest income (Note 11)                                                           | <b>(1,914)</b>  | (7,111)  | <b>(5,534)</b>  | (18,397) |
| Depreciation, container write-down/breakages and amortisation (Note 15 and Note 16) | <b>76,294</b>   | 53,345   | <b>71,938</b>   | 50,704   |
| Write-offs of PPE and intangible assets                                             | <b>1,000</b>    | -        | <b>4,841</b>    | -        |
| Impairment of Darbrew goodwill and brand                                            | <b>8,513</b>    | -        | -               | -        |
| Impairment of investments in subsidiaries                                           | -               | -        | <b>5,237</b>    | -        |
| Increase/(decrease) on provision for liabilities (Note 28)                          | <b>171</b>      | 10,532   | <b>177</b>      | 5,012    |
| Increase/(decrease) in provision for defined benefits obligation (Note 27)          | <b>(37)</b>     | 334      | <b>(30)</b>     | 323      |
| Unrealised foreign exchange loss                                                    | <b>352</b>      | 86       | <b>171</b>      | 57       |
| Fair value movements on derivative (Note 10)                                        | <b>(59)</b>     | (26)     | <b>(59)</b>     | 446      |
| (Gain)/loss on disposal of property, plant and equipment (Note 9)                   | <b>(68)</b>     | 8,168    | <b>(28)</b>     | 3,395    |
|                                                                                     | <b>296,139</b>  | 179,119  | <b>237,096</b>  | 179,097  |
| <i>Changes in working capital</i>                                                   |                 |          |                 |          |
| Inventories                                                                         | <b>1,373</b>    | 26,514   | <b>(442)</b>    | 18,098   |
| Trade and other receivables                                                         | <b>8,569</b>    | (12,581) | <b>61,507</b>   | (16,621) |
| Restricted bank balance                                                             | <b>(38,300)</b> | -        | <b>(38,300)</b> | -        |
| Trade and other payables                                                            | <b>35,611</b>   | 147,062  | <b>40,515</b>   | 138,009  |
| <b>Cash generated from operations</b>                                               | <b>303,392</b>  | 340,114  | <b>300,376</b>  | 318,583  |
| <b>(ii) Interest paid</b>                                                           |                 |          |                 |          |
| Interest payable at 1 April                                                         | -               | -        | -               | -        |
| Interest expense (Note 11)                                                          | <b>(951)</b>    | (307)    | <b>(2,276)</b>  | (3,054)  |
| Interest payable as at 31 Dec                                                       | -               | -        | -               | -        |
|                                                                                     | <b>(951)</b>    | (307)    | <b>(2,276)</b>  | (3,054)  |

## 35 Cash flow information (continued)

| Million Tanzania Shillings                                                       | Group     |           | Company   |           |
|----------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                                  | Dec 2018  | Dec 2017  | Dec 2018  | Dec 2017  |
| <b>(iii) Income tax paid</b>                                                     |           |           |           |           |
| Income tax recoverable/(payable) at 1 January                                    | 5,151     | 7,082     | 631       | 6,083     |
| Current income tax expense (Note 12)                                             | (86,463)  | (68,458)  | (79,468)  | (66,624)  |
| Reallocated tax payable from other payable                                       | (893)     | -         | -         | -         |
| Income tax (recoverable)/payable as at 31 December (Note 31):                    |           |           |           |           |
| - Corporate income tax                                                           | 5,294     | (5,151)   | 6,870     | (631)     |
| - Value added tax (VAT)                                                          | -         | (1,193)   | -         | -         |
|                                                                                  | (76,911)  | (67,720)  | (71,967)  | (61,172)  |
| <b>(iv) Interest received</b>                                                    |           |           |           |           |
| Interest receivable at 1 January                                                 | -         | -         | -         | -         |
| Interest income (Note 11)                                                        | 1,914     | 7,111     | 5,534     | 18,397    |
|                                                                                  | 1,914     | 7,111     | 5,534     | 18,397    |
| <b>(v) Purchase of property, plant and equipment and intangible assets</b>       |           |           |           |           |
| Additions of property, plant and equipment during the period/ year (Note 15)     | (111,966) | (70,163)  | (109,253) | (64,041)  |
| Additions of intangible assets during the period/ year (Note 16)                 | -         | (1,323)   | -         | (1,057)   |
| Cash utilised in purchase of property, plant and equipment and intangible assets | (111,966) | (71,486)  | (109,253) | (65,098)  |
| <b>(vi) Dividends paid</b>                                                       |           |           |           |           |
| <i>To owners of the parent</i>                                                   |           |           |           |           |
| Dividends payable at beginning of the year                                       | (3,279)   | (3,032)   | (3,279)   | (3,032)   |
| Dividend expense (Note 14)                                                       | (209,540) | (209,283) | (206,540) | (209,283) |
| Dividends payable at the end of the year (Note 30)                               | 3,388     | 3,279     | 3,388     | 3,279     |
|                                                                                  | (206,431) | (209,036) | (206,431) | (209,036) |
| Non-controlling interest's share of dividends paid (Note 14)                     | -         | -         | -         | -         |
|                                                                                  | (206,431) | (209,036) | (206,431) | (209,036) |

**Repayment of bank borrowings**

The table below shows the movement of borrowings excluding overdraft and interest payable.

| Million Tanzania Shillings                    | Group    |          | Company  |          |
|-----------------------------------------------|----------|----------|----------|----------|
|                                               | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| At start of year                              | (241)    | (982)    | -        | -        |
| At end of year                                | -        | 241      | -        | -        |
| Cash utilised in repayment of bank borrowings | (241)    | (741)    | -        | -        |

## 36 Related party transactions and balances

### i) Sale of goods and services

| Million Tanzania Shillings | Group    |          | Company  |          |
|----------------------------|----------|----------|----------|----------|
|                            | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| <b>Sale of goods</b>       |          |          |          |          |
| Fellow subsidiaries        | 123      | 4,260    | 35       | 302      |

The Company exports finished goods to Crown Beverages Limited, Kenbev Limited, South African Breweries (pty), Nile Breweries Limited and Zambia Breweries Limited, all subsidiaries of ABInBev.

### ii) Purchase of goods and service

|                             |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|
| <b>Purchase of goods</b>    |        |        |        |        |
| Fellow subsidiaries         | 98,581 | 32,463 | 94,106 | 31,224 |
| <b>Purchase of services</b> |        |        |        |        |
| Subsidiary                  | -      | -      | 366    | 228    |
| Fellow subsidiaries         | 28,762 | 26,247 | 28,493 | 26,223 |
|                             | 28,762 | 26,247 | 28,859 | 26,451 |

The Company purchases goods from MUBEX, a subsidiary of AB InBev. Mubex buys and on-sells raw materials and finished goods to companies within the AB InBev Group's Africa region.

The Company leases buildings from its subsidiary, Kibo Breweries Limited.

Other related parties include Bevman Services A.G, a subsidiary of ABInBev, the Group's management company, and SABMiller International BV. The Company produces and distributes SABMiller International BV brands under license and pays royalty fees at a percentage of sales of the brands. The Group pays profit bonus to Bevman Services AG.

### iii) Interest on intercompany accounts

#### Net Interest income on intercompany accounts

| Million Tanzania Shillings                       | Group    |          | Company  |          |
|--------------------------------------------------|----------|----------|----------|----------|
|                                                  | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Subsidiary                                       | 2        | -        | 3,784    | 11,505   |
| <b>Interest expense on intercompany accounts</b> |          |          |          |          |
| Subsidiary and parent                            | 574      | 200      | 2,084    | 3,046    |

The Company is charged interest by its parent Company ABInBev Africa BV "formerly" SABMiller Africa BV for current accounts balances held.

Also the Company charges interest to its subsidiary Tanzania Distilleries Limited on current accounts balances held.

### iv) Year-end balances arising from transactions with related parties:

|                                                  |        |        |        |        |
|--------------------------------------------------|--------|--------|--------|--------|
| <b>Receivable from related parties (Note 20)</b> |        |        |        |        |
| Subsidiary (net of impairment provision)         | -      | -      | 5,874  | 60,771 |
| Fellow subsidiaries                              | 4,882  | 4,053  | 1,056  | 818    |
|                                                  | 4,882  | 4,053  | 6,930  | 61,589 |
| <b>Payable to related parties (Note 30)</b>      |        |        |        |        |
| Subsidiary                                       | -      | -      | 14,200 | 3,306  |
| Fellow subsidiaries                              | 61,202 | 40,820 | 59,094 | 40,323 |
|                                                  | 61,202 | 40,820 | 73,294 | 43,629 |

### 36 Related party transactions and balances (continued)

The receivables from related parties arise mainly from sale transactions and are due three months after the date of sale. The receivables are unsecured. During the year an impairment provision of TZS 27,919 million was made against receivable from Darbrew Limited (2017: Nil).

The payables to related parties arise mainly from purchase transactions and are due three months after date of purchase.

#### v) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the group.

|                                       | Group    |          | Company  |          |
|---------------------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings            | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| <b>a) Key management compensation</b> |          |          |          |          |
| Salaries                              | 7,157    | 6,662    | 6,128    | 5,860    |
| Defined contribution plan             | 716      | 666      | 613      | 586      |
|                                       | 7,873    | 7,328    | 6,741    | 6,446    |

#### b) Transactions with key management personnel

There were no other transactions with key management personnel during the year

#### c) Balances with key management personnel

As at 31 Dec 2018, total outstanding loan amount with key management personnel was NIL (Dec 2017: Nil). No loans were issued.

#### d) Directors' emoluments

|                            | Group    |          | Company  |          |
|----------------------------|----------|----------|----------|----------|
| Million Tanzania Shillings | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Non-executive Chairman     | 36       | 37       | 27       | 30       |
| Non-executive Directors    | 60       | 103      | 54       | 99       |
|                            | 96       | 140      | 81       | 129      |

A schedule detailing remuneration of each director is annexed to these financial statements for presentation to the annual general meeting.

The Directors of the Company own directly and indirectly 88,857 (2017: 88,803) ordinary shares of the Company as 31 December 2018.

During the year, there were no commitments, provision of guarantees and collateral with related parties. (Dec 2017: Nil).

Transactions with related parties were carried on an arm's-length basis.

### 37 Ultimate parent company

Anheuser-Busch InBev SA/NV ("AB InBev"), which is incorporated in Belgium and has its registered business address at Brouwerijplein 1, B-3000 Leuven.

### 38 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on the date shown on page 26.



TANZANIA  
BREWRIES  
LIMITED

# Notice of the 46<sup>th</sup> Annual General Meeting

to the members of tanzania breweries limited

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the 46th Annual General Meeting of the Shareholders of Tanzania Breweries Limited will be held at the Hyatt Regency – The Kilimanjaro in Dar es Salaam on 5th September, 2019 at 10h00, for the following purposes:

1. **Notice of Meeting**  
Notice convening the meeting to be taken as read.
2. **Approval of Minutes**  
To approve and sign the minutes of the 45th Annual General Meeting.
3. **Matters Arising from the minutes of the previous meeting**
4. **Financial Statements and Directors' Report**  
To receive and consider the Directors' Report, Auditors' Report and the audited financial statements for the year ended 31st December, 2018.
5. **To ratify dividend paid for the year ended 31st December, 2018**
6. **Appointment of Statutory Auditors**  
To approve the appointment of PricewaterhouseCoopers as the auditors for the next financial year ending 31st December, 2019.
7. **Any other business**  
Any member entitled to attend and vote, if unable to attend for any reason, is entitled to appoint a proxy or proxies to attend, speak, and, on a poll, vote in his/her stead and such a proxy need not also be a member of the Company.

Proxy forms should be forwarded to reach the registered office of the Company or the office of the Company Secretary at least 48 hours before the time fixed for the holding of the meeting.

Please note that a member wishing to attend the Annual General Meeting must arrive with a copy of his/her original share certificate or depository receipt (CDR) and his/her Identification Card.

By the order of the Board

Company Secretary

- Note:
- i. Any other business needs to be brought to the attention of the Secretary by the 30th August, 2019.
  - ii. Shareholders shall meet all the costs for attending the meeting.



**BONGE LA KIBURUDISHO  
KWA WATANZANIA  
NDANI YA JEZI MPYA**



**18** HAIUZWU KWA WENYE UMRI CHINI YA MIAKA 18.





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**Shaping the future**