TBL Plc™

ANNUAL REPORT 2019

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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, Vladmir 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 Public Limited Company (TBL Group) is pleased to declare its results for the financial year ended 31 December 2019. The 2019 financial year was not without challenges, the business performance for the year is one of resilience in a volatile environment. While operating profits grew by 5% over the period, TBL Group experienced 5% Year on Year (Y-o-Y) decline in Revenue performance driven by a declining beer market during the second half of the year as a result of on-going pressure on disposable income, seeing consumers switch to more affordable alternatives, and poor weather conditions along with the discontinuation of operations in the traditional beer business.

Beer revenue declined by 4.6% versus prior year while Wines and Spirits declined by 6.5% versus prior year. During the year, the Group discontinued its operation within the traditional beer business. Despite the tough operating environment, the Group delivered encouraging results within the Core Plus Category, driven by strong volume growth of Castle Lite and encouraging performance of our flagship beer Safari Lager.

Operating profit was Tshs. 220 billion, increased of 5% as a result of higher productivity in our breweries, competitive brewing and packaging raw material prices, efficiencies in our logistics and strong management of our overhead costs. As a result, our operating margin was 21% which increased by 5% from prior year.

TBL Group was able to approve dividend payment of Tshs 138 billion to our shareholders for the financial year, which translates to TShs 500 per share.

Maintaining Responsible Corporate Citizenship

Despite the challenges, TBL Group remains one of the largest taxpayers 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 466 billion was paid to the Government during the year, compared to Tshs 504 billion in prior year. The Group was the recipient of the President's Manufacturer of the Year Award

The group continues to play an active role in supporting the social growth in the economy and remains committed to supporting local farming and local sourcing. In addition, we continue to use the #ISIWESABABU platform to create and spread awareness on Gender Based Violence, ignite conversations that promote healthy relationships and provide tools that promote positive behavioural change.

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 create an ideal company in Africa, one which grows a lot, is super-efficient, which everyone loves to work for, and very importantly, makes a real difference in society". Looking ahead, TBL is committed and has been continuing 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 a full portfolio of products at different price points to meet their needs
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 manage our costs tightly, to free up resources that will support sustainable and profitable top line growth

COVID-19 outlook

The COVID-19 pandemic presents unprecedented challenges for societies, governments and businesses across the world and in Tanzania.

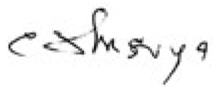
Across the world governments have taken different actions to protect their people and their economies, these actions have had different effects on businesses and their ability to operate. I would like to commend the Government of Tanzania on its approach to this crisis to keep the economy open and to allow businesses to continue to operate.

As a result, at TBL Group we have done our part; firstly to ensure the health and safety of our people, putting in place a number of measures to create a safe operating environment. Then secondly in supporting the Government and our communities, to fight the spread of the virus through the production and donation of hand sanitiser and the donation of PPE to Government. I am proud of the work TBL Group has done to support our communities, providing education to consumers both digitally and through traditional media in bars, and providing kits and advice for retailers to guide them to operate safely.

In addition, we have exercised prudent financial discipline with several proactive measures, including optimizing our cost base and maintaining a strong liquidity position. To ensure our business is able to thrive, grow and capitalise on the opportunities that any crisis would create.

So, while in the short term the business will have been impacted by the Global pandemic, I am pleased to see how fast it is recovering and have no doubt the business will return to growth in the medium term. Our management remains focused on leading the recovery and returning the business to growth, with continued attention on cost efficiencies to support renewed investment behind our brands, while at the same time building the capability of it's employees to support long term growth.

In conclusion, 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, guiding TBL Group through a difficult covid-19 period and for positioning the business for continued growth in the 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 mzuri katika mazingira magumu

Kampuni ya Tanzania Breweries Public Limited Company ikijumuisha kampuni zake tanzu (TBL Group au TBL), inafurahi kutoa taarifa ya utendaji kifedha ya mwaka uliomalizika tarehe 31 Desemba 2019. Pamoja na changamoto zilizojitokeza, matokeo ya mwaka wa fedha wa 2019 yanadhihirisha biashara ambayo haiyumbi hata katika mazingira tete. Pamoja na faida ya uendeshaji biashara kukua kwa asilimia 5 katika kipindi hicho, mauzo ya TBL yalishuka kwa asilimia 5 kutokana na kushuka kwa soko la vinywaji vya bia katika kipindi cha pili cha nusu mwaka. Hii ilisababishwa na hali ngumu ya vipato vya wananchi, ambayo ilipelekea wengi wao kuhamia kwenye vinywaji mbadala vya gharama nafuu, hali mbaya ya hewa pamoja na kampuni yetu ya pombe za asili kusimamisha uzalishaji.

Mauzo ya bia yalishuka kwa asilimia 4.6 na mauzo ya mvinyo na vinywaji vikali kwa asilimia 6.5 ukilinganisha na mwaka uliopita. Katika mwaka huu, TBL ilisitisha biashara ya kutengeneza pombe za asili. Pamoja na mazingira magumu ya biashara, mauzo katika aina ya bia za Castle Lite, Castle Lager, Ndovu Special Malt, Castle Milk Stout (Core Plus) yalionyesha matumaini, hasa kutokana na kasi kubwa ya ukuuaji wa mauzo ya bia ya Castle Lite na mauzo mazuri ya bia yetu inayoongoza ya Safari Lager.

Faida ya uendeshaji wa biashara ilikuwa shilingi bilioni 220, ikiwa ni ongezeko la asilimia 5 kutokana na kuongezeka kwa tija katika viwanda vyetu, bei nzuri za malighafi na vifungashio, ufanisi wa kitengo cha usambazaji na kupungua kwa gharama za utendaji. Faida hii ni asilimia 21 ya mauzo. TBL, iliweza kulipa gawio la Shilingi bilioni 138 kwa wanahisa wake ambalo ni sawa na Tsh. 500 kwa kila hisa.

Kuendeleza uwajibikazi wa Kijamii

Pamoja na changamoto za kibiashara, TBL, imeendelea kuwa miongoni mwa makampuni yanayoongoza katika ulipaji wa kodi kubwa nchini na kuchangia kwa kiwango kikubwa pato la Serikali kupitia kodi ya mapato, kodi ya ushuru wa forodha na kodi ya ongezeko la thamani (VAT). Jumla ya shilingi bilioni 466 zililipwa Serikalini kama kodi katika kipindi hicho cha mwaka, kulinganisha na kiasi cha shilingi bilioni 504 kulicholipwa katika mwaka uliopita. Pia katika kipindi chicho, Kampuni ilishinda tuzo ya Rais ya Mzalishaji Bora wa Mwaka.

Kampuni iliendelea kuwa mstari wa mbele kuchangia shughuli za kijamii kwa kuendeleza dhamira yake ya kusaidia wakulima nchini, kama njia ya kuongeza ununuzi wa malighafi zake hapa Tanzania. Vievile, tumeendelea kutumia kampeni ya #ISIWESABABU kutoa elimu ya kupinga vitendo vya ukatili wa kijinsia kwenye jamii ambayo imesaidia kudumisha uhusiano na kubadilisha tabia kwenye jamii.

Kuzingatia kwa umakini na maadili yetu

Maadili yetu yanatokana na msingi wa ndoto yetu ya pamoja ya kiafrica ambayo ni "Kuwa kampuni bora barani Afrika, ambayo inakua kwa kiwango kikubwa, inayoendeshwa kwa ufanisi mkubwa, ambayo kila mtu anavutiwa kufanya nayo kazi, na muhimu zaidi, inaleta mabadiliko halisi kwenye jamii". Kwa siku zijazo, TBL, itaelekeza nguvu zake kwenye malengo ya kimkakati yafuatayo:

1. Kushirikiana na Serikali na wadau wengine kuweka mazingira mazuri ya kukuza uchumi na maendeleo ya jamii.
2. Kuongeza uwezo wetu wa kushawishi wateja kwenye maamuzi ya kuchagua bidhaa za kununua kwa kuboresha huduma kwa wateja kila wakati , kuwarahisishia wateja wetu kuzifikia bidhaa zetu mbalimbali na kuwawezesha kuzinunua kwa kuweka bei mbalimbali kadri ya mahitaji na uwezo wao.
3. Kuongeza ununuzi wa malighafi zetu nchini, jambo ambalo mbali na kukuza ufanisi wetu linasaidia pia kukuza na kuendeleza jamii kiuchumi kwenye maeneo ya biashara zetu.
4. Kukuza na kuendeleza nguzo yetu kubwa ambayo ni wafanyakazi wetu pamoja na kuwapatia motisha kulingana na utendaji wao.
5. Kusimamia kwa karibu gharama za uzalishaji na utendaji ili kuwezesha rasilimali tulizonazo kukuza na kuimarisha zaidi biashara zetu na kuleta faida kwa kampuni.

Hali halisi kutokana na ugonjwa wa COVID-19

Mlipuko wa ugonjwa wa COVID-19 umeleta changamoto ambazo hazijawahi kutokea kwenye jamii, Serikali na biashara uliwenguni pote ikiwemo hapa Tanzania.

Duniani kote, serikali zimechukua hatua mbalimbali kulinda watu wake na uchumi wa nchi zao. Hatua hizi zimekuwa na athari mbalimbali katika biashara na uendeshaji wake. Napenda kuipongeza Serikali ya Tanzania kwa hatua ilizochukua kuhusu janga hili kwa kuachia wazi shughuli za uchumi na kuruhusu uendeshaji wa biashara kuendelea.

Kutokana na hali hiyo, TBL imetimiza wajibu wake; kwanza kulinda afya na usalama wa watu wetu, kwa kuweka mazingira salama ya kazi. Pili kwa kuunga mkono jitihada za Serikali na jamii, katika kupambana na maambukizi ya virusi vya korona kwa kuzalisha na kutoa msaada wa vitakasa mikono, pamoja na msaada wa vifaa vya kujikinga kwa Serikali. Najivunia kazi iliyofanywa na TBL, kusaidia jamii, kuwaelimisha wateja wetu kwa njia ya vyombo vya habari na kidigitali kwenye mabaa, sambamba na kutoa vifaa kinga na ushauri kwa wauzaji rejareja wa bidhaa zetu jinsi ya kuendesha biashara zao kwa usalama.

Vile vile, tumekuwa na nidhamu ya matumizi ya fedha pamoja na kuchukua hatua nyingi endelevu zikiwemo za kudhibiti vyanzo vya matumizi na kuhakikisha hali chanya ya ukwasi. Ili kuhakikisha biashara yetu inastawi, inakua na kuweza kutumia fursa zinazoweza kutokea katika kipindi cha misukosuko.

Hivyo, ingawa katika kipindi cha muda mfupi biashara imeathirika kutokana na janga hili la kidunia, ninafurahi kuona biashara inarejea katika hali ya kawaida kwa haraka na sina shaka kuwa itarudi tena kukua muda usio mrefu. Menejimenti inaendelea kutilia mkazo uongozi wa kuirudisha biashara katika hali ya ukuaji, ikiendelea kudhibiti gharama za uendeshaji, na kuongezea nafasi ya uwekezaji unaozidisha ushawishi wa vinywaji vyetu, wakati huohuo ikiwajengea uwezo wafanyakazi kuweza kufanikisha mkakati wa ukuaji wa biashara kwa kipindi cha muda mrefu.

Kwa kumalizia, kwa niaba yangu na Bodi ya Wakurugenzi natoa shukrani, kwanza kwa watumiaji wa bidhaa zetu kwa kuendelea kutuamini na kutuunga mkono, pia natoa shukrani kwa menejimenti na wafanyakazi kwa kujitoa kwao kuendesha biashara kufikia kiwango cha utendaji na mafanikio yaliyopatikana mwaka huu, kuiongoza TBL kupitia katika kipindi hiki cha ugonjwa wa korona (COVID-19) na kuiweka biashara kwenye nafasi nzuri ya kuendelea kukua katika siku za mbele. Mwisho, natoa shukrani zangu kwa wanahisa wetu wote na wadau wetu kwa mchango walioutoa na usimamizi wao katika kipindi hiki cha mwaka, kwa kujitoa kufanikisha majukumu yao na msimamo wao wa viwango vya juu vya utawala bora.

Cleopa David Msuya
Mwenyekiti wa bodi

TAARIFA YA MWENYEKITI WA BODI
TBL GROUP ANNUAL REPORT 2019

Managing director's Report

Overview

Tanzania Breweries Public Limited Company ("TBL Group") is pleased to declare its results for the financial year ended 31 December 2019.

Performance Overview

TBL Group experienced a challenging year that saw revenue decline by 5%. Performance was adversely impacted by the declining beer market during the second half of the year as well as unexpected heavy rains in Q4 and on-going pressure on disposable income. The decline in the beer market was driven by a significant decline in the affordable brand segment, with consumers trading out of beer into more affordable alternatives. Despite the reduction in revenue, TBL Group continues to drive a full portfolio strategy that balances growth in Core + for young urbanising consumers with a selection of affordable brands and packs to enable more consumers to switch out of the informal sector.

2019 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.

In reference to the top-line performance by business, Beer revenue declined by 4.6% versus prior year. Wine and Spirits revenue declined by 6.5% versus prior year. We have ceased to produce and operate our traditional beer. Despite the tough operating environment, the business demonstrated resilience and delivered encouraging performance within the Core Plus Category, driven by volume growth of Castle Lite.

TBL Group is committed to increasing locally sourced material as a key partner in the socio-economic development of Tanzania. The group plays a key role in the Agriculture sector and over the last year purchased 74% (Tshs 130 billion) of raw materials locally including barley, maize, sorghum and grapes for the production of our products. In addition, we contributed to the Government revenue in form of corporate tax, excise duty, value added tax, amounting to Tshs 466 billion. Thus, retaining the honour of being one of the largest taxpayers in the country, and recipient of the President's Manufacturer of the Year Award and Best Employer of the Year Award.

Tanzania's leading brands

TBL Group has an unrivalled portfolio of beer, spirits and wine brands. While the best brands endure it is important, they remain fresh and relevant to meet the current needs of our consumers. This year we refreshed the two largest brands in our portfolio.

Safari our multi-award-winning lager since 1977 was given a new look to strengthen its positioning as the ultimate reward for Champion Tanzanian men while maintaining it's strong heritage.

Kilimanjaro offers the greatest Tanzanian refreshment and now incorporates modern Tanzanian designs delivering more fashionable appeal to progressive Tanzanian beer drinkers and strengthens its position as Tanzania's most appealing beer brand.

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 resource 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 Group is committed to investing in programmes that benefit our local communities, with an emphasis on the farmer.

Future Prospects

Our ambition is "To be the most aspirational company in East Africa delivering long term sustainable growth". 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.

Over the last few months the world has experienced an unprecedented global crisis due to the COVID-19 pandemic, this has challenged governments, business and all of us as individuals.

However, I am pleased to report we reacted quickly, taking learnings from our sister companies around the world. Our first priority was our people and we put in place a number of measures to ensure we could continue to operate safely

throughout the crisis. Our second priority was to protect business continuity and we deployed a number of prudent financial measures to ensure we would not be at risk even in the worst possible scenarios.

Any crisis creates opportunities and we have accelerated our transformation agenda deploying new technologies to connect with customers and consumers in new ways, found new ways of engaging with our consumers and operating in new ways. We expect many of these changes to become the new normal as we position ourselves to capture future growth.

Continuing to build a winning team

The pandemic has showed we still 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, with energy and enthusiasm for our shareholders to deliver the solid performance of 2019 across diverse geographies and segments and for their increasing agility and unwavering determination to steer the business through the recent crisis.

Philip Redman
Managing Director

Taarifa ya Mkurugenzi Mkuu Maelezo ya Jumla

Kampuni ya Tanzania Breweries Public Limited Company na kampuni zake tanzu ("TBL Group" au 'TBL'), inayo furaha kutoa taarifa ya utendaji kifedha kwa mwaka ulioishia Desemba 31, 2019.

Hali ya Utendaji kwa Ujumla

TBL, imepitia mwaka wenye changamoto zilizopelekea mauzo ya kampuni kushuka kwa asilimia 5. Hii ilitokana na kushuka kwa soko la bia katika kipindi cha pili cha nusu mwaka na mvua kubwa zisizotarajiwa katika kipindi cha robo ya nne ya mwaka, sambamba na kupungua kwa vipato kwa wananchi wengi. Kushuka kwa soko la bia kulitokana na kupungua kwa wateja wa bia za bei nafuu ambao walihamia kwenye vinywaji mbadala vya gharama nafuu zaidi. Licha ya mauzo kupungua, TBL, inaendeleza mkakati unaohusisha vinywaji vyote, unaozingatia bia zinazolenga kundi la vijana, hususani wanaoishi maeneo ya mijini, lenye wateja wanao ongezeka na makundi ya wateja wa bia za bei nafuu au zilizo katika vifungashio vyenye ujazo mdogo na hivyo kuuzwa kwa nafuu, ili kuwezesha watu wengi zaidi kuacha kutumia vinywaji visivyo rasmi.

Mwaka 2019 ulikuwa wenye changamoto katika mazingira ya uendeshaji wa biashara ambazo zilitulazimu kuweka malengo ya kimkakati, na kuwa makini bila kuchoka, katika utekelezaji na kuhakikisha dhamira yetu inafanikiwa.

Mauzo ya bia yalishuka kwa asilimia 4.6 kulinganisha na mwaka uliopita. Mauzo ya Mvinyo na vinywaji vikali yalishuka kwa asilimia 6.5 kulinganisha na mwaka uliopita. Aidha, tulisitisha shughuli za kuzalisha na kuuza pombe za asili. Licha ya mazingira magumu ya uendeshaji biashara, biashara yetu haikutetereka na tuliweza kupata matokeo yenye matumaini kwenye kundi la bia za Castle Lite, Castle Lager, Ndovu Special Malt, Castle Milk Stout (Core Plus category), hasa ongezeko la mauzo ya bia ya Castle Lite.

TBL, imedhamiria kuongeza matumizi ya malighafi zinazozalishwa nchini kama mbia mkubwa katika kukuza uchumi wa kijamii nchini Tanzania. Kampuni inatoa mchango mkubwa katika sekta ya kilimo ambapo mwaka uliopita ilinunua asilimia 74 (TShs. 130billion) ya mahitaji yake ya malighafi hapa nchini, ikiwemo shayiri, mahindi, mtama na zabibu kwa ajili ya uzalishaji wa bidhaa zake. Vile vile tulichangia mapato ya Serikali kupitia kodi ya mapato, kodi ya ushuru wa bidhaa na kodi ya ongezeko la thamani (VAT) kiasi cha shilingi bilioni 466 na kuendeleza heshima ya kuwa moja ya kampuni zinazoongoza katika kulipa kodi kubwa nchini. Pia TBL ilitunukiwa Tuzo ya Rais ya Mzalishaji Bora wa Mwaka na Tuzo ya Mwajiri Bora wa Mwaka.

Chapa za bidhaa za Kitanzania zinazoongoza

TBL Group, inazo chapa za vinywaji ambazo hazina mshindani kuanzia bia, vinywaji vikali na mvinyo. Wakati ubora wa chapa hizi ukiendelea ni muhimu kwetu kuhakikisha zinaendelea kuwa zenye hadhi na zinaendelea kukidhi matakwa ya wateja wetu.. Mwaka huu tuliboresha zaidi chapa zetu kuu mbili.

Safari Lager, chapa ambayo imeshinda tuzo nyingi kuanzia mwaka 1977, imebadilishwa mwonekano wake na kuongezewa mvuto zaidi kama bia ya wanaume bingwa wa Kitanzania wakati ikiendelea kushikilia rekodi ya kuwa bia yenye nguvu.

Kilimanjaro Premium Lager ni bia inayotamba katika viburudisho vikubwa vya Kitanzania. na sasa mwonekano wake umeboreshwa kwa mtindo unaovutia kwa wanywaji wa Kitanzania wa kisasa na hivyo kuiimarisha zaidi kama bia yenye mvuto mkubwa sana nchini Tanzania.

Kutekeleza jukumu letu katika masuala ya kijamii

Biashara yetu imeendelea kuwa nguzo ya kutuongoza katika kuhakikisha tunaushawishi wenye kuleta manufaa katika jamii tunapofanyia biashara zetu na watu tunaoshirikiana nao. Mkakati wetu wa biashara unazingatia mnyororo mzima wa thamani na sehemu kubwa ikiwa ni jamii mahali tunapofanyia biashara yetu, kupitia utekelezaji wa miradi ya kusaidia jamii inayolenga kuhamasisha matumizi ya vinywaji vyenye kilevi kistaarabu, matumizi endelevu ya raslimali na utunzaji wa mazingira.

Heshima ni nguzo kuu inayotuongoza jinsi tunavyofanya biashara na kuhusisha jamii pale tunapofanyia shughuli zetu. Vile vile, wateja wanazingatia zaidi ya ubora wa bidhaa na huduma wakati wa kuchagua chapa wanazopenda kutumia, wengi wanaangalia jinsi kampuni inavyowajibika kwa kuleta mabadiliko katika jamii kutokana na faida inayopata. TBL imedhamiria kuwekeza katika miradi ya kunufaisha jamii kwenye maeneo yake ya biashara, hususani wakulima wadogo.

Matarajio ya baadaye

Matarajio yetu ni "Kuwa kampuni ya mfano wa kuigwa Afrika Mashariki yenye mtazamo wa muda mrefu wa kuleta ukuaji endelevu ". Utendaji wetu unaenda sambamba na mkakati wetu na utaendelea kuiweka biashara yetu katika hali bora kiushindani siku zijazo. Mteja kwetu yupo katikati ya kila jambo linalotekelezwa na kampuni; mipango yetu itahakikisha tunakidhi matakwa ya wateja wetu kwa sasa na siku zijazo. Wakati huo huo, tunaendelea kutekeleza

mifumo ya kimataifa ya utendaji katika maeneo yetu ya kazi ili kujenga mazingira ya kazi salama kwa wote na kuhakikisha tunazalisha bidhaa zenye viwango vya juu vya ubora kila wakati.

Katika kipindi cha miezi michache iliyopita, dunia imekumbwa na janga ambalo halijawahi kutokea kutokana na mlipuko wa ugonjwa wa mafua makali (COVID-19), ambao umeleta changamoto kwa Serikali, biashara na kwetu sote. Hata hivyo, ninayo furaha kuwaarifu kuwa tulichukua hatua za haraka tukijifunza kutoka mtandao wa makampuni yetu mengine yaliyopo sehemu mbalimbali duniani. Kipaumbele chetu cha kwanza kilikuwa watu wetu na tulichukua hatua mbalimbali kuhakikisha tunaendelea na biashara yetu kwa usalama katika kipindi hiki kigumu. Kipaumbele chetu cha pili kilikuwa kulinda mwendelezo wa biashara ambapo tulichukua hatua thabiti za kudhibiti matumizi ya fedha na kuendesha biashara kwa tahadhari kubwa kuhakikisha hatuathiriki na hali yoyote ile.

Janga lolote huleta fursa, na tumeweza kuongeza kasi ya kutekeleza ajenda yetu ya mabadiliko kwa kutumia teknolojia mpya zinazotuunganisha na wateja kwa njia mpya, tumepata njia mpya za mawasiliano na wateja wetu na njia mpya za kufanya kazi zetu. Tunatarajia mabadiliko mengi na njia mpya za utendaji kazi tunapoendelea kujipanga kuendeleza ukuaji wa biashara hapo baadaye.

Kuendelea kujenga timu ya ushindi

Janga hili limetudhihirishia kuwa bado tuna watu sahihi, mifumo, vitendea kazi, teknolojia, chapa na mikakati ya kutuwezesha kupata mafanikio katika safari yetu huko mbele tunapoelekea. Watu wetu daima wataendelea kuwa nguvu yetu kubwa na napenda kuwahakikishia wadau wetu kuwa tutaendelea kufanya kazi kwa bidii na kutumia fursa zilizopo na kudhibiti athari zitokanazo na mazingira magumu ya biashara, sambamba na kutekeleza kwa ufanisi mkakati wetu wa utendaji wa kipindi cha muda mfupi na kuweka mkakati wa kipindi cha muda mrefu unaolenga kukuza biashara zetu na kuendelea kuongeza thamani kwa wanahisa wetu.

Natoa pongezi kwa timu yangu, ambayo imefanya kazi bila kuchoka, kwa nguvu na kujituma kwa ajili ya wanahisa wetu na kufanikisha matokeo mazuri ya utendaji kwa mwaka wa 2019 katika sehemu mbalimbalii za biashara hapa nchini, na kwa uwezo wao wa kukabiliana na misukosuko na kuivusha biashara yetu kutokana na janga la hivi karibuni.

Philip Redman,
Mkurugenzi Mtendaji

Our Better World Initiatives

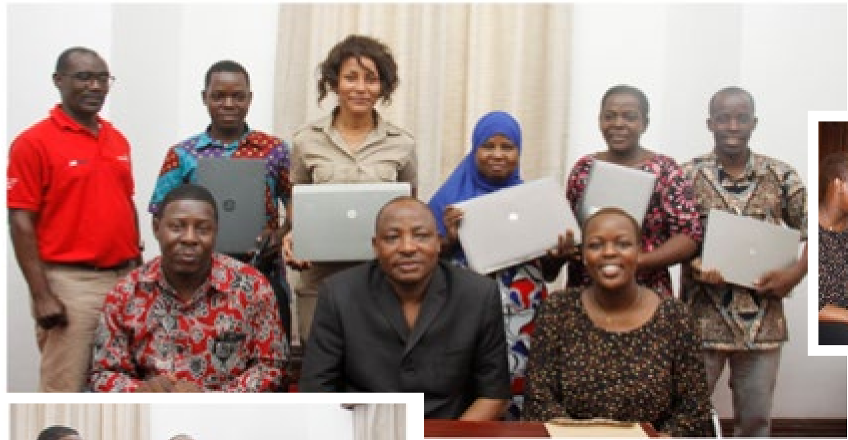
We won BIG!

TBL Plc won BIG last year!

- We are the TOP Employer in the Beverage Sector for the Presidential Manufacturer of the Year Awards (PMAYA)
- We are the Best Listed Company in Tanzania.
- We present the Best Financial Statements

Our people are Safety is Our Number 1 Priority

TBL Plc has been a partner of the National Road Safety Council for the past 11 years. We will continue our partnership through conducting various training programs and behavior-change activities which include: the donation of reflector jackets and stop and go signs; inviting the police to speak with our employees on road safety; and also provide the police with Alcohol Behavior & Communications training.

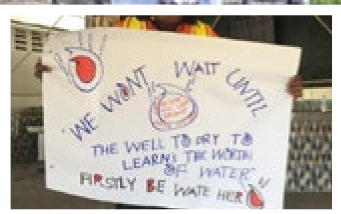


We are part of the solution

At TBL Plc, we believe that innovation brings us closer to consumers and communities around the world. We share our passion for innovation and technology with the future generation. We donated 20 refurbished laptops to Minazi Secondary School, Kambangwa Secondary School and Kitunda Secondary School.

We Attract Talent

TBL Plc participated in the 2019 AIESEC career fair where we presented about our company showing why we are such a great company to work for and the Global Management Trainee program. This is how we recruit the best people. Additionally the Managing Director; Philip Redman was invited to be a panelist at the career fair where he spoke to youth about the professional world.



We care about biodiversity

Water Stewardship calls for 100% of our communities in water-stressed areas to have measurably improved water availability and quality. As part of our World Water Day activations last year, we shared water conservation messages with all our employees and also held discussions on access to clean water for our communities. Our employees volunteered to plant trees and clean local water bodies.

Our Be The Coach Program

As part of our engagements with the youth, we conducted a coaching program where employees were paired with recent graduates to coach them on how to set and achieve their goals, manage their person lives which included the responsible consumption of alcohol.

Global Beer Responsible Day (GBRD)

On September 18, TBL Plc celebrates the GBRD. On this day, the company showcases all the work it does to raise awareness on the responsible consumption of alcohol to its employees, consumers, traders and stakeholders by reinforcing its smart drinking commitments. Last year we reinforced the following commitments;

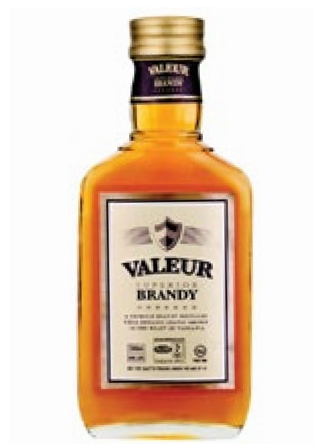
- We trade responsibly with licensed liquor outlets;
- We do not sell to underage individuals;
- We do not sell to pregnant women;
- We do not allow consumers to drink and drive.

#Isiwesababu campaign in Kisarawe

The #NoExcuse (#IsiweSababu) campaign is held every year during the 16 Days of Activism against GBV with the objective of addressing the social norms that alcohol is a factor in 'Gender Based Violence(GBV). Last year, TBL Plc partnered with the Kisarawe District Council and Police to raise awareness to the youth and the community to help stop GBV in the Kisarawe region.
Honorable Jokate Mwegelo; Kisarawe's DC was the guest of honor at the event where she shared stardom with the #IsiweSababu campaign.

We Celebrate Diversity

Every year, TBL Plc celebrates the International Women's Day, bringing diversity to life through addressing our female employees' concerns as professions and as women through the TBL Women' Forum.



We donated Sanitary Pads to School Girls

Our employees came together and each bought sanitary pads and donated them to different schools to help young girls that can not attend schools during the menstruation phase.

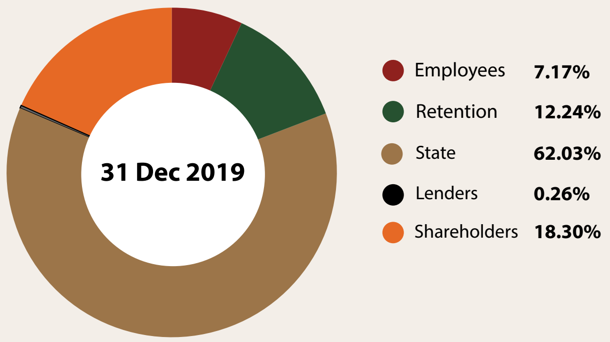
Our Brands Were LIVE at The SADC

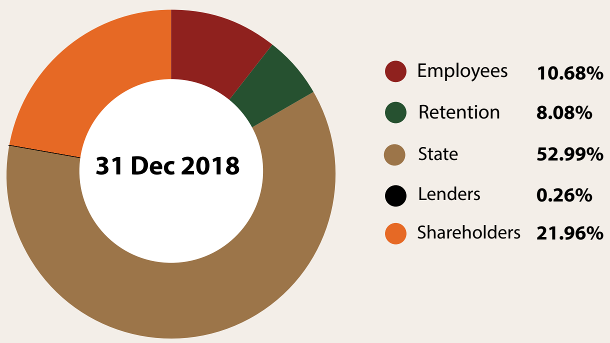
We showcased our prestigious brands to the world at the 39th SADC Ordinary Summit of Heads of State and
Government that was held in Dar es salaam.

Performance in a snapshot

Cash value added statement

Million Tanzania Shillings	31 Dec 2019	%	31 Dec 2018	%
Cash generated				
Cash derived from sales	**1,203,052**		1,539,616	
Cash value generated	**1,203,052**		1,539,616	
Cash paid to suppliers	**(450,440)**		(599,421)	
Cash value added	**752,613**	100.0	940,195	100.0
Cash utilised to				
Remunerate employees for their services	**(53,947)**	7.17	(100,510)	10.68
Pay direct taxes to Government	**(65,284)**	8.67	(75,969)	8.08
Pay excise duty and Value Added Tax	**(401,558)**	53.36	(498,177)	52.99
Provide lenders with a return on borrowings	**(1,946)**	0.26	(2,454)	0.26
Provide shareholders with cash dividends	**(137,753)**	18.30	(206,420)	21.96
Cash disbursed among stakeholders	**(660,488)**	87.76	(883,531)	93.97
Cash retained to fund replacement of assets and facilitate further growth	**92,124**	12.24	56,664	6.03





TBL Plc™

Directors' report

for the year ended 31 December 2019

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019, 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) was 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 has malting plant in Moshi which is not operational. 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, a Property management company domiciled in Moshi.

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, and Budweiser under licence. 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

"Our Dream is to create the ideal company in Africa, one which grows a lot, is super-efficient, which everyone loves to work for and, very importantly, 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. Inspite of Company regaining our market share, a challenging economic environment has affected disposable income for spending.

Financial Review

The Group experienced a challenging year that saw revenue decline by 4.8%. 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.

Group operating profit increased by 5% as a result of volumes mix and cost control initiatives instituted during the year.

A total of TShs 64,178 million was invested in capital expenditure during the year compared to TShs 111,966 million invested during the year ended 31 December 2018.

4 Operating and financial review (continued)

The Group's reported cash generated from operations was TShs 297,107 million during the year versus TShs 303,392 million generated during the year ended 31 December 2018. Of this amount, TShs 65,284 million was utilized to pay corporate income tax and the remaining amount funded capital expenditure and dividends to shareholders with TShs 23,919 million being retained in the business.

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 totalling TZS 500 per share as dividend during the year ended December 2019. This amounted to TZS 147,528 million (December 2018: TZS 700 per share amounting to TZS 206,540 million).

The total dividend paid out in the year amounted to TZS 137,753 million (December 2018: TZS 206,431 million) as per breakdown below;

Total dividend paid out in the year ended 31 December 2019;

Dividends declared in;	TZS millions
Year ended December 2018	3,388
Year ended December 2019	134,365
Total	137,753

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 2019, unless otherwise stated, are:

Board of directors:

Name	Nationality	Age	Remarks
Hon. C.D. Msuya	Tanzanian	89	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	54	He was the Managing Director, Tanzania Breweries Limited up to February 2019. He was appointed to the Board in May 2014 representing AB Inbev Africa BV "formerly" SABMiller Africa BV. Resigned on 1 February 2019.
Mr. Philip Redman	British	41	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	69	Businessman, appointed by AB Inbev Africa BV "formerly" SABMiller Africa BV, in October 2001.
Mr. L. Mususa	Tanzanian	66	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 Audit and Risk Committee.
Mr. A. B. S. Kilewo	Tanzanian	82	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.

6 Composition of the board of directors (continued)

Name	Nationality	Age	Remarks
Mr. P. J. I. Lasway	Tanzanian	72	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	63	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	49	Deputy Permanent Secretary - Ministry of Finance and Planning. He was appointed by the Government with effect from 1 July 2019 up to 3 December 2019. He was representing the public and minority shareholders on the Board.
Mr Andrew Murray	American	37	Vice President, Finance Africa Zone AB Inbev Africa BV "formerly" SABMiller Africa BV – Africa Zone. He was appointed on 3rd April, 2018. 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 four 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 in February 2019
Mr. Gareth De Gee	South African	Procurement Director - Appointed in September 2018, resigned in December 2019
Ms Lize Kruger	South African	Logistics Director – Appointed in September 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 2019
Mr. Bruno Zambrano	Colombian	Business Development Director - Appointed in September 2017, resigned in December 2019
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 2018 and resigned in December 2019
Mr. Waziri Jemedari	Tanzanian	Technical Director – Appointed in July 2019, resigned 31 December 2019

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 Dec 2019	Ordinary Shares Dec 2018
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**	36,216
Total	**88,857**	88,857

7 Corporate governance

The Board of Directors of the Company consists of nine Directors. The Company Memorandum and Articles of Association is in the process of being amended to allow appointment of two directors representing minority shareholders through election. Apart from the Managing Director, no other directors hold executive position in the Company. The Board takes

7 Corporate governance (continued)

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.

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 and Risk 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 and Risk Committees. Mr. L. Mususa chairs the Audit and Risk Committee.

The overall objective of the Group Audit and Risk 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 and Risk 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 (2018: 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 24.2 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 2019 was TZS 10,900 (December 2018: TZS 12,900) and market capitalization was TZS 3,216,111 million (December 2018: TZS 3,806,223 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.

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 2019 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Audit and Risk 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 390 million for staff training programs compared to TZS 896 million in the year ended December 2018. 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.

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 and Medical Services

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 through 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 the 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 commercial banks

12 Employee welfare (continued)

Financial Assistance to Staff (continued)
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 2019, the Company had 1,453 (December 2018: 1,515) employees, out of which 233 (December 2018: 265) were female and 1,220 (December 2018: 1,250) were male.

14 Related party transactions
All related party transactions and balances are disclosed in note 37 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 793 million (December 2018: TZS 583 million).

16 Environmental control programme
With the focused improvement methodology under the 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)

Connected Farmer
As part of its skilled, connected and financially empowered initiative, TBL launched the KilimoUza App which is a bulk SMS and USSD platform that connects barley farmers and helps them obtain information necessary to making agri-based decisions.

Isiwe Sababu #NoExcuse
For the past 2 years, TBL has commemorated the 16 Days of Activism through its #ISIWESABABU campaign. The #ISIWESABABU movement creates a platform that: shifts the narrative from alcohol as an excuse for abuse to challenging social norms; creates and spread awareness on Gender Based Violence (GBV); ignites conversations that promote healthy relationships; provides the community with tools that promote positive behavioral change.

Nutrition for Mothers
TBL partnered with Muhimbili University of Health and Allied Science to support a program that trained 24 health care practitioners on nutrition, maternal health & sickle cell disease (Tanzania has the 4th highest rates of SCD whose infancy mortality rate can be reduced by good health care during pregnancy). Over 3,000 pregnant women/new mothers will be beneficiaries of this program.

Be The Coach
TBL conducted a mentorship program where employees were paired with recent graduates to coach them on how to set and achieve their goals, manage their person lives as well as the responsible consumption of alcohol.

Technology
TBL shared its passion for innovation and technology with schools across Tanzania by donating over 50 laptops and printers.

DIRECTOR'S REPORT
TBL PLC ANNUAL REPORT 2019

17 Corporate social responsibility (CSR) (continued)

Other CSI initiatives
The Group commemorated 10 years of its partnership with the Tanzania Police Force. This partnership was built to ensure roads are safe for all to use through various behavioral change campaigns. During this period, the company launched the #KamataUsukaniWaMaisha

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.

Additionally, the company continues to provide its 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.

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: 4th June 2020

Statement of directors' responsibilities

for the year ended 31 December 2019

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: 4th June 2020

Declaration of the head of finance

for the year ended 31 December 2019

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 Jofrey Malkiadi being the Management Accountant representing Group Head of Finance (i.e. Tanzania Breweries Limited) and its subsidiaries (i.e. Tanzania Distilleries Limited, Darbrew Limited and Kibo Breweries Limited) together "the Group", at 31 December 2019 and for the year then ended hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2019 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 Group and Company as 31 December 2019 and for the year then ended and that they have been prepared based on properly maintained financial records.

Signed:

Position: MANAGEMENT ACCOUNTANT
NBAA Membership No: ACPA 3763

Date: 4th June 2020

pwc

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 2019 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 Tanzania Companies Act, No. 12 of 2002.

What we have audited
Tanzania Breweries Limited's Group and Company financial statements as set out on pages 30 to 82 comprise:

- the Group and Company statements of financial position as at 31 December 2019;
- the Group and Company statements of profit or loss and other comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- 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 Company in accordance with the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (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
Unresolved tax matters and contingent liabilities As described in note 35 of the financial statements, the Company has significant unresolved tax matters with the Tanzania Revenue Authority (TRA) whose outcomes is dependent on future events. With the assistance of internal and external experts, the directors exercise significant judgement in assessing the possible outcomes of the unresolved matters for financial reporting purposes at the year end. The actual future outcomes of these matters could be materially different from the directors' judgement at the year end.	We tested management's process for identification and evaluation of tax exposures from TRA assessments. We examined a list of open tax matters and tax assessments by TRA as at 31 December 2019. 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. We examined correspondence between Management and the Tanzania Revenue Authority, and the Government. 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. We reviewed the provisions for tax exposures based on management's own assessment and the advice provided by the Group's tax advisor. We have evaluated the reasonableness of the management judgement and assessed the adequacy of the disclosures made in the financial statements in relation to contingent liabilities and significant judgement applied by directors.

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.

Report on the audit of the Group and Company financial statements (continued)
Other information (continued)

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.

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.

Report on the audit of the Group and Company financial statements (continued)
Auditor's responsibilities for the audit of the Group and Company financial statements (continued)

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: 11th June 2020

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

		Group		Company	
Million Tanzania Shillings	Notes	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Revenue	6	**1,025,960**	1,078,770	**906,423**	906,423
Cost of sales	7	**(628,290)**	(669,351)	**(565,585)**	(565,585)
Gross profit		**397,670**	409,419	**341,372**	340,838
Selling and distribution costs	7	**(118,688)**	(128,164)	**(106,573)**	(122,327)
Administrative expenses	7	**(50,258)**	(54,701)	**(46,425)**	(52,684)
Other expenses	9	**(7,623)**	(16,277)	**(4,809)**	(10,870)
Fair value (loss)/gain on derivatives	10	**(1,031)**	59	**(1,031)**	59
Operating profit		**220,070**	210,336	**182,534**	155,016
Finance income	11	**2,777**	1,914	**2,648**	5,534
Finance costs	11	**(1,349)**	(1,315)	**(1,533)**	(2,443)
Profit before income tax		**221,498**	210,935	**183,649**	158,107
Income tax expense	12	**(71,286)**	(77,916)	**(61,751)**	(70,153)
Profit for the year		**150,212**	133,019	**121,898**	87,954
Attributable to:					
Non-controlling interests		**6,552**	6,573		
Owners of the parent		**143,660**	126,446		
		150,212	133,019		
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Gain on re-measurement of defined benefit plan		**308**	67	**316**	73
Deferred tax on re-measurement of defined pension benefit		**(92)**	(20)	**(95)**	(22)
Total comprehensive income:		**150,428**	133,066	**122,119**	88,005
Attributable to:					
Non-controlling Interests		**6,550**	6,571		
Equity holders of company		**143,878**	126,495		
		150,428	133,066		
Basic earnings per share (Tshs)	13	**487**	428		
Diluted earnings per share (Tshs)	13	**487**	428		

Statement of financial position

For the year ended 31 December 2019

		Group		Company	
Million Tanzania Shillings	Notes	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
ASSETS					
Non-current assets					
Property, plant and equipment	15	**542,214**	579,902	**506,597**	539,534
Intangible assets	17	**43,334**	43,978	**3,595**	4,310
Right-of-use assets	16	**10,302**	-	**5,868**	-
Investments	18	**88**	88	**45,108**	48,687
Deferred income tax asset	28(ii)	**6,419**	6,534	**-**	-
		602,357	630,502	**561,168**	592,531
Current assets					
Derivative financial instruments	19	**32**	328	**32**	328
Inventories	20	**112,726**	97,424	**94,050**	75,642
Trade and other receivables	21	**100,439**	135,770	**91,446**	117,225
Restricted bank balance	23	**38,300**	38,300	**38,300**	38,300
Bank and cash balances	22	**85,574**	63,518	**72,012**	61,861
		337,071	335,340	**295,840**	293,356
Total assets		**939,428**	965,842	**857,008**	885,887
EQUITY					
Capital and reserves attributable to owners of the parent					
Share capital	24	**29,506**	29,506	**29,506**	29,506
Share premium		**45,346**	45,346	**45,346**	45,346
Retained earnings		**410,359**	414,009	**352,788**	378,197
Other reserves	25	**66,643**	66,643	**66,683**	66,683
		551,854	555,504	**494,323**	519,732
Non-controlling interests		**13,867**	7,317	**-**	-
Total equity		**565,721**	562,821	**494,323**	519,732
LIABILITIES					
Non-current liabilities					
Deferred income tax liability	28(i)	**35,705**	37,969	**37,460**	37,733
Lease liability	34(c)	**4,900**	-	**3,577**	-
Defined pension benefits	29	**1,933**	1,933	**1,875**	1,893
		42,538	39,902	**42,912**	39,626
Current liabilities					
Provisions	30	**12,862**	12,704	**7,348**	7,190
Trade and other payables	31	**298,367**	342,305	**295,121**	312,086
Current income tax payable	32	**12,915**	5,294	**13,640**	6,870
Lease liability	34(c)	**5,811**	-	**2,518**	-
Borrowings	27	**1,214**	2,816	**1,146**	383
		331,169	363,119	**319,773**	326,529
Total liabilities		**373,707**	403,021	**362,685**	366,155
Total equity and liabilities		**939,428**	965,842	**857,008**	885,887

The financial statements on pages 30 to 81 were approved by the board of directors on 4th June 2020 and signed on its behalf by:-

Hon. C.D. Msuya
Chairman

Statement of changes in equity

For the year ended 31 December 2019

Million Tanzania Shillings	Notes	Attributable to owners of the parent: Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
GROUP								
Year ended 31 December 2019:								
Balance at 1 January 2019		**29,506**	**45,346**	**66,643**	**414,009**	**555,504**	**7,317**	**562,821**
Profit for the year		-	-	-	143,660	143,660	6,552	150,212
Other Comprehensive Income								
Re-measurement of defined benefit plan (net of tax)		-	-	-	218	218	(2)	216
Total comprehensive income		**-**	**-**	**-**	**143,878**	**143,878**	**6,550**	**150,428**
Transaction with owners								
Dividends declared	14	-	-	-	(147,528)	(147,528)	-	(147,528)
At 31 December 2019		**29,506**	**45,346**	**66,643**	**410,359**	**551,854**	**13,867**	**565,721**

Million Tanzania Shillings	Notes	Attributable to owners of the parent: Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
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 period		-	-	-	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 declared	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**

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Statement of changes in equity (continued)

For the year ended 31 December 2019

Million Tanzania Shillings	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
COMPANY						
Year ended 31 December 2019:						
Balance at 1 January 2019		**29,506**	**45,346**	**66,683**	**378,197**	**519,732**
Profit for the year		**-**	**-**	**-**	**121,898**	**121,898**
Other comprehensive Income:						
Re-measurement of defined benefit plan (net of tax)		-	-	-	221	221
Total comprehensive income		**-**	**-**	**-**	**122,119**	**122,119**
Transaction with owners						
Dividends declared	14	-	-	-	(147,528)	(147,528)
At 31 December 2019		**29,506**	**45,346**	**66,683**	**352,788**	**494,323**

Million Tanzania Shillings	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
Year ended 31 December 2018:						
Balance at 1 January 2018		**29,506**	**45,346**	**66,683**	**496,732**	**638,267**
Profit for the period		-	-	-	87,954	87,954
Other Comprehensive income:						
Re-measurement of defined benefit plan (net of tax)		-	-	-	51	51
Total comprehensive income		**-**	**-**	**-**	**88,005**	**88,005**
Transactions with owners						
Dividends declared	14	-	-	-	(206,540)	(206,540)
At 31 December 2018		**29,506**	**45,346**	**66,683**	**378,197**	**519,732**

Statement of cash flows

For the year ended 31 December 2019

		Group		Company	
Million Tanzania Shillings	Notes	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash flows from operating activities					
Cash generated from operations	36(i)	**297,107**	303,392	**266,780**	300,376
Interest paid	36(ii)	**(1,946)**	(951)	**(2,108)**	(2,276)
Income tax paid	36(iii)	**(65,284)**	(76,911)	**(55,254)**	(71,967)
Net cash inflow from operating activities		**229,877**	225,530	**209,418**	226,133
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	36(v)	**(64,178)**	(111,966)	**(61,842)**	(109,253)
Interest received	36(iv)	**2,777**	1,914	**2,648**	5,534
Dividend received		-	-	**2,750**	-
Proceeds from disposal of property, plant and equipment		**54**	188	**50**	36
Net cash used in investing activities		**(61,347)**	(109,864)	**(56,394)**	(103,683)
Cash flows from financing activities					
Dividends paid to owners of the parent	36(vi)	**(137,753)**	(206,431)	**(137,753)**	(206,431)
Payment of lease liability		**(6,859)**	-	**(5,551)**	-
Repayment of bank borrowings	36(vii)	-	(241)	-	-
Net cash utilised in financing activities		**(144,612)**	(206,672)	**(143,304)**	(206,431)
Net (decrease)/increase in cash and cash equivalents		**(23,919)**	(91,006)	**9,720**	(83,981)
Cash and cash equivalents at beginning of the year		**60,702**	152,684	**61,478**	146,240
Exchange loss on cash and cash equivalent		**(261)**	(976)	**(332)**	(781)
Cash and cash equivalents at the end of the year	22	**84,360**	60,702	**70,866**	61,478

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for the year ended 31 December 2019

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 and Company

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases

The Group and Company has adopted IFRS 16 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group and Company did not early adopt IFRS 16 in previous periods.

In accordance with the transition provisions in IFRS 16 the new rules have been adopted based on the simplified approach with the impact of applying the new standard on the retained profit being NIL on 1 January 2019. Comparatives for the 2018 financial year have not been restated.

On adoption of IFRS 16, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.87%.

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)

i. Practical expedients applied
In applying IFRS 16 for the first time, the Group and Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group and Company has also elected not to reassess whether a contract is,or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made in applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

ii Measurement of lease liabilities

	Group	Company
Million Tanzania Shillings	**Jan 2019**	**Jan 2019**
Operating lease commitments disclosed as at 1 January 2019	9,254	7,521
Discounted using the Group and Company's incremental borrowing rate of 8.87%	17,570	11,647
Lease liability recognised as at 1 January 2019	17,570	11,647
Of which:		
Current lease liability	6,859	5,551
Non-current lease liability	10,711	6,096
	17,570	11,647

iii Measurement of right of use assets
The right-of use assets were measured at an amount equal to lease liabilities at 1 January 2019 calculated using a discount rate based on lessee's incremental borrowing rate and adjusted for accruals and prepayments.

iv Adjustments recognised in the balance sheet on 1 January 2019

	Group	Company
Million Tanzania Shillings	**Jan 2019**	**Jan 2019**
Increase in Land and Buildings	8,318	3,779
Increase in Motor vehicles	9,252	7,868
Lease liability recognised as at 1 January 2019	17,570	11,647

There was no impact on opening retained earnings on 1 January 2019 as the lease liability and the right of use asset were the same.

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to apply simplified approach on 1 January 2019.

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)

Number	Effective date	Executive summary
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	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: • 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 • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored • 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 • 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 • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. 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. The Group and Company treatment of income tax considered this requirement and appropriate disclosures included to the notes of financial statements.

Number	Effective date	Executive summary
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must : • 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 • 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 • separately recognise any changes in the asset ceiling through other comprehensive income.
Annual Improvements to IFRS Standards 2015-2018 Cycle	1 January 2019	The following improvements were finalised in December 2018: • IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • 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. • 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. • 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

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)

The above amendments do not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

ii) New standards that are not yet effective

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 financial statements.

(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.

2 **Significant accounting policies** (continued)
(b) **Consolidation** (continued)
(ii) Changes in ownership interests in subsidiaries without change of control (continued)

(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 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	5 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

2 **Significant accounting policies** (continued)
(e) **Property, plant and equipment** (continued)

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.

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.

2 Significant accounting policies (continued)

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

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.

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, 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.

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

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

2 Significant accounting policies (continued)

(k) Trade receivables (continued)

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).

(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

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.

(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 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.

2 Significant accounting policies (continued)

(r) Income tax (continued)

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) Leases

1. Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Million Tanzania Shillings	Group 2019	Company 2019
Land and Buildings	5,438	1,871
Motor Vehicles	4,864	3,997
	10,302	5,868

2. Amounts recognised in the balance sheet

Million Tanzania Shillings	Group 2019	Company 2019
Lease liabilities		
Current	5,811	2,518
Non-Current	4,900	3,576
	10,711	6,094

No additions to the right-of-use assets during the 2019 financial.

3. Amounts recognised in statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

Million Tanzania Shillings	Group 2019	Company 2019
Depreciation charge of right of use assets	(7,267)	(5,778)
Interest expense (included in finance cost)	(1,181)	(725)
	(8,448)	(6,503)

The total cash outflow for leases in 2019 was TZS 6,859 million for Group and TZS 5,551 million for the Company.

4. The Group and Company's leasing activities and how these are accounted for

As explained in note 2 (a) (i) above, the Group and Company has changed its accounting policy for leases where the Group and Company is the lessee. The new policy is described in 2 (a) (i) and the impact of the change in note 2 (s).

The Group and Company leases warehousing spaces and fleet of vehicles in various parts of the region. Warehouses rental contractual period terms varies according to the warehouses and ranges within 2 – 7 years with extension

2 Significant accounting policies (continued)

(s) Leases (continued)

options described in (5) below. Motor vehicles lease rental are for 4 years with extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

None of the rental contracts for lease of office buildings contain non-lease components

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases (note 2(a) (i)). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group and Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and Company, which does not have recent third party financing, and
- makes adjustments specific to the lease

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

5. Extension and termination options

Extension and termination options are included in a number of property leases contracts. These terms are used to maximise operational flexibility in terms of managing contracts.

(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

2 Significant accounting policies (continued)

(t) Employee benefits (continued)

(i) Bonus plans (continued)

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.

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

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

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.

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 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.

(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

(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 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.

2 **Significant accounting policies** (continued)

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

(i) Classification and measurements (continued)

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

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.

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 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.

2 **Significant accounting policies** (continued)

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

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 – Uncertain tax position and tax related contingency

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

3 Critical accounting estimates and judgments (continued)

(i) Income tax – Uncertain tax position and tax related contingency (continued)

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.

Based on the advice from tax expert, the Directors have exercised significant judgement in concluding whether liability will crystalize from the tax assessments. As disclosed in Note 35 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 2019 was estimated at TZS 1,595,335 million (December 2018: TZS 2,796,520 million). The recoverable amount calculated based on value in use exceeded carrying value by TZS 1,105,540 million. (December 2018: TZS 2,237,157 million). Refer to note 16 for sensitivity analysis disclosures of the key assumptions used in goodwill impairment assessment of the clear beer segment.

(iii) 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.

(iv) 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.

(v) 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 4.1.

(vi) Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of TZS 7,182 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

3 Critical accounting estimates and judgments (continued)

(vi) Determination of lease term (continued)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of TZS 7,182 million and TZS 6,008 million respectively.

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 in ZAR	Exposure in US$	Exposure in Euro	Exposure in KES	Total exposure
GROUP					
31 December 2019					
Financial assets/(liabilities)					
Cash and cash equivalents	**-**	**2,192**	**1,951**	**-**	**4,143**
Trade and other receivables	**-**	**2,881**	**-**	**-**	**2,881**
Trade and other payable	**(6,939)**	**(48,635)**	**(25,342)**	**(3,498)**	**(84,414)**
Net monetary liabilities	**(6,939)**	**(43,562)**	**(23,391)**	**(3,498)**	**(77,390)**
31 December 2018					
Financial assets/(liabilities)					
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)
Net monetary liabilities	(13,751)	(63,274)	(27,022)	(4,485)	(105,838)

4 Financial risk management (continued)
4.1 Financial risk factors (continued)
Market risk (continued)
(i) Foreign exchange risk

Million Tanzania Shillings	Exposure in ZAR	Exposure in US$	Exposure in Euro	Exposure in KES	Total exposure
COMPANY					
31 December 2019					
Financial assets/(liabilities)					
Cash and cash equivalents	**-**	**(541)**	**302**	**-**	**(239)**
Trade and other receivables	**-**	**2,881**	**-**	**-**	**2,881**
Trade and other payable	**(5,249)**	**(37,905)**	**(24,520)**	**(3,498)**	**(71,172)**
Net monetary liabilities	**(5,249)**	**(35,565)**	**(24,218)**	**(3,498)**	**(68,530)**
31 December 2018					
Financial assets/(liabilities)					
Cash and cash equivalents	317	(250)	664	-	731
Trade and other receivables	472	545	-	101	1,388
Trade and other payable	(12,241)	(56,444)	(27,531)	(4,485)	(100,701)
Net monetary liabilities	(11,182)	(56,149)	(26,867)	(4,384)	(98,582)

At 31 December 2019, if the Tanzania shilling (TZS) had weakened/strengthened by 10% (December 2018: 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 3,415 million (December 2018: TZS 4,429 million) and the Company's post-tax profit for the year by TZS 2,855 million (December 2018: TZS 3,930 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 2019, if the Tanzania shilling (TZS) had weakened/strengthened by 10% (December 2018: 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 1,637 million (December 2018: TZS 1,892 million) and Company's post-tax profit for the year by TZS 1,695 million (December 2018: TZS 1,881 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 2019, if the Tanzania shilling (TZS) had weakened/strengthened by 10% (December 2018: 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 486 million (December 2018: TZS 963 million) and Company's by TZS 367 million (December 2018: TZS 783 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 2019, an increase/decrease of 100 basis points (December 2018:100 basis points) would have resulted in a decrease/increase in post-tax profit of the Group TZS 8 million (December 2018: TZS 135 million) and Company TZS 8 million (December 2018: TZS 40 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.

4 Financial risk management (continued)
4.1 Financial risk factors (continued)
Price risk (continued)
Credit risk (continued)

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:

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Trade and other receivables (excluding prepayments and advances from supplier)	**92,135**	116,604	**85,414**	104,421
Bank balances (restricted and unrestricted)	**123,874**	101,818	**110,312**	100,161
Derivative financial assets	**32**	328	**32**	328
	216,041	218,750	**195,758**	204,910

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.

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Collateral held comprises:				
Cash security	**36,873**	28,079	**30,898**	22,989
Bank guarantees and share certificates	**39,248**	41,158	**37,057**	38,967
	76,121	69,237	**67,955**	61,956

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.

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 2019 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.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

Impairment of financial assets (continued)

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 2019 was determined to be immaterial. Refer to below 31 December 2019 analysis of impairment provision as per IFRS 9, which is lower than recognised impairment losses for trade receivables.

GROUP	0 - 30 days	30 - 60 days	60 - 90 days	90 - 180 days	180 - 360 days	Over 360	Total
31 Dec 2019							
Trade receivables	76,343	955	452	379	852	41,745	120,726
Loss rates	0.8%	8.3%	22.8%	39%	68.3%	98.4%	
Loss allowances	**611**	**79**	**103**	**148**	**582**	**41,077**	**42,600**
31 Dec 2018							
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%**	
Loss allowances	**719**	**75**	**149**	**320**	**2,414**	**35,237**	**38,914**

COMPANY	0 - 30 days	30 - 60 days	60 - 90 days	90 - 180 days	180 - 360 days	Over 360	Total
31 Dec 2019							
Trade receivables	67,735	713	374	355	498	8,216	77,894
Loss rates	0.5%	7%	23.7%	40.3%	69.6%	98.4%	
Loss allowances	**339**	**50**	**89**	**143**	**347**	**8,085**	**9,053**
31 Dec 2018							
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%	
Loss allowances	**453**	**23**	**132**	**301**	**2,369**	**4,301**	**7,579**

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:

(a) financial difficulties of a customer based on information obtained by the Credit controller;
(b) balances not paid for more than 90 days
(c) 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 2019**	Dec 2018	**Dec 2019**	Dec 2018
Trade receivables – from goods sold on credit	**42,978**	42,914	**9,072**	9,292
Other receivables	**-**	-	**35,005**	27,919
Net carrying amount	**42,978**	42,914	**44,077**	37,211

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

Impairment of financial assets (continued)

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

	Group				Company			
Million Tanzania Shillings	**Dec 2019**		Dec 2018		**Dec 2019**		Dec 2018	
Name of bank	**Credit limit**	**Utilised**	Credit limit	Utilised	**Credit limit**	**Utilised**	Credit limit	
Stanbic Bank Tanzania								
- Overdraft facility	**30,000**	**-**	30,000	-	**30,000**	**-**	30,000	-
- FX spot facility – USD 2,500,000	**5,500**	**-**	5,500	-	**5,500**	**-**	5,500	-
National Bank of Commerce Limited	**37,100**	**68**	39,600	2,816	**37,100**	**-**	39,600	383
Standard Chartered Bank Tanzania Limited								
• Short terms loan/ overdraft	**30,000**	**1,146**	30,000	-	**30,000**	**1,146**	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.

	Group		Company	
Million Tanzania Shillings	Within 1 year	Between 2 and 5 years	Within 1 year	Between 2 and 5 years
At 31 December 2019				
Non-derivative financial liabilities				
Borrowings	**1,214**	**-**	**1,146**	**-**
Trade and other payable (excluding statutory and other non-financial liabilities)	**217,154**	**-**	**265,135**	**-**
	218,368	**-**	**266,281**	**-**
Derivative financial liabilities – net settled (forward foreign exchange contracts) Net cash flow – Notional amount (TZS 2,861 million)	**5**		**5**	
Financial guarantee	**100**		**100**	

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

Liquidity risk

Million Tanzania Shillings	Group Within 1 year	Group Between 2 and 5 years	Company Within 1 year	Company Between 2 and 5 years
At 31 December 2018				
Non-derivative financial liabilities				
Borrowings	**1,214**	-	**1,146**	-
Trade and other payable (excluding statutory and other non-financial liabilities)	**217,154**	-	**265,135**	-
	218,368	-	**266,281**	-
Financial guarantee	**100**	-	**100**	-

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 2019 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 2019 and 2018 were as follows:

Million Tanzania Shillings	Note	Dec 2019	Dec 2018
GROUP			
Total borrowings	27	**1,214**	2,816
Less: cash at bank and in hand	22	**(85,574)**	(63,518)
Net debt		**-**	-
Total equity		**565,721**	562,822
Total capital		**481,361**	502,120
Gearing ratio		**0%**	0%
COMPANY			
Total borrowings	27	**1,146**	383
Less: cash at bank and in hand	22	**(72,012)**	(61,861)
Net debt		**-**	-
Total equity		**494,323**	519,732
Total capital		**423,457**	458,254
Gearing ratio		**0%**	0%

4 Financial risk management (continued)

4.2 Capital management (continued)

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 2019.

Million Tanzania Shillings	Level 1	Level 2	Level 3	Total balance
GROUP				
Year ended 31 December 2019				
Assets				
Embedded derivatives	-	-	**32**	**32**
Year ended 31 December 2018				
Assets				
Embedded derivatives	-	-	**328**	**328**

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
COMPANY				
Year ended 31 December 2019				
Assets				
Embedded derivatives	-	-	**32**	**32**
Year ended 31 December 2018				
Assets				
Embedded derivatives	-	-	**328**	**328**

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 2018: None).

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2019 (None) and 31 December 2018:

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

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 2019 and 31 December 2018 is as follows:
Segmental statement of profit or loss

Segmental statement of profit or loss

Million Tanzania Shillings	Beer	Wines & Spirits	(Eliminations)/ Consolidation	Total Group
December 2019				
Revenue				
Local	869,869	137,895	-	1,007,764
Exports	357	17,839	-	18,196
Total revenue from external customers	870,226	155,734	-	1,025,960
Operating profit	189,494	30,576	-	220,070
Finance income/(cost) (net)	1,096	1,206	(874)	1,428
Profit/ (loss) before tax	190,590	31,782	(874)	221,498
Income tax expense	(60,256)	(11,030)	-	(71,286)
Profit for the year	**130,334**	**20,752**	**(874)**	**150,212**
Depreciation, amortisation and breakages	**96,117**	**4,097**	**-**	**100,214**

5 Business segments information (continued)

Segment assets, liabilities and capital expenditure

Million Tanzania Shillings	Beer	Wines & Spirits	(Eliminations)/ Consolidation	Total Group
December 2019				
Assets				
Investments	45,108	-	(45,020)	88
Other non-current assets	522,327	40,212	39,630	602,169
Current assets	290,078	76,040	(29,047)	337,071
	857,513	**116,252**	**(34,437)**	**939,328**
Liabilities and equity				
Current liabilities	276,785	44,196	10,087	331,068
Non-current liabilities	39,190	3,349	-	42,539
Owner's equity	506,741	68,657	(23,594)	551,854
Non-controlling interest	(9,726)	-	23,594	13,867
	812,990	**116,202**	**10,087**	**939,379**

Capital expenditure

December 2019				
Property, plant and equipment	**80,540**	**8,390**	-	**88,930**
Statement of cash flows				
December 2019				
Operating activities	226,636	20,117	874	247,637
Investing activities	(70,407)	(7,815)	(874)	(79,096)
Financing activities	(144,731)	-	-	(144,731)
Net decrease in cash and cash equivalents	**11,498**	**12,302**	**-**	**23,800**
Cash and cash equivalents at the beginning of the period	59,478	1,224	-	60,702
Exchange loss on cash and cash equivalent	(332)	-	-	(261)
Cash and cash equivalents at the end of the period	**70,644**	**13,526**	**-**	**84,170**

Segmental statement of profit or loss

Million Tanzania Shillings	Beer	Wines & Spirits	(Eliminations)/ consolidation	Total Group
December 2018				
Revenue				
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	(70,557)	(7,359)	-	(77,916)
Profit for the period	106,077	26,942	-	133,019
Depreciation, amortisation and breakages	**74,401**	**1,893**	**-**	**76,294**

5 **Business segments information** (continued)

Segment assets, liabilities and capital expenditure

Million Tanzania Shillings	Beer	Wines & Spirits	Eliminations/ consolidation	Total Group
December 2018				
Assets				
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
	892,153	**92,745**	**(19,056)**	**965,842**
Liabilities and equity				
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
	863,076	**92,745**	**10,087**	**965,842**

Capital expenditure

Million Tanzania Shillings	Beer	Wines & Spirits	Eliminations/ consolidation	Total Group
December 2019				
Property, plant and equipment	109,686	2,280	-	111,966
	109,686	**2,280**	**-**	**111,966**

Statement of cash flows

Million Tanzania Shillings	Beer	Wines & Spirits	Eliminations/ consolidation	Total Group
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 increase in cash and cash equivalents	**(86,498)**	**(4,508)**	**-**	**(91,006)**
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)
Cash and cash equivalents at the end of the period	**59,478**	**1,224**	**-**	**60,702**

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	**Dec 2019**	Dec 2018	**Dec 2019**	Dec 2018
Sale of goods – Local	**1,007,764**	1,062,865	**869,869**	906,006
Sale of goods – Export	**18,196**	15,905	**357**	417
	1,025,960	1,078,770	**870,226**	906,423

- Segment revenue is disclosed to Note 5.
- Trade receivables from contract with customers are disclosed to Note 21.

7 Expenses by nature

	Group		Company	
Million Tanzania Shillings	**Dec 2019**	Dec 2018	**Dec 2019**	Dec 2018
Excise duty	**273,266**	294,137	**228,139**	240,833
Raw materials used	**239,819**	228,428	**184,387**	167,161
Transport and vehicle running costs	**42,982**	50,697	**36,893**	45,853
Depreciation, write down and amortisation	**100,214**	76,294	**94,387**	71,938
Royalties	**12,154**	11,494	**12,154**	11,461
Impairment loss – receivables	**63**	8,975	**6,866**	35,306
Employee benefits expense (Note 8)	**65,175**	114,334	**60,399**	104,059
Advertising and promotion costs	**14,178**	14,623	**13,629**	13,530
Office running expenses	**7,506**	7,115	**5,629**	6,965
Operating lease rentals	**2,185**	8,425	**1,638**	6,177
Other operating costs	**8,734**	7,575	**8,125**	6,892
Maintenance	**12,616**	12,059	**11,999**	12,757
Managerial, technical and administrative fees	**17,406**	17,268	**16,835**	17,031
Auditors' remuneration - audit services	**938**	792	**752**	633
	797,236	852,216	**681,852**	740,596
Classified as follows:				
Cost of sales	**628,290**	669,351	**528,854**	565,585
Selling and distribution costs	**118,688**	128,164	**106,573**	122,327
Administrative expenses	**50,258**	54,701	**46,425**	52,684
	797,236	852,216	**681,852**	740,596

8 Employee benefits expense

Wages, salaries and other benefits	**61,673**	109,434	**57,216**	99,649
Retirement benefit costs (defined contribution plans)	**3,194**	4,872	**2,885**	4,380
Defined pension benefit (Note 28)	**308**	38	**298**	30
	65,175	114,344	**60,399**	104,059

9 Other expenses

Million Tanzania Shillings	Group Dec 2019	Group Dec 2018	Company Dec 2019	Company Dec 2018
Gain/(loss) on disposal of property, plant and equipment	**(342)**	68	**(352)**	28
Foreign exchange gain/(loss)	**(354)**	250	**(196)**	599
Sundry income/ (expenses)	**(2,585)**	(6,812)	**3,422**	(1,714)
Impairment provision – non-financial assets	**(9,512)**	(9,783)	**(6,854)**	(9,783)
Impairment on investment in subsidiary	**-**	-	**(3,579)**	-
Dividend income	**-**	-	**2,750**	-
	(7,623)	(16,277)	**(4,809)**	(10,870)

10 Derivative income

Fair value gain/(loss) on derivatives	**(1,031)**	59	**(1,031)**	59

11 Finance income and costs

Finance income				
Interest income on bank balances	**2,712**	1,912	**2,648**	1,750
Interest income on current account with a subsidiary	**65**	2	**-**	3,784
	2,777	1,914	**2,648**	5,534
Finance costs				
Interest expense on bank borrowings	**(308)**	(377)	**(297)**	(192)
Interest expense on lease liability	**(1,181)**	-	**(725)**	-
Interest expenses on current account with parent	**(457)**	(574)	**(1,086)**	(2,084)
Foreign exchange loss	**597**	(364)	**575**	(167)
	(1,349)	(1,315)	**(1,533)**	(2,443)

12 Income tax expenses

Million Tanzania Shillings	Group Dec 2019	Group Dec 2018	Company Dec 2019	Company Dec 2018
Current income tax (Note 32)				
- Current tax on profit for the year	**73,946**	64,699	**62,857**	**57,814**
- Adjustments in respect of prior years	**(501)**	21,764	**(833)**	**21,654**
Deferred income tax (Note 28)				
- Current year charge on profit for the year	**(12,046)**	(6,453)	**(9,092)**	**(8,718)**
- Adjustments in respect of prior years	**9,887**	(2,094)	**8,819**	**(596)**
Income tax expense	**71,286**	77,916	**61,751**	**70,153**

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	**221,498**	210,935	**183,649**	134,491
Tax calculated at a rate of 30%	**66,449**	63,281	**55,095**	47,432
Income not subject to tax	**61**	(1,074)	**-**	-
Expenses excluded for tax purposes	**305**	2,517	**209**	1,664
Adjustment to tax in respect of prior periods	**9,386**	19,671	**7,985**	21,058
Profit on sales of non-qualifying assets	**(1,429)**	-	**(1,538)**	
Alternative minimum tax (DarBrew)	**-**	18	**-**	-
Other temporary differences (Impairment of receivables from DarBrew)	**(4,045)**	(7,957)	**-**	-
Deferred tax asset not recognised (Darbrew)	**559**	1,460	**-**	-
Income tax expense	**71,286**	77,916	**61,751**	70,153

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 2019	Dec 2018
Group		
Net profit attributable to ordinary shareholders (TZS'000)	**143,660,000**	126,446,000
Outstanding shares in issue (000's) [Note 23]	**295,056**	295,056
Basic earnings per share (TZS per share)	**487**	428

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)	**143,660,000**	126,446,000
Weighted average number of shares for diluted earnings per share (000's)	**295,056**	295,056
Diluted earnings per share (TZS per share)	**487**	428

14 Dividends

Million Tanzania Shillings	Company	Non-controlling interest	Group	Dividend per share TZS/SHARE
December 2019				
First interim dividend	103,270	-	103,270	350
Second and final dividend	44,528	-	44,528	150
Total dividend expense	**147,528**	**-**	**147,528**	**500**

Dividend of TZS 500 per share amounting to TZS 147,528 million was approved by the board of directors of the Company and TZS 137,753 million paid during the year. Unpaid dividend as at 31 December 2019 amounted to TZS 13,163 million.

Million Tanzania Shillings	Company	Non-controlling interest	Group	Dividend per share
December 2018				
First interim dividend	103,270	-	103,270	350
Second and final dividend	103,270	-	103,270	350
Total dividend expense	**206,540**	**-**	**206,540**	**770**

Dividend of TZS 700 per share amounting to TZS 206,540 million was approved by the board of directors of the Company for the year ended 31 December 2018. Unpaid dividend as at 31 December 2018 amounted to TZS 3,388 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
GROUP							
Year ended 31 December 2019							
Opening net book value	65,166	399,240	33,200	11,339	67,215	3,742	579,902
Additions	-	-	-	-	-	62,899	62,899
Disposals	-	-	-	(50)	-	-	(50)
Transfers	1,198	15,310	1,786	242	20,371	(38,907)	-
Impairments	(734)	(8,571)	(207)	-	-	-	(9,512)
Container breakages and write-down	-	-	-	-	(15,509)	-	(15,509)
Depreciation charge	(4,645)	(41,874)	(8,227)	(2,391)	(18,379)	-	(75,516)
Closing net book value	**60,985**	**364,105**	**26,552**	**9,140**	**53,698**	**27,734**	**542,214**
At 31 December 2019							
Cost	110,561	697,220	98,049	38,773	142,340	27,734	1,114,677
Accumulated depreciation	(49,576)	(333,115)	(71,497)	(29,633)	(88,642)	-	(572,463)
Net book value	**60,985**	**364,105**	**26,552**	**9,140**	**53,698**	**27,734**	**542,214**

The Group's buildings, plant and machinery with net book value of TZS 131,375 million (Dec 2018: TZS 131,375 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
GROUP							
Year ended 31 December 2018							
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	**65,166**	**399,240**	**33,200**	**11,339**	**67,215**	**3,742**	**579,902**
At 31 December 2017							
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	**65,166**	**399,240**	**33,200**	**11,339**	**67,215**	**3,742**	**579,902**

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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
COMPANY							
Year ended 31 December 2019							
Opening net book value	56,576	377,686	29,607	10,028	65,464	172	539,534
Additions	-	-	-	-	-	60,669	60,669
Disposals	-	-	-	(32)	-	-	(32)
Transfers	1,156	16,059	1,681	242	20,371	(39,507)	-
Impairments	-	(6,738)	(114)	-	-	-	(6,852)
Container breakages and write-down	-	-	-	-	(14,892)	-	(14,892)
Depreciation charge	(4,247)	(39,491)	(7,887)	(1,827)	(18,379)	-	(71,830)
Closing net book value	**53,485**	**347,516**	**23,287**	**8,411**	**52,564**	**21,334**	**506,597**
At 31 December 2019							
Cost	99,703	670,995	89,829	28,376	139,533	21,334	1,049,770
Accumulated depreciation	(46,218)	(323,479)	(66,542)	(19,965)	(86,969)	-	(543,173)
Net book value	**53,485**	**347,516**	**23,287**	**8,411**	**52,564**	**21,334**	**506,597**

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 2018							
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)
Closing net book value	**56,576**	**377,686**	**29,607**	**10,028**	**65,464**	**172**	**539,534**
At 31 December 2018							
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)
Net book value	**56,576**	**377,686**	**29,607**	**10,028**	**65,464**	**172**	**539,534**

15 Property, plant and equipment (continued)

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 Right of use of assets

Million Tanzania Shillings	Land and buildings	Motor Vehicles	Total
GROUP			
Year ended 31 December 2019			
Additions	8,318	9,252	**17,570**
Depreciation charge	(2,880)	(4,388)	**(7,268)**
Closing net book value	**5,438**	**4,864**	**10,302**
At 31 December 2019			
Cost	8,318	9,252	(17,570)
Accumulated depreciation	(2,880)	(4,388)	(7,268)
Net book value	**5,438**	**4,864**	**10,302**
COMPANY			
Additions	3,778	7,869	**11,647**
Depreciation charge	(1,908)	(3,871)	**(5,779)**
Closing net book value	**1,870**	**3,998**	**5,868**
At 31 December 2019			
Cost	3,778	7,869	11,647
Accumulated depreciation	(1,908)	(3,871)	(5,779)
Net book value	**1,870**	**3,998**	**5,868**

17 Intangible assets

	Group				Company
Million Tanzania Shillings	Goodwill	Software	Brand	Total	Software
Year ended 31 December 2019					
Opening net book value	**39,630**	**4,348**	**-**	**43,978**	**4,310**
Additions	-	1,278	-	1,278	1,172
Amortisation charge	-	(1,922)	-	(1,922)	(1,887)
Closing net book value	**39,630**	**3,704**	**-**	**43,334**	**3,595**
At 31 December 2019					
Cost	39,630	14,374	3,276	57,280	13,643
Impairment	-	-	(3,276)	(3,276)	-
Accumulated amortisation	-	(10,670)	-	(10,670)	(10,048)
Net book value	**39,630**	**3,704**	**-**	**43,334**	**3,595**

17 Intangible assets (continued)

	Group				Company
Million Tanzania Shillings	Goodwill	Software	Brand	Total	Software
Year ended 31 December 2018					
Opening net book value	**44,867**	**1,790**	**3,276**	**49,932**	**1,706**
Impairment	(5,237)	-	(3,276)	(8,513)	-
Reallocations from PPE	-	4,608	-	4,608	4,440
Amortisation charge		(2,050)		(2,050)	(1,836)
Closing net book value	**39,630**	**4,348**	**-**	**43,978**	**4,310**
At 31 December 2018					
Cost	39,630	13,096	-	**52,726**	12,471
Accumulated amortisation	-	(8,748)	-	(8,748)	(8,161)
Net book value	**39,630**	**4,348**	**-**	**43,978**	**4,310**

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. No impairment was recognized during the year (Dec 2018: the Group impaired TZS 5,237 million of goodwill from acquisition of Darbrew Limited). The carrying amount of goodwill is TZS 39,630 million (Dec 2018: TZS 39,630 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 2019	Dec 2018
Compound annual growth rate (CAGR)	**6.0%**	5.6%
Earnings before Interest and tax (EBITDA)	**6.0%**	5.6%
Long-term growth rate	**6.0%**	5.6%
Discount rate (WACC)	**21.0%**	17.7%

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 1,105,540 million (Dec 2018: TZS 2,237,157 million). A rise in discount rate to 62.97% (Dec 2018:74.95%), all changes taken in isolation would, 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 as shown in sensitivity analysis below.
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 (-/+)	Impact to value in use 31 Dec 2019 TZS 'Millions	Impact to value in use 31 Dec 2018 TZS 'Millions
Revenue growth rate	10%	**11,234**	16,851
Earnings before Interest and tax (EBITDA)	10%	**29,136**	36,683
Estimated long-term growth rate	10%	**38,994**	92,817
WACC used in determining the pre-tax discount rate	10%	**183,249**	348,097

18 Investments

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
(a) ***Investment in subsidiaries***				
Kibo Breweries Ltd	-	-	**42,414**	42,414
Darbrew Limited	-	-	-	3,579
Tanzania Distilleries Ltd	-	-	**2,606**	2,606
		-	**45,020**	48,599
(b) ***Other equity investments***				
Mountainside Farms Limited	**88**	88	**88**	88
	88	88	**45,108**	48,687

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

Set out below are the Company's principal subsidiaries at 31 December 2019. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Company and the proportion of ownership interests held equals to the voting rights held by Company. The country of incorporation is also their principal place of business.

Name of undertaking	Nature of business	Country of incorporation	% of ownership held by NCI		% of ownership held by Group	
			Dec 2019	Dec 2018	Dec 2019	Dec 2018
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.

Summarised statement of financial position

	Tanzania Distilleries Limited		Darbrew Limited	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Current				
Assets	**76,040**	55,637	**2,741**	2,988
Liabilities	**(44,196)**	(40,541)	**(36,526)**	(37,036)
Total net current assets/(liabilities)	**31,844**	15,096	**(33,785)**	(34,048)
Non-Current				
Assets	**40,212**	37,108	**6,305**	8,487
Liabilities	**(3,348)**	(5,555)	**-**	-
Total non - current net assets	**36,864**	31,553	**6,305**	8,487
Net assets/(liabilities)	**68,708**	46,649	**(27,480)**	(25,561)

18 Investments (continued)

Summarised statements of profit or loss and other comprehensive income:

	Tanzania Distilleries Limited		Darbrew Limited	
Million Tanzania Shillings	31 Dec 2019	31 Dec 2018	31 Dec 2019	Dec 2018
Revenue	**155,734**	166,588	**110**	5,847
Profit/(loss) before income tax	**31,782**	34,301	**(1,778)**	(7,130)
Income tax (expense)/income	**(11,030)**	(7,359)	**-**	(17)
(Loss)/ profit after tax	**20,752**	26,942	**(1,778)**	(7,147)
Other comprehensive income				
Re-measurement loss on defined benefit	**(6)**	(4)	**-**	-
Total comprehensive income for the year	**20,746**	26,938	**(1,778)**	(7,147)
Allocated to Non- Controlling interest	**7,263**	9,430	**(711)**	(2,859)

Summarised statement of cash flows

	Tanzania Distilleries Limited		Darbrew Limited	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Net cash (used in) /generated from operations	**20,117**	(2,316)	**1,969**	(1,009)
Net cash used in investing activities	**(7,815)**	(2,192)	**-**	(89)
Net (decrease)/increase in cash and cash equivalents	**12,302**	(4,508)	**1,969**	(1,098)
Cash and cash equivalents at start of the year	**1,224**	5,791	**(2,001)**	(903)
Exchange loss on cash and cash equivalents	**-**	(59)	**-**	-
Cash and cash equivalents at end of the year	**13,526**	1,224	**(32)**	(2,001)

19 Derivative financial instruments

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Assets				
Forward foreign exchange contracts – cash flow hedges	**-**	-	**-**	-
Embedded derivatives	**32**	328	**32**	328
Total	**32**	328	**32**	328

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

19 Derivative financial instruments (continued)

Cash flow hedges (continued)

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 2019 was NIL (Dec 2018: Nil).

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 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 2019 amounted to TZS 2,796 million (Dec 2018: TZS 24,960 million).

20 Inventories

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Raw materials	73,242	70,700	63,802	57,545
Consumable stores and spares	36,385	37,324	34,808	35,941
Work in progress	8,304	5,884	7,614	5,682
Finished goods	20,357	15,905	12,831	7,730
	138,288	129,813	119,055	106,898
Less: Provision for impairment losses	(25,562)	(32,389)	(25,005)	(31,256)
	112,726	97,424	94,050	75,642

The cost of inventories recognised as an expense and included in 'cost of sales' in the Group's profit or loss amounted to TZS 247,495 million (Dec 2018: TZS 228,428 million) Similarly, this amounts to TZS 190,153 million (Dec 2018: TZS 167,161 million) in the Company's statement of profit or loss and other comprehensive income.

During the year, TZS 6,827 million (charged Dec 2018: TZS 13,504 million) was released to the Group's statement of profit or loss for damaged, obsolete and lost inventories. Similarly, TZS 6,251 million (charged Dec 2018: TZS 11,583 million) were charged to the Company's statement of profit or loss and other comprehensive income for damages, obsolete and lost inventories.

21 Trade and other receivables

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Trade receivables	120,726	136,021	77,894	90,380
Less: Losses allowance	(42,978)	(42,914)	(9,072)	(9,232)
Trade receivables-net	77,748	93,107	68,822	81,148
Advances to suppliers	2,024	9,738	594	7,770
Staff advances and loans	1,321	1,052	1,331	1,079
Due from related parties (Note 37 (iv))	2,653	4,882	46,065	34,849
Less: Losses allowance **	-	-	(35,005)	(27,919)
Due from related parties - Net	2,653	4,882	11,060	6,930
Other receivables	10,413	10,909	4,201	7,573
Prepayments	6,280	16,082	5,438	12,725
	100,439	135,770	91,446	117,225

21 Trade and other receivables (continued)

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

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
At start of the year – trade receivables	(42,914)	(34,071)	(37,211)	(1,903)
Loss allowance during the year – Trade receivables	(64)	(8,843)	220	(7,389)
– Other receivables**	-	-	(7,086)	(27,919)
At end of the year	(42,978)	(42,914)	(44,077)	(37,211)

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

22 Bank and cash balances

Cash in hand	8	6	-	-
Cash at bank	85,566	63,512	72,012	61,861
Total cash and bank balances	85,574	63,518	72,012	61,861

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

Cash and bank balances	85,574	63,518	72,012	61,861
Bank overdrafts (Note 27)	(1,214)	(2,816)	(1,146)	(383)
Net cash and cash equivalents	84,360	60,702	70,866	61,478

23 Restricted bank balance

Balance at bank	38,300	38,300	38,300	38,300

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.

24 Share capital

24.1 Ordinary share capital

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Authorised, issued and fully paid: 295,056,063 ordinary shares of TZS 100 each	29,506	29,506	29,506	29,506
Share premium Share premium at the start and end of year	45,346	45,346	45,346	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 24.2 below.

24.2 Ownership structure

Million Tanzania Shillings	Ordinary Shares Dec 2019	Ordinary Shares Dec 2018	% holding Dec 2019	% holding Dec 2018
Resident shareholders:				
Parastatal Pension Fund	12,402,720	12,402,720	4.20	4.20
National Health Insurance Fund	4,854,370	4,854,370	1.65	1.65
Unit Trust of Tanzania (all schemes)	4,235,750	4,235,750	1.44	1.44
Local Authorities Provident Fund	2,796,671	2,796,671	0.95	0.95
National Social Security Fund	700,624	700,624	0.24	0.24
General Public	19,826,476	19,826,476	6.72	6.72
Total resident	44,816,611	45,816,611	15.19	15.19

24 Share capital (continued)

24.2 Ownership structure

Million Tanzania Shillings	Ordinary Shares Dec 2019	Ordinary Shares Dec 2018	% holding Dec 2019	% holding Dec 2018
Non-resident shareholders				
AB-InBev Africa BV ("formerly" SABMiller Africa BV)	**188,693,282**	188,693,282	**63.95**	63.95
Others – non-resident foreigners	**61,546,170**	61,546,170	**20.86**	20.86
Total non-resident	**250,239,452**	250,239,452	**84.81**	84.81
Total ordinary shares in issue	**295,056,063**	295,056,063	**100.00**	100.00

25 Other reserves

Million Tanzania Shillings	Hedging reserve	Treasury shares	Total
GROUP			
Year ended 31 December 2019			
At start and end of the year	3	66,640	**66,643**
Year ended 31 December 2018	-	-	**-**
At end of the period	**3**	**66,640**	**66,643**
COMPANY			
Year ended 31 December 2019			
At end of the period	43	66,640	**66,643**
Year ended 31 December 2018			
At end of the period	**43**	66,640	**66,683**

Hedging reserve

Refer to the details on the hedge instruments under note 19.

Treasury shares
Treasury shares represent 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. 2017 financial reporting period, the Board of Trustees resolved to sell the Treasury shares and distribute the net proceeds to permanent employees of TBL Group.

26 Non-controlling interests

Million Tanzania Shillings	Dec 2019	Dec 2018
35% of equity of Tanzania Distilleries Limited	**23,594**	16,333
40% of equity of Darbrew Limited	**(9,727)**	(9,016)
	13,867	7,317
35% interest in the profit/(loss) for the year of Tanzania Distilleries Limited	**7,263**	9,428
40% interest in the loss for the year of Dar Brew Limited	**(711)**	(2,859)
Re-measurement gain on defined benefit	**(2)**	2
	6,550	6,571

27 Borrowings

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Current				
Bank overdraft	**1,214**	2,816	**1,146**	383
Short-term bank loans	-	-	**-**	-
Total borrowings	**1,214**	2,816	**1,146**	383
NET DEBT RECONCILIATION				
Group				
Cash and cash equivalents (excluding restricted cash)	**85,574**	63,818	**72,012**	62,161
Borrowings repayable within one year	**(1,214)**	(2,816)	**(1,146)**	(383)
Net cash	**84,360**	61,002	**70,866**	61,778
Company				
Cash and cash equivalents (excluding restricted cash)	**85,574**	63,818	**72,012**	62,161
Gross debt – variable interest rate	**(1,214)**	(2,816)	**(1,146)**	(383)
Net cash	**84,360**	61,002	**70,866**	61,778
Bank overdrafts				
Overdrafts are made up as follows:				
National Bank of Commerce Limited	**68**	2,433	**-**	-
Standard Chartered Bank Tanzania Limited	**1,146**	383	**1,146**	383
	1,214	2,816	**1,146**	383

The Group and Company have overdraft facilities of TZS 102,600 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 part of the Group's and Company's property, plant and equipment.

28 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) Million Tanzania Shillings	Property, plant and equipment (PPE)	Other temporary differences	Hedge reserve and others	Total
GROUP				
At 1 January 2019	56,530	(18,565)	4	37.969
Charged to profit or loss	3,351	(5,615)	-	(2,264)
At 31 December 2019	**59,881**	**(24,180)**	**4**	**35,705**
At 1 January 2018	53,420	(6,215)	78	47,283
Charged to profit or loss	3,110	(12,350)	(74)	(9,314)
At 31 December 2018	**56,530**	**(18,565)**	**4**	**37,969**

28 **Deferred income tax** (continued)

(ii) Deferred income tax asset
GROUP

Deferred tax liabilities/(assets) Million Tanzania Shillings	Property, plant and equipment (PPE)	Other temporary differences	Hedge reserve and others	Total
At 1 January 2019	3,412	(9,946)	-	(6,534)
Charged to profit or loss	1,096	(991)	-	105
At 31 December 2019	**4,508**	**(10,927)**	**-**	**(6,419)**
At 1 January 2018	4,385	(11,752)	66	(7,301)
Charged to profit or loss	(973)	1,806	(66)	767
At 31 December 2018	**3,412**	**(9,946)**	**-**	**(6,534)**

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.

Deferred tax asset of TZS. 551 million (Dec 2018: TZS. 1,460 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) Million Tanzania Shillings	Property, plant and equipment (PPE)	Other temporary differences	Hedge reserve and others	Total
COMPANY				
At 1 January 2019	59,325	(21,591)	-	37,733
Charged to profit or loss	3,603	(3,876)	-	(273)
At 31 December 2019	**62,928**	**(25,468)**	**-**	**37,460**
At 1 January 2018	56,214	(9,240)	74	47,047
Charged to profit or loss	3,111	(12,351)	(74)	(9,314)
At 31 December 2018	**59,325**	**(21,591)**	**-**	**37,733**

29 Defined pension benefits

Million Tanzania Shillings	Group Dec 2019	Group Dec 2018	Company Dec 2019	Company Dec 2018
At start of year	**1,933**	1,692	**1,893**	1,936
- current service cost	**112**	99	**109**	97
- Interest cost	**301**	356	**294**	350
- Past service cost-Curtailment	**(105)**	(417)	**(105)**	(417)
Amount recognised to profit or loss	**308**	38	**298**	30
- Loss from change on assumptions	**(100)**	263	**(95)**	255
- Gain from changes of experience	**(208)**	(330)	**(221)**	(328)
Amount recognised in other comprehensive income	**(308)**	(67)	**(316)**	(73)
At end of year	**1,933**	1,933	**1,875**	1,893

29 **Defined pension benefits** (continued)

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.

A summary of the provisions of this agreement for TBL employees are provided below:

- Benefit only accrues if the member has completed three years (or more) of service.
- Benefit is calculated as: Basic monthly salary x 0.5 x number of complete and continuous years worked.
- Benefit is payable upon: Normal retirement age of 60 years; Involuntary early retirement; Ill-health early retirement (with a minimum benefit of 12 month's basic wage); and Early retirement or resignation aged 55 or over.

Actuarial assumptions:

The significant actuarial assumptions were as follows:

	Dec 2019	Dec 2018
Discount rate	**15.7% p.a**	15% 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. 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

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.

Further, 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 Dec 2019	Group Dec 2018	Company Dec 2019	Company Dec 2018
Increase in defined pension benefit due to 1% decrease in discount rate	**127**	128	**121**	124
Increase in defined pension benefit due to 0.5% increase in future long-term salary assumption	**77**	76	**73**	73

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 year ending 31 December 2020.

30 Provisions for the other liabilities and charges

Million Tanzania Shillings	Group Dec 2019	Group Dec 2018	Company Dec 2019	Company Dec 2018
At start of the year	**12,704**	12,533	**7,190**	7,013
Provision increased during the year	**158**	171	**158**	177
At end of the year	**12,862**	12,704	**7,348**	7,190

30 Provisions for the other liabilities and charges (continued)

As at 31 December 2019, the Group had 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 12,002 million (Dec 2018: TZS 12,704 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 35.

31 Trade and other payables

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Trade payables	**94,450**	114,241	**72,528**	91,431
Deposits from customers	**40,934**	43,548	**34,058**	41,568
Dividends payable	**13,163**	3,338	**13,163**	3,338
VAT payable	**9,690**	10,672	**9,372**	9,446
Exercise duty payable	**28,363**	31,921	**19,076**	21,281
Payable to related parties (Note 37 (iv))	**41,407**	61,202	**77,136**	73,294
Container liability	**11,309**	19,419	**10,657**	18,860
Other payables and accrued expenses	**59,051**	57,964	**59,131**	52,860
	298,367	342,305	**295,121**	312,086

Dividend payable represents unclaimed dividends.

32 Current income tax liabilities

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
At start of the year	**5,294**	(5,151)	**6,870**	(631)
Current income tax charge for the year (Note12)	**73,445**	86,463	**62,024**	79,468
Reallocations from other payable	**(540)**	893		
Tax paid during the year:				
Current income tax	**(65,150)**	(76,201)	**(55,189)**	(71,421)
Withholding tax	**(134)**	(710)	**(65)**	(546)
At end of the year	**12,915**	5,294	**13,640**	6,870

The opening balance includes TZS 5,361 million of tax provision related to capital deduction (TZS 5,361 million Dec 2018) as noted in note 35.

33 Financial instruments by category

Million Tanzania Shillings	Dec 2019	Dec 2018
a) Group		
Financial assets - At amortised cost		
Trade and other receivables (excluding VAT receivable, advances to suppliers and prepayments)	**92,135**	116,604
Cash at hand and bank deposits	**85,574**	63,518
Fair value through profit or loss (FVTPL)		
Derivative financial instrument	**32**	328
	177,741	180,450
Other financial liabilities at amortised costs		
Borrowings -	**1,214**	2,816
Trade and other payable (excluding statutory liabilities)	**217,154**	289,134
	218,368	291,950

33 Financial instruments by category (continued)

Million Tanzania Shillings	Dec 2019	Dec 2018
b) Company		
Financial assets - At amortised cost		
Trade and other receivables (excluding advances to suppliers and prepayments)	**85,414**	104,421
Cash at hand and bank deposits excl Restricted cash	**72,012**	61,861
Fair value through profit or loss (FVTPL)		
Derivative financial instrument	**32**	328
	157,458	166,610
Other financial liabilities at amortised costs		
Borrowings -	**1,146**	383
Trade and other payable (excluding statutory liabilities)	**230,596**	272,247
	231,742	272,630

34 Leases and capital commitments

Capital commitments

The Group and Company had capital expenditure commitments as follows;

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Approved but not contracted for but not recorded	**7,100**	8,337	**7,071**	8,237
Approved but not contracted for	**9,080**	-	**7,881**	-
	16,180	8,337	**14,952**	8,237

b) Guarantees

As at 31 December 2019, the Company had provided guarantees totalling TZS 100 million (Dec 2018: TZS 100 million).

c) Leases

<u>Amounts recognised in the statement of financial position</u>
The balance sheet shows the following amounts relating to leases:

	Group	Company
	Dec 2019	Dec 2019
Right of use assets		
Land and Buildings	**5,438**	**1,871**
Motor Vehicles	**4,864**	**3,998**
	10,302	**5,868**

Amounts recognised in the statement of financial position

	Dec 2019	Dec 2019
Lease liabilities		
Current	**5,811**	**2,518**
Non-Current	**4,900**	**3,576**
	10,711	**6,094**

Amounts recognised in profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

34 Leases and capital commitments (continued)

	Dec 2019	Dec 2019
Depreciation charge of right of use assets	**7,267**	**5,778**
Interest expense (included in finance cost)	**(1,181)**	**(725)**
	(8,448)	**(6,504)**

The total cash outflow for leases in 2019 was TZS 6,859 million for Group and TZS 5,551 million for Company, respectively.

35 Contingent liabilities

Legal cases

As at 31 December 2019, the Company was a defendant in several lawsuits, the amount claimed in such lawsuits could amount to TZS 12,049 million (Dec 2018: TZS 14,160 million). Based on advice from legal counsel, a provision is in place for these cases amounting to TZS 7,348 million (Dec 2018: TZS 7,190 million).

For the Company's subsidiary, Tanzania Distilleries Limited (TDL), was a defendant in several lawsuits, the amount claimed in such lawsuits could amount to TZS 2,300 million (Dec 2018: Nil) 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.

Unresolved tax matters and contingent liabilitiesTax related contingent liabilities

(i) Capital deduction

The Company has additional income tax assessments of TZS 5,361 million that relates to capital deductions disputes for years of income 2002 to 2005. Management filed an objection with Tanzania Revenue Authority 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 statements.

(ii) Excise Duty

The Company's subsidiary Tanzania Distilleries Limited (TDL) received an excise duty assessment of TZS 97,409 million for years of income 2008 to 2018. 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.

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 2018, the Company submitted a proposal of what is deemed a reasonable excise duty rate for Valuer brandy. 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.

On 25 November 2019, TRA issued notices of determination of objections, maintaining the assessment position. The Company appealed against the TRA decision at the Tax Revenue Appeals Tribunal on 15 January 2020. The Company is still awaiting response. Having engaged tax experts in their opinion, the directors have considered that no material liabilities are expected to crystallise from the above tax matter.

(iii) Value Added Tax (VAT) on valuer brandy

TDL received an additional assessment of TZS 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. On the contrary, the Directors believe that the Company absorbs

35 Contingent liabilities (continued)

(iii) Value Added Tax (VAT) on valuer brandy

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 of 1997 and VAT Act of 2014 the amount charged to the customers constitutes a 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. The Company filed objections for assessment, hence, no provision has been made for the additional tax assessed on VAT.

On 25 November 2019, TRA issued notices of determination of objections, maintaining the assessment position. The Company appealed against the TRA decision at the Tax Revenue Appeals Tribunal on 15 January 2020 and is still waiting for a response.

(iv) Value Added Tax (VAT) from EFD invoices

The revenue authority conducted a VAT and payroll tax audit for TBL for the period from April 2016 to December 2018. The audit resulted to an assessment of input VAT of TZS 6,500 million (including interest of TZS 1,640 million) on what TRA considers as incomplete EFD invoices. The company objected to the assessment and paid TZS 1,200 million as tax deposit pending determination.

TRA disputed the objection. A further response was sent to TRA by Management on 5 February 2020 with regards to settlement objections. The Company is still awaiting response from the Revenue Authority.

36 Cash flow information

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
(i) Cash generated from operations				
Profit before income tax	**221,498**	210,935	**183,649**	158,106
Adjusted for:				
Interest expense (Note 11)	**1,946**	952	**2,108**	2,276
Interest income (Note 11)	**(2,777)**	(1,914)	**(2,648)**	(5,534)
Dividend received	**-**	-	**(2,750)**	-
Depreciation, container write-down/breakages and amortisation (Note 15 and Note 16)	**100,214**	76,294	**94,387**	71,938
Write-offs of PPE and intangible assets	**9,512**	1,000	**6,687**	4,841
Impairment of Darbrew goodwill and brand	**-**	8,513	**-**	-
Impairment of investments in subsidiaries - Darbrew	**-**	-	**3,579**	5,237
Increase)/(decrease) on provision for liabilities (Note 30)	**158**	171	**158**	177
Increase/(decrease) in provision for defined benefits obligation (Note 28)	**-**	(37)	**(18)**	(30)
Unrealised foreign exchange loss	**-**	352	**-**	171
Fair value movements on derivative (Note 10)	**296**	(59)	**296**	(59)
(Gain)/loss on disposal of property, plant and equipment (Note 9)	**5**	(68)	**10**	(28)
	330,852	296,139	**285,458**	237,096
Changes in working capital				
Inventories	**(15,302)**	1,373	**(18,408)**	(442)
Trade and other receivables	**35,331**	8,569	**25,779**	61,507
Restricted bank balance	**-**	(38,300)	**-**	(38,300)
Trade and other payables	**(53,774)**	35,611	**(26,049)**	40,515
Cash generated from operations	**297,107**	303,392	**266,780**	300,376
(ii) Interest paid				
Interest on lease liability	**(1,181)**	-	**(725)**	-
Interest expense (Note 11)	**(765)**	(952)	**(1,383)**	(2,276)
	(1,946)	(952)	**(2,108)**	(2,276)

36 Cash flow information (continued)

	Group		Company	
Million Tanzania Shillings	**Dec 2019**	Dec 2018	**Dec 2019**	Dec 2018
(iii) Income tax paid				
Income tax recoverable/(payable) at 1 January	**5,294**	(5,151)	**6,870**	(631)
Current income tax expense (Note 12)	**73,445**	86,463	**62,024**	79,468
Reallocated tax payable from other payable	**(540)**	893	**-**	-
Income tax (recoverable)/payable as at 31 December (Note 32):				
- Corporate income tax	**(12,915)**	(5,294)	**(13,640)**	(6,870)
	-	-	**-**	-
	(65,284)	(76,911)	**(55,254)**	(71,967)
(iv) Interest received				
Interest receivable at 1 January	**-**	-	**-**	-
Interest income (Note 11)	**2,777**	1,914	**2,648**	5,534
	2,777	1,914	**2,648**	5,534
(v) Purchase of property, plant and equipment and intangible assets				
Additions of property, plant and equipment during the period/ year (Note 15)	**(62,905)**	(111,966)	**(60,670)**	(109,253)
Additions of intangible assets during the period/ year (Note 16)	**(1,273)**	-	**(1,172)**	-
Cash utilised in purchase of property, plant and equipment and intangible assets	**(64,178)**	(111,966)	**(61,842)**	(109,253)
(vi) Dividends paid				
To owners of the parent				
Dividends payable at beginning of the year	**(3,388)**	(3,279)	**(3,388)**	(3,279)
Dividend expense (Note 14)	**(147,528)**	(209,540)	**(147,528)**	(206,540)
Dividends payable at the end of the year (Note 31)	**13,163**	3,388	**13,163**	3,388
	(137,753)	(206,431)	**(137,753)**	(206,431)

(vii) Repayment of bank borrowings
The table below shows the movement of borrowings excluding overdraft and interest payable.

	Group		Company	
Million Tanzania Shillings	**Dec 2019**	Dec 2018	**Dec 2019**	Dec 2017
At start of year	**-**	**(241)**	**-**	-
At end of year	**-**	-	**-**	-
Cash utilised in repayment of bank borrowings	**-**	**(241)**		-

37 Related party transactions and balances

i) Sale of goods and services

	Group		Company	
Million Tanzania Shillings	**Dec 2019**	Dec 2018	**Dec 2019**	Dec 2018
Sale of goods				
Fellow subsidiaries	**1,582**	123	**1,582**	35

37 Related party transactions and balances (continued)

i) Sale of goods and services (continued)

The Company exports finished goods and other goods to Nile Breweries Limited and Zambia Breweries Limited, all subsidiaries of ABInBev.

ii) Purchase of goods and service

Purchase of goods				
Fellow subsidiaries	**159,012**	98,581	**152,812**	94,106

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.

Purchase of services

Subsidiary	**-**	-	**366**	366
Fellow subsidiaries	**29,560**	28,762	**29,560**	28,493
	29,560	28,762	**29,926**	28,859

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

Other related parties include AB-InBev Africa (Pty) Ltd, that provides managerial and technical services AB-InBev Group's Africa region and AB-InBev International Brand Limited, (formerly SABMiller International Brand Ltd). The Company produces and distributes AB-InBev International Brand Limited brands under license and pays royalty fees at a percentage of sales of the brands. Both companies are subsidiaries of AB InBev.

iii) Interest on intercompany accounts

Net Interest income on intercompany accounts

	Group		Company	
	Dec 2019	Dec 2018	**Dec 2019**	Dec 2018
Subsidiary	**-**	**2**	**694**	3,784
Interest expense on intercompany accounts				
Subsidiary and parent	**396**	574	**396**	2,084

The Company is charged interest by its fellow subsidiary Mubex on overdue balances.

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:

Receivable from related parties (Note 21)				
Subsidiary (net of impairment provision)	**-**	-	**8,407**	5,874
Fellow subsidiaries	**2,653**	4,882	**2,653**	1,056
	2,653	4,882	**11,060**	6.930
Payable to related parties (Note 31)				
Subsidiary	**-**	-	**35,729**	14,200
Fellow subsidiaries	**41,407**	61,202	**41,407**	59,094
	41,407	61,202	**77,136**	73,294

The receivables from related parties arise mainly from sale transactions and are due three months after the date of sale. The receivables are unsecured. As at the yearend impairment provision TZS 35,005 million made against receivable from Darbrew Limited (2018: TZS 27,919 million).

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.

37 Related party transactions and balances (continued)

v) Key management personnel

a) Key management compensation

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Non-executive Chairman	**3,491**	7,157	**3,491**	6,128
Non-executive Directors	**326**	716	**326**	613
	3,817	7,873	**3,817**	6,741

b) Transactions with key management personnel

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

c) Balances with key management personnel

No loans were issued to or received from the key management personnel during the year (2018: Nil)

d) Directors' emoluments

	Group		Company	
Million Tanzania Shillings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Non-executive Chairman	**31**	36	**31**	27
Non-executive Directors	**86**	60	**70**	54
	117	96	**101**	81

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

The Directors of the Company own directly and indirectly 88,857 (2018: 88,857) ordinary shares of the Company as 31 December 2019.

During the year, there were no commitments, provision of guarantees and collateral with related parties. (Dec 2018: Nil).

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

38 Ultimate parent company

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

39 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on the date shown on page 17.

40 Events after period end

Covid-19 started to impact Wuhan, China late year 2019, and spread globally in 2020. Tanzania started to be initially affected in March 2020 with new cases being reported and the Government of Tanzania announcing a range of preventive measures to fight the virus. The Government of Tanzania also announced that it will not impose a lockdown of the Country. The Group and the Company realize more than 99% of its revenues locally.

In light of the above, there is no material adjusting event in respect of the matters included in the financial statements for the year ended 31 December 2019.

As this COVID-19 pandemic presents unprecedented challenges for societies, governments, and businesses across the world and in Tanzania. The Group and Company are expecting impacts on 2020 performance. Management has put various measures in place in 2020 ranging from assuring the health and safety of our colleagues while investing in new capabilities to better connect with customers, consumers, and other stakeholders.

TBL Plc™

TANZANIA BREWERIES LIMITED

Notice of the 47th Annual General Meeting

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 47th Annual General Meeting of the Shareholders of Tanzania Breweries Public Limited Company will be held virtually on August 19, 2020 at 10:00 hours, for the following purposes:

1. **Notice of Meeting**
   Notice convening the meeting to be read.
2. **Approval of Minutes**
   To approve and sign the minutes of the 46th Annual General Meeting.
3. **Matters Arising from the Minutes of the Previous Meeting**
4. **Financial Statements and Directors' Report**
   To receive, consider and adopt the Directors' Report, Auditors' Report and the Audited Financial Statements for the year ended 31st December 2019.
5. **To ratify the Dividend Paid for the Year Ended 31st December 2019**
6. **Appointment of Statutory Auditors**
   To approve the appointment of PricewaterhouseCoopers as the external auditors for the next financial year ending 31st December 2020.
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 or can be emailed to tblcorporate.communications@ab-inbev.com.

Please note that a member wishing to participate at the Annual General Meeting must register by sending an email to tblcorporate.communications@ab-inbev.com and submit a copy of his/her share certificate or depository receipt (CDR) and his/her Identification Card.

BY THE ORDER OF THE BOARD

Note:
i. Any other business needs to be brought to the attention of the Secretary at least seven full days before the meeting.
ii. A member who wishes to attend the meeting shall register and submit copy of his/her share certificate /CDS receipt along with his identify card to tblcorporate.communications@ab-inbev.com.

Documents;
The Annual Report, Proxy Form, Minutes and matters arising from the previous Annual General Meeting can be accessed on https://anheuserbuschinbev-my.sharepoint.com/:f:/g/personal/abigail_gcn_ab-inbev_com/Er5lUC2ThzNCg8cF7xlQymEBlfmWfV0_mcvF3XIL_3am2A?e=PZBz1u

For registration inquiries kindly contact tblcorporate.communications@ab-inbev.com

REGISTRY SERVICES AND SHARE RELATED INQUIRIES
We wish to inform the shareholders of Tanzania Breweries Public Limited Company who have share transmission issues or want to change their details or with dividend issues should contact CSD & Registry Company Limited (CSDR) through the following address:

Registrar
CSD & Registry Company Limited,
Kambarage House,
2nd Floor, Ufukoni Street,
P. O. Box 70081,
Dar es Salaam,
Hotline: +255746 160516 / +255 677 070414,
Email: registrar@csdr.co.tz

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