Delivering transformation

2023 Annual Report & Financial Statements

BAT KENYA

A refined purpose:
The best choice any adult smoker can make will always be quitting combustible tobacco products completely.

For the last few years, our aim has been to build A Better Tomorrow™. This has meant working to reduce the health impact of our business by offering adult consumers a greater choice of enjoyable and reduced-risk* products compared to cigarettes.

Now is the time to take a step forward.

BAT's New Category products are not smoking cessation devices and are not marketed for that purpose.

A Better Tomorrow™ means Building a Smokeless World.

A smokeless world built on smokeless products where, ultimately, cigarettes have become a thing of the past.

A world where smokers have migrated from cigarettes to smokeless alternatives.

A world where Tobacco Harm Reduction is both understood and accepted.

A world where smokers make a switch to better.

A BETTER TOMORROW™

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

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BRITISH AMERICAN TOBACCO KENYA PLC
2023 ANNUAL REPORT AND FINANCIAL STATEMENTS

This is the Annual Report and Financial Statements (Annual Report) of British American Tobacco Kenya plc (BAT Kenya), comprising the Strategic Report, Business Review, Governance Report and Audited Financial Statements for the year ended 31 December 2023.

This Annual Report has been drawn up and is presented in accordance with, and reliance upon, applicable Kenyan company law and the Companies Act, 2015. The liabilities of the Directors in connection with this Report shall be subject to the limitations and restrictions provided by such law.

A soft copy of the Annual Report is emailed to shareholders with valid email addresses. A digital copy can also be accessed on our website www.batkenya.com. References in this publication to 'the Company', 'BAT Kenya', 'the Business' 'we', 'us' and 'our', refer to British American Tobacco Kenya plc.

Cautionary Statement

The material in this Annual Report is provided for the purpose of giving information about BAT Kenya to shareholders and is not provided for tobacco or nicotine product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or solicitation of an offer to buy any of our tobacco or nicotine products. Our products are sold in compliance with the laws of Kenya.

The Strategic Report and certain other sections of the Annual Report contain forward-looking statements that are subject to risk factors associated with, amongst other things, the changing economic and business dynamics affecting the Kenya and export markets. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

About Us

BAT began operations in Kenya 1907. BAT Kenya has been listed on the Nairobi Securities Exchange since 1969 and has approximately 5,000 shareholders, of whom around 4,000 are local shareholders. The Company is in the business of tobacco farming and processing, manufacturing, sale and export of cigarettes and other tobacco and nicotine products.

We are a strong, forward-looking Company with a proven strategy that is delivering sustained value for our shareholders. Our purpose is to create A Better Tomorrow™ by building A Smokeless World. BAT Kenya's diverse strengths - our strong heritage, unique brands, new product innovations and talented people – are the foundations of our continuing progress. Through our manufacturing hub in Nairobi and Green Leaf Processing plant in Thika, we make cigarettes chosen by a majority of Kenya's adult smokers, with a variety of brands sold in the Kenyan market. We also sell BAT's tobacco free modern oral nicotine pouches in the Kenyan market.

We are continuously working to build a sustainable business and contribute to Kenya's socio-economic growth in various ways, including through partnerships with over 80,000 trade and business partners. This includes approximately 1,700 tobacco farmers concentrated mainly in the counties of Bungoma, Busia, Migori and Homa Bay, as well as providing direct and indirect employment opportunities for over 1,800 people. Our Environment, Social and Governance (ESG) agenda includes various initiatives in tobacco harm reduction, sustainable agriculture, economic empowerment and environmental conservation, through which we have recorded various milestones including planting over 54 million trees since 1978.

BAT Kenya is a leading employer. The Company has been certified six times in a row (2018 to 2023) as a Top Employer in Kenya and Africa, by the global Top Employers Institute. On the diversity and inclusion front, we are a member of the Kenya Business and Disabilities Network (KBDN), an organisation that champions workplace inclusivity for Persons with Disabilities.

CORPORATE INFORMATION

Board of Directors

Rita Kavashe*	(Chairperson)
Crispin Achola	(Managing Director)
Philemon Kipkemoi	(Finance Director)
André Joubert**	(Alternate Director: Sidney Wafula)
Dr. Macharia Irungu*	
Phyllis Wakiaga*	
Peter Mwangi**	
Dr. Martin Oduor-Otieno*	
Samuel Onyango*	
Marion Gathoga-Mwangi*	
Paul Muthaura*	
Waeni Ngea	(Company Secretary)

Audit & Risk Committee

Dr. Martin Oduor-Otieno*	(Chairperson)
Samuel Onyango*	
Marion Gathoga – Mwangi*	
Paul Muthaura*	
Waeni Ngea	(Committee Secretary)

Nominations & Governance Committee

Rita Kavashe*	(Chairperson)
Peter Mwangi**	
Dr. Macharia Irungu*	
Andre Joubert**	
Paul Muthaura*	
Waeni Ngea	(Committee Secretary)

Remuneration Committee

Peter Mwangi**	(Chairperson)
Marion Gathoga-Mwangi*	
Phyllis Wakiaga*	
Crispin Achola	
Philemon Kipkemoi	
Wendilene Balie	(Committee Secretary)

* Independent Non-Executive Director
** Non-Executive Director

Company Secretary
Waeni Ngea
8 Likoni Road, Industrial Area
P.O Box 30000-00100
NAIROBI

Auditor
KPMG Kenya
Certified Public Accountants of Kenya
ABC Towers, 8 th Floor
Waiyaki Way
P.O. Box 40612-00100
NAIROBI

Principal Advocates
Dentons Hamilton Harrison & Mathews
Wing A, 1st floor
Delta Office Suites
Waiyaki Way
P.O Box 30333-00100
NAIROBI

Kaplan & Stratton
Williamson House
4th Ngong Avenue
P.O. Box 40111-00100
NAIROBI

Iseme, Kamau and Maema Advocates
Tower A, 5 th Floor
5th Ngong Avenue, off Bishops Road
P.O Box 11866 - 00400
NAIROBI

Principal Bankers
Absa Bank Kenya plc
Citibank NA
NCBA Kenya plc
Standard Chartered Bank Kenya plc

Shares Registrar
Image Registrars Limited
5th Floor Absa Towers
(formerly Barclays Plaza)
Loita Street
P.O Box 9287 – 00100
NAIROBI

Registered Office
British American Tobacco Kenya plc
8 Likoni Road, Industrial Area
P.O Box 30000-00100, GPO
NAIROBI

NOTICE OF THE 2024 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 72nd Annual General Meeting (AGM) of the Company will be held via electronic communication on **Wednesday, 26 June 2024 at 9:00 a.m.** for the purpose of considering, and if thought fit, passing the resolutions set out below. Shareholders may ask questions in advance of the meeting in the manner detailed below.

Ordinary Business

1. To receive, consider and if approved, adopt the Company's audited Financial Statements for the year ended 31 December 2023, together with the reports of the Chairperson, Directors and Auditor thereon.

2. To confirm the interim dividend of KShs 5/- per ordinary share paid on 22 September 2023 and approve a final dividend for the year ended 31 December 2023, of KShs 45/- per ordinary share, to be paid net of Withholding Tax on 26 June 2024 to shareholders on the Register at the close of business on 24 May 2024.

3. Directors re-election

a) To note that Peter Mwangi retires by rotation in accordance with Article 102 of the Articles of Association and does not offer himself for re-election as a Director.

b) Paul Muthaura and Phyllis Wakiaga retire in accordance with Article 101 of the Articles of Association, having been appointed by the Board after the last AGM, and being eligible, offer themselves for re-election as Directors.

c) Samuel Onyango and Andre Joubert retire by rotation in accordance with Article 102 of the Articles of Association and being eligible, offer themselves for re-election as Directors.

4. In accordance with the provisions of Section 769 of the Companies Act 2015, Dr. Martin Oduor-Otieno, Samuel Onyango, Marion Gathoga-Mwangi and Paul Muthaura, being members of the Board Audit & Risk Committee, be elected to continue to serve as members of the said Committee.

5. To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2023.

6. To appoint Messrs KPMG Kenya as External Auditor of the Company by virtue of Section 721(2) of the Companies Act 2015, and to authorise the Directors to fix their remuneration for the year ending 31 December 2024.

7. To consider any other business of which due notice has been given.

By Order of the Board

Waeni Ngea
Company Secretary

NOTES

1. British American Tobacco Kenya plc (BAT Kenya) has convened and is conducting this virtual Annual General Meeting in line with Article 62 (b) of the Articles of Association.

2. Any Shareholder wishing to participate in the meeting should register for the AGM by dialling ***483*806#** on their mobile telephone line and follow the various prompts regarding registration. A shareholder/proxy will require to have the ID/Passport number which was used to purchase shares and/or the CDSC Account number. For assistance, shareholders should call the following helpline number: **(+254) 709 170000/ (+254) 709 170030,** between 9:00 a.m. and 5:00 p.m., Monday to Friday.

3. Registration for the AGM opens on 26 May 2024 and will close on 24 June 2024 at 9:00 a.m. Shareholders will not be able to register after this time.

4. In accordance with Article 174 of the Company's Articles of Association, the following documents may be viewed on the Company's website www.batkenya.com (i) a copy of this Notice and the proxy form; ii) 2023 AGM Minutes and (iii) the Company's audited Financial Statements for the year ended 31 December 2023.

5. Any shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on their behalf. Such proxy need not be a member of the Company.

6. A proxy form is provided with the Annual Report. The proxy form can also be obtained from the Company's website www.batkenya.com or from Image Registrars Limited, Absa Towers, 5th Floor, Loita Street, P.O. Box 9287 – 00100, Nairobi, Kenya.

   Shareholders who do not propose to attend the AGM are requested to complete and return the proxy form to Image Registrars Limited on the address above or by email to info@image.co.ke or batshares@image.co.ke or alternatively to the Registered Office of the Company to arrive not later than 9:00 a.m. on 24 June 2024.

7. A proxy form must be signed by the appointer, or his attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorised attorney of such body corporate.

8. All questions and/or clarifications must reach the Company on or before 24 June 2024 at 5:00 p.m.

   Shareholders wishing to raise questions may do so by:

   i. Sending their written questions by email to batshares@image.co.ke;
   ii. Physically delivering or posting their written questions indicating a return address (physical, postal or email) to the registered office of the Company or P.O. Box 30000 – 00100, Nairobi, or to Image Registrars offices at the address above.

   Shareholders must provide their full details (names, ID/Passport Number, CDSC Account Number) when submitting their questions and or clarifications.

   A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the AGM.

9. The AGM will be streamed live via a link which shall be provided to all shareholders who will have successfully registered to participate in the AGM. Registered shareholders and proxies will receive a short messaging service (SMS/USSD) prompt on their registered mobile numbers 24 hours prior to the AGM as a reminder. A second SMS/USSD prompt shall be sent one hour prior to the AGM, as a reminder that the AGM will begin in an hour and provide a link to the live stream. In registering to attend the AGM, a shareholder opts in to receive these messages.

10. Duly registered shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairperson) via the USSD prompts as well as via the VOTE tab on the livestream link.

11. A poll shall be conducted for all the resolutions put forward in the Notice.

12. Results of the AGM shall be published on the Company's website www.batkenya.com within 24 hours of concluding the AGM.

13. The preferred method of paying dividends which are below KShs 150,000/- is through M-Pesa. Shareholders who wish to receive their dividend through M-Pesa and have not registered for this mode of payment can opt to receive future dividends via M-Pesa when registering for the AGM via the USSD or contact Image Registrars **(+254) 709 170000/ (+254) 709 170030**, Email: info@image.co.ke / batshares@image.co.ke).

14. Shareholders are encouraged to continuously monitor the Company's website www.batkenya.com for updates relating to the AGM.

EXPLANATORY NOTES TO RESOLUTIONS TO BE PASSED

Agenda Item 1 - Report and audited Financial Statements 2023
Resolution 1:
THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2023, as audited and reported by the Company's Auditors now submitted to this meeting be and are hereby approved and adopted.

Agenda Item 2 - Dividend
Resolution 2:
THAT the interim dividend of KShs 5/- per ordinary share paid on 22 September 2023 be and is hereby confirmed and that a final dividend of KShs 45/- per ordinary share to be paid net of Withholding Tax on 26 June 2024 to Shareholders on the Register at the close of business on 24 May 2024, be and is hereby approved.

The Company paid an interim dividend of KShs 5/- per Ordinary Share on 22 September 2023. The Board recommends a final dividend of KShs 45/- per Ordinary Share, bringing the total dividend for the year ended 31 December 2023 to KShs 50/- per Ordinary Share. Subject to approval by Shareholders, the final dividend will be paid on 26 June 2024 to Shareholders on the register on 24 May 2024.

Agenda Item 3 – Directors' re-election
THAT Peter Mwangi does not offer himself for re-election as a Director of the Company.
Peter Mwangi, who is a Non-Executive Director, having served on the Board for over nine years, hereby steps down as a Director.

Resolution 3 (a): Directors seeking re-election pursuant to Article 101
THAT Paul Muthaura and Phyllis Wakiaga be and are hereby re-elected Directors of the Company.

Paul Muthaura and Phyllis Wakiaga having been appointed to the Board after the last Annual General Meeting, each retire in accordance with Article 101 of the Articles of Association and being eligible, offer themselves for re-election as Directors.

Resolution 3 (b): Directors seeking re-election pursuant to Article 102
THAT Samuel Onyango and Andre Joubert be and are hereby re-elected Directors of the Company.
In relation to the re-election of the aforementioned Directors, the Nominations & Governance Committee and the Board, have determined that they continue to perform effectively and demonstrate commitment to their role, and that they are all respectable individuals in their respective fields and backgrounds. Their balance of knowledge and skills combined with the diversity and business experience they bring, makes a major contribution to the proper functioning of the Board and its Committees. Biographical details of the Directors seeking re-election are set out on page 52 to 55 of this Annual Report.

Copies of the Directors' letters of appointment are available for inspection during normal business hours at the Company's registered office on any business day.

Agenda Item 4 - Re-election of Audit & Risk Committee Members
Resolution 4:
THAT Dr. Martin Oduor-Otieno, Samuel Onyango, Marion Gathoga-Mwangi and Paul Muthaura be and are hereby elected to continue to serve as members of the Board Audit & Risk Committee.
In accordance with the provisions of Section 769 of the Companies Act 2015, the Directors aforementioned, offer themselves for election to continue to serve as members of the Board Audit & Risk Committee.

Agenda Item 5 - Directors Remuneration
Resolution 5:
Resolution 5 is an advisory vote to approve the Directors' remuneration as stated on Note 32 to the Financial Statements and to approve the Directors Remuneration Report as prescribed by Section 681 of Companies Act 2015 and the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. The Remuneration Report is set out on page 78 of this Annual Report.

Agenda Item 6 - Re-Appointment of Auditors and Auditor's Remuneration
Resolution 6:
THAT in accordance with Section 721 (2) of the Companies Act, KPMG Kenya be re-appointed to continue in office as the External Auditor of the Company and that the Directors be and are hereby authorised to fix their remuneration.

With KPMG having expressed their willingness to continue in office as the Company's External Auditor in accordance with the provisions of Section 721 (2), it is proposed that Messrs KPMG Kenya be re-appointed as the External Auditor of the Company and that the Directors be authorised to fix their remuneration for the year ending 31 December 2024.

Chairperson's **Statement**

"The BAT Group strategy and purpose underwent a refinement in 2023... A Better Tomorrow™ for us means that we are committed to building A Smokeless World."

On behalf of the Board, Management, and employees, I am pleased to present BAT Kenya's Annual Report and Financial Statements for the year ended December 31, 2023.

During the year under review, the BAT Group strategy and purpose to build A Better Tomorrow™ underwent a refinement, resulting in a decision to provide enhanced clarity on what this means. A Better Tomorrow™ for us means that we are committed to building A Smokeless World. This is a commitment to migrate cigarette smokers actively, sustainably, and responsibly to reduced risk* smokeless alternatives. In so doing, we will deliver for consumers, employees, shareholders and society, while employees will benefit from a purpose-driven business. This ambition is driven through our strategic pillars of Quality Growth, Sustainable Future and Dynamic Business.

Dividend

Despite a tough business environment described in detail in the Managing Director's Review on page 16, and reflective of our commitment to deliver sustained value for shareholders, the Board of Directors has maintained its dividend commitment. We recommended a final dividend of KShs 45.00 per share for 2023. The dividend, subject to shareholder approval, will be payable net of Withholding Tax on 26 June 2024, to shareholders on the register as at the close of business on 24 May 2024. The total dividend for 2023 will be KShs 50.00 per share (compared to KShs 57.00 per share in 2022).

Changes to the Board

During the year under review the Board bid farewell to Carol Musyoka who resigned as a Non-Executive Director effective 15 June 2023. Carol served in this capacity since her appointment in 2011, making invaluable contribution to the success of BAT Kenya. Subsequently, the Board welcomed Phyllis Wakiaga and Paul Muthaura following their appointments as Non-Executive Directors effective 23 October 2023. Further, Waeni Ngea was appointed as Company Secretary effective 23 October 2023, following the resignation of Kathryne Maundu effective the same date. On behalf of the Board, I welcome Phyllis, Paul and Waeni to the Board and wish Carol and Kathryne the very best in their endeavours. Detailed profiles of the new Board members can be found on page 52 to 55 of this Annual Report.

Sustainability at the heart of our business

Despite an increasingly turbulent external operating environment, the fundamentals of our business, as well as our industry, remain solid. As such the Board believes that BAT Kenya is in a strong position to build a business that is fit for growth.

The growth of adult smokers seeking smokeless alternatives is a long-term trend, which should be effectively addressed through a balanced and sustainable regulatory and fiscal approach. We believe that this could enable smokers to switch faster on the back of access to smokeless products with reduced risk*. Through a multi-category product portfolio, BAT Kenya is well placed to meet this consumer shift through our mission to enable smokers *Switch to Better,* while continuing to manage our combustible cigarette business in a responsible manner.

While reducing the health impact of our business is a key focus area, we continue to place emphasis on our Environment, Social, and Governance (ESG) priorities. This encompasses efforts to drive excellence in environmental management, deliver a positive social impact, and ensure robust corporate governance across the business. In 2023, we proudly cemented this commitment by publishing BAT Kenya's inaugural sustainability report written with reference to the Global Reporting Initiative (GRI) framework, to which the Nairobi Securities Exchange's (NSE) Environment, Social and Governance (ESG) Disclosure Guidance Manual is aligned.

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

As part of our accelerated ESG targets, we aim to achieve Net Zero emissions by 2050 across our value chain – (comprising Scope 1, 2 & 3 greenhouse gas (GHG) emissions); attainment of Carbon neutral operations by 2030 (comprising Scope 1 & 2 GHG emissions); ensuring 35% less water is withdrawn by the year 2025; the enhancement of prosperous livelihoods; increase the proportion of women in management roles to 45% by the year 2025; and aiming for full adherence to our Standards of Business Conduct (SoBC); amongst other key ESG performance indicators.

I am pleased to report that we are making significant progress across the various targets as reported in the subsequent pages of this report. This will be further augmented in detail through our 2023 Sustainability Report expected to be published this year.

As I reflect on the resilient performance of our business thus far, I take this opportunity to acknowledge the contribution and commitment of our People, who are pivotal to delivering superior business results. We continue to enhance and strengthen initiatives that foster a purposeful workplace, including through championing diversity and inclusion and building a legacy of leaders. I commend the Management for fostering a cohesive and impactful organisational culture, enabling our employees to bring their difference and thrive in a dynamic organisation.

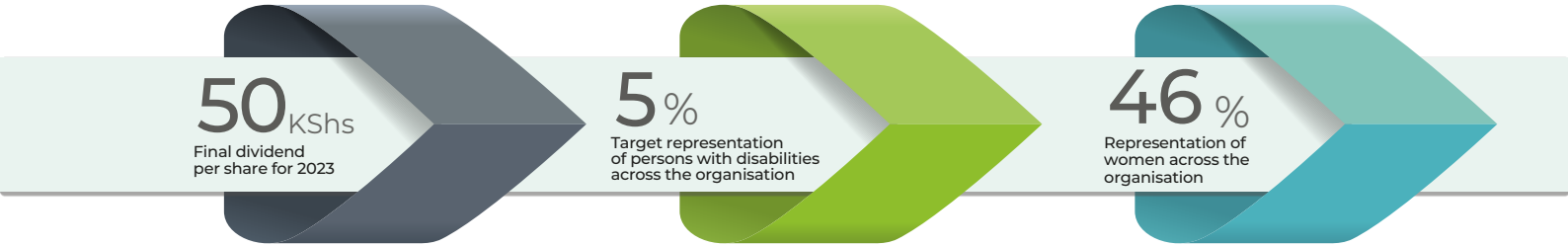
Outlook

The Board of BAT Kenya remains focused on securing long-term, sustained value creation by nurturing an enabling culture, building our brands and delivering A Better Tomorrow™. Alongside this, we are confident in our ability to navigate the increasingly challenging operating environment, powered by our geographical diversity and sustainable partnerships with our stakeholders, including trade and business partners and tobacco farmers.

We remain optimistic for the future, on the basis that we have established a robust foundation, on which the transformation of our business is founded.

Lastly, I extend my heartfelt appreciation and gratitude to the Board of Directors, Leadership Team, employees, strategic partners, shareholders, and all other stakeholders for their invaluable contribution to our resilient performance in 2023.

Rita Kavashe
Chairperson



Taarifa ya Mwenyekiti

Kwa niaba ya Bodi, Wasimamizi na wafanyikazi, nina furaha kuwasilisha Ripoti ya Mwaka ya BAT Kenya na Taarifa za Fedha za mwaka uliomalizika tarehe 31 Desemba 2023.

Katika mwaka unaoangaziwa, mkakati na madhumuni ya Kikundi cha BAT ya kujenga Siku Bora Zijazo vilifanyiwa uboreshaji, na kusababisha uamuzi wa kutoa ufafanuzi ulioimarishwa kuhusu kinachomaanishwa. Kwetu sisi, Siku Bora Zijazo humaanisha kuwa tumejitolea kujenga Ulimwengu Usio na Moshi. Hli ni ahadi ya kuwahamisha wavuta sigara kikamilifu, kwa uendelevu, na kwa kuwajibika hadi kwa njia mbadala zisizo na moshi na zinazopunguza hatari*. Kwa kufanya hivyo, tutatimiza wajibu wetu kwa wateja, wafanyakazi, wanahisa na jamii, huku wafanyikazi wakinufaika na biashara inayoendeshwa kwa malengo. Azma hii inaendeshwa kupitia nguzo zetu za kimkakati za Ukuaji Bora, Mustakabali Endelevu na Biashara Yenye Nguvu.

Gawio

Licha ya mazingira magumu ya biashara yaliyoelezwa kwa kina katika Mapitio ya Mkurugenzi Mkuu kwenye ukurasa wa xxx, na yanayoakisi ahadi yetu ya kutoa thamani endelevu kwa wanahisa, Bodi ya Wakurugenzi imedumisha ahadi yake ya gawio. Tulipendekeza gawio la mwisho la Shilingi 45 kwa kila hisa kwa mwaka wa 2023. Gawio hilo, ikiwa litaidhinishwa na wanahisa, litalipwa pesa zitakazobaki baada ya kulipa kodi tarehe 26 Juni 2024, kwa wanahisa walio kwenye rejista kufikia mwisho wa siku tarehe 24 Mei 2024. Gawio jumla la 2023 litakuwa Shilingi 50 kwa kila hisa (ikilinganishwa na Shilingi 57 kwa kila hisa katika mwaka wa 2022).

Mabadiliko kwenye Bodi

Katika mwaka unaoangaziwa, Bodi ilimuaga Carol Musyoka ambaye alijiuzulu kama Mkurugenzi Asiye Mtendaji kuanzia 15 Juni 2023. Carol alihudumu katika wadhifa huu tangu kuteuliwa kwake mwaka wa 2011, huku akitoa mchango mkubwa katika mafanikio ya BAT Kenya. Baadaye, Bodi iliwakaribisha Phyllis Wakiaga na Paul Muthaura kufuatia kuteuliwa kwao kama Wakurugenzi Wasio Watendaji kuanzia tarehe 23 Oktoba 2023. Zaidi ya hayo, Waeni Ngea aliteuliwa kuwa Katibu wa Kampuni kuanzia tarehe 23 Oktoba 2023, kufuatia kujiuzulu kwa Kathryne Maundu kuanzia tarehe hiyo hiyo. Kwa niaba ya Bodi, ninawakaribisha Phyllis, Paul na Waeni kwenye Bodi hii na ninawatakia Carol na Kathryne kila la heri katika shughuli zao. Wasifu wa kina wa wanachama wapya wa Bodi unaweza kupatikana kwenye ukurasa wa 52-55 wa Ripoti hii ya Mwaka.

Uendelevu kama kitovu cha biashara yetu

Licha ya msukosuko unaoongezeka wa mazingira ya uendeshaji wa nje, misingi ya biashara yetu, pamoja na tasnia yetu, inasalia kuwa thabiti. Kwa hivyo, Bodi inaamini kuwa BAT Kenya iko katika nafasi nzuri ya kujenga biashara ambayo inafaa kwa ukuaji.

Ongezeko la wavutaji sigara watu wazima wanaotafuta njia mbadala zisizo na moshi ni mwelekeo wa muda mrefu, ambao unapaswa kushughulikiwa vilivyo kwa njia ya usawa na uendelevu wa udhibiti na fedha. Tunaamini kuwa huenda hii ikawawezesha wavutaji sigara kubadili kwa haraka kutokana na upatikanaji wa bidhaa zisizo na moshi zinazopunguza hatari*. Kupitia jukwaa la bidhaa za aina nyingi, BAT Kenya iko katika nafasi nzuri ya kukidhi mabadiliko haya ya wateja kupitia dhamira yetu ya kuwawezesha wavutaji sigara Kubadilisha hadi kwa kilicho Bora, huku tukiendelea kusimamia biashara yetu ya sigara zinazowashwa kwa njia inayokubalika.

*Kulingana na uzito wa ushahidi na tukizingatia kubadilisha kutoka kwa uvutaji wa sigara. Bidhaa hizi zina athari zake na husababisha utegemezi kwa bidhaa hizi.

Ingawa kupunguza athari za kiafya za biashara yetu ni eneo kuu tunalozingatia, tunaendelea kutilia mkazo vipaumbele vyetu vya Mazingira, Jamii, na Utawala (ESG). Hii inajumuisha juhudi za kuendeleza ubora katika usimamizi wa mazingira, kutoa matokeo chanya ya kijamii, na kuhakikisha kuwa kuna utawala thabiti wa shirika kote katika biashara. Katika mwaka wa 2023, tuliimarisha ahadi hii kwa fahari kwa kuchapisha ripoti ya kwanza ya BAT Kenya ya uendelevu iliyoandikwa kwa kurejelea mfumo wa Juhudi za Kuripoti Duniani (GRI), ambapo Mwongozo wa Soko la Hisa la Nairobi (NSE) wa Mazingira, Kijamii na Utawala (ESG) unalinganishwa nao.

Kama sehemu ya malengo yetu ya ESG yaliyochapuzwa, tunalenga kufikia uzalishaji Sufuri wa hewa chafu ifikapo 2050 katika mkufu wetu wa thamani - (unaojumuisha uzalishaji wa Upeo 1, 2 & 3 wa gesi chafuzi (GHG)); kufikia oparesheni zisizozalisha Kaboni ifikapo 2030 (zinazojumuisha Upeo 1 & 2 wa uzalishaji wa GHG); kuhakikisha kuwa kuna upunguaji wa 35% wa maji yanayotumiwa ifikapo mwaka 2025; uboreshaji wa vyanzo vya kuchuma riziki; kuongeza idadi ya wanawake katika majukumu ya usimamizi hadi 45% ifikapo mwaka 2025; na kulenga kuzingatia kikamilifu Viwango vyetu vya Maadili ya Biashara (SoBC); miongoni mwa viashiria vingine muhimu vya utendaji vya ESG.

Nina furaha kuripoti kwamba tunapiga hatua kubwa kimaendeleo katika malengo mbalimbali kama ilivyoripotiwa katika kurasa zinazofuata za ripoti hii. Hili litazungumziwa kwa undani zaidi kupitia Ripoti yetu ya Uendelevu ya 2023 inayotarajiwa kuchapishwa mwaka huu.

Ninapotafakari juu ya utendaji thabiti wa biashara yetu kufikia sasa, ninachukua fursa hii kutambua mchango na kujitolea kwa Watu wetu, ambao ni muhimu katika kuleta matokeo bora zaidi ya biashara. Tunaendelea kuongeza na kuimarisha mipango ambayo inajenga mahali pa kazi panaporidhisha, ikiwa ni pamoja na kutetea uanuwai na ushirikishwaji na kujenga urithi wa viongozi. Ninapongeza Uongozi kwa kukuza utamaduni wa shirika wenye mshikamano na matokeo mema, unaowezesha wafanyikazi wetu kutumia tofauti zao na kustawi katika shirika tendaji.

Mtazamo

Bodi ya BAT Kenya bado inajitahidi kupata uundaji wa thamani wa muda mrefu na endelevu kwa kukuza utamaduni wezeshi, kujenga chapa zetu na kuleata Siku Bora ZijazoTM, Pamoja na hili, tuna uhakika katika uwezo wetu wa kuabiri mazingira ya uendeshaji yanayozidi kuwa na changamoto, tukipata nguvu kutoka kwa uanuwai wetu wa kijiografia na ushirikiano endelevu na wadau wetu, wakiwemo washirika wa biashara na wakulima wa tumbaku.

Tunabakia kuwa na matumaini kwa siku zijazo, kwa fikra kwamba tumeanzisha msingi thabiti, ambao ndio chanzo cha mabadiliko ya biashara yetu.

Mwisho, ninatoa shukrani zangu za dhati kwa Bodi ya Wakurugenzi, Kikundi cha Viongozi, wafanyikazi, washirika wa kimkakati, wanahisa, na wadau wengine wote kwa mchango wao muhimu katika utendakazi wetu thabiti katika mwaka wa 2023.

Rita Kavashe
Mwenyekiti

27%

Incidence of tax-evaded illicit cigarettes in Kenya

(2022 3rd party research)

Managing **Director's Overview**

"I am happy to report that the Company remained resilient in a particularly challenging environment... It is worrying that the illicit trade in tax-evaded cigarettes has been a menace for many years..."

As we present the BAT Kenya 2023 Annual Report and Financial Statements, I am happy to report that the Company remained resilient in a particularly challenging environment, as detailed in the Finance Director's review.

A challenging operating environment

Macro pressures and illicit trade

Our business faced heightened macro pressures in 2023, with a noted further shrinkage of the legitimate cigarette market in Kenya due to illicit trade. It is worrying that the illicit trade in tax-evaded cigarettes has been a menace for many years, dating back over a decade. With the current illicit trade incidence at approximately 27% (third party research), it is a key threat to the sustainability of our business. Illicit trade not only impacts legitimate industry and government revenues, it also undermines the livelihoods of over 80,000 Kenyans in our value chain as well as the consumer.

To address this dire situation, we continue to urge the relevant authorities to enhance action against illicit trade in tax-evaded cigarettes, through a multi-pronged and multi-stakeholder approach, which includes tighter border controls, factory audits to ascertain legitimate demand and output as well as tougher penalties for those caught engaging in illicit trade.

Regulatory uncertainty

In 2023, we set out to accelerate our tobacco harm reduction ambition following our relaunch of our modern oral nicotine pouches into the Kenya market in 2022. However, towards the end of the year, supply of our pouches in the Kenya market was disrupted due to regulatory uncertainty. This has also impacted the commercialisation of our modern oral nicotine product manufacturing plant.

These challenges notwithstanding, we are optimistic of the enormous potential for smokeless reduced risk* products in Kenya, which remain our focus area to meet the evolving needs of our consumers.

Quality growth

A focus for 2023 was accelerating efforts to drive Quality Growth to build a multi-category consumer goods business. Key to this is a focus on brands and innovation, efficiency, and margin delivery across the business. This is underpinned by maintaining our competitive position and laying the foundation for sustainable growth of our New Categories portfolio.

Dynamic business

The Dynamic Business pillar of our refined strategy highlights our commitment to strengthening our already winning organisation and ensuring we are effective in our operations.

Through a data driven approach, we believe that we can create the financial flexibility to invest in our business and provide sustained returns to our shareholders. Key to delivering BAT's refined strategy are our employees, as well as other stakeholders including tobacco farmers and, trade and business partners. To this end, we are committed to continue investing in a purposeful place to work, as well as building an inclusive culture.

As part of our efforts to foster a world-class people agenda, we were certified, for the sixth time in a row, as a 2023 Top Employer in Kenya and Africa, by the global Top Employers Institute. BAT Kenya was also named as a LinkedIn Top Company.

A sustainable future

We are keen to augment BAT Kenya as a leader in driving sustainable business locally and in the region. Science will continue to be a primary driver of our efforts to build A Smokeless World, as we contribute to national dialogue and policy making efforts on evidence-based and sustainable regulation for New Category products.

We take pride in our sustainability track record which has received sustained external recognition. This includes the annual Kenya

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

Association of Manufacturers (KAM) Energy Management Awards, where in 2023, we bagged multiple awards, including Runners-up Overall Best in Energy Management and winner in the Water Efficiency categories and Renewable Energy (large consumers) and runners up in Thermal Savings.

As part of delivering a positive social impact, we continued to focus on driving occupational health and safety standards, championing diversity and inclusion as well as prosperous livelihoods.

In May 2023, we stepped up efforts to enhance the livelihoods and food security for our farmers by providing them with subsistence crops, issuing over 15,500 avocado seedlings at a competitive price, to over 1,550 contracted farmers based in Western Kenya. The Company will also facilitate survival monitoring of the avocado trees and market linkage upon harvesting.

Further, we launched a KShs 10 million Rural Women's Development Programme (RuWDeP), aimed at empowering more than 1,600 women from the Oyani and Malakisi tobacco leaf growing communities, who are either women farmers contracted by BAT Kenya or spouses of contracted farmers. Through the programme which will run for an initial period of three years, the Company will champion women's rights and welfare, capacity building on sustainable agriculture and business management, as well as entrepreneurship development.

As we continue in our efforts to build A Better Tomorrow™, further embedding sustainability and integrity into all of our activities remains a priority, as outlined in the subsequent pages of this Annual Report.

Facing the future with confidence

Looking ahead, it is clear to me that the fundamentals of our business remain solid. On the back of a refined Group strategy and purpose, we will sharpen our executional focus which will enable accelerated transformation.

It is an exciting time to be part of BAT, an organisation with a front-footed consumer-centric approach. I look forward to working with all our stakeholders anchored on sustainability and integrity, to create A Better Tomorrow ™.

Crispin Achola
Managing Director

27 %
Incidence of illicit trade in cigarettes

10 Million KShs
investment in a Rural Women's Development Programme

7 Billion KShs
Estimated tax revenues lost by the government to the tobacco illicit trade

Maelezo Jumla ya Mkurugenzi Mtendaji

Tunapowasilisha Ripoti ya BAT Kenya ya Mwaka 2023 na Taarifa za Fedha, nina furaha kuripoti kwamba Kampuni ilisalia kuwa thabiti katika mazingira yenye changamoto nyingi, kama ilivyofafanuliwa katika mapitio ya Mkurugenzi wa Fedha.

Mazingira yenye changamoto ya uendeshaji

Shinikizo kubwa na biashara haramu

Biashara Yetu ilikabiliwa na shinikizo kubwa zaidi katika mwaka wa 2023, na kupungua zaidi kwa soko halali la sigara nchini Kenya kutokana na biashara haramu. Inatia wasiwasi kwamba biashara haramu ya sigara zisizolipiwa kodi imekuwa tishio kwa miaka mingi, ikiwa imeanza zaidi ya muongo mmoja uliopita. Huku matukio ya sasa ya biashara haramu yakiwa takriban 27% (utafiti wa watu wa tatu), yamekuwa tishio kuu kwa uendeleaji wa biashara yetu. Biashara haramu haiathiri tu mapato halali ya tasnia na serikali, pia inadhoofisha njia za kuchuma riziki za zaidi ya Wakenya 80,000 katika mnyororo wetu wa thamani na vilevile watumiaji. Ili kukabiliana na hali hii mbaya, tunaendelea kuziomba mamlaka husika kuongeza hatua dhidi ya biashara haramu ya sigara zisizolipiwa kodi, kwa kutumia mbinu tofauti na wadau mbalimbali, ambazo zinajumuisha udhibiti mkali wa mipaka, ukaguzi wa viwanda ili kubaini mahitaji na matoleo halali pamoja na adhabu kali kwa watakaopatikana wakijihusisha na biashara haramu.

Ukosefu wa uhakika wa udhibiti

Katika mwaka wa 2023, tulianza kuharakisha azma yetu ya kupunguza madhara ya tumbaku kufuatia uzinduzi mpya wa mifuko yetu ya kisasa ya nikotini kwenye soko la Kenya mnamo 2022. Hata hivyo, kuelekea mwisho wa mwaka, usambazaji wa mifuko yetu katika soko la Kenya ulitatizika kutokana na kutokuwa na uhakika wa udhibiti. Hili pia limeathiri biashara katika kiwanda chetu cha kisasa cha kutengeneza bidhaa ya kinywa ya nikotini. Licha ya changamoto hizi, tuna matumaini ya uwezekano mkubwa uliopo wa bidhaa zisizo na moshi zinazopunguza hatari* nchini Kenya, ambazo zinasalia kuwa eneo letu tunalozingatia ili kukidhi mahitaji yanayobadilika ya watumiaji wetu.

Ukuaji wa ubora

Lengo la 2023 lilikuwa kuharakisha juhudi za kukuza Ukuaji wa Ubora ili kujenga biashara za aina nyingi za bidhaa za watumiaji. Muhimu kuhusu hili ni kuangazia chapa na uvumbuzi, ufanisi, na mtaji wa msingi katika biashara yote. Hii inaimarishwa kwa kudumisha nafasi yetu ya ushindani na kuweka msingi wa ukuaji endelevu wa jukwaa letu la Kategoria Mpya.

Biashara yenye nguvu

Nguzo ya Biashara Iyenya Nguvu ya mkakati wetu ulioboreshwa inaangazia dhamira yetu ya kuimarisha shirika letu ambalo tayari linashinda na kuhakikisha tunafaulu katika shughuli zetu. Kupitia mbinu inayotokana na data, tunaamini kwamba tunaweza kuunda unyumbufu wa kifedha ili kuwekeza katika biashara yetu na kutoa faida endelevu kwa wanahisa wetu. Lililo muhimu katika kutimiza mkakati ulioboreshwa wa BAT ni wafanyikazi wetu, pamoja na wadau wengine wakiwemo wakulima wa tumbaku na, wafanyabiashara na washirika wa kibiashara. Kuhusu hili, tumejitolea kuendelea kuwekeza katika mahali pazuri pa kufanya kazi, pamoja na kujenga utamaduni jumuishi. Kama sehemu ya juhudi zetu za kukuza ajenda ya watu wa hali ya juu duniani, tuliidhinishwa, kwa mara ya sita mfululizo, kama Mwajiri Bora wa 2023 nchini Kenya na Afrika, na Taasisi ya Waajiri Bora duniani. BAT Kenya pia ilitajwa kuwa Kampuni ya LinkedIn Inayoongoza.

Siku zijazo endelevu

Tuna nia ya kuimarisha BAT Kenya kama kiongozi katika endeshaji wa biashara endelevu ndani ya nchi na katika ukanda huu. Sayansi itaendelea kuwa kichocheo kikuu cha juhudi zetu za

*Kulingana na uzito wa ushahidi na tukizingatia kubadilisha kutoka kwa uvutaji wa sigara. Bidhaa hizi zina athari zake na husababisha utegemezi kwa bidhaa hizi.

kujenga Ulimwengu Usio na Moshi, tunapochangia mazungumzo ya kitaifa na juhudi za kutunga sera kuhusu udhibiti unaozingatia ushahidi na endelevu wa bidhaa za Kategoria Mpya.

Tunajivunia rekodi yetu ya uendelevu ambayo imepokea utambuzi wa kila mara kutoka nje. Hii inajumuisha Tuzo za kila mwaka za Usimamizi wa Nishati ya Chama cha Watengenezaji wa Viwandani cha Kenya (KAM), ambapo katika mwaka wa 2023, tulinyakua tuzo nyingi, ikiwa ni pamoja na Washindi wa pili Bora kwa Ujumla katika Usimamizi wa Nishati na mshindi katika kategoria za Utumiaji Bora wa Maji na Nishati Mbadala (kwa watumiaji wakubwa) na washindi wa pili. katika Akiba Joto.

Kama sehemu ya kutoa matokeo chanya kwa kijamii, tuliendelea kuzingatia viwango vya afya na usalama kazini, kutetea uanuwai na ushirikishwaji pamoja na njia zenye mafanikio za kuchuma riziki. Mnamo Mei 2023, tuliongeza juhudi za kuimarisha njia za kupata riziki na usalama wa chakula kwa wakulima wetu kwa kuwapa mazao ya kujikimu, na kutoa zaidi ya miche 15,500 ya parachichi kwa bei nafuu, kwa zaidi ya wakulima 1,550 walio na kandarasi wanaopatikana Magharibi mwa Kenya. Kampuni pia itawezesha ufuatiliaji wa uhai wa miti ya parachichi na uunganishwaji wa soko wakati wa kuvuna. Zaidi ya hayo, tulizindua Mpango wa Maendeleo ya Wanawake Vijijini (RuWDeP) wa Shilingi milioni 10, unaolenga kuwawezesha zaidi ya wanawake 1,600 kutoka jamii zinazokuza majani ya tumbaku za Oyani na Malakisi, ambao ama ni wakulima wanawake waliopewa kandarasi na BAT Kenya au wenzi wa wakulima walio na kandarasi. Kupitia kwa mpango utakaoendeshwa kwa kipindi cha awali cha miaka mitatu, Kampuni itatetea haki na ustawi wa wanawake, kujenga uwezo juu ya kilimo endelevu na usimamizi wa biashara, pamoja na maendeleo ya ujasiriamali.

Tunapoendelea na juhudi zetu za kujenga Siku Bora Zijazo, kuingiza zaidi uendelevu na uadilifu katika shughuli zetu zote kutaendelea kupewa kipaumbele, kama inavyoonyeshwa katika kurasa zinazofuata za Ripoti hii ya Mwaka.

Siku zijazo kwa ujasiri

Nikiangalia mbele, ni wazi kwamba misingi ya biashara yetu inabaki kuwa thabiti. Baada ya mafanikio yetu ya mkakati na madhumuni yaliyoboreshwa ya Kikundi, tutaendelea kuimarisha mwelekeo wetu wa utekelezaji ambao utawezesha mabadiliko ya haraka.

Ni wakati wa kusisimua kuwa sehemu ya BAT, shirika lenye mtazamo unaotanguliza na kuzingatia watumiaji. Natarajia kuendelea kufanya kazi na wadau wetu wote kwa kuzingatia uendelevu na uadilifu, ili kuunda Siku Bora Zijazo.

Crispin Achola
Mkurugenzi Mtendaji

Warning: This product contains nicotine and is addictive.

Finance **Director's Review**

"With a diversified geographic and product portfolio, and a track record of delivering robust and consistent cash generation, we believe we are well positioned to navigate the increasingly challenging operating environment and deliver sustainable shareholder value."

A challenging operating environment

2023 was a very challenging year characterised by significant economic turbulence across both our domestic and export markets. Geopolitical disruptions, cost of living pressures, currency devaluation, rising interest rates and tax increases, adversely impacted the trading environment.

In the domestic market, business performance was negatively impacted by consumer affordability challenges which triggered downtrading to lower priced brands and fueled an increase in the prevalence of illicit trade in tax evaded cigarettes (estimated at 27% based on third party research). The shrinkage of the legitimate cigarette market due to illicit trade continues to adversely impact industry revenues and deny Government an estimated KShs 7 billion per annum in taxes.

Regulatory uncertainty relating to our modern oral category resulted in supply disruption of our tobacco-free oral nicotine pouches to the market. Additionally, it impeded our ability to commercialise our oral nicotine pouch factory in Nairobi, which would otherwise, unlock manufacture for both domestic and export markets and enhance our contribution to the country's economic growth.

Financial highlights

- Gross revenue was 2% lower at KShs 41.2 billion, primarily driven by lower domestic and cut-rag (semi-processed leaf) sales, offset by pricing and foreign exchange benefits from our export sales.
- Cost of operations increased by 1% to KShs 17.6 billion due to higher input costs offset by cost savings from productivity initiatives, as well as lower sales volume.
- Profit before tax was 19% lower at KShs 8 billion primarily attributable to reduced revenue due to lower sales and higher taxes reflecting the full year impact of increased excise duty rates (10% increase in July 2022 and 6% increase in October 2022) and higher duties on inputs.
- Taxes in the form of Excise Duty, VAT, Customs Duties, Solatium Compensatory Contribution, Tax Stamps, Pay As You Earn (PAYE) and Corporation Tax increased by 5% to KShs 19.4 billion.
- Dividend per share for 2023 will be KShs 50 (2022: KShs 57), in line with our commitment to sustainable value for our shareholders.

Facing the future with confidence

With a diversified geographic and product portfolio, and a track record of delivering robust and consistent cash generation, we believe we are well positioned to navigate the increasingly challenging operating environment and deliver sustainable shareholder value.

Philemon Kipkemoi
Finance Director

I support digital education for women.
#DigitALL

Energy Management Awards
2023
WINNERS
Sustained High Performance Award
Energy Management Awards
2023
WINNERS
Renewable Energy Award
Energy Management Awards
2023
WINNERS
Water Efficiency Award

UNLEASHIN GREATNESS
AT BA CAMP

Tobacco Harm
Reduction
SSA
Unleashing greatness
sustainably

ustawi

Group Strategic Navigator

Purpose Vision Mission

Pillars and Building Blocks

We are BAT Our Values

Delivering for

Consumers

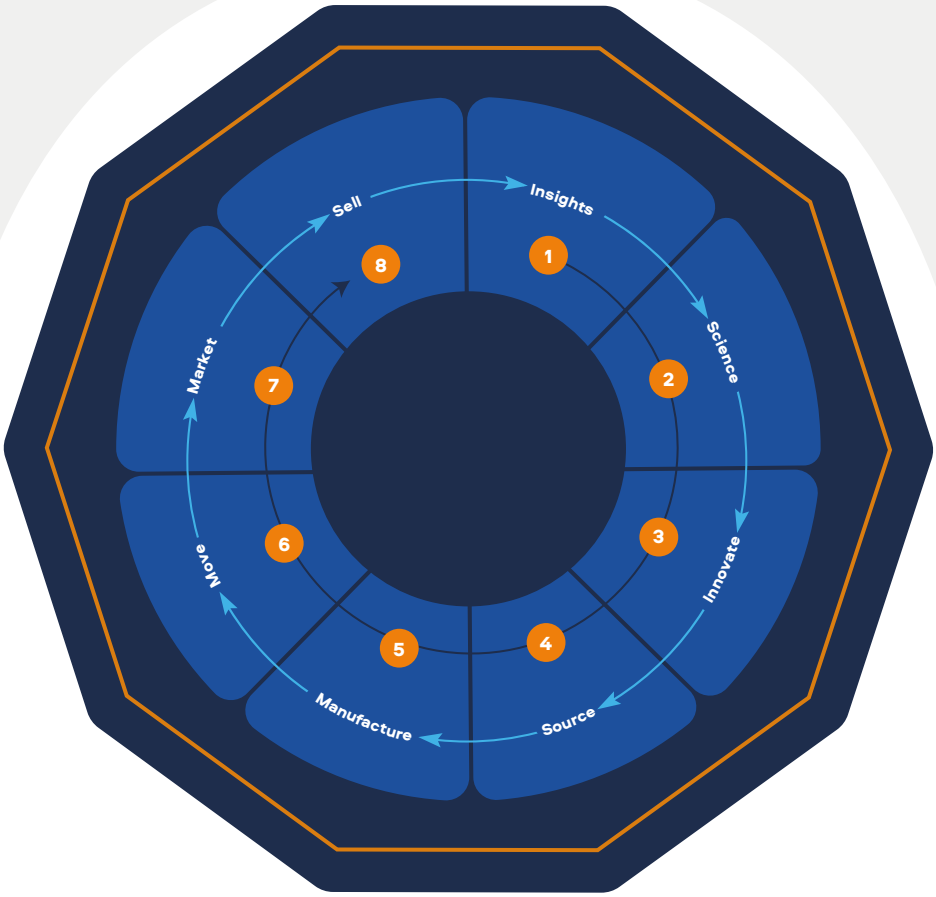
Society

Employees

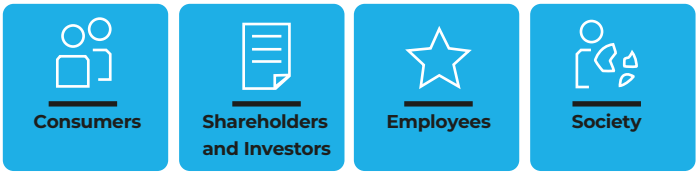
Shareholders and Investors

Group business model

As a global business, BAT strives to understand its diverse consumers, develop products to satisfy their preferences and ultimately distribute them to consumers around the world. Taking into account feedback from stakeholders enables BAT to refine its strategy, deliver sustained value and build A Better Tomorrow™



A Better Tomorrow™ for:



Key enablers

Insights
Seeing over the horizon

As one of the most longstanding and established consumer goods businesses in the world, we have a unique view of the consumer across our product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Underpinned by consumer insights, BAT focuses on product categories and consumer segments that have the best potential for long-term sustainable growth.

Science
Tobacco Harm Reduction Acceptance

World-class science is needed to substantiate the quality, safety and reduced-risk* impact of BAT's New Category products.

This is crucial for building consumer trust and encouraging adult smokers to completely switch to less risky* alternatives.

The BAT Group has an extensive scientific research programme in a broad spectrum of scientific fields, including molecular biology, toxicology and chemistry.

BAT is transparent about its science and publishes details of its research programmes on the dedicated Group website: www.batscience.com and the results of our studies in peer reviewed journals.

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

Innovate
Staying ahead of the curve

As consumer preferences and technology rapidly evolve, BAT relies on its network of digital hubs, innovation super centers, world-class R&D laboratories, external partnerships and the Group's venturing initiative, Btomorrow ventures, to stay ahead of the curve. Driving sustainable growth is at the core of our innovation.

BAT makes significant investments in research and development to deliver innovations that satisfy or anticipate consumer preferences and generate growth for the business. Led by our strength in developing consumer insights, each innovation helps us on our journey to create A Better Tomorrow™ by building A Smokeless World.

Source
Sourcing materials responsibly

Our tobacco is sourced directly from Kenyan contracted tobacco farmers. In 2023, we contracted approximately 1,700 farmers, mainly in Bungoma, Busia, Migori and Homabay. We provide business and employment opportunities for over 80,000 business partners in our value chain.

Manufacture
Utilising our global manufacturing Footprint

We manufacture high-quality cigarettes in modern facilities and ensure that these products and the tobacco leaf we purchase are in the right place, at the right time. We work to ensure that our costs are globally competitive and use our resources as effectively as possible.

BAT's New Category products are manufacured in a mix of BAT's own and third-party factories. We work to ensure that our costs are competitive and that our resources are used as effectively as possible.

Move
Moving our products seamlessly

By applying modern technologies, including AI and machine learning, we ensure that our products are where they are needed, when they are needed. We distribute our products effectively and effciently using a variety of distribution models suited to local circumstances and conditions. These distribution models include retailers, supplied through distributors and wholesalers.

Market
Marketing our products responsibly

Tobacco and nicotine products should be marketed responsibly to adults only and should never be sold to, or consumed by those under the minimum legal age. Through a globally responsible approach to marketing, we help to raise standards and prevent underage access.

Our Responsible Marketing Principles (RMP) govern our marketing across all product categories. They include strict requirements to be responsible, accurate and targeted at adult consumers only. Our RMP are applied even when they are stricter than local laws.

Sell
Offering consumer choice

We have a powerful brand portfolio that we are proud of. Our brands are well positioned, with leading edge insights, science and innovation behind our product pipeline.

BAT offers a range of products in markets around the world, including combustible products, vapour, modern oral and heating products. This range of high quality products covers all segments, from value for money to premium. Products manufactured in Kenya are sold in the domestic and various regional markets.

Our sustainability agenda

Our sustainability agenda is integral to our Company purpose to create A Better Tomorrow™. It reflects our commitment to building A Smokeless World as our principal focus area. This is underpinned by excellence across our environment, social and governance (ESG) priorities.

Our sustainability agenda is integral to our evolved Group strategy, and reflects our commitment to reducing the health impact of our business and excellence across our other ESG priorities. Our approach is driven by extensive stakeholder insights. Through this process, we engage with a wide range of stakeholders to understand what matters most to them, complemented with ongoing risk monitoring, research and benchmarking. This approach ensures that we keep pace with emerging topics and stakeholder expectations. Outlined here are the priority areas that form the core of our Sustainability Agenda.

H

Reducing the health impact of our business

E

Excellence in environmental management

Climate change
Circular economy
Biodiversity & Ecosystems
Water

S

Delivering a positive social impact

Human rights
Farmer livelihoods
People, Diversity & culture

G

Robust corporate governance

Responsible marketing & transparent communication
Ethics & Integrity
Sustainability governance

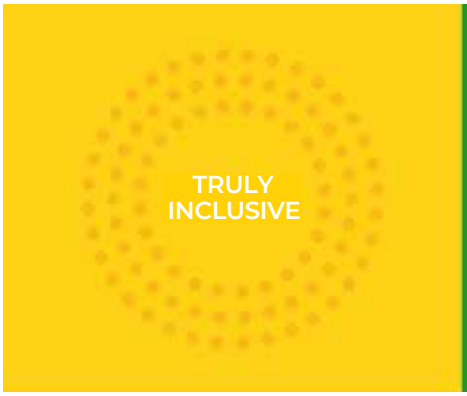
Created shared value for

Consumers | Society | Employees | Shareholders

Group values

Our purpose is to create A Better Tomorrow™ by building A Smokeless World.

A key driver to deliver this will be our Values which guide behaviour across the entire BAT Group. It has been developed with significant input from employees and promotes a culture that is future-fit by providing a foundation for sustainable growth.



We embrace diversity and celebrate our differences. We are curious and safeguard the right to say what you think
We debate constructively yet progress together

We act with integrity to achieve results
We care about our impact on society and our planet
We are thoughtful in our decision making

We understand the consumer better than anyone
We are obsessed with innovation and our brands
We have the courage to test, fail fast, and learn to improve

We equally value "How" and "What", and go the extra mile for success
We prioritise effectively and act like owners of our business
We own our purpose with determination and resilience

We start with trust and believe in each other
We ensure decisions are made at the right level
We understand that empowerment comes with accountability

We pull together as one team, through good and bad
We collaborate beyond borders and functions
We help each other grow and succeed

Business Review

A Better Tomorrow™
for consumers

Portfolio transformation through a step change in New Categories

Our strategy to transform into a multi-category business is gaining momentum as we strive to build a consumer-centric product portfolio. This is underpinned by our ambition to reduce the health impact of our business by offering innovative new products backed by science, that provide adult smokers with less risky alternatives*.

BAT is clear that the only way to avoid the health risks related with smoking is to not start smoking, or to quit. However, we encourage those who would otherwise continue to smoke, to switch completely to scientifically substantiated, reduced risk alternatives*.
It is on the back of this that we relaunched our oral nicotine pouches (Velo) in Kenya in 2022. Our sale of Velo is supported by targeted execution and distribution that is anchored on responsible marketing practices, with a clear focus on prevention of underage access.

Building value in combustibles

For our cigarette brands, our focus is on building a globally relevant portfolio by investing in local brands and migrating them to BAT's Global Drive & Strategic Brands (GDSB). In 2023 we had a successful pilot migration of the SM stick to Rothmans. We will continue to shape a future fit portfolio by investing in an innovation pipeline for future-fit products that meet the ever-changing preferences of our consumers.

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

WARNING: SMOKING HARMS PEOPLE NEXT TO YOU
ILANI: UVUTAJI WA TUMBAKU UNAWADHURU WALIO KARIBU NAWE

Insights and foresights

Insights and foresights are key in guiding us to anticipate and shape the future by deploying relevant consumer products. In line with our purpose to build A Better Tomorrow™, we use data analytics and automation to design robust customer experiences and drive superior performance by our teams.

Responsible marketing

We continue to enhance our prevention of underage access (PUA) programme, in line with BAT Group's Responsible Marketing Principles and local laws. This programme includes various initiatives, such as:

- Regular training and education workshops for our retailers and trade partners. This includes compliance with the applicable regulations and guidelines on the sale of our products.
- Retailer spot checks carried out by BAT trade representatives to ensure all points of sale displaty the appropriate health warnings and minimum legal age information notices.
- Contractual requirements and undertaking by traders to adhere to applicable regulations.
- Clear health warnings and age restrictions are affixed on our product packaging so that parents and adults are clear that the product is not suitable for anyone under the age of 18 years in Kenya. The active ingredient is also clearly identified on the packaging.

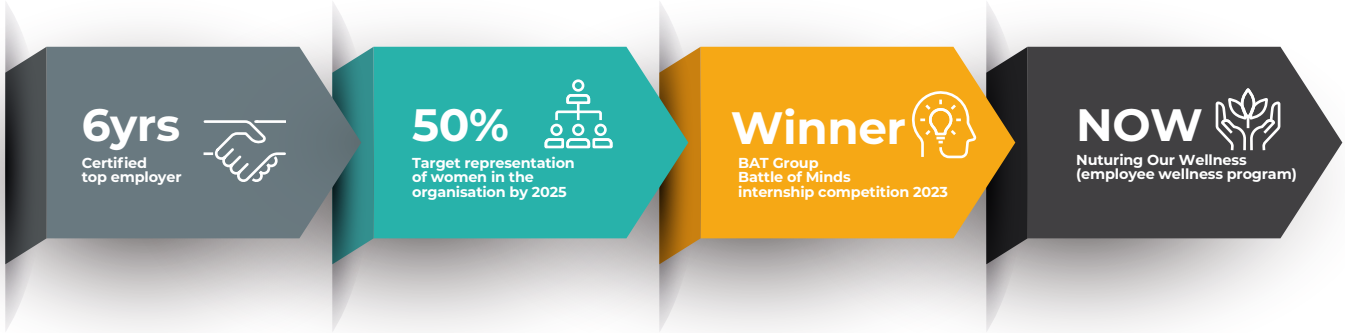
Building sustainable trade partnerships and future-fit capabilities

Our trade partners are valued stakeholders who are key to ensuring that we meet consumer needs. As such, we continue to implement various programmes with our trade partners to build their capacity and enhance business competitiveness. This in turn helps them build a sustainable business.

Kijani
5
BAT
KENYA

A Better Tomorrow™

for Employees



2023 was yet another fantastic year! Our enduring success can be attributed to the excellence of our employees, which is forged in our strong culture and talented, diverse employees who are building the enterprise of the future.

As a winning company, we aim to embed engaged, agile and high performing teams to deliver superior business

Culture and Leadership Behaviour

Your Voice Matters!

Your Voice Survey (YVS), our employee opinion survey ran every two years, is one of our most important listening channels. It helps us understand what our people value, what they think is working well and what needs to improve. Alongside the specific category questions and benchmarks against the external high performance and sector (FMCG) norms, the survey also provides insights into how well we are living our values across the organisation.
The survey was deployed in 2023, recording good scores and valuable insights. A deployment plan addressing the outcomes is being rolled out in 2024.

Nurturing Our Wellness (NOW)

NOW is a strategic pillar which articulates our organisation's commitment to employee wellness and well-being. The programme takes a wholesome approach, covering physical, mental and social wellbeing, and is aimed at empowering employees to take charge of their own wellness journey. Our NOW proposition entails:

- Ensuring a healthy workplace
- Co-creating impactful wellness solutions customised to our employees' needs.
- Providing and availing specific targeted wellness tools and resources
- Empowering employees to live healthier by encouraging them to make a positive impact in their lives

top EMPLOYER AFRICA 2023 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

top EMPLOYER KENYA 2023 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

- Ensuring continuous improvement by regularly evaluating and adjusting our wellness strategies

Fit for purpose organisation design

BAT is on a transformation journey with a view to create sustainable value long into the future — a category-led, high-growth, multi-category consumer goods company.

Positioning ourselves for long-term growth is about embracing change and being an organisation that is bold enough to accept that we need to transform to evolve.

Industrial relations and employee engagement continue to be an essential part of enabling engaged and motivated teams, and providing a harmonious working environment.

Further, ensuring that we work hand in hand with our external stakeholders, such as the Trade Union and Federation of Kenya Employers is paramount.

Internally, the Collective Bargaining Agreement for unionised workers is an important tool that ensures we remain competitive and attract, nurture and retain strong talent to facilitate delivery of our strategic imperatives.

Diversity & inclusion

We are committed to driving an inclusive culture that respects and embraces the diversity of employees, stakeholders and society. Diversity is central to our culture and business sustainability: creating a respectful and inclusive environment where people can thrive and building talented and diverse teams to drive business results.

We have a powerful strategy that covers various aspects, but more so, Gender, Persons with Disabilities (PWD) and Generations. We have a bold ambition to reach 50% representation of women in the organisation by 2025, currently at 46%.

On the PWD front, in 2023 together with key partners; Kenya Business Disability network

KBDN, National Council for Persons with Disability NCPD, and Local universities, we hosted a diversity talk to sensitise our employees on inclusion of PWDs in the workplace, covering subjects such as, etiquette, emergency response and evacuation of PWDs.

For our people-focused agenda, we received certification from the global Top Employers Institute as a Top Employer in Kenya, Africa and the Globe for the 6th consecutive year in 2023, coming in 2nd position nationally. In addition, we won the Leadership and Governance category award at the 2023 FKE Employer of the Year Awards.

Talent with winning capabilities

We believe in nurturing and accelerating careers locally and internationally, leveraging our global presence. As a net exporter of talent to other BAT Group markets, we had 18 Kenyans working for other BAT entities abroad versus 8 expatriates working in our Kenya business unit.

NextGen

Through NextGen, our mentorship programme, we seek to continuously build a solid bench of entry level talent and contribute to the preparation of continuing adult students with disabilities and those in science, technology, engineering and mathematics courses (STEM), for the world of work. Selected institutions participating in the NextGen programme include the National Industrial Training Authority (NITA), Kenyatta University (KU), University of Nairobi (UON), Rongo University and the Jomo Kenya University of Agriculture & Technology (JKUAT).

In 2023, the NextGen programme had a cohort of 40 university students. BAT managers worked closely with the learning institutions to deliver mentorship and a curriculum of soft skills training needed to thrive in the workplace. Not only did the students get an opportunity to virtually experience a day in the life of a BAT employee but also gained invaluable knowledge from the soft skills modules.

To ensure optimal participation in the NextGen programme throughout the nine months, we supported the students with data bundles to facilitate virtual learning, as well as sign language interpreters for the deaf.

Battle of Minds

BAT's global Battle of Minds competition (BOM), a component of our employer value proposition (EVP), offers final-year university students or recent graduates the chance to present innovative business ideas addressing Environmental, Social, or Governance (ESG) challenges. Participants have the opportunity to secure funding for their winning project or potential employment at BAT.

In 2023, we received an outstanding 76 submissions, with participants in the global pitch focusing on Tech, Inclusion, Bio, and Energy challenges. Team HyaPak from Kenya sailed through to the global finals and emerged winner. Congratulations team Hyapak!

> "We are committed to driving an inclusive culture that respects and embraces the diversity of employees, stakeholders and society. Diversity is central to our culture and business sustainability: creating a respectful and inclusive environment where people can thrive; and building talented and diverse teams to drive business results."

A Better Tomorrow™

for society and the environment

> Over the years, we have navigated various global and local challenges including the COVID-19 pandemic and geo-political conflict which impacted economic growth. Further, we remain a leading exporter in Kenya, earning over USD 110 million in annual foreign exchange for the country.

Our socio-economic contribution

Our value chain supports the livelihoods of more than 80,000 Kenyans, in tobacco farming, processing and manufacturing, as well as tobacco and nicotine product distribution, sale, urban and rural retailing, wholesale trade, transport, logistics and domestic procurement amongst others.

We have consistently invested in our business and sought to increase our contribution to the socio-economic development of the country since establishment of our business in Kenya over a century ago. Over the years, we have navigated various global and local challenges including the COVID-19 pandemic and geo-political conflict which impacted economic growth.

Further we remain a leading exporter in Kenya, earning over USD 110 million in annual foreign exchange for the country. Further, our year-on-year investments and tax remittances have contributed to the country's economic growth. Over the past six years, we have paid over KShs 107 billion to the Exchequer in form of various taxes. including corporation tax, excise, VAT and PAYE.

Excellence in environmental management

World class manufacturing

We continue to invest in our business to build future-fit capabilities in our manufacturing operation.

In 2023, we continued to deliver improvement across all our performance metrics, driven by sustained deployment of the Integrated Work Systems (IWS). IWS is an organisational capability building strategy aimed at achieving and sustaining break-through business results through 100% employee ownership and a zero-loss mindset. It is structured around critical phases, each with clearly defined capabilities, i.e cultural, leadership, and technical.

A key milestone for our Thika Green Leaf Threshing Plant (GLTP) and manufacturing factory in Nairobi was the issuance of the IWS Phase 1 certification. This qualification is testament that these facilities have attained the standards required of a world class facility and sets ground for the embedding of cultural and technical capabilities to progress through the subsequent phases.

Further during the year, we surpassed the previous year's monthly overall equipment effectiveness performance (OEE) by setting a new record of 73.75% OEE (previous record: 70.03%) and Mean Time Between Failure (MTBF) of 20.18 minutes (previous record: 15.24 minutes). This is an indication of robust employee capabilities in eliminating losses in both our processes and machinery.

Our continued focus on IWS-driven loss elimination delivered productivity savings of Kshs. 569 million from process improvements, waste reduction and energy saving initiatives.

Renewable energy and reduction of our carbon footprint

2023 saw the commissioning of our phase 3 solar plant at our Nairobi site, culminating to full utilisation of the 1.4Mwh. This resulted to an increase in our renewable energy use by 8%. In the same vein, our Thika GLTP also ran on Solar power during off season times, saving on power use from grid.

Water stewardship

With our two operations sites (Thika GLTP and Nairobi manufacturing factory, already certified under the Alliance Water Stewardship in 2022, the annual review was completed successfully in 2023, confirming our sustained excellence in good water governance. As part of this, we conducted successful stakeholder engagement on shared water challenges and possible opportunities, upon which we made commitments to drive progress. At our Nairobi manufacturing factory, we revamped our water recycling plant and subsequently increased its recycling capability, realising a 30% monthly water recycling rate (in the second half of the year) up from 16% in the previous year.

Waste management

We sustained our Zero Waste to Landfill status with a waste recycling rate of 98% which is well ahead of our 2025 target. Initial steps were also made on the elimination of single use of plastics, focusing on offices and canteen. Our performance and sustained track record in excellent energy management practices was recognised with six awards at the KAM Annual Energy Management Awards in April 2023, augmenting our position as leaders in energy conservation and innovation. Amongst the awards received was Best in Renewable Energy and efficient use of fuel.

54 Milion

Surviving trees planted since 1978. A tree for every Kenyan

Kijani: Afforestation

Through our afforestation programme Kijani, we planted approximately 1.4 million trees in collaboration with our contracted farmers and other community and national stakeholders. For example, in November 2023, we joined the Nairobi City Water and Sewerage Company to plant approximately 2,000 indigenous trees at its Kikuyu Springs Plant.

Kijani contributes to the conservation of indigenous trees, through rehabilitation of depleted deforested areas and enabling sustainable sources of wood fuel (exotic trees) for tobacco curing. At least 500,000 exotic tree seedlings were planted by our farmers in 2023, compared to about half of that amount used for tobacco curing.

In 2023, we also kicked off a traceability programme for the firewood used by our contracted farmers for tobacco curing. Currently, 71% of the firewood used is from our farmers' own plantations, while 29% is purchased from neighbouring farms. There were zero incidences of deforestation of indigenous forests by our farmers. Alongside traceability, we also rolled out a GPS facility to enable real time location tracking for our trees.

Occupational Health & Safety

We are proud to have marked one year with no time lost to injury at our manufacturing site in Nairobi and four years at our GLTP in Thika. We were also awarded by the Directorate of Occupational Safety and Health Services (DOSHS) as a runner's up in the annual Safety Day celebrations, for our initiatives and performance in occupational health and safety.

To enhance the health and safety of our farmers and conserve the environment, we continue to issue farmers with waste collection bags for empty containers of crop protection agents (CPA). In 2023, we collected 100% of empty CPA containers from the farmers for safe disposal in conjunction with the National Environment Management Authority (NEMA) and the Agrochemical Association of Kenya (AAK) approved agents.

Sustainable agriculture & farmer livelihoods

Enhancing the livelihoods of our contracted farmers through 'THRIVE', BAT's global sustainable agriculture programme. Our long and proud history of building sustainable relationships with our farmers has yielded mutual benefit.

In 2023, we partnered with approximately 1,672 farmers mainly in Migori, Homa Bay, Bungoma and Busia counties. Despite the ever-changing climate conditions, our partnership with our tobacco farmers yielded 4.8 million kilograms of tobacco in 2023, earning them an approximate total net pay of KShs 954 million.

As part "THRIVE", we aim to enhance farmer livelihoods through various initiatives, including improving crop yields. To this end, we have consistently invested in research and development, through which we introduced hybrid tobacco seed varieties to enhance crop yield and disease resistance. By 2023, 64% of the tobacco planted by our contracted farmers was of the hybrid variety. In addition, low-cost technology has been introduced to our farmers, including the use of mechanised ploughing and ridgers. In 2023, 23% of the total tobacco crop hectarage was mechanically ploughed and ridged.

On the innovation front, we enhanced roll out of the decentralised seedling unit (DSU's) in addition to the Central Seedling Unit (CSU) that was established in late 2021. CSU's and DSU's are the top of the range technology-driven seedbed where tobacco seedlings are sowed, germinated, and hardened. Seedlings produced using this technology have a higher quality, yield and survival rate compared to those from conventional seedbeds. In 2023, 32% of tobacco seedlings were produced using the floatbed nursery technology.

Crop diversification and food security

To drive crop diversification and food security, farmers were issued with over 15 tons of certified maize seeds to plant during the next long rain season. This helps provide extra income from the sale of any surplus maize harvested. It also enhances food security for the farming community. For the second year, we expanded our diversification programme and distributed to our contracted farmers, an additional 15,000 avocado tree seedlings at a competitive rate. One of our key focus areas is improving survival of the seedlings.

Capability building and compliance

During the year, our farmers were trained on various areas, including natural resource preservation and sustainable firewood, child labour prevention, farm safety, crop diversification, tobacco growing and curing among others.

Clean and renewable energy for farmers

In our quest to expand renewable energy in our operations, we provided incentives such as solar lantern kits to our farmers, with 308 solar lanterns being issued in 2023.

Women empowerment

During the International Women's Day on 8th March 2023, we launched the BAT Kenya Rural Women Development Programme (RuwDep) with a planned investment of KShs 10 million for the next three years to empower over 1,600 women farmers and their spouses of women farmers. The programme will empower the women through promoting of women's rights and welfare, capability building and entrepreneurship opportunities. In 2023, we had approximately 280 women take part in the first phase of the programme which included training on women's rights, enhancing agricultural skills

and will close with financial literacy and entrepreneurship in early 2024. A mushroom growing pilot project was also undertaken in 2023, where 15 women were trained as part of the entrepreneurship pillar.

Delivery with integrity

Our approach to regulation

We have always been clear that we support regulation that is based on robust evidence and research, is arrived at through consultative processes and delivers on intended policy aims, while recognising unintended consequences. We also believe that fit for purpose regulatory and policy regimes play a key role in enabling sustainable and responsible business and economic growth, including supporting over 80,000 adults who are part of our business.

Tobacco harm reduction (THR)

At its core, THR is the recognition that while the preferred goal is abstinence, this is not always achievable. Thus, helping smokers switch to less harmful alternatives may be a more pragmatic approach. To facilitate this, we launched an oral nicotine product – Velo - in the Kenya market in 2022, to provide a reduced risk* alternative to adult smokers and nicotine consumers in Kenya.

Additionally, driven by the government's commitment to enhancing the ease of doing business and fostering an attractive investment environment, we rolled out a KShs 2.5 billion investment in a world class plant at our Nairobi Industrial Area premises in 2020, for the manufacture of oral nicotine pouches.

While the factory was ready for commercialisation in 2023, we await regulatory approval to facilitate this. This investment is testament to BAT Group's commitment to sustained contribution to the manufacturing agenda and socio-economic development of the country.

Excise tax

In 2023, consumer affordability remained a challenge owing to slow economic growth due to several factors, including unpredictable weather patterns, lower income due to higher levels of taxation and an increase in the cost of basic goods. However, the Government's decision to maintain the excise rates through the Finance Act 2023 is a step in the right direction. This is in view of the impact that excessive excise increases have had on Kenyan businesses. Enhanced tax predictability helps deal with the illicit trade problem, spur economic growth, support local manufacturing and attract investment in the country. We note that the Government through the Medium-Term Revenue Strategy 2024/25 to 2026/27 is seeking to enhance predictability in tax administration. We welcome this move, as a stable fiscal policy is critical for business sustainability and economic growth. We continue to contribute to national dialogue on a more sustainable fiscal policy on excise tax which will ultimately benefit tobacco control efforts.

Fighting Illicit trade in tobacco products

Sitting at 27% (third party research) illicit trade is estimated to cause an annual government revenue loss of over KShs. 7 billion. We note that previously, the Government continuously increased excise rates with a view of increasing revenues, which did not yield anticipated results.

However, we strongly believe that plugging the market and arresting runaway illicit trade in tobacco products could recoup the much-needed government revenues, especially by sealing smuggling routes and tightening controls at Kenya's border with Uganda, through which the majority of tax-evaded cigarettes are smuggled into Kenya.

In order to see meaningful and lasting impact in addressing the current levels of illicit trade, it is critical that the Government doubles up efforts. This includes enhancing multi-stakeholder collaboration with government agencies from neighbouring countries to ensure effective enforcement. That said, enforcement is only curative, and it is important to have fiscal policies that facilitate legitimate trade. Aggressive tax policies need to be reviewed against market realities to ensure that the government does not lose significant revenues and unnecessarily expose consumers to unregulated, sub-standard products brought in by unscrupulous players.

Further, to curtail local manufacture of illicit products, we have specifically advocated for increased controls on manufacturing processes and export volumes as well as enhanced supply chain due diligence requirements.

We believe that these measures, if implemented and strictly enforced, have the potential to significantly bring down the levels of illicit trade in tobacco products in Kenya.

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

Stakeholder engagement

Civic participation is a fundamental aspect of responsible business and policy making. We participate in pertinent Policy processes in a transparent manner, in compliance with the laws and regulations of Kenya. To identify and prioritise our stakeholder groups, we use clearly defined Stakeholder Mapping and Classification Guidance which aligned to global best practice.

The table below provides an overview of our key external stakeholders and related engagement activities in 2023.

	Consumers	Shareholders	Our People	Suppliers	Customers	Government and wider society
Why this stakeholder is important to us	As preferences and attitudes change in an evolving industry, understanding our consumers is essential to deliver our strategy and purpose.	The support of our shareholders enables us to implement our strategy and achieve business objectives.	The quality of our people is a major reason why we continue to perform well. We are committed to providing a fulfilling, rewarding and responsible work environment.	Effective relationships with farmers, suppliers of product materials and indirect services are essential to an efficient, productive and secure supply chain.	Our customers include retailers, distributors and wholesalers who are essential for driving growth and embedding responsible marketing practices.	We seek to be part of the debate that shapes the regulatory environment in which we operate, and to collaborate in developing develop solutions to common challenges.
Examples of how we engaged	Consumer care helplines • Product testing	• Annual General Meeting • Investor relations • Institutional shareholder meetings • Results announcements • Annual Report • NSE announcements & activities • Shareholder information on website • Sustainability Report	• Director market and site visits • Virtual forums & employee town halls • 'Your Voice' employee survey • Training events • Individual performance reviews • Speak Up channels • Health & wellness • Annual Report • Sustainability Report	• Ongoing farmer support, training and monitoring by our extension services • Sustainable Tobacco Programme assessments, reviews and meetings • Supplier reviews/audits • Supplier Voice survey and dialogue • Strategic partnerships • Sustainability Report	• Credit extension programmes • Anti-Illicit trade awareness campaign • Ongoing dialogue, contract discussions and account management • Customer Voice survey • Audits and performance reviews • Sales calls and visits by trade representatives • Business-to-business programmes • Sustainability report	• Public participation including via submissions to government and relevant committees • Alliance for Water Stewardship (AWS) audit and certification • Integrated Work System (IWS) Audit & certification (phase 1) • Participation in community development projects e.g afforestation and biodiversity, community clean up. • Sustainability Report 2022

	Consumers	Shareholders	Our People	Suppliers	Customers	Governments and wider society
What matters to our stakeholders	• Product harm, addiction & social considerations • Product quality • Plastics/post-consumption product waste • Illicit trade	• Business performance • ESG Agenda • Corporate governance • Strength of leadership • Board succession planning	• Reward • Career development • Diversity and inclusion • Corporate responsibility • Health and safety • Business ethics • A purposeful place to work	• Productivity/quality/ cost • Sustainable agriculture • Farmer livelihoods • Human rights • Health and safety • Climate change / environmental impacts	• Route-to-market • Contingency planning • Cost, price and quality • Stock availability • Consumer buying behaviour • Underage access prevention • Illicit trade / excise	• Product regulation • Tax/excise/illicit trade • Public health impacts • Climate change / environmental impacts • Illicit trade
How we respond	• Development of innovative products • Product stewardship, quality & safety standards • Clear and accurate productinformation • Responsible Marketing Principles • Circular economy strategy	• Regular dialogue and communication • Robust corporate governance • Continual improvement of our Delivery with Integrity programme • Our range of innovative products • Product quality and safety standards • Responsible Marketing Principles	• Effective communication and engagement with employees • Board review of feedback on workforce engagement • Training and development programme • Diversity & Inclusion Strategy • Delivery with Integrity programme	• Supplier Code of Conduct • Thrive sustainable agriculture and farmer livelihoods programme • Leaf operational standards for PPE and child labour prevention • Farmer extension services and training	• Customer loyalty programmes and incentives • Global Underage Access Prevention Guidelines • Training, capacity building and awareness campaigns	• Standards of Business Conduct • Underage Access Prevention Guidelines • Community Investment
Principal risk impact	• Market size reduction /consumer downtrading • Inability to develop, commercialise and deliver New Categories • Significant excise increases	• Solvency andliquidity • Foreign exchange rate exposures • Disputed taxes, interest and penalties • Litigation • Market size reduction / consumer downtrading	• Injury, illness or death in the work place • Geopolitical tensions	• Inability to develop, commercialise and deliver New Categories	• Inability to develop, commercialise and deliver New Categories	• Inability to develop, commercialise and deliver New Categories • Significant excise increases • Significant increases in illicit trade

Digital **Transformation**

Information digital technology continues to be paramount in delivering our overall business strategy and sustainable results.

In 2023, our digital transformation agenda was focused on enhancing our trader environment, organisational agility and value from data and analytics as well as intelligent automation at scale. A key digital initiative was an upgrade of our Business-to-Business solutions to a global platform with greater benefits. This included reduced route to market costs, enhanced efficiency, data centralisation for ease of access and reporting as well as scalability and competitive advantage.

We also continue to leverage on technology to power market model changes, automate several processes including Trade Marketing Representatives Dynamic Routing Anaplan system and Distributor Invoice Automation in the trade. Additional dashboards, for example, Talent X-Ray, an employee relations portal, local productivity savings dashboard, finance supply chain reports, Persona payroll interface in partnership with Delloitte Kenya, among others.

To drive business agility, we re-engaged data science squad teams to expand from descriptive capabilities to predictive insights solutions. This required bringing in new talent and upskilling the existing data science team with capabilities in machine learning, artificial intelligence and robotics.

Overall, our accelerated automation has delivered greater efficiencies, collaboration and speed of execution, contributing to an excellent employee and business experience. Some benefits accrued include improved problem solving, better and faster decision making and strategic thinking and leadership.

WITH A
MOSQUITO

Corporate Governance **Report**

Board of **Directors**

RITA KAVASHE
Chairperson

Nationality: Kenyan
Age: 58

Position: Independent Non-Executive Chairperson since September 2020, Non- Executive Director since July 2020. Chairperson of the Board Nominations & Governance Committee

Skills and experience:
Rita is currently the Managing Director of Isuzu East Africa Limited (formerly General Motors East Africa), the largest motor vehicle assembler in East Africa. She joined General Motors in 1995 and has held several key roles in Sales and Marketing, both in Kenya and South Africa. Rita holds a Bachelor's degree in Education from Moi University, Eldoret and a Master's degree in Business Administration (MBA) from the University of Nairobi. She is also an Executive Coach certified by the Academy of Executive Coaches (AOEC) UK.In 2017, Rita was awarded a state honour, the Moran of the Order of the Burning Spear (MBS) for exemplary service to the country in her capacity as a business leader.

Key Appointments:
- Independent Non-Executive Director - Bamburi Cement Plc (Lafarge Group).
- Member of the Advisory Council of the Kenya Private Sector Alliance (KEPSA).
- Advisory Board Member of the Palmhouse Foundation.
- Member of the University of Eldoret Endowment Trust Board of Trustees.

CRISPIN ACHOLA
Managing Director

Nationality: Kenyan
Age: 53

Position: Managing Director since January 2021

Skills and experience: Crispin joined BAT Kenya in 1999 where he remained until 2017, holding various senior roles within BAT Kenya and the Group, including, Managing Director Mozambique, Cluster General Manager- Mozambique, Zambia, Zimbabwe & Malawi, and Managing Director, Sudan. Subsequently, he joined the Kimberly-Clarke Corporation where he held the position of General Manager; West, East & Central Africa (WECA) and Managing Director Nigeria. Crispin returned to BAT in 2021 in his current role.

Key Appointments:
- Cluster Head of BAT East & Southern Africa, based in Nairobi.

PHILEMON KIPKEMOI
Finance Director

Nationality: Kenyan
Age: 43

Position: Finance Director since May 2020

Skills and experience: Philemon joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), as Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and most recently Head of Finance (Horn of Africa & Indian Ocean Islands).

Key Appointments:
- Chair of the Board of Trustees, BAT Kenya Staff Provident Fund
- Non-Executive Director of BAT Uganda
- Non-Executive Director of BAT Zambia
- Non-Executive Director of BAT Zimbabwe
- Head of Finance for BAT East and Southern Africa, based in Nairobi.

ANDRÉ JOUBERT
Non-Executive Director

Nationality: South African
Age: 52

Position: Non-Executive Director since May 2020 and a member of the Board Nominations and Governance Committee

Skills and experience: André joined the BAT Group in November 1999 and is currently the Area Director, BAT Sub-Saharan Africa (SSA). He has over 22 years' experience in various senior finance and management roles having worked as the Regional Head of Finance, East Europe, Middle East & Africa; Area Director, Caucases & Central Asia; General Manager, Southern Africa Markets; Chief Finance Officer, Bentoel Investama (an Indonesian listed company), among others.

Key Appointments:
- Area Director of BAT Sub-Saharan Africa based in South Africa.

PHYLLIS WAKIAGA
Non-Executive Director

Nationality: Kenyan
Age: 42

Position: Independent Non-Executive Director since October 2023 and a member of the Board Remuneration Committee

Skills and experience: Phyllis is an Advocate of the High Court of Kenya with over 18 years of experience in Corporate Leadership, Governance, Public Policy, Government Relations, Sustainability and Private Sector Development. She is a Senior Advisor at the Tony Blair Institute for Global Change. Prior to this, Phyllis was the CEO and Secretary to the Board at Kenya Association of Manufacturers (KAM). She holds a Masters degree in International Trade and Investment Law from the University of Nairobi and an Executive Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology, where she is also a current Ph.D. student in Leadership and Governance.

Key Appointments:
- Non-Executive Director at the Institute of Economic Affairs, Kenya Roads Board, I &M Bank, Jubilee Allianz, MRM, International Centre for Research on Women (Africa Board) and the Board of Trustees of the United States International University.

DR. MACHARIA IRUNGU
Non-Executive Director

Nationality: Kenyan
Age: 57

Position: Independent Non-Executive Director since July 2019 and member of the Board Nominations and Governance Committee

Skills and experience: Dr. Irungu is the immediate former Managing Director of Kenya Pipeline Company Limited. He has over 28 years' experience in various senior management roles within the oil industry, both locally and internationally. Dr. Irungu holds a Doctor of Philosophy degree in Strategic Management from the University of Nairobi and a Master's degree in Business Management (Marketing) from Newport University (USA), alongside a Bachelor of Science degree in Industrial Chemistry from the University of Nairobi.
In June 2020, he was awarded the Presidential Order of Services – Uzalendo award, for his exemplary service in steering Kenya through the COVID-19 pandemic. In 2021, in recognition of his contribution to national development, Macharia was awarded the honour of the Moran of the Order of the Burning Spear (MBS) by the Head of State. He is a Member of the Institute of Directors (Kenya), Kenya Institute of Management and the American Chamber of Commerce among others.

Key Appointments:
- Board Member - KAG East University Council.

Board of **Directors** (Continued)

PETER MWANGI
Non-Executive Director

Nationality: Kenyan
Age : 54

Position: Non-Executive Director since February 2015. Chairman of the Board Remuneration Committee and member of the Board Nominations and Governance Committee.

Skills and experience: Peter is a seasoned business leader with over 22 years of proven corporate and leadership experience in the financial services sector. He previously served as the Group Chief Executive Officer of the Old Mutual Group in East Africa. Before this appointment, he was the Chief Executive Officer of the Old Mutual Group in Kenya from October 2014. He also previously served as the Chief Executive of the Nairobi Securities Exchange Limited for a period of six years to September 2014 and before that as the Managing Director and Chief Executive Officer of Centum Investment Company plc. He also has five years of military experience gained with the Kenya Air Force.
Peter holds a Master of Science degree in Finance from the University of London and a Bachelor of Science degree in Electrical Engineering from the University of Nairobi. He is also a CFA charter holder. Additionally, he is a member of the Institute of Certified Public Accountants of Kenya, the Institute of Certified Secretaries, the Institute of Certified Investment and Financial Analysts and a Fellow of the Kenya Institute of Management.

Key Appointments:
- Independent Director at Funguo Investments Ltd
- Independent Director at Digital Opportunity Trust.

MARION GATHOGA-MWANGI
Non-Executive Director

Nationality: Kenyan
Age : 52

Position: Independent Non-Executive Director since May 2020 and a member of the Board Audit & Risk Committee and Remuneration Committee.

Skills and experience: Marion is an accomplished senior executive with over 21 years of local and international experience in commercial and general management predominantly in the manufacturing sector. She is currently the Director of Healthcare at Africa Oxygen (AFROX), a Linde company, the leading gases and engineering solutions company in Africa based in South Africa. Prior to her current role, she served as the Managing Director of BOC Kenya Plc, a gases company listed on the Nairobi Securities Exchange (NSE). She has previously served as the Country Head, Groupe Lactalis – Parmalat Botswana (Pty); Country Director, Cadbury Kenya & East Africa Limited; General Manager, Unga Limited and had a long and distinguished career with Bayer East Africa. Marion holds a Bachelor of Science (Honours) degree in International Business Administration from the United States International University (USIU) Kenya and is a practicing Continual Improvement (CI) Kaizen expert. Marion is a member of Women Corporate Directors (WCD), Women on Boards Network (WoBN) and the Institute of Directors of South Africa (IODOSA). She also serves on various SMEs boards as an advisor.

Key Appointments:
- Board member - BOC Kenya Plc.
- Board member - Kenya Association of Manufacturers (KAM).
- Director - Palmhouse Foundation (an education trust).
- Board member – Kenya Nut Company.

SAMUEL ONYANGO
Non-Executive Director

Nationality: Kenyan
Age: 67

Position: Independent Non-Executive Director since July 2019 and a member of the Board Audit and Risk Committee

Skills and experience: Samuel is a former CEO of Deloitte East Africa. He has extensive audit and advisory experience, having served for over 38 years in various audit and advisory roles. He has contributed to the development of the accounting profession in East, Central and Southern Africa through past roles; including as Chair of the Institute of Certified Public Accountants of Kenya and President of the then East, Central and Southern Africa Federation of Accountants (ECSAFA), which he also represented in the International Federation of Accountants (IFAC).
He holds a Bachelor of Commerce, Accounting Option (First Class Honours) from the University of Nairobi. He is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA), the Institute of Chartered Accountants in England & Wales (FCA), the Institute of Certified Public Accountants of Uganda and the Institute of Certified Public Secretaries of Kenya. He is also a trained Arbitrator and Mediator at the International Law Institute, George Town University, Washington DC.

Key appointments:
- Non-Executive Director - Equity Bank Kenya Limited.
- Non- Executive Director - Jadala Investments Ltd.

Dr. MARTIN OTIENO-ODUOR
Non-Executive Director

Nationality: Kenyan
Age : 67

Position: Independent Non-Executive Director since August 2016. Chairperson of the Board Audit and Risk Committee

Skills and experience: Dr. Odour is the Founder and CEO of The Leadership Group Limited, a Nairobi-based consulting firm, which is involved in facilitating board practice and leadership development, as well as providing executive coaching and business advisory services. Prior to this, he worked with Deloitte East Africa as a Financial Services Partner and KCB Group as Chief Executive Officer, among other senior private sector appointments. He has also served as Permanent Secretary, Ministry of Finance and Planning and the Treasury, in the Government of Kenya. He holds an honorary Doctor of Business Leadership degree from KCA University, Executive MBA from ESAMI/Maastritch School of Management and Bachelor of Commerce degree from University of Nairobi. He is also an alumnus of the Harvard Business School's Advanced Management Program. In recognition of his contribution to national development, Martin was awarded the honour of the Chief of the Order of the Burning Spear (CBS) by the Head of State. He is a Fellow of the Kenya Institute of Bankers, Fellow of the Institute of Certified Public Accountants of Kenya, Fellow of the Institute of Directors Kenya and Fellow of the Institute of Certified Secretaries of Kenya in addition to holding an International Coaching Federation Credential at the level of Professional Certified Coach.

Key Appointments:
- Group Chairperson - East African Breweries PLC.
- Non-Executive Director - Standard Bank Group.
- Non-Executive Director - Standard Bank of South Africa.
- Chairperson - Kenya Breweries Limited.
- Chairperson - UDV (Kenya) Limited.

PAUL MUTHAURA
Non-Executive Director

Nationality: Kenyan
Age: 45

Position: Independent Non-Executive Director since October 2023. Member of the Board Nominations and Governance Committee and the Audit and Risk Committee

Skills and experience: Paul is currently the CEO of the Africa Carbon Markets Initiative. He has previously served as an Independent Consultant with EMRD Advisory Limited, CEO and Principal Officer at ICEA Lion General Insurance Company Ltd and CEO of the Capital Markets Authority (CMA) Kenya. He was awarded the National Honour of the Order of the Moran of the Burning Spear (MBS) in 2017, for services in the development and deepening of the capital markets in Kenya. Paul is an Advocate of the High Court of Kenya, an Honorary Fellow of the Institute of Certified Public Secretaries and a Systemic Team Coach from the Academy of Executive Coaching (AoEC). He holds a Master of Philosophy in Business Administration from the Maastricht School of Management, Holland; a Masters in Banking and Finance Law from the London School of Economics and Political Science, England; a Bachelor of Laws from the University of Warwick and an Executive Diploma in Financial Management from KCA University, Kenya.

Key Appointments:
- Independent Member of the International Ethics Standards Board for Accountants (IESBA).
- Board Member of ICEA LION Asset Management.
- Independent Member of the Financial Sector Deepening Trust Kenya.
- Member of the Securities Advisory Board of the Toronto Centre for Global Leadership in Financial Supervision.

WAENI NGEA
Company Secretary

Nationality: Kenyan
Age: 43

Position: Company Secretary since October 2023.

Skills and experience: Waeni rejoined BAT in July 2023 as Head of Legal & Compliance, East & Southern Africa Markets, after three years at Bamburi Cement plc where she held the role of Head of Legal & Compliance and Company Secretary. Prior to that, she had worked with BAT for six years from 2014 as Head of Legal, East & Central Africa & Company Secretary, BAT Kenya. She also previously worked with Unilever Kenya Limited as Legal Counsel, supporting the East Africa region. She brings a wealth of experience in the management of legal matters and corporate governance and plays a crucial role in supporting the Board to deliver its mandate.
She holds a Bachelor of Laws Degree from the University of Nairobi, a Diploma in Law from Kenya School of Law and is an accredited governance auditor.

Key Appointments:
- Trustee, BAT Kenya Staff Provident Fund
- Member of the Law Society of Kenya and the Institute of Certificate Secretaries Kenya
- Council Member of the Association of Retirement Benefit Schemes (ARBS)

Leadership **Team**

Waeni Ngea
HEAD OF LEGAL & COMPLIANCE

Waeni rejoined BAT in July 2023 after three years at Bamburi Cement plc where she held the role of Head of Legal & Compliance and Company Secretary. Prior to that, she had worked with BAT for six years from 2014 as Head of Legal, East & Central Africa & Company Secretary, BAT Kenya. She also previously worked with Unilever Kenya Limited as Legal Counsel, supporting the East Africa region. Waeni is also the Head of Legal & Compliance for BAT East & Southern Africa, based in Nairobi.

Rumbidzai Hondora
HEAD OF MARKETING DEPLOYMENT

Rumbidzai has over 15 years of experience in trade marketing & distribution, route-to-market & channel Management and Shopper Marketing in the FMCG and service Industries. She joined BAT Zimbabwe in 2012 and has subsequently held various roles including leading a strategic business unit in BAT South Africa and her immediate former role as Head of Marketing for Southern African Markets based in Mozambique. Rumbidzai is an associate member of the Institute of Marketing Management of South Africa and the Marketing Association of Zimbabwe. She is also the Head of Marketing Deployment for BAT East & Southern Africa, based in Nairobi.

Rachel Muchiri
HEAD OF COMMERCIAL

Rachel re-joined BAT in 2012 and is a seasoned marketing executive with immense experience across various marketing disciplines, including Strategic Planning & Insights, Brand Management and Trade, Marketing & Distribution. She has experience in the FMCG sector spanning different markets within Sub-Saharan Africa including Egypt, DRC, Mauritius and South Africa. Rachel has held various senior roles in marketing within BAT, including her immediate former role as Head of Modern Oral Nicotine for BAT Sub Saharan Africa. Rachel is also the Head of Commercial for BAT East & Southern Africa Markets, based in Nairobi.

Philemon Kipkemoi
FINANCE DIRECTOR

Philemon joined BAT Kenya in 2007 from PricewaterhouseCoopers (PwC), as Internal Audit Manager. He has subsequently held various senior Finance Leadership roles within the Group, including, Finance Controller (Uganda & Big Ben Tobacco DRC), Finance Controller (East & Central Africa), Head of Operations Finance (East & Central Africa) and most recently Head of Finance (Horn of Africa & Indian Ocean Islands). Philemon is also Chair of the Board of Trustees, BAT Kenya Staff Provident Fund, Non-Executive Director of BAT Uganda, BAT Zambia and BAT Zimbabwe. He is also the Head of Finance for BAT East and Southern Africa, based in Nairobi.

Crispin Achola
MANAGING DIRECTOR

Crispin joined BAT Kenya in 1999 where he remained until 2017, holding various senior roles within BAT Kenya and the Group, including, Managing Director Mozambique, Cluster General Manager- Mozambique, Zambia, Zimbabwe & Malawi, and Managing Director, Sudan. Subsequently, he joined the Kimberly-Clarke Corporation where he held the position of General Manager; West, East & Central Africa (WECA) and Managing Director Nigeria. Crispin returned to BAT in 2021 in his current role. He is also the Cluster Head of BAT East & Southern Africa, based in Nairobi.

Wendilene Yolanda Balie
HEAD OF TALENT, CULTURE AND INCLUSION

Wendilene joined BAT in 2014, as Area HR Shared Services Manager for BAT South Africa, subsequently holding various roles within Human Resources the Business. In October 2023, Wendilene was appointed Cluster Head of Talent, Culture, and Inclusion for BAT Kenya. She holds a Bachelor of Science degree in Business, with a focus in accounting and specialisation in Tax from California State University - East Bay. She is also a certified Global Remuneration Profession (GRP) with the South African Reward Association. Wendilene continues to be instrumental in delivering business transformation and ensuring BAT remains fit for purpose. Prior to joining BAT, she worked as a Tax Consultant with Deloitte as well as Ernst and Young. Wendilene is also the Head of Talent, Culture and Inclusion for BAT East and Southern Africa Markets (ESA), based in Nairobi.

Judith Nagery
HEAD OF MANUFACTURING

Judith is a seasoned international supply chain leader with 15+ years of success in overseeing the entire life cycle of logistics and supply chain in the health, consumer goods and tobacco industries. She first joined BAT in 2006, serving in various pivotal roles until 2022. In 2023, she rejoined the business as a Senior Projects Manager for BAT East & Southern Africa Markets (ESA). She recently completed a short-term International Assignment at BAT Bangladesh where she honed her Manufacturing leadership skills & capabilities. Notably, she obtained a qualification on critical pillars of the Integrated Work System (IWS), further enhancing her proficiency. This assignment not only bolstered her manufacturing prowess but also fortified her commercial acumen and business insights. Judith returned to Kenya in 2023 to her current role as Head of Manufacturing.

Joan Ambutu
HEAD OF DIGITAL BUSINESS SOLUTIONS

Joan has more than 20 years of experience in Information and Digital Technology. She joined BAT in October 2022. Prior to BAT, she served in various roles including Technology Lead, Unilever East Africa and before that Head of IT Services Delivery for KCB Group. She holds a Bachelor of Science degree in Mathematics from JKUAT and has undertaken MBA course at USIU and MSc in Data Science at Strathmore University among other various certifications in IT. Joan is also the Transformational Portfolio Lead for BAT East & Southern Africa, based in Nairobi.

Tashanya Okola
HEAD OF EXTERNAL AFFAIRS

Tashanya joined BAT Kenya in March 2017 as the Anti-illicit Trade Manager (AIT) for the then BAT East and Central Africa cluster. She has subsequently held various roles within the External Affairs Function in BAT's East and Southern Africa Markets (ESA). Following a short-term assignment in March 2022 as the Head of Government Affairs for Southern Africa Markets (SAM), she was appointed to her current role effective April 1, 2023. Tashanya has been instrumental in shaping the fiscal and regulatory environment for New Categories in Kenya and managing complex trade bloc and regulatory matters. She is also the Head of External Affairs for BAT East & Southern Africa, based in Nairobi.

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Corporate Governance Statement

Overview

Corporate governance refers to the structures and processes that guide the effective, accountable and prudent leadership of the Company. The Company has put in place systems to ensure that high standards of corporate governance are maintained at all levels of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2015, requires Directors to act in good faith, promote the success of the Company for the benefit of its stakeholders and avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company.

Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board of Directors ('the Board') of the Company believes that good governance, achieved through an ethical culture, competitive performance, and effective control, can create sustainable value and enhance long-term equity performance for the Company's stakeholders. Therefore, the Board is committed to ensuring that the Company complies with the laws, regulations and standards applicable to it. It ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ('the CMA Code'), as well as the Companies Act, 2015 ('the Act') are adhered to.

The Board is responsible for putting in place governance structures and systems that support the practice of good governance. This responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment. The Directors also accept responsibility for putting in place an effective and efficient management team and effective internal control and risk governance systems that are designed to promote good governance practice.

The Board regularly reviews its corporate governance arrangements and practices and ensures that the same reflect the developments in regulation, best market practice and stakeholder expectations. It applies good governance practices to promote strategic decision making to balance short, medium and long-term outcomes to reconcile interests of its stakeholders and create sustainable shared value on the journey to building A Better Tomorrow™. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the organisation.

Throughout the year ended 31 December 2023 and to the date of this document, the Company endeavoured to comply with various applicable laws and regulations. In that regard, this corporate governance report is prepared to provide shareholders and other stakeholders with important information to evaluate the Company's corporate governance structures and its performance on application of the principles, recommendations and requirements in the Act and the CMA Code.

In addition to complying with the CMA Code, the Company has embedded internal rules of engagement to support corporate governance which are constituted in BATs Standards of Business Conduct to which every employee, contractor and director must adhere. BAT suppliers are also required to comply with a similar set of standards, the Supplier Code of Conduct. The Board is committed to maintaining high ethical and integrity standards to ensure delivery of sustainable business results.

The role of the Board

The Board serves as the focal point and custodian of corporate governance in the Company and is collectively responsible for the Company's vision, strategic direction, its values, and governance. The Board is accountable to the Company's shareholders for the performance of the business, as well as for the long-term success and sustainability of the Company. It provides the leadership necessary for the Company to meet its performance objectives within a framework of appropriate internal checks and controls.

The key responsibilities of the Board include:

- Approving the Company's business strategy and ensuring that necessary financial and human resources are in place to meet agreed objectives;
- Establishing and agreeing an appropriate governance framework;
- Approving the Company's risk appetite statement;
- Reviewing the sufficiency and effectiveness of risk management and internal control systems;
- Approving the Company's performance objectives and monitoring their achievement;
- Reviewing and agreeing Board succession plans and approving Non-Executive Director appointments e.g., the Board approved the appointment of Paul Muthaura and Phyllis Wakiaga in October 2023;
- Approving the Company's budget which is done in the 4th Quarter of each year;
- Reviewing periodic financial and governance reports;
- Approving the Annual Report, Company results and various public announcements;
- Declaring an interim/recommending a final dividend;
- Approving Company policies and monitoring compliance with the Standards of Business Conduct;
- Approving major corporate activities;
- Ensuring that the relevant audits e.g., financial, board evaluation, governance and legal and compliance audits are conducted and any remediation actions closed;
- Reviewing and approving the Company's property acquisition or disposal strategy;
- Approving the Company's Sustainability report e.g., the Board approved the 2023 Sustainability Report in October 2023; and
- Approving the prior year's Annual Report which is done in April each year.

The Board operates through three Board committees, which are mandated to review specific areas and assist the Board undertake its duties effectively and efficiently. These Committees are: the Nominations and Governance Committee, the Audit and Risk Committee and the Remuneration Committee. The roles, membership and activities of these Committees are described in more detail later in this Report. Each Committee has its own terms of reference which are reviewed regularly and updated as appropriate.

The Board devotes considerable attention to corporate governance matters relating to the Company's internal controls and compliance activities. It receives updates from the respective Chairs of the Audit and Risk Committee, Nominations and Governance Committee and Remuneration Committee after each Committee meeting. The Board receives high quality, up-to-date information for review in good time ahead of each meeting.

Division of responsibilities

The Board Chair and the Managing Director

The Board Chair and the Managing Director have distinct and clearly defined duties and responsibilities.

The separation of the functions of the Board Chair (an Independent Non-Executive Director) and the Managing Director (Executive Director) supports and ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.
The Chair of the Board is responsible for the leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating the productive contribution of all

Directors. She sets the agenda for Board meetings in consultation with the Managing Director and the Company Secretary. She is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them. The Board Chair is accountable to the Board for leading the direction of the Company's corporate and financial strategy and for the overall supervision of the policies governing the conduct of the business.

The Managing Director on the other hand has overall responsibility for the performance of the Company. He provides leadership to enable successful planning and execution of the objectives and strategies agreed by the Board. He is also responsible for stewardship of the Company's assets and, jointly with the Board Chair, for representation of the Company externally.

The Leadership Team

The Leadership Team led by the Managing Director is responsible for the day-to-day management of the Company and its operating subsidiary. In so doing, it oversees the implementation of the strategy and policies set by the Board. Profiles of the Leadership Team are set out on page 56 and 57 of this Annual Report.

The key responsibilities of the Leadership Team include:

- Developing the Company's business strategy for approval by the Board;
- Driving Company operating performance;
- Developing guidelines and standard operating procedures for the Company's functional business units;
- Ensuring that collective effort and resources are balanced, effective and properly focused;
- Managing business functions and ensuring that functional strategies are effective and aligned with the Company's priorities and objectives;
- Reviewing functional budgets and activities to ensure that they are adequate to achieve the targets;
- Overseeing the management and development of talent within the Company; and
- Making recommendations on matters reserved for Board approval.

Composition of the Board

The Articles of Association of the Company provide that the Board shall comprise of a maximum of twelve (12) Directors. At present, the Board is comprised of eleven (11) Directors, nine (9) being Non-Executive Directors including the Chair, and two (2) Executive Directors. Of the nine (9) Non-Executive Directors, seven (7) are Independent.

The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, recommendations of the Code, relevant policies, applicable law and best practices. The Board's composition is driven by the following principles:

- The Board must be composed of a majority of independent non-executive directors.
- The Board should consist of directors with a board range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chair of the Board must be an independent non-executive director.

Non-Executive Directors

As at 31 December 2023 and as at the date of this Annual Report, the Board had nine (9) Non-Executive Directors. The role of the Non-Executive Directors includes: to support in developing strategy, reviewing Management's proposals, scrutinising performance of Management and the Company, bringing an external perspective to the Board, monitoring reporting of performance and being available to meet with key stakeholders as appropriate.

Independent Directors and Independence

As at the date of this Annual Report, seven (7) of the Non-Executive Directors are Independent as defined in the CMA Code and accordingly most of the Board is constituted of Independent Directors.

Annual Board work plan

The Board has in place an annual work plan that sets out its planned activities for the year. The work plan is designed to enable the Board drive strategy forward across all the elements of the Company's business model. The key activities of the Board in 2023, grouped under the Company's four strategic pillars, are set out on pages 65-66.

During the year ended 31 December 2023, the Board held four (4) scheduled Board meetings and one (1) ad hoc meeting. The Company held its Annual General Meeting in June 2023 and a strategic planning session with the Board in September 2023.

Attendance by the Directors to the Board and AGM meetings in 2023 is outlined below:

Director		Scheduled	Ad hoc
1.	Rita Kavashe	5/5	1/1
2.	Crispin Achola	5/5	1/1
3.	Philemon Kipkemoi	5/5	1/1
4.	Dr. Martin Oduor-Otieno	5/5	1/1
5.	Carol Musyoka*	3/3	0/0
6.	Peter Mwangi	5/5	1/1
7.	Samuel Onyango	5/5	1/1
8.	Dr. Macharia Irungu	5/5	1/1
9.	Marion Gathoga-Mwangi	4/5	1/1
10.	Andre Joubert	4/5	1/1
11.	Paul Muthaura**	1/1	0/0
12.	Phyllis Wakiaga**	0/1	0/0

Notes:
* Carol Musyoka resigned from the Board on 15 June 2023.
**Paul Muthaura and Phyllis Wakiaga were appointed to the Board effective 23 October 2023.

Board appointment

Succession planning is an on-going process, with the Board discussing the same regularly. The nomination and appointment process of a director to the Board is clearly set out in the Company's Board Appointment Policy. The Policy provides that the Nomination and Governance Committee is responsible for the selection and recommendation to the Board for appointment of directors of the Company. Prior to any appointment, the Nominations and Governance Committee defines the functions and core competencies for each vacant director role. It also develops suitable selection criteria for potential candidates, screens and interviews them.

The preferred candidates meet with the members of the Committee before a final decision is made. The Committee then puts the short-listed candidates forward for consideration by the full Board. Upon consideration of the board, a successful candidate is appointed to the board. New Directors are issued with letters of appointment, with clear terms and conditions regarding the discharge of their duties.

A Non-Executive Director appointed by the Board to fill a casual vacancy must seek election at the immediate next Annual General Meeting. As further provided for in the Company's Articles of Association, at every AGM, and as may be applicable, at least one-third of the Non-Executive Directors must retire from the Board and where eligible, stand for re-election. All Non-Executive Directors offer themselves for re-election at regular intervals, subject to continued satisfactory performance, no untenable conflicts of interest and sustained commitment. Executive Director appointments are managed in line with their contracts of employment with the Company and therefore excluded from retirement by rotation.

The Non-Executive Directors have letters of appointment for an initial term of two (2) years, renewable after the initial two (2) years as per the Board's policy on tenure and upon recommendation by the Nominations and Governance Committee. The Board regularly considers the need for it to refresh its membership progressively over time.

During the AGM of 15th June 2023, Rita Kavashe and Dr. Martin Oduor-Otieno retired in accordance with Article 102 of the Articles of Association and were each re-elected by the shareholders to continue serving as Directors on the Board. The Nominations and Governance Committee confirmed that the performance of these Directors continued to be effective and that they had demonstrated commitment to their roles including commitment of the necessary time for Board and Committee meetings and other duties.

At the Company's AGM scheduled to be held on 26th June 2024, the Company will submit the following eligible Directors for re-election: Paul Muthaura and Phyllis Wakiaga in line with Article 101 of the Articles of Association, following their appointment on 23 October 2023. Samuel Onyango and Andre Joubert shall also retire and seek re-election at the meeting in line with Article 102 of the Articles of Association.

The Board Appointment Policy can be read on the Company's website (www.batkenya.com).

Board skills, experience and diversity

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage.

The Company seeks to have a Board that has the right mix of individuals with relevant attributes of skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide Management in ensuring the highest performance for the Company. The Non-Executive Directors are expected to have a clear understanding of the strategy of the Company as well as knowledge of the industry in which the Company operates. The aggregate mix of skills and experience of the Directors seeks to challenge Management, ensure robust and constructive debate, augments and challenges the strategic thinking of the Executives thereby adding value to the Company.
The Board regularly reviews its diversity in representation of gender, age, skills, knowledge and experience against what is needed to deliver the Company's strategy. The Nominations and Governance Committee has taken this into consideration in its nominations of persons for appointment as directors as was evidenced by the director appointments in October 2023.

Our Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of our business. Short biographies of the Directors, including details of their nationalities, are set out on (pages 52-55).

The Board's Diversity Policy can be read on the Company's website (www.batkenya.com).

Director induction

On joining the Board, all new Directors receive a full induction. Non-Executive Directors also receive a full programme of briefings on key areas of the Company's business from the Executive Directors, members of the Company's Leadership Team, the Company Secretary, and other Senior Executives. The induction includes a factory tour, a market visit and a visit to the leaf centres where possible. In October 2023, two new Directors were appointed to the Board and inducted on the operations of the Business.

Director training and development

Directors receive Functional presentations built into the annual Board Work Plan to gain a good sense of the Company's operations and key activities. They also participate in scheduled market visits to gain exposure to the market and Company's business on the ground.

The Board and its Committees receive regular briefings on legal and regulatory developments with focus on regulations directly impacting the operations of the Company as well as proposed/ongoing key litigation.
During the financial year under review, the Directors engaged in e-learning or facilitator led training on areas of governance from credible sources. Some of the topics discussed included: Update on new and emerging legislation, Tobacco Harm Reduction, and Environmental Social and Governance trends. The Board also held its strategy session in September 2023 with the following discussed: the role of ESG as an integral part of the Company strategy, portfolio innovation and equity building, New Categories acceleration, digital transformation to accelerate growth and the regulatory and fiscal environment.

In 2023, each Director was able to secure at least twelve (12) hours of training on areas of governance and regulatory compliance from the Company and other credible sources as prescribed by the CMA Code.

Board evaluation

In line with provisions of the CMA Code, the Board undertook an independent annual evaluation of the performance of the Board, its Committees, the Chair, each individual Director and the Company Secretary. This was aimed at enabling the Board, the Committees and their respective members to gauge their performance and identify areas of improvement.

The evaluation established that the Board and its Committees continue to function and perform well and have a sufficient balance of skills, expertise, knowledge and diversity. The wide range of skills and diverse backgrounds of members is a key strength of the Board, as is the effective leadership from the Chair. Board members have a good understanding of the business and receive the information they need to make informed decisions.

Individual feedback was given by the Board Chair to all Board members following the Board evaluation exercise. The Directors, the Board and various Committees continue to implement the recommendations from the Board evaluation.

Governance audit

Issuers of securities to the public are required to undertake periodic governance audits. Following extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits, the Capital Markets Authority (CMA) advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach.

The Company is in the midst of a governance audit undertaken by Azali LLP for the year 2023. The Board and various Committees have implemented the recommendations from the 2021 Governance audit.

Legal and compliance audit

In compliance with the CMA Code, an entity is required to annually undertake a legal and compliance audit with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. In 2023, the Company appointed Kaplan & Stratton Advocates to conduct an external Legal & Compliance Audit for the year ended 31 December 2022. The report was tabled and implementation of the recommendations monitored primarily by the Audit and Risk Committee for closure.

Corporate Governance Assessment Report

During the year 2023, the Capital Markets Authority assessed the status of implementation of the CMA Code by the Company for the year ended 31 December 2022. The assessment was based on a review of the following areas: commitment to good corporate governance (leadership rating of 90%); board operations and control (leadership rating of 88%), accountability, risk management, and internal control (leadership rating of 90%), transparency and disclosure (good rating of 83%).

The overall rating awarded to the Company was a leadership rating of 88%, a testament to the Board's commitment to sound corporate governance practices.

The Company continues to implement the recommendations received from the CMA to improve its governance structures and ensure that they are world class.

Conflict of interest

All Directors of the Company must avoid any situation which might give rise to a conflict between their personal interest and that of the Company.

The Directors are each responsible and are required to give advance notice to the Board Chair and the Company Secretary of any actual or potential conflicts of interest situations as soon as they arise. The Board has formal procedures for managing compliance with the conflict-of-interest provisions of the Companies Act, 2015 and the CMA Code. It may authorise situational conflicts under the Company's Articles of Association.

The Board also requires all Directors to disclose on appointment and annually any circumstance which may give rise to an actual or potential conflict of interest with their roles as Director. Declaration of conflicts of interest is also a standing agenda item in all Board and Committee meetings prior to discussion of the substantive agendas. Directors who have an interest in a matter are excluded from the quorum and do not vote in respect of that matter. No material conflict of interest was identified and reported by the Directors in 2023.

Access to independent advice

The Board recognizes that there may be occasions when one or more Directors considers it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense.

To assist the Directors to discharge their duties and responsibilities and to enable them to take informed decisions, the Directors are entitled to obtain independent legal, accounting or other professional advice at the Company's expense. The Board may conduct or direct any investigation to fulfill its responsibilities and can retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to fulfill its duties.

STRATEGIC BOARD ACTIVITIES IN 2023

In 2023, the Board provided oversight of various Company strategic priorities including:

- Managing the challenges presented by the government's fiscal framework and excise policy;
- Advocating for the government to increase enforcement action against the illicit trade in tobacco products; and
- Performance of the New Categories in the market and oversight of milestones to achieve local manufacture of products in this category.

GROWTH

Growth remains the Board's key strategic priority

Activities in 2023

- Reviewing and agreeing the Company's strategy and ensuring necessary financial and human resources are in place to meet agreed objectives;
- Satisfying itself throughout the year that Management was on track to deliver the Company's strategy, and endorsing the direction and activities proposed by Management to achieve its strategic metrics;
- Keeping the Company's trading and performance under review, particularly the performance of the Company's key local brands and performance of New Categories;
- Continuing the Company's transformational journey to create A Better Tomorrow™ by building A Smokeless World;
- Focusing on the competitive and external environment by engaging government through the public consultation process on a sustainable excise framework and advocating for increased enforcement action to tackle illicit trade in cigarettes;
- Considering the potential impact on the Business of specific risk factors in consultation with the Audit and Risk Committee; and
- Discussing and improving the Board's understanding of key risks facing the Company.

PRODUCTIVITY

The Board pays close attention to the Company's operational efficiency, cost and capital effectiveness.

Activities in 2023

- Monitoring operational key performance indicators;
- Continued roll-out of the Integrated Work System (IWS) to drive operational excellence and quality;
- Review of revenue opportunities in the domestic and exports markets;
- Continued oversight of Environment Health and Safety at both Nairobi and Thika factories; and
- Identifying and leveraging savings and productivity opportunities.

SUSTAINABILITY

The Board is committed to operating responsibly and sustainably, to meet the expectation of stakeholders and drive the Company's commitments to society.

Activities in 2023

- Reviewing the Company's regulatory strategy in the context of the current regulatory landscape;
- Monitoring the status of the Company's litigation proceedings, including receiving updates on the Company's strategic litigation;
- Reviewing Environmental, Health and Safety performance and initiatives across all Company sites;
- Reviewing the Company's strategy on the Environmental, Social and Governance (ESG) pillars;
- Partnering with public and private stakeholders to drive sustainability initiatives;
- Employee participation in local community development; and
- Monitoring compliance with the Company's Standards of Business Conduct and internal controls.

PURPOSEFUL ORGANISATION

Setting the 'tone from the top' to help embed the values and strategy of the Company continues to be an important part of the Board's role.

Activities in 2023

- Reviewing succession planning at Board Level, filling arising vacancies and monitoring the progress of Leadership Team development plans;
- Reviewing the development of senior executives in the Company, specifically activities to drive a high-performance culture;
- Receiving updates on opportunities for talent export to senior roles in BAT across the globe;
- Receiving updates on the ability to attract and retain talent and factoring this into consideration in the revised talent and remuneration policies; and
- Supporting "A Better Tomorrow™" purpose.

BOARD COMMITTEES

The Board has delegated authority to various Board committees to undertake its mandate effectively and efficiently. In deciding committee memberships, the Board Chair endeavors to make the best use of the range of skills across the Board and share responsibility. The Board receives a report from the Chair of each committee on significant areas of discussion and key decisions at the subsequent Board meeting.
Each Committee has in place terms of reference that set out the roles and responsibilities and the procedural rules applicable to the committee.

A summary of the role of the current committees, current members and key activities undertaken during the year 2023 are set out below:

Nominations and Governance Committee

Current Members

1. Rita Kavashe (Chair)
2. Peter Mwangi
3. Dr. Macharia Irungu
4. Andre Joubert
5. Paul Muthaura*
6. Waeni Ngea (Committee Secretary)**

Permanent invitees:

1. Crispin Achola (Managing Director)
2. Philemon Kipkemoi (Finance Director)

Attendance at the Committee meetings in 2023:

Name	Scheduled	Ad hoc
Rita Kavashe	4/4	0/0
Peter Mwangi	4/4	0/0
Dr. Macharia Irungu	4/4	0/0
Andre Joubert	2/4	0/0
Paul Muthaura	0/0	0/0

Notes:

* Paul Muthaura was appointed to the Committee on 7 December 2023.

** Waeni Ngea was appointed Company Secretary on 23 October 2023 succeeding Kathryne Maundu who resigned effective the same day. Ms. Ngea took on the role of secretary of the Committee on the same day.

Mandate and role

The mandate of the Nominations and Governance Committee is to make recommendations to the Board on the suitability of candidates for appointment to the Board, board diversity and the succession plan for senior management. In so doing, the Committee reviews the structure, size and composition of the Board and its committees, succession plan for the Managing Director, to ensure they have an appropriate balance of skills, expertise, knowledge and independence.

It ensures that the procedure for appointing Directors is rigorous, transparent, objective, merit-based and has regard for diversity. The process includes an evaluation of the skills, experience and diversity being sought prior to recruitment. The selection process will generally involve interviews with prospective candidates by the Board Chair and Committee members. In so doing, the Committee monitors and ensures that appropriate Non-Executive and Executive Director ratios are maintained.

The Committee is also charged with the responsibility of evaluating and reporting to the Board on an annual basis, the effectiveness and performance of the Board, its committees, and the directors in the discharge of their responsibilities. The evaluation is guided by the report of an independent evaluator into the running of the affairs of the Board.

In line with recommendations in the Code of Corporate Governance for Issuers of Securities to the Public 2015, the Committee is comprised of a majority of independent and non-executive directors and is chaired by the Board Chair who is an independent non-executive director.

Key Nominations and Governance Committee activities in 2023

The following aspects were considered, and actions undertaken by the Committee:

- Succession planning for the Board and the Leadership Team including appointment of emergency alternates for the following key Board roles: Board Chair, Board Committee Chairs and Company Secretary;
- Review of and nomination for appointment of two independent directors;
- The environment, social and governance mandate of the Committee as approved by the Board;
- The 2022 Sustainability Report and recommending it to the Board for approval;
- The 2023 Board training calendar as part of continuous board development;
- Directors' annual appointment and re-election at the 2023 AGM, including renewal of the appointment of various Directors;
- Reviewing the effectiveness of the Board and its Committees following the Board Evaluation exercise and making recommendations to the Board on actions to be adopted towards improvement;
- The Board's key performance indicators and indicative areas of support to Management;
- The effectiveness of the Company's governance structure following an independent governance audit and following up on completion of open audit actions by Management and the Board Committees;
- Overseeing the closure of open actions from the 2022 legal and compliance audit, 2021 governance audit and board evaluation;
- Assessment and confirmation of the current adequacy of the Board with respect to the balance of skills, expertise, knowledge, age and diversity including gender and nationality;

- Assessment of directors' independence and submitting a report on directors' independence to the Board;
- Review of the Corporate Governance Report in the 2022 Annual Report;
- Review of various Company policy documents including the Board Appointment Policy and Board Diversity Policy;
- Oversight of CMA Corporate Governance Compliance Reporting requirements; and
- Review of the Committee's terms of reference.

Remuneration Committee

Current members

1. Peter Mwangi (Chair)
2. Carol Musyoka*
3. Marion Gathoga-Mwangi
4. Phyllis Wakiaga**
5. Crispin Achola
6. Philemon Kipkemoi
7. Wendilene Balie (Committee Secretary)***

Permanent invitee:

Waeni Ngea (Company Secretary)

Attendance to Committee meetings in 2023:

Name	Scheduled	Ad hoc
Peter Mwangi	2/2	1/1
Carol Musyoka*	1/1	0/0
Marion Gathoga-Mwangi	2/2	1/1
Phyllis Wakiaga**	0/0	0/0
Crispin Achola	2/2	1/1
Philemon Kipkemoi	2/2	1/1

Notes

* Carol Musyoka retired from the Committee on 15 June 2023 following her resignation from the Board.

** Phyllis Wakiaga was appointed to the Committee on 7 December 2023.

*** Wendilene Balie, the Head of HR, was appointed Committee Secretary on 1 November 2023 succeeding Lucy Evara who resigned effective the same day after redeployment to a different role within the BAT Group.

Mandate and role

The Remuneration Committee considers the remuneration policy annually for employees, Executive and Non-Executive Directors. The Committee ensures that the remuneration policy is in line with business needs, is performance-driven and appropriately benchmarked against other peer companies in Kenya.

The Remuneration Committee is responsible for:

- Ensuring that all aspects of the Company's remuneration offering are sufficiently competitive to attract and retain the desired talent pool, align with the BAT Group's reward policy and position the Company as an employer of choice;
- Setting executive remuneration policies covering salary and benefits, performance-based variable rewards, pensions, and the terms of service contracts;
- Determining, within the terms of the agreed remuneration policy the specific remuneration packages for the Board Chair, the Executive Directors and the Non-Executive Directors, both on appointment and on review;
- Reviewing and recommending to the Board targets applicable to the Company's performance-based variable reward schemes and determining achievement against those targets, exercising discretion where appropriate and as provided by the applicable scheme rules and policy;
- Reviewing and oversight of the people culture against set metrics;
- Reviewing and setting targets for the organisational design of the Company; and
- Monitoring and advising the Board on any major changes to the policy on employee benefit structures for the Company.

Key Remuneration Committee activities in 2023

- Review of the HR strategy, culture and people plans;
- Reviewing the Organisational Design of the Company to ensure that it is fit for purpose;
- Pay strategy and salary reviews;
- Receiving talent insights on joiners, movers and leavers and actions taken to attract and retain talent;
- Review of the Company's diversity and inclusion plans;
- Receiving updates on the progress of the negotiations on the Collective Bargaining Agreement with the Union; and
- A review of the Terms of Reference of the Committee.

Audit and Risk Committee

Current Members

1. Dr. Martin Oduor-Otieno (Chairperson)
2. Samuel Onyango
3. Marion Gathoga-Mwangi
4. Paul Muthaura**
5. Waeni Ngea (Committee Secretary) ***

Permanent invitees:

- Crispin Achola (Managing Director)
- Philemon Kipkemoi (Finance Director)
- Radu Eleanor-Samoila (Internal Auditor)

Attendance at meetings in 2023:

Name	Scheduled	Ad hoc
Dr. Martin Oduor-Otieno	3/3	0/0
Carol Musyoka*	1/1	0/0
Samuel Onyango	3/3	0/0
Marion Gathoga-Mwangi	2/3	0/0
Paul Muthaura	0/0	0/0

Notes:

* Carol Musyoka retired from the Committee on 15 June 2023 following her resignation from the Board.

** Paul Muthaura was appointed to the Committee on 7 December 2023.

*** Waeni Ngea was appointed Company Secretary on 23 October 2023 succeeding Kathryne Maundu who resigned effective the same day.

Mandate and role of the Audit and Risk Committee

The Audit and Risk Committee is primarily responsible for ensuring that the Company has proper and satisfactory internal operating control systems to identify and mitigate business risks and that the Company's business is conducted in an appropriate, economically sound, sustainable and ethical manner. The Audit and Risk Committee monitors and reviews the integrity of the Financial Statements and any formal announcements relating to the Company's performance; reviews the consistency of the accounting policies and systems applied by the Company and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance.

The Committee is also responsible for monitoring compliance with the Company's Standards of Business Conduct, applicable laws and regulations and monitoring and reviewing the performance, effectiveness, independence and objectivity of the Company's external auditors. The Audit and Risk Committee makes recommendations as to the external Auditor's reappointment/change, terms of engagement and the level of audit fees payable to them.

The Audit and Risk Committee has established and maintains an appropriate and transparent relationship with the external auditor who attends each meeting and is heard on any matter raised.

The Committee is also responsible for monitoring and reviewing the effectiveness of the internal audit function and recommending changes to the internal auditor where necessary. The Internal Audit Manager is a permanent invitee to the Committee and presents a report on the audit plan for the year with updates on ongoing and completed audits.

In line with the Code of Corporate Governance for Issuers of Securities to the Public 2015, the Audit and Risk Committee is comprised of at least three (3) independent and non-executive directors who are approved by shareholders at the Annual General Meeting. It is chaired by an independent non-executive director and has at least one (1) committee member who holds professional qualification in audit or accounting and is in good standing with a relevant professional body.

Key Audit and Risk Committee activities in 2023

The following items were considered by the Committee:

- The Company's 2022 full year and 2023 half year financial results including the application of accounting standards;
- The external auditor's report and 2023 external auditor's work plan including key audit matters;
- Updates from the Internal Audit Manager on both local and global process audits, the Management responses and remediation plans put in place;
- Updates on the Company's risk register, quarterly risk heat map, including deep dives into specific risk topics and mitigating factors;
- Quarterly reports on security risks, frauds and any resultant losses;
- Updates on regulatory developments, corporate social investment matters, land matters and significant litigation,
- Report on Environment, Health and Safety key aspects and focus areas;
- Reports on compliance with the Company's Standards of Business Conduct, any whistleblowing received and investigations into potential breaches;
- Training of members on emerging technologies, controls at BAT and relevant requirements from the United States Sarbanes-Oxley Act of 2002;
- Review of the performance and effectiveness of the Internal Audit Function;
- Annual review of the external auditor's effectiveness and independence;
- The 2022 legal and compliance audit report and progress of closure of actions arising therefrom;
- Progress of closure of actions arising from the 2022 governance audit;
- Progress of closure of actions arising from the Board evaluation;
- Reviewing and assessing compliance with the CMA Corporate Governance Practices for Issuers of Securities to the Public, 2015; and
- Review of the Committee's Terms of Reference which were adopted by the Board on 16 February 2023.

Financial and business reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position throughout the Annual Report. It is appropriate to treat the business as a going concern as there is enough existing financing available to meet expected requirements in the foreseeable future.

The Audit and Risk Committee is assigned to review financial, audit and internal control issues in supporting the Board which is responsible for the Financial Statements and all information in the Annual Report.

Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the significant risks that the Company is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit and Risk Committee, the Board annually carries out a review of the effectiveness of its risk management and internal control framework and systems, covering all material controls including financial, operational and compliance controls.

The Committee is responsible for recommending the Company's risk appetite and uses risk registers to identify, assess and monitor the key risks (both financial and non-financial) that the business faces. Information on prevailing trends is provided in relation to each risk and all identified risks are assessed at three levels (high/medium/low) by reference to their impact to the business and likelihood of the impact occurring. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis and at each Audit and Risk Committee meeting.

In compliance with BAT Group best practice in risk management, the Company also completes a checklist annually known as the Control Navigator. The Control Navigator tool enables a self-assessment into the internal control environment, assists in identifying any controls which require strengthening and sets out monitoring action plans to address the control weaknesses. The checklist is reviewed annually to ensure that it remains relevant to the business and covers all applicable key controls.

The Board, with the advice from the Audit and Risk Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the period since 1 January 2023. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External Auditor

KPMG Kenya is the Company's external auditor. The Audit and Risk Committee considers that its relationship with the external auditor worked well during the period and was satisfied with their effectiveness and performance. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years.

Standards of Business Conduct

The BAT Standards of Business Conduct (SoBC) express the high standards of integrity that BAT Kenya is committed to upholding. It is the foundation of the Company's Delivery with Integrity programme which deals with improving compliance, iterative risk management, overseeing reports of misconduct and empowering people to Deliver with Integrity. Every employee and member of the Board is required to live up to the Standards of Business Conduct and each annually signs a declaration confirming their compliance with the SoBC. Guidance on compliance is provided through training and awareness programmes which empower people to act responsibly and with integrity.

The SoBC also sets out the BAT Group's whistleblowing policy, which enables employees, directors and third parties, to raise concerns in confidence and without fear of reprisal, about possible improprieties or misconduct on various matters. All whistleblowing incidents are tabled at the Audit and Risk Committee and procedures implemented to ensure independent investigation and appropriate follow-up actions.

As part of educating employees further on various aspects of the SoBC, the Company in September 2023 held a series of mandatory trainings for targeted staff under the banner 'Integrity & Empowerment Series.' The training focused on respect in the workplace and Speak Up, management of conflicts of interest and data protection where employees were reminded of the Company's expectation about delivery with integrity and the various avenues through which they can raise any concerns on possible breaches of the SOBC.

The Standards of Business Conduct and reporting hotline are available on www.batkenya.com.

GOVERNANCE POLICIES

Board Charter

The BAT Kenya Board is governed by a Board Charter, which stipulates the roles and responsibilities of the Board and its members, the composition of the Board and its committees, and their respective terms of reference. The Board Charter is reviewed annually to ensure that it remains current.
The Board Charter and Terms of Reference can be accessed at **www.batkenya.com**

Statement on Insider Dealing

As a listed company, BAT Kenya is obliged under the Companies Act, 2015 to require that the Directors and certain other employees with inside information do not abuse or place themselves under suspicion of abusing insider information that they may have or be thought to have. This is especially so in periods leading up to an announcement of financial results. To this end, the Company has a Code of Share Dealing Policy, which sets out the requirements for BAT Kenya insiders, in dealing in shares of the Company.

Persons considered insiders are also prohibited from passing on inside information to others who may use the inside information to trade in the Company's securities. To ensure compliance with the Companies Act, 2015, on the above, the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and the Directors twice annually. Directors,

employees and certain suppliers (and their associates) must not trade in the Company's securities during closed periods.

To the best of the Company's knowledge, there was no insider dealing in the 2023 financial year.

Whistleblowing (or Speak-up) Policy

BAT Kenya's Standards of Business Conduct (SoBC) is a statement of the Company's values and drive to ensure Delivery with Integrity in its day-to-day activities. This policy covers the Company's commitments on issues such as bribery, corruption and human rights, in addition to setting out the Company's whistleblowing procedures.

The Whistleblowing Policy or Speak Up Policy provides the platform for employees to raise concerns in respect of any suspected wrongdoing, and details how such concerns will be addressed. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process. It receives a quarterly report through the Audit and Risk Committee on any arising whistleblowing matters, investigations undertaken, findings and remediation actions to mitigate ethical risks, strengthen internal controls and ensure a sustained speak up culture within the organisation.

Dispute Resolution Policy

The Company is committed to reaching prompt and fair resolution of disputes, conflicts or disagreement that may arise from time to time. The Dispute Resolution Policy provides guidance on management of disputes and is intended to contribute to effective dispute resolution for the Company whilst maintaining the relationship with its stakeholders.

Data Protection Policy

BAT Kenya acknowledges that personal data is a key asset for any Company. In recognising its role in the collection, use and management of personal data, the Board has in place the Data Protection Policy which provides guidance to employees and the general public on the below matters:

- compliance with local legislation and international laws and regulations on data protection;
- protection of the rights of data subjects (employees, business partners, customers); and
- transparency in collection, processing and storing of people's data.

Information Technology Policy

The Company invests heavily in information digital technology systems, to support the delivery of its innovation and transformation agenda. The information technology (IT) systems are covered under an IDT policy which aims to protect the Company's investment in information technology infrastructure (including IT equipment, mobile facilities, data/ telecommunications networks and software) and maintain the highest standards of cyber security, while protecting the Company's confidential and sensitive information.

The policy aims to facilitate ease of use of IT systems by staff, business partners and other stakeholders while mandating the responsible use of IT systems and available digital business solutions. In delivering on its objectives, the Company leverages on IDT expertise within the BAT Group, taking learnings from economies of scale in purchase of IT equipment and services.

Procurement Policy

The procurement policy governs the procurement of goods and services within the Company. This policy and the related procedures are necessary to ensure that business procurement can generate value by satisfying the needs of the organisation with respect to service and cost associated with acquisition of goods and services, (except for tobacco), salaries and strategic machinery.

The policy also ensures that the most appropriate and effective controls are applied in the purchase of goods and services for the Company's needs. The Company periodically reviews this policy as may be necessitated by market conditions, legal requirements or other relevant factors.

Environmental, Health and Safety Policies

The Board is committed to ensuring that the Company operates responsibly, sustainably, ethically and as a good corporate citizen. In that regard, BAT Kenya has robust Environmental Health and Safety policies aimed at providing a safe and healthy working environment for its employees and any other person within the Company's sphere of operations.

The Company also maintains an Energy Management Policy, aimed at achieving the highest practicable levels of energy conservation, water conservation and reducing CO2 emissions, for the conservation of the environment and the sustainability of natural resources.

With the implementation of extended producer responsibility in the country through enactment of the Sustainable Waste Management Act 2022, the Company has an obligation to ensure that its packaging is responsibly disposed post-consumer use. To discharge this obligation, the Company became a member of Kenya Extended Producer Responsibility Organisation (KEPRO) through which it collaborates with other manufacturers, importers and stakeholders on activities geared towards post-consumer waste management.

Corporate Social Investment (CSI) and Responsibility

The Company has a comprehensive and effective Corporate Social Investment (CSI) and Responsibility framework underpinned by five core beliefs:

a) Creating long-term shareholder value;
b) Engaging constructively with our stakeholders;
c) Creating inspiring working environments for our people;
d) Adding value to the communities in which we operate; and
e) Suppliers, and other business partners should have the opportunity to benefit from their relationship with the Company.

The CSI strategy is derived from our belief in adding value to the communities in which we operate. Our CSI framework focuses on sustainable agriculture and environmental conservation. As such at least 70% of our CSI spend is driven towards this pillar (currently focusing on afforestation and biodiversity), while 30% is allocated to other relevant initiatives.

The above policies and statements can be accessed at **www.batkenya.com**

ENGAGEMENT WITH SHAREHOLDERS

The Board recognizes the importance of maintaining transparency and accountability to our shareholders, investors and stakeholders and works to ensure that all shareholders are treated equitably, and their rights are protected.

The Company employs diverse channels and mechanisms to communicate and disseminate information to its various stakeholders, including shareholders. These channels and mechanisms include collection of investor feedback and communication via the investor relations function, financial information on the Company being made available on the Company's website in a timely manner and financial results being provided on a half yearly basis in national media publications. All shareholders with updated email contacts receive direct communication from the Company through its Share Registrar on the said communication.

The Company's Annual General Meeting (AGM) is also an opportunity for shareholder engagement when the Board Chair and the Managing Director explain the Company's full year performance and receive questions from shareholders. The Chairs of the Audit and Risk, Nominations and Governance and Remuneration Committees are normally available at the AGM to take any relevant questions. All other Directors attend, unless illness or pressing commitments preclude them from doing so.

The Company recognizes the importance of shareholder participation in meetings. Shareholders are strongly encouraged to attend and participate in the AGM. Notice of meetings and all statutory notices and information are communicated to shareholders on time. Shareholders who are unable to attend the AGM in person are encouraged to vote on the proposed resolutions by appointing a proxy prior to the AGM.

The AGM provides an opportunity for shareholders to engage with the Company's representatives. At the meeting, a reasonable opportunity is allowed for shareholders to ask questions about or make comments on the management of the Company. The Board has always placed considerable importance on effective communication with its shareholders and ensures shareholder rights are protected.

The Company will ordinarily hold investor/analysts briefings at least twice a year (on publication of full year and half year results) to facilitate further engagement with key stakeholders from the Nairobi Securities Exchange, Capital Markets Authority and various managers representing institutional and foreign investors. The Managing Director and Finance Director are among senior management members at hand at such briefings to respond to stakeholder queries.

During the analyst call held in February 2023, the AGM held on 15 June 2023 and the investor briefing held in July 2023, shareholders and stakeholders were keen to hear more on, among other things, the Company's performance, the latest developments in industry regulation, dividends payable and the Company's sustainability and sustainability initiatives.

All shareholders queries, application for registration of transfer of shares of the company, immobilization of shares and dividend queries as well as the collection of share certificates and dividend cheques are handled by the Company's appointed share registrar – Image Registrars Limited. The Company Secretary receives a regular report from the Share Registrar on any arising shareholder issues which are managed by Management and the Board as applicable.

The Share Registrar can be reached at their offices on the 5th Floor, Absa Towers (Formerly, Barclays Plaza), Loita Street, P. O. Box 9287-00100, Nairobi or through their e-mail address **info@image.co.ke** or **batshares@image.co.ke** and their telephone numbers +254 709 170000 / 709 170030.

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Reports & **Financials Statements**

DIRECTOR'S REPORT

The Directors submit their report together with the annual audited Financial Statements for the year ended 31 December 2023, which disclose the state of affairs of the Group and of the Company.

Principal activities

The principal activities of the Group are the manufacture and sale of tobacco and tobacco free oral nicotine pouches.

Results and Dividend

The net profit for the year of KShs 5,568,017,000 (2022: KShs 6,891,992,000) has been added to retained earnings. During the year an interim dividend of KShs 500,000,000 (2022: KShs 500,000,000) was paid. The Directors recommend the approval of a final dividend of KShs 4,500,000,000 (2022:KShs 5,200,000,000.

Directors

The Directors who held office during the year and to the date of this report are set out on page 4. The following changes to the Board composition occurred in 2023:

- Carol Musyoka retired as Director on 15 June 2023.
- Phyllis Wakiaga was appointed as a Director on 23 October 2023.
- Paul Muthaura was appointed as a Director on 23 October 2023.

Business overview

Financial performance

Gross sales including indirect taxes reduced by 2% to KShs 41 billion. This was primarily driven by lower sales, which reflects the impact of excise-led price increases in the domestic market and geo-political disruptions in key export markets.

Taxes in the form of Excise Duty and Value Added Tax (VAT) also went up by 6% to KShs 15.7 billion following rollover impact of inflationary increases in excise duty rates. Consequently, net revenue reduced by 7% to KShs 25.6 billion.

Profit after tax reduced by 19% to KShs 5.6 billion driven by the reduction in revenue and increase in costs due to the impact of inflation on cost base partly offset by effective admin cost management.

Auditor

The auditor, KPMG Kenya, is eligible and hereby offer themselves for re-appointment in accordance with the requirements of Section 721 the Kenyan Companies Act, 2015.

Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that he or she ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approval of the Financial Statements

The Financial Statements set out on pages 90 to 98 were approved and authorised at a meeting of the Directors held on 14 February 2024.

By order of the Board

Waeni Ngea
Company Secretary

14 February 2024

RIPOTI YA MKURUGENZI

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za fedha zilizokaguliwa za mwaka uliomalizika tarehe 31 Disemba 2023, ambazo zinafichua hali ya mambo ya Kikundi na Kampuni.

Shughuli kuu

Shughuli kuu za Kikundi ni utengenezaji na uuzaji wa tumbaku na mifuko ya nikotini ya kinywani isiyo na tumbaku.

Matokeo ya Gawio

Faida halisi ya mwaka ya Shilingi 5,568,017,000 (2022: Shilingi 6,891,992,000) imeongezwa kwenye mapato yaliyobakizwa. Katika mwaka huo gawio la muda la Shilingi 500,000,000 (2022: Shilingi 500,000,000) lililipwa. Wakurugenzi wanapendekeza kuidhinishwa kwa gawio la mwisho la Shilingi 4,500,000,000 (2022: Shilingi 5,200,000,00).

Wakurugenzi

Wakurugenzi waliokuwa ofisini katika mwaka huo hadi tarehe ya ripoti hii wametajwa kwenye ukurasa wa 4. Mabadiliko yafuatayo yalifanyika katika muundo wa Bodi mwaka wa 2023:

- Carol Musyoka, aliyekuwa Mkurugenzi, alistaafu tarehe 15 Juni 2023.
- Phyllis Wakiaga aliteuliwa kuwa Mkurugenzi tarehe 23 Oktoba 2023.
- Paul Muthaura aliteuliwa kuwa Mkurugenzi tarehe 23 Oktoba 2023.

Maelezo jumla kuhusu biashara

Utendaji wa kifedha

Mazao jumla yakijumuisha ushuru usio wa moja kwa moja yalipungua kwa 2% hadi Shilingi bilioni 41. Hii ilichangiwa hasa na mauzo ya chini, ambayo yanaakisi athari ya ongezeko la bei kutokana na ushuru katika soko la ndani na vurugu za siasa za kieneo katika masoko muhimu ya biasharanje.
Kodi za aina ya Ushuru wa Bidhaa na Kodi ya Ongezeko la Thamani (VAT) pia zilipanda kwa 6% hadi Shilingi milioni 15.7 kufuatia usambaaji wa athari ya ongezeko la mfumko wa bei kwa viwango vya ushuru wa bidhaa. Kwa hiyo, mapato halisi yalipungua kwa 7% hadi Shilingi bilioni 25.6.
Fadia baada ya kodi ilipungua kwa 19% hadi Shilingi bilioni 5.6 kwa sababu ya kupungua kwa mapato na ongezeko la gharama kutokana na athari za mfumko wa bei kwa gharama asilia ambayo kwa kiasi fulani inasawazishwa na usimamizi madhubuti wa gharama za uendeshaji.

Mkaguzi

Mkaguzi, KPMG Kenya, anastahiki na hivyo anaomba kuteuliwa tena kwa mujibu wa masharti ya Sehemu ya 721 ya Sheria ya Makampuni ya Kenya, 2015.

Taarifa muhimu za ukaguzi

Wakurugenzi walio ofisini tarehe ya ripoti hii wanathibitisha kwamba:

- Hakuna taarifa muhimu za ukaguzi ambazo mkaguzi wa Kampuni hajui; na
- Kila mkurugenzi amefanya kila alichopaswa kufanya kama mkurugenzi ili kufahamu taarifa zote muhimu za ukaguzi na kuthibitisha kwamba mkaguzi wa Kampuni anafahamu taarifa hizo.

Uidhinishaji wa Taarifa za Fedha

Taarifa za fedha zilizobainishwa katika ukurasa wa 90 hadi 98 ziliidhinishwa na kuthibitishwa katika mkutano wa Wakurugenzi uliofanyika tarehe 14 Februari 2024.

Kwa amri ya Bodi

Waeni Ngea
Katibu wa Kampuni

14 Februari 2024.

DIRECTOR'S REMUNERATION REPORT

Information not subject to audit

Our Remuneration Policy 2023

The Remuneration Policy and Remuneration Report for the Executive Directors and the Non-Executive Directors applicable in 2023 were approved by shareholders at the 2023 Annual General Meeting held on 15 June 2023. The report has been prepared in accordance with the relevant provisions of both the CMA Code of Corporate Governance guidelines on Directors' remuneration and the Kenyan Companies Act, 2015.

Our principles of remuneration

The Group and Company's remuneration principles seek to reward the delivery of the Group's strategy in a simple and straightforward manner which is aligned to shareholders' long-term sustainable interests. The remuneration structure is designed to recognise the skills and experience of the Directors and ensure a market competitiveness for talent.

Executive Directors

Executive Directors' remuneration comprises fixed and variable elements. The fixed elements comprise base salary, pension and other benefits. The variable elements are provided to Executive Directors and Senior Managers via two performance-based incentive schemes; (a single cash and share incentive annual bonus plan (IEIS), and a single long term incentive scheme Performance Share Plan (PSP). There is also the Restricted Share Plan (RSP) which is not performance based but a percentage of the base pay.

We have summarised the key elements below to facilitate the understanding of the Directors' Remuneration Report. The table below summarized the main elements of the remuneration packages of the Executive Directors as compensation for their role as key management within the BAT Group.

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Basic salary	Attract and retain high calibre individuals to deliver the Company's strategic plans by offering market competitive remuneration to reflect an individual's skills and experience.	• Paid in 12 equal monthly instalments during the year and is pensionable. • Reviewed annually with salary changes effective from April depending on performance	Individual and business performance
Pension	Provide competitive post-retirement benefit arrangements so as to attract and retain high calibre talent to drive delivery of Group strategy.	• 9% of base salary	None
Other benefits	Provide market competitive benefits which: • facilitate the attraction and retention of high calibre talent to deliver the Group's strategic plans; and • recognise that such talent is global in source and that the availability of certain benefits are key enablers for attraction and retention.	Range of benefits include: • Car allowance, driver and domestic allowance • Medical insurance • Personal life and accident insurance • Security • Education allowances For international assignees additional benefits include: • Travel allowance • Housing allowance • Relocation expense • Tax advice and • Tax equalization payments	None

Information not subject to audit (continued)

Executive Directors (continued)

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Short term Incentives	Incentivise the attainment of corporate targets aligned to the strategic objectives of the Group on an annual basis.	• Targets are set annually based on the group and company business plans. • Payout is done annually in March after measurements and approval of results. • 60% of the bonus is paid in cash, 40% is awarded as shares in the Parent Company (BAT plc) • Bonus ranges from 0-110% of annual Salary for Managing Director, 0-90% for Finance Director	• Volume share growth-10% (2021: 10%) • New Categories Revenue -15% (2021: 30%) • New Categories Contribution Improvement 20% (2021: nil) • Adjusted Profit From Operations - 25% (2021: 30%) • Adjusted Cash Generated from Operations - 30% (2021: 20%)
Long term Incentives Restricted Share Plan(RSP)	Incentivise and promote the long-term sustainable success of the Group.	• Targets are set covering a three-year period for BAT Group UK results. • The award vests on the third anniversary of the award, • The number of shares will depend on the share price.	• Fixed award as a % of base pay
Long term Incentives Performance Share Plan(PSP)	Incentivise and promote the long-term sustainable success of the Group	• Targets are set covering a three-year period for BAT Group UK results. • The award vests on the third anniversary of the award, • The number of shares that ultimately vest will depend on the performance delivered and share price.	• Earnings per share (EPS), • Total share-holder return (TSR), • Net Turnover and • Cash conversion • Growth in New Categories Revenue

During the year, the performance metrics for the short-term incentives were enhanced to reflect the focus on delivering incremental value to shareholders year-on-year and the Group's drive to deliver A Better Tomorrow™ by growing the new categories and strategic brands.

Chairman and Non-Executive Directors

The quantum and structure of Non-Executive Directors' remuneration will be assessed primarily against the same remuneration comparator group of companies used for setting the remuneration for Executive Directors.

The table on the next page summarises the elements of reward for Non-Executive Directors.

Information not subject to audit (continued)

Reward	Purpose and link to strategy	Mechanics of reward	Performance metrics
Fees	Fees for Non-Executive Directors need to be sufficient to attract, motivate and retain individuals with skills and senior-level experience to drive the Company's strategy forward	• Fixed monthly retainer • Sitting allowance for every committee or board meeting. • Reviewed annually and adjusted as required	As per Annual Board Evaluation
Travel and related expenses	Recognise that high calibre talent is global in source and it is necessary to reimburse cost of travel to avoid it being an inhibitor to accepting the role	Non-Executive Directors based out of the country are reimbursed for cost of travel and related expenses incurred by them as Directors of the Company in respect of attendance at Board, Committee and General meetings	None

Other terms – Non-Executive Directors

Shareholding requirements	• There are no formal requirements for the Non-Executive Directors to hold shares in the Company. However, Non-Executive Directors are encouraged to acquire a small interest during the initial years after their date of appointment. • The Non-Executive Directors do not participate in the British American Tobacco Group share scheme, bonus schemes or incentive plans and are not members of any Company pension plan.
Terms of appointment	The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment, which are available for inspection at the Company's registered office upon notice.
Terms of termination	On termination, at any time, a Non-Executive Director is entitled to any accrued but unpaid Director's fees but not to any other compensation.

The Remuneration Committee conducts an annual review to ensure application and alignment of the Policy with the business needs to promote the long-term success of the Company.

Service contracts – Executive Directors

Duration of current contracts

The Managing Director and Finance Director are on permanent and pensionable contracts with the following execution dates:

Executive Director	Execution date	End date
Philemon Kipkemoi	28 May 2020	-
Crispin Achola	1 January 2021	-

Notice period

Executive Director	Notice period
Philemon Kipkemoi	3 months
Crispin Achola	6 months

Provision for early termination of contracts

On early termination of contracts, the executive directors are eligible for redundancy packages as follows:

- 1 Month salary in lieu of notice
- 2 Months' salary
- 4 Days' worth of salary for every month worked

In the event that the contract is terminated for cause (such as gross misconduct), the Company may terminate the contract with immediate effect and no compensation would be payable.

Information subject to audit (continued)

Directors' remuneration and compensation as key management for the year ended 31 December 2023

The following table shows a summary of remuneration for the Executive Directors in respect of qualifying services as directors and compensation as key management for the year ended 31 December 2023 together with comparative figures for 2022:

	Salary		Taxable benefits		Short-term incentives		Long-term incentives		Pension		Total	
	KShs'000		KShs'000		KShs'000		KShs'000		KShs'000		KShs'000	
Executive Director	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Crispin Achola	14,648	13,600	2,863	3,633	6,976	9,588	6,154	5,094	1,318	1,224	31,959	33,139
Philemon Kipkemoi	10,140	9,028	1,986	2,357	3,789	3,894	2,996	2,952	913	812	19,824	19,043
Total remuneration	**24,788**	**22,628**	**4,849**	**5,990**	**10,765**	**13,482**	**9,150**	**8,046**	**2,231**	**2,036**	**51,783**	**52,182**

The following table shows a summary of remuneration for the Non-Executive Directors in respect of qualifying services for the year ended 31 December 2023 together with comparative figures for 2022:

Non-Executive Directors	Fixed retainer		Sitting allowance		Chairman's honoraria		Total	
	KShs'000		KShs'000		KShs'000		KShs'000	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Rita Kavashe	4,407	4,211	363	378	2,500	2,500	7,270	**7,089**
Marion Gathoga-Mwangi	2,738	2,617	329	284	-	-	3,067	**2,901**
Peter Mwangi	2,738	2,617	430	315	-	-	3,168	**2,932**
Dr. Martin Oduor-Otieno	2,738	2,617	298	252	-	-	3,036	**2,869**
Dr. Macharia Irungu	2,738	2,617	331	221	-	-	3,069	**2,838**
Samuel Onyango	2,738	2,617	298	284	-	-	3,036	**2,901**
Carol Musyoka	1,232	2,617	162	347	-	-	1,394	**2,964**
Paul Muthaura	463	-	98	-	-	-	561	**-**
Phyllis Wakiaga	463	-	64	-	-	-	527	**-**
Total remuneration	**20,255**	**19,913**	**2,373**	**2,081**	**2,500**	**2,500**	**25,128**	**24,494**

Information not subject to audit (continued)

Other required disclosures

Payments to former Directors and payments for loss of office

The Company did not make any payments of money or other assets to former Directors. There were no other sums paid to third parties in respect of directors' services.

Voting on the Remuneration Report at the 2023 AGM and engagement with shareholders

During the 2023 AGM, held on 15 June 2023, 89.55% of the votes cast with respect to the Directors' remuneration policy and report were in favour, 10.45% were against and there were negligible abstensions

Director's shareholding

Director's shareholding in British American Tobacco Kenya plc as at 31 December 2023 is as follows:

Director	2023	2022
Marion Gathoga-Mwangi	671	671
Sidney Wafula	300	300
Carol Musyoka	Not Applicable	200

By order of the Board

Waeni Ngea
Company Secretary

14 February 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Financial Statements of British American Tobacco Kenya plc set out on pages 90 to 98 which comprise the consolidated and company statements of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for year then ended, and notes to the Financial Statements including material accounting policies.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the Financial Statements in the circumstances, preparation and presentation of Financial Statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015 the Directors are required to prepare Financial Statements for each financial year which give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company.

The Directors accept responsibility for the annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the Financial Statements give a true and fair view of the financial position of the Group and Company and Group profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Financial Statements, as indicated above, were approved and authorised for issue by the Board of Directors at a meeting held on 14 February 2024.

Rita Kavashe **Chairperson**	Crispin Achola **Managing Director**	Philemon Kipkemoi **Finance Director**

14 February 2024

INDEPENDENT AUDITOR'S REPORT

To the members of British American Tobacco Kenya plc

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate Financial Statements of British American Tobacco Kenya plc (the Group and the Company) set out on pages 90 to 98 which comprise the consolidated and company statements of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate Financial Statements, including material accounting policies.

In our opinion, the accompanying consolidated and separate Financial Statements give a true and fair view of the consolidated and separate financial position of British American Tobacco Kenya plc as at 31 December 2023, and of its consolidated financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the group and company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code),* together with the ethical requirements that are relevant to our audit of the consolidated and separate Financial Statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

Provisions and contingent liabilities in respect of litigations

The group and company are subject to claims, which could have an impact on the group's and the company's results if the potential exposures were to materialise. The directors apply judgment when considering whether, and how much, to provide for the potential exposure of each litigation. We focused on this area given the complexity and judgment necessary to determine whether to provide for, how much to provide for, disclose or not disclose certain exposures.

Our audit procedures in this area included, but was not limited to, an assessment of the processes and controls operated over litigations by the group and company. We held discussions with the group's and the company's in-house legal counsel, including after the year end, to discuss the nature of on-going claims, and to evaluate the latest status and accounting and disclosure implications.

We also obtained formal confirmations from the group's and company's external counsel for significant litigation matters to assess completeness of provisioning and disclosure.

We assessed the legal opinion from the external lawyers and challenged the basis used for the provisions recorded or disclosures made by the

To the members of British American Tobacco Kenya plc

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

group and company by evaluating the external lawyers assessment of the likely outcome. Where provisions were not required, we also considered the adequacy and completeness of the group's and company's disclosures made in relation to contingent liabilities. These are contained in accounting policy Note 4 (i) – Critical accounting estimates and judgments and disclosure Note 33 - Contingent liabilities.

Other information

The directors are responsible for the other information. The other information comprises *the Directors and statutory information, Directors' Report, the Directors' Remuneration Report and the statement of Directors' Responsibilities* but does not include the consolidated and separate Financial Statements and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other information to be included in the published *Annual Report and Financial Statements For the Year ended 31 December 2023*, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate Financial Statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015 as set out below.

In connection with our audit of the consolidated and separate 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 consolidated and separate 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 have 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.

Directors' responsibilities for the consolidated and separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate Financial Statements, the directors are responsible for assessing the group's 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.

Auditor's responsibilities for the audit of the consolidated and separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate Financial Statements.

To the members of British American Tobacco Kenya plc

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate Financial Statements, including the disclosures, and whether the consolidated and separate 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 consolidated 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the members of British American Tobacco Kenya plc (Continued)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

Auditor's responsibilities for the audit of the consolidated and separate Financial Statements (continued)

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, solely based on our audit of the consolidated and separate Financial Statements, that in our opinion:

(i) The information given in the Report of the Directors on pages 78 and 79 is consistent with the consolidated and separate Financial Statements; and,

(ii) the auditable part of the Directors' Remuneration Report on pages 80 to 84 has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this Independent Auditor's Report is CPA Willis Genga practicing certificate number P/2617.

For and on behalf of

KPMG Kenya
Certified Public Accountants of (Kenya)
PO Box 40612-00100
Nairobi

14 February 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Notes	KShs' 000	KShs' 000
Gross sales including indirect taxes		**41,249,470**	**42,246,714**
Excise duty and Value Added Tax (VAT)	6	(15,691,919)	(14,868,792)
Revenue	7	**25,557,551**	**27,377,922**
Cost of sales	8	(14,984,177)	(14,232,690)
Marketing and distribution costs	9	(1,450,285)	(1,166,405)
Administration and other expenses	10	(1,412,052)	(2,218,586)
Other income		214,746	120,110
Operating profit		**7,925,783**	**9,880,351**
Finance income	11	96,555	32,522
Profit before tax	12	**8,022,338**	**9,912,873**
Income tax expense	14	(2,454,321)	(3,020,881)
Profit for the year		**5,568,017**	**6,891,992**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property plant and equipment		-	-
Items that may be reclassified to profit or loss			
Net fair value gain		204	15,587
Total comprehensive income for the year		**5,568,221**	**6,907,579**
Earnings per share:			
Basic and diluted earnings per share (KShs)	15	55.68	68.92

The notes on pages 99 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2023	2022
Capital and reserves attributable to the company's equity holders	**Notes**	**KShs' 000**	**KShs' 000**
Share capital	17	1,000,000	1,000,000
Share premium	17	23	23
Other reserves	17	-	204
Revaluation surplus	18	2,761,700	2,799,711
Retained earnings		7,988,037	7,382,009
Proposed dividend	16	4,500,000	5,200,000
Total equity		**16,249,760**	**16,381,947**
Non-current liabilities			
Borrowings	27	8,813	13,544
Deferred income tax	19	1,991,624	2,070,569
Total non-current liabilities		**2,000,437**	**2,084,113**
Total equity and non-current liabilities		**18,250,197**	**18,466,060**
Non-current assets			
Property, plant and equipment	20(a)	11,541,830	11,935,486
Deferred income tax	19	264,875	160,336
		11,806,705	**12,095,822**
Current assets			
Inventories	22	5,641,329	3,631,737
Current income tax	28	563,339	512,962
Receivables and prepayments	23	3,951,603	5,034,078
Derivative financial instruments	24	3,136	2,772
Cash and cash equivalents	25	1,820,542	2,368,003
Assets held for sale	20(b)	263,294	301,670
		12,243,243	**11,851,222**
Current liabilities			
Payables and accrued expenses	26	5,360,637	5,064,163
Borrowings	27	13,942	22,716
Derivative financial instruments	24	-	4,848
Provisions for liabilities and charges	30	425,172	389,257
Total current liabilities		**5,799,751**	**5,480,984**
Net current assets		**6,443,492**	**6,370,238**
Total assets less current liabilities		**18,250,197**	**18,466,060**

The notes on pages 99 to 142 are an integral part of these Financial Statements. The Financial Statements on pages 90 to 98 were approved and authorised for issue by the Board of Directors on and signed on its behalf by:

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemoi
Finance Director

COMPANY STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2023	2022
	Notes	KShs' 000	KShs' 000
Capital and reserves attributable to the Company's equity holders			
Share capital	17	1,000,000	1,000,000
Share premium	17	23	23
Hedging reserve	17	-	204
Revaluation surplus	18	2,761,700	2,799,711
Retained earnings		7,988,037	7,382,009
Proposed dividend	16	4,500,000	5,200,000
Total equity		**16,249,760**	**16,381,947**
Non-current liabilities			
Borrowings	27	-	6,479
Deferred income tax	19	1,991,624	2,070,569
Total non-current liabilities		**1,991,624**	**2,077,048**
Total equity and non-current liabilities		**18,241,384**	**18,458,995**
Non-current assets			
Property, plant and equipment	20(a)	9,993,714	10,436,532
Investment in subsidiaries	21	12,000	12,000
		10,005,714	**10,448,532**
Current assets			
Inventories	22	5,536,875	3,555,366
Current income tax	28	529,979	451,098
Receivables and prepayments	23	4,890,424	5,800,579
Derivative financial instruments	24	3,136	2,772
Cash and cash equivalents	25	1,820,556	2,367,962
Assets held for sale	20(b)	263,294	301,670
		13,044,264	**12,479,447**
Current liabilities			
Payables and accrued expenses	26	4,371,357	4,053,376
Borrowings	27	12,065	21,503
Derivative financial instruments	24	-	4,848
Provisions for liabilities and charges	30	425,172	389,257
		4,808,594	**4,468,984**
Net current assets		**8,235,670**	**8,010,463**
Total assets less current liabilities		**18,241,384**	**18,458,995**

The notes on pages 99 to 142 are an integral part of these Financial Statements. The Financial Statements on pages 90 to 98 were approved and authorised for issue by the Board of Directors on and signed on its behalf by:

Rita Kavashe
Chairperson

Crispin Achola
Managing Director

Philemon Kipkemoi
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023	Notes	Share capital KShs' 000	Share premium KShs' 000	Hedging reserve KShs' 000	Revaluation surplus KShs' 000	Retained earnings KShs' 000	Proposed dividends KShs' 000	Total equity KShs' 000
Balance as at 1 January 2023		**1,000,000**	**23**	**204**	**2,799,711**	**7,382,009**	**5,200,000**	**16,381,947**
Comprehensive income for the year								
Profit for the year		-	-	-	-	5,568,017	-	5,568,017
Transfer of excess depreciation	14	-	-	-	(54,302)	54,302	-	-
Deferred income tax on transfer	14	-	-	-	16,291	(16,291)	-	-
					(38,011)	**38,011**		
Hedge fair value gain through P&L		-	-		-	-	-	-
Hedge fair value (loss) through OCI		-	-	(291)	-	-	-	(291)
Deferred tax in respect of fair value gain through OCI		-	-	87	-	-	-	87
		-	**-**	**(204)**	**-**	**-**	**-**	**(204)**
Transactions with owners								
Distribution to owners (dividends):							(5,200,000)	(5,200,000)
- Final for 2022 paid	16	-	-	-	-	-	-	-
- Interim for 2023 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2023	16	-	-	-	-	(4,500,000)	4,500,000	-
Total transactions with owners		-	-	-	-	(5,000,000)	(700,000)	(5,700,000)
At end of year		**1,000,000**	**23**	**-**	**2,761,700**	**7,988,037**	**4,500,000**	**16,249,760**

The notes on pages 99 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022	Notes	Share capital KShs' 000	Share premium KShs' 000	Hedging reserve KShs' 000	Revaluation surplus KShs' 000	Retained earnings KShs' 000	Proposed dividends KShs' 000	Total equity KShs' 000
Balance as at 1 January 2022		**1,000,000**	**23**	**(15,383)**	**2,837,183**	**6,152,545**	**5,000,000**	**14,974,368**
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,891,992	-	6,891,992
Transfer of excess depreciation	14	-	-	-	(53,531)	53,531	-	-
Deferred income tax on transfer	14	-	-	-	16,059	(16,059)	-	-
					(37,472)	**37,472**		**-**
Hedge fair value gain through P&L		-	-	22,268	-	-	-	22,268
Hedge fair value (loss) through OCI		-	-	-	-	-	-	-
Deferred tax in respect of fair value gain through OCI		-	-	(6,681)	-	-	-	(6,681)
				15,587				**15,587**
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2021 paid	16	-	-	-	-		(5,000,000)	(5,000,000)
- Interim for 2022 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2022	16	-	-	-	-	(5,200,000)	5,200,000	-
Total transactions with owners		-	-	-	-	(5,700,000)	200,000	(5,500,000)
At end of year		**1,000,000**	**23**	**204**	**2,799,711**	**7,382,009**	**5,200,000**	**16,381,947**

The notes on pages 99 to 142 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023	Notes	Share capital KShs' 000	Share premium KShs' 000	Hedging reserve KShs' 000	Revaluation surplus KShs' 000	Retained earnings KShs' 000	Proposed dividends KShs' 000	Total equity KShs' 000
Balance as at 1 January 2023		1,000,000	23	204	2,799,711	7,382,009	5,200,000	16,381,947
Comprehensive income for the year								
Profit for the year		-	-	-	-	5,568,017	-	5,568,017
Transfer of excess depreciation	14	-	-	-	(54,302)	54,302	-	-
Deferred income tax on transfer	14	-	-	-	16,291	(16,291)	-	-
		-	-	-	(38,011)	38,011	-	-
Hedge fair value gain/(loss) through P&L		-	-	-	-	-	-	-
Hedge fair value gain/(loss) through OCI		-	-	(291)	-	-	-	(291)
Deferred tax in respect of fair value gain/(loss) through OCI		-	-	87	-	-	-	87
		-	-	(204)	-	-	-	(204)
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2022 paid	16	-	-	-	-	-	(5,200,000)	(5,200,000)
- Interim for 2023 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2023	16	-	-	-	-	(4,500,000)	4,500,000	-
Total transactions with owners		-	-	-	-	(5,000,000)	(700,000)	(5,700,000)
At end of year		1,000,000	23	-	2,761,700	7,988,037	4,500,000	16,249,760

The notes on pages 99 to 142 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022	Notes	Share capital KShs' 000	Share premium KShs' 000	Hedging reserve KShs' 000	Revaluation surplus KShs' 000	Retained earnings KShs' 000	Proposed dividends KShs' 000	Total equity KShs' 000
Balance as at 1 January 2022		**1,000,000**	**23**	**(15,383)**	**2,837,183**	**6,152,545**	**5,000,000**	**14,974,368**
Comprehensive income for the year								
Profit for the year		-	-	-	-	6,891,992	-	6,891,992
Transfer of excess depreciation	14	-	-	-	(53,531)	53,531	-	-
Deferred income tax on transfer	14	-	-	-	16,059	(16,059)	-	-
					(37,472)	**37,472**		
Hedge fair value gain/(loss) through P&L		-	-	-	-	-	-	-
Hedge fair value gain/(loss) through OCI		-	-	22,268	-	-	-	22,268
Deferred tax in respect of fair value (loss) through OCI		-	-	(6,681)	-	-	-	(6,681)
		-	-	**15,587**	-	-	-	**15,587**
Transactions with owners								
Distribution to owners (dividends):								
- Final for 2021 paid	16	-	-	-	-		(5,000,000)	(5,000,000)
- Interim for 2022 paid	16	-	-	-	-	(500,000)	-	(500,000)
- Proposed final for 2022	16	-	-	-	-	(5,200,000)	5,200,000	-
Total transactions with owners		-	-	-	-	(5,700,000)	-	(5,500,000)
At end of year		**1,000,000**	**23**	**204**	**2,799,711**	**7,382,009**	**5,200,000**	**16,381,947**

The notes on pages 99 to 142 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2023	2022
	Notes	KShs' 000	KShs' 000
Cash flows from operating activities			
Cash generated from operations	31	8,482,276	9,205,037
Interest received	11	14,498	20,487
Interest paid	11	(189,378)	(79,446)
Income tax paid	28	(2,688,095)	(3,527,293)
Net cash generated from operating activities		**5,619,301**	**5,618,784**
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(439,362)	(751,502)
Net cash used in investing activities		**(439,362)**	**(751,502)**
Cash flows from financing activities			
Dividends paid to the company shareholders	16	(5,700,000)	(5,500,000)
Payment of principal portion of lease liabilities	27	(27,400)	(28,034)
Net cash used in financing activities		**(5,727,400)**	**(5,528,034)**
Net movement in cash and cash equivalents		**(547,461)**	**(660,752)**
Cash and cash equivalents at beginning of year		2,368,003	3,028,755
Cash and cash equivalents at end of year	**25**	**1,820,542**	**2,368,003**

The notes on pages 99 to 142 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2023	2022
	Notes	KShs' 000	KShs' 000
Cash flows from operating activities			
Cash generated from/(utilised by) operations	31	1,262,007	(269,408)
Interest received	11	14,498	20,487
Interest paid	11	(187,645)	(79,389)
Income tax paid	28	(491,878)	(163,215)
Net cash generated from/(used in) operating activities		**596,982**	**(491,525)**
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(391,890)	(769,896)
Net cash used in investing activities		**(391,890)**	**(769,896)**
Cash flows from financing activities			
Dividends received from subsidiary		4,972,221	6,126,005
Dividends paid to the company shareholders	16	(5,700,000)	(5,500,000)
Payment of lease liabilities	27	(24,719)	(25,360)
Net cash (used in)/generated from financing activities		**(752,498)**	**600,645**
Net movement in cash and cash equivalents		**(547,406)**	**(660,776)**
Cash and cash equivalents at beginning of year		2,367,962	3,028,738
Cash and cash equivalents at end of year	**25**	**1,820,556**	**2,367,962**

The notes on pages 99 to 142 are an integral part of these Financial Statements.

NOTES

1 General information

British American Tobacco Kenya plc is incorporated in Kenya under the Kenyan Companies Act, 2015 as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

08, Likoni Road, Industrial Area
P.O. Box 30000 – 00100
Nairobi

60% of the Company is controlled by the British American Tobacco Plc incorporated in England and Wales, which is also the ultimate parent company.

The Company's shares are listed on the Nairobi Securities Exchange.

The Financial Statements for the year ended 31 December 2023 comprise the Company and its subsidiary (together referred to as the "Group"). For Kenyan Companies Act, 2015 reporting purposes, the profit and loss account is represented by the statement of profit or loss and other comprehensive income and the balance sheet is represented by the statement of financial position in these Financial Statements.

2 Material 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

The Financial Statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Financial Statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand.

The preparation of Financial Statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

The Group has applied the exemption within section 646 of the Kenyan Companies Act, 2015 which allows omission of the Company's statement of profit or loss when Group Financial Statements are prepared.

(b) New and amended standards adopted during the year

New amendments or interpretation	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12	23 May 2023

2 Material accounting policies (continued)

(b) New standards, amendments and interpretations (continued)

(i) New and amended standards adopted during the year (continued)

The adoption of these amendments did not have a material impact on the Financial Statements of the Group and Company.

(ii) New standards and interpretations not yet adopted

At the date of authorisation of the Financial Statements of British American Tobacco Kenya Plc for the year ended 31 December 2023, the following Standards and Interpretations were in issue but not yet effective:

New amendments or interpretation	Effective for annual periods beginning on or after
Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Available for optional adoption/effective date deferred indefinitely

All standards and Interpretations will be adopted at their effective date (except for those standards and Interpretations that are not applicable to the entity). The adoption of these amendments are not expected to have a material impact on the Financial Statements of the Group and Company.

(c) 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(d) Functional currency and 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 consolidated Financial Statements are presented in 'Kenyan Shillings (KShs), which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Kenya shillings at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

2 Material accounting policies (continued)

(d) Functional currency and foreign currency translation (continued)

(ii) Transactions and balances (continued)

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(e) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director who makes operational decisions.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities. Net revenue is stated net of value-added tax **(VAT)**, excise duty, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group will recognise revenue in accordance with that core principle by applying the following five steps:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract;
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

(g) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and land are subsequently shown at fair value, based on periodic, but at least once every 5 years, valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 Material accounting policies (continued)

(g) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and cumulated in the revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation surplus directly in equity; all other decreases are charged to profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (i.e. the depreciation charged to profit or loss) and the depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2% per annum
Plant and machinery	5% per annum
Vehicles and computers	20% - 33% per annum
Furniture, fittings and equipment	10% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

The carrying amount of the Group's non-current assets is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the profit or loss. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

Capital work in progress represents assets that are under construction or that are not immediately available for use and are not depreciated but are reviewed for impairment.

(h) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each financial reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

2 Material accounting policies (continued)

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets and groups.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Accounting for leases

All leases that grant the Group the right to control the use of an identified asset for a period of time are accounted for as follows:

(i) For lease terms of more than 12 months, the present value of the unavoidable lease payments are capitalised and shown together with property, plant and equipment;
(ii) If lease payments are made over time, the Group also recognises a financial liability representing its obligation to make future lease payments;
(iii) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
(iv) The total amount of cash paid into a principal portion is presented within financing activities and interest is separately presented within operating activities in the statement of cash flows.

The Group does not recognise assets and liabilities for:

(i) short-term leases (i.e. leases of 12 months or less), and;
(ii) leases of low-value assets (i.e. less than KShs 500,000).

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group and Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group and Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and Company will exercise a purchase option.

2 Material accounting policies (continued)

As a lessee (continued)

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(k) Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (unless they are trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

The Group and Company classify their financial assets in the following categories; amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets and their subsequent accounting will be determined by the application of dual tests examining the contractual cash flow characteristics of the financial instruments and the Group's business model for managing the assets.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Material accounting policies (continued)

(k) Financial instruments (continued)

(iv) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The "incurred loss" model is replaced by the "expected credit loss" model in IFRS 9. This applies to all financial assets not held at fair value through profit and loss (FVTPL) – certain investments, loans, trade receivables and other receivables.

For financial assets carried at amortised cost (including loans and other receivables such as trade debtors), impairment losses are recognised under the "expected loss model", building up a debtors' provision/allowance account against credit losses over the life of the financial asset (including an estimate of initial credit risk), rather than the "incurred loss model" used under IAS 39, where a loss was recognised only if there was a specific event (such as default) triggering an impairment review.

Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Derivative financial instruments and hedge accounting

Fair value hedges

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability.

Cashflow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

2 Material accounting policies (continued)

(m) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

(n) Trade payables

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

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

(o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(p) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, 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 the statement of financial position.

(q) Employee benefits

Pension obligations

The Group and Company operate two defined contribution retirement benefit schemes for all their employees. The assets of each scheme are held in separate funds which are administered by an independent fund manager and are funded by contributions from both the Group and employees. The Group's contributions to the schemes are charged to profit or loss in the year to which they relate.

Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

The Group and all its employees also contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following

2. Material accounting policies (continued)

Employee benefits (continued)

dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(r) Current and deferred income tax

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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) Borrowings

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

2 Material accounting policies (continued)

(s) Borrowings (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Financial Statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

Dividends payable are charged to equity in the period in which they are approved. Proposed dividends are accrued after ratification at a General Meeting of the Company.

(u) Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Borrowing costs

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 time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Material accounting policies (continued)

(w) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies. The related party transactions are at arm's length.

(x) Earnings per share and investments in subsidiaries

Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the Financial Statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's statement of financial position at cost, less provision for impairment losses. Where, in the opinion of the directors', there has been impairment in the value of the investment, the loss is recognised as an expense in the period in which the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Dividends receivable from subsidiaries are recognised as income for the Company in the period in which the right to receive payments is established.

(y) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3 Changes in material accounting policies

The Group adopted a number of new standards that are effective from 1 January 2023 but they do not have a material effect on the Company's Financial Statements.

The details of the new standards are set out in Note 2(b).

4 Critical accounting estimates and judgements

Estimates and judgements 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 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) Provisions and contingent liabilities

The group has provisions which are set up in the ordinary course of business and are related to general liabilities to various stakeholders. The group follows the guidance of IAS 37 to determine whether a provision is required or not.

(ii) Useful lives of property plant and equipment

Property plant and equipment are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. Management applies judgement in determining useful lives.

(iii) Income taxes

The Company is subject to income taxes in Kenya. Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities on the basis of amounts expected to be paid to the tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Financial risk management

The Group and Company's activities expose them to a variety of financial risks, market risk (including currency and interest risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks where applicable. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

NOTES (CONTINUED)

5 Financial Risk Management (continued)

(a) Market risk

(i) Foreign exchange risk

The Group and Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, British Pound, AED, SEK and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group manages foreign exchange risk arising from future commercial transactions and recognises assets and liabilities by regularly reviewing prices and robust working capital management. The group holds forward foreign currency contracts for this purpose. Please see Note 24.

Below is a summary of the Group and Company's exposure to currency risk at their carrying amounts in Kenya shillings equivalent:

Group - 31 December 2023	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000	SEK KShs' 000
Asset					
Receivables and prepayments	1,338,948	462	16,942	-	12,598
Cash and cash equivalents	1,451,047	21,215	28,242	-	-
	2,789,995	**21,677**	**45,184**	-	**12,598**
Liabilities					
Payables and accrued expenses	(408,327)	(11,896)	(47,376)	-	-
	2,381,668	**9,781**	**(2,192)**	-	**12,598**

Group - 31 December 2022	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000	SEK KShs' 000
Asset					
Receivables and prepayments	2,416,547	1,318	9,193	324,700	-
Cash and cash equivalents	969,924	4,634	35,676	-	-
	3,386,471	**5,952**	**44,869**	**324,700**	-
Liabilities					
Payables and accrued expenses	(687,339)	(17,787)	(61,125)	-	-
	2,699,132	**(11,835)**	**(16,256)**	**324,700**	-

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company - 31 December 2023	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000	SEK KShs' 000
Asset					
Receivables and prepayments	1,334,753	461	16,941	-	12,598
Cash and cash equivalents	1,451,005	21,215	28,243	-	-
31 December 2023	2,785,758	21,676	45,184	-	12,598
Liabilities					
Payables and accrued expenses	(397,012)	(6,809)	(24,182)	-	-
	2,388,746	14,867	21,002	-	12,598

Company - 31 December 2022	USD KShs' 000	GBP KShs' 000	EUR KShs' 000	AED KShs' 000	SEK KShs' 000
Asset					
Receivables and prepayments	2,412,352	1,319	9,193	324,700	-
Cash and cash equivalents	969,882	4,634	35,676	-	-
31 December 2022	3,382,234	5,953	44,869	324,700	-
Liabilities					
Payables and accrued expenses	(676,024)	(12,700)	(37,931)	-	-
	2,706,210	(6,747)	6,938	324,700	-

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following are the exchange rates that existed at the financial year end for the following significant currencies:

	USD	GBP	EUR	AED	ZAR	JPY	SEK
2023							
Average rates	140.07	174.18	151.46	38.14	7.59	1.00	11.47
Closing rates	156.46	199.80	173.78	42.60	8.44	1.11	15.74
2022							
Average rates	117.69	145.59	124.13	28.81	7.16	1	-
Closing rates	123.37	148.47	131.27	33.63	7.25	0.94	-

The following sensitivity analysis shows how profit or loss and equity would change if the market risk variables had been different at the reporting period with all other variables held constant.

Group	2023 KShs' 000	2022 KShs' 000
Currency – USD		
10% movement effect (higher/lower)	238,167	270,621
Currency – GBP		
10% movement effect (higher/lower)	978	(675)
Currency – EUR		
10% movement effect (higher/lower)	(219)	694
Currency – AED		
10% movement effect (higher/lower)	-	32,470
Currency – JPY		
10% movement effect (higher/lower)	-	(141)
Currency – SEK		
10% movement effect (higher/lower)	1,260	-

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company	2023 KShs' 000	2022 KShs' 000
Currency – USD		
10% movement effect (higher/lower)	238,875	269,913
Currency – GBP		
10% movement effect (higher/lower)	1,487	(1,184)
Currency – EUR		
10% movement effect (higher/lower)	2,100	(16,256)
Currency – AED		
10% movement effect (higher/lower)	-	32,469
Currency – JYP		
10% movement effect (higher/lower)	-	(141)
Currency – SEK		
10% movement effect (higher/lower)	1,260	

The following table shows the maturity periods for the cash flows associated with derivative financial instruments and the expected impact to profit or loss on undiscounted contractual basis. These relate to the derivative financial instruments as disclosed under Note 24.

Group	2023			2022		
Financial derivatives	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000	Assets KShs' 000	Liabilities KShs' 000	Total KShs' 000
Carrying amounts	3,136	-	3,136	2,772	(4,848)	(2,076)
Expected cashflows						
1-6 months	3,136	-	3,136	2,372	(4,848)	(2,476)
7-12 months	-	-	-	400	-	400
More than 1 year	-	-	-	-	-	-
Total	3,136	-	3,136	2,772	(4,848)	(2,076)

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company	2023			2022		
Financial derivatives	Assets	Liabilities	Total	Assets	Liabilities	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Carrying amounts	3,136	-	3,136	2,772	(4,848)	(2,076)
Expected cashflows						
1-6 months	3,136	-	3,136	2,372	(4,848)	(2,476)
7-12 months	-	-	-	400	-	400
More than 1 year	-	-	-	-	-	-
Total	**3,136**	**-**	**3,136**	**2,772**	**(4,848)**	**(2,076)**

Price risk

The Group and the Company are not exposed to equity securities price risk.

Cash flow and fair value interest rate risk

The Group and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group and Company to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group and Company regularly monitor financing options available to ensure optimum interest rates are obtained. At 31 December 2023, an increase/decrease of 1% would have resulted in insignificant change (2022: insignificant) in Group and Company post tax profit.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks, amounts due from related parties, derivative financial instruments as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company.

For banks and financial institutions, only reputable well-established financial institutions are accepted. For trade receivables, Group management 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 and management expects minimal losses from non-performance by these counterparties.

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2023 and 31 December 2022 is made up as follows:

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash and cash equivalents	1,820,542	2,368,003	1,820,556	2,367,962
Amounts due from related parties	1,240,095	2,992,102	4,003,735	4,889,737
Trade and other receivables	2,429,544	1,320,807	611,042	220,010
Derivative financial instruments	3,136	2,772	3,136	2,772
	5,493,317	**6,683,684**	**6,438,469**	**7,480,481**

5. Financial risk management (continued)

(b) Credit risk (continued)

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Expected credit loss (ECL) assessment as at 1 January and 31 December 2023

The Group uses a provision matrix to measure the ECLs of trade receivables from customers and farmers. The loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on common credit risk characteristics and customers.

For Intercompany receivables, the Group has calculated the ECL based on a factor of the following: probability of default, exposure at default and the loss given default. The probability of default is based on the average loss rate for the past 6 years with an adjustment for forward looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables, loans and advances to farmers and intercompany receivables as at 31 December 2023 and 2022.

(i) Trade receivables

As at 31 December 2023 - Group Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0–3 days)	0.1%	2,111,825	1,762	No
4–30 days past due	0.6%	-	-	No
31–60 days past due	1.1%	-	-	No
61–90 days past due	1.6%	-	-	No
More than 90 days past due	100%	248,644	248,644	Yes
		2,360,469	250,406	

As at 31 December 2023 - Company Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0–3 days)	0.1%	-	-	No
4–30 days past due	0.6%	-	-	No
31–60 days past due	1.1%	-	-	No
61–90 days past due	1.6%	-	-	No
More than 90 days past due	100%	-	-	No
		-	-	

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

As at 31 December 2022 - Group

Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0–3 days)	0.1%	1,079,715	1,080	No
4–30 days past due	0.6%	-	-	No
31–60 days past due	1.1%	-	-	No
61–90 days past due	1.6%	-	-	No
More than 90 days past due	2.1%	-	-	No
		1,079,715	1,080	

As at 31 December 2022 - Company

Aging bucket	Loss rate	Carrying amount KShs' 000	Loss allowance KShs' 000	Credit impaired
Current (not past due, 0–3 days)	0.1%	-	-	No
4–30 days past due	0.6%	-	-	No
31–60 days past due	1.1%	-	-	No
61–90 days past due	1.6%	-	-	No
More than 90 days past due	2.1%	-	-	No
		-	-	

Loss rates are based on actual credit loss experience over the past 7 years, current conditions plus the Group's view of economic conditions such as inflation, commercial bank interest rates and growth in the economy's gross domestic product.

(ii) Intercompany receivables

For Group and Company, the calculated ECL which represents the probability of default was 1.84% (2022: 0.48%) which considers historical experience over the last seven years, current conditions, exchange rates and country risk. This was applied to the gross outstanding amount and resulted in insignificant loss allowance for the year ended 31 December 2023 (31 December 2022: Nil).

(iii) Loans and advances to farmers

For Group and Company, the calculated ECL which represents the probability of default was 1.84% (2022: 0.47%) which considers historical experience over the last six years, current conditions and forecasted uninsured losses. This was applied to the gross outstanding amount and resulted in a loss allowance of KShs 5,282,349 for the year ended 31 December 2023 (31 December 2022: KShs 4,407,922).

(iv) Cash and cash equivalents

The Group and Company held cash and cash equivalents of KShs 1,820,542 and KShs 1,820,556 respectively (2022: Group KShs 2,368,003 and Company - KShs 2,367,962). The cash and cash equivalents are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on Moody's ratings.

The impact of IFRS 9 as at 31 December 2023 and 2022 was not significant.

5. Financial risk management (continued)

(b) Credit risk (continued)

(v) Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated between A1 to Baa2, based on Moody's ratings. The impact of IFRS 9 as at 31 December 2023 and 2022 was not significant.

The reduction in the loss allowance during the year is due to recoveries made. The movement in the allowance is not significant.

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet their financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group and Company do not breach borrowing limits or covenants (where applicable) on any of their borrowing facilities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

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

(i) Group

At 31 December 2023	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	13,942	10,319
Trade and other payables	2,955,735	-
Amounts due to related parties	684,047	-
Total financial liabilities	**3,653,724**	**10,319**
Assets		
Cash and bank balances	1,820,542	-
Amounts due from related parties	1,240,095	-
Trade and other receivables	2,429,544	-
Derivative financial instruments	3,136	-
Total financial assets	**5,493,317**	**-**

5. Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Group (continued)

At 31 December 2022	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	22,716	15,074
Trade and other payables	3,395,837	-
Amounts due to related parties	884,599	-
Derivative financial instruments	4,848	-
Total financial liabilities	**4,308,000**	**15,074**
Assets		
Cash and bank balances	2,368,003	-
Amounts due from related parties	2,992,102	-
Trade and other receivables	1,320,808	-
Derivative financial instruments	2,772	-
Total financial assets	**6,683,685**	**-**

(ii) Company

At 31 December 2023	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	12,065	-
Trade and other payables	2,615,969	-
Amounts due to related parties	650,455	-
Total financial liabilities	**3,278,489**	**-**
Assets		
Cash and bank balances	1,820,556	-
Amounts due from related parties	4,003,735	-
Trade and other receivables	611,042	-
Derivative financial instruments	3,136	-
Total financial assets	**6,438,469**	**-**

5. Financial risk management (continued)

(c) Liquidity risk (continued)

(ii) Company (continued)

At 31 December 2022	Less than 1 year KShs' 000	Between 1 & 3 years KShs' 000
Liabilities		
Borrowings	21,503	6,551
Trade and other payables	2,757,929	-
Amounts due to related parties	865,735	-
Derivative financial instruments	4,848	-
Total financial liabilities	**3,650,015**	**6,551**
Assets		
Cash and bank balances	2,367,962	-
Amounts due from related parties	4,889,737	-
Trade and other receivables	220,010	-
Derivative financial instruments	2,772	-
Total financial assets	**7,480,481**	**-**

For both Group and Company, there are no financial assets or liabilities older than 3 years.

(d) Capital risk management

Capital comprises all components of equity as shown in the statement of changes in equity plus net debt. 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.

The Group monitors capital on the basis of the gearing ratio. This 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.

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Total borrowings	22,754	36,260	12,065	27,982
Less: cash and cash equivalents	(1,820,542)	(2,368,003)	(1,820,556)	(2,367,962)
Net debt	(1,797,788)	(2,331,743)	(1,808,491)	(2,339,980)
Total equity	16,249,757	16,381,947	16,249,757	16,381,947
Total capital	**14,451,969**	**14,050,204**	**14,441,266**	**14,041,967**
Gearing ratio	**(12%)**	**(17%)**	**(12%)**	**(17%)**

5. Financial risk management (continued)

(d) Capital risk management (continued)

Financial instruments by category

Financial assets:
All of the Group and Company's financial assets are classified as loans and receivables and comprise:

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade and other receivables (excluding pre-payments)	3,669,639	4,312,909	4,614,777	5,109,747
Cash and cash equivalents	1,820,542	2,368,003	1,820,556	2,367,962
Derivative financial instruments	3,136	2,772	3,136	2,772
	5,493,317	6,683,684	6,438,469	7,480,481

Financial liabilities:
All of the Group and Company's financial liabilities are classified as liabilities at amortised cost and comprise:

Financial liabilities	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade and other payables (excluding statutory liabilities)	4,306,297	4,280,436	3,266,423	3,623,664
Borrowings	2,754	36,260	12,065	27,982
Derivative financial instruments	3,136	4,848	-	4,848
	4,312,187	4,321,544	3,278,488	3,656,494

(e) Fair value

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Below is the fair value measurements disclosure using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures only cover instruments measured at fair value.

Level 1
Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

5. Financial risk management (continued)

(e) Fair value (continued)

Level 2 (continued)

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Nonmarket observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's and Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

The following table shows an analysis of non-financial assets held at fair value as at 31 December 2023 and 31 December 2022:

Financial liabilities	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Property, plant and equipment (Note 20)	11,541,828	11,935,486	9,993,714	10,436,532
Forward exchange contracts (Note 24)	-	2,772	-	2,772
Total assets	**11,541,828**	**11,938,258**	**9,993,714**	**10,439,304**

6. Non-GAAP measures – Gross sales including indirect taxes

To supplement the Group's results presented in accordance with IFRS, the Group reviews gross sales including indirect taxes, excise duty and value added tax to evaluate the underlying business performance, allocate resources to the overall business and to communicate financial performance to investors. Gross sales including indirect taxes adjusted by excise duty and value added tax are not measures defined by IFRS. The Group believes that these additional measures are useful to investors and other stakeholders. Gross sales adjusted by excise duty and value added tax should not be considered in isolation from, or as a substitute analysis for the Group's Revenue as determined in accordance with IFRS.

NOTES (CONTINUED)

7. Segment

The Managing Director is the Group's chief operating decision-maker. The Managing Director considers the business from a geographic and product perspective. Geographically, management considers the performance in Local Sales and Export Sales.

From a product perspective, management considers sales of cigarettes, cut rag (semi-processed tobacco) and modern oral nicotine pouches. All the products are manufactured through the same process and in the same location. The group is considered as one reportable operating segment.

	Group	
	2023	2022
	KShs' 000	KShs' 000
Analysis of net revenue from contract with customers by geography:		
Local sales	12,300,904	13,230,244
Export sales	13,256,647	14,147,678
	25,557,551	27,377,922
Analysis of net revenue from contract with customers by product:		
Sale of cigarettes	23,706,118	24,370,311
Sale of cut rag	1,544,210	2,915,147
Sale of modern oral	307,223	92,464
	25,557,551	27,377,922

8. Raw materials and manufacturing costs

	2023	2022
	KShs' 000	KShs' 000
Raw materials, consumables and other manufacturing costs	13,825,610	12,251,751
Employment expenses	510,969	1,491,510
Depreciation of property, plant and equipment	461,495	467,287
Impairment of property, plant and equipment	186,103	22,142
	14,984,177	14,232,690

9. Marketing and distribution costs

	2023	2022
	KShs' 000	KShs' 000
Employment expenses	336,629	325,675
Depreciation	75,735	40,038
Freight and other expenses	1,037,921	800,692
	1,450,285	1,166,405

10. Administration and other expenses

	Group	
	2023	2022
	KShs' 000	KShs' 000
Employment expenses	136,947	136,917
Recharges and other expenses	1,090,229	1,635,414
Depreciation	161,399	122,358
Employee reorganisation costs*	23,477	323,897
	1,412,052	2,218,586

* Reorganisation costs reflect the costs incurred as a result of initiatives to improve the effectiveness and efficiency of the company as an integrated enterprise. These initiatives include the costs related to review of the company's organisational structure and manufacturing operations, to simplify the business and create an agile and fit for purpose company.

11. Finance (income)/costs)

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Interest income	(14,498)	(20,487)	(14,498)	(20,487)
Interest expense	189,378	79,446	187,645	79,389
Interest on lease liabilities	2,561	3,616	1,444	3,043
Net foreign currency exchange (gains)/ losses	(273,996)	(95,097)	(273,995)	(95,097)
	(96,555)	(32,522)	(99,404)	(33,152)

12. Profit before tax

	Group	
	2023	2022
	KShs' 000	KShs' 000
The following items have been charged in arriving at the profit before income tax:		
Employee benefits expense (Note 13)	2,016,704	2,277,998
Auditor's remuneration	15,003	14,945
Depreciation (Note 20)	(698,629)	629,683

13. Employee benefits expense

	2023 KShs' 000	2022 KShs' 000
Salaries and wages	1,893,835	1,875,706
Retirement benefits costs:		
■ Defined contribution scheme	80,921	72,660
■ National Social Security Fund (NSSF)	18,471	5,735
Employee reorganisation costs (Note 10)	23,477	323,897
	2,016,704	**2,277,998**

14. Income tax expense

Group	2023 KShs' 000	2022 KShs' 000
Current income tax		
Current tax on profits for the year	2,637,718	2,846,358
Total current tax	**2,637,718**	**2,846,358**
Deferred income tax (Note 19)		
■ Deferred income tax	(188,903)	81,399
■ Prior year under provision of deferred tax	5,506	93,124
Total deferred income tax	**(183,397)**	**174,523**
Income tax expense	**2,454,321**	**3,020,881**

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

Profit before income tax	**8,022,338**	**9,912,873**
Tax calculated at domestic rate applicable to profit - 30% (2022:30%)	2,406,701	2,973,862
Tax effect of:		
Income not subject to tax	(15,337)	(9,821)
Expenses not deductible for tax purposes	60,096	61,425
Prior year over provision of deferred tax	5,506	93,124
Prior year under provision of current tax	(2,645)	(97,709)
Income tax expense	**2,454,321**	**3,020,881**

14. Income tax (continued)

The tax charge relating to components of equity are as follows:

	2023 KShs' 000			2022 KShs' 000		
Group	**Before tax**	**Tax charge**	**After tax**	**Before tax**	**Tax charge**	**After tax**
Transfer of excess depreciation	54,302	(16,291)	38,011	53,531	(16,059)	37,472
Fair value on hedge reserve	(291)	87	(204)	(22,268)	6,681	(15,587)
Deferred tax on revaluation	-	-	-	-	-	-
	54,011	**(16,204)**	**37,807**	**31,263**	**(9,378)**	**21,885**

15. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	**2022**
Profit attributable to equity holders of the Company (KShs '000)	5,568,017	6,891,992
Weighted average number of ordinary shares in issue (thousands)	100,000	100,000
Basic earnings per share (KShs)	**55.68**	**68.92**

16. Dividends per share

During the year a final dividend in respect of the 2022 financial results of KSh 52 (2021: KShs 50) and an interim dividend of KShs 5 per share (2022: KShs 5) was declared and paid. The total dividend paid in the year is therefore KShs 57 per share (2022: KShs 55), amounting to a total of KShs 5,700,000,000 (2022: KShs 5,500,000,000).

At the annual general meeting to be held on 26 June 2024 a final dividend in respect of the year ended 31 December 2023 of KShs 45 per share amounting to a total of KShs 4,500,000, 000 (2022: 5,200,000,000) is to be proposed. These Financial Statements do not reflect this dividend as a liability.

Payment of dividends is subject to withholding tax at a rate of either 5% or 15% depending on the residence of the respective shareholders.

NOTES (CONTINUED)

17. Capital and reserves

(i) Share capital – Group and Company

	Number of shares (Thousands)	Ordinary Shares KShs' 000	Share premium KShs' 000
Authorised, issued and fully paid			
Balance at beginning and end of year	100,000	1,000,000	23

The total authorised number of ordinary shares is 100,000,000 with a par value of KShs 10 per share. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

(ii) Share premium

Share premium arose when the shares of the Company were issued at a price higher than the par value.

(iii) Hedging reserve

The Company had no hedge reserve as at 31 December 2023. The hedging reserve was KShs 204,000 as at 31 December 2022.

18. Revaluation surplus

The revaluation reserve surplus of KShs 2,761,700,000 (2022: KShs 2,799,711,000) relates to the revaluation of the Group and Company's land and buildings net of deferred income tax and is non-distributable. The movements in the revaluation surplus are set out in the Group and Company statements of changes in equity.

19. Deferred income tax

	2023 KShs' 000	2022 KShs' 000
The analysis of Group deferred tax assets and deferred liabilities is as follows		
Deferred tax assets	(264,875)	(160,336)
Deferred tax liabilities	1,991,624	2,070,569
Deferred tax liabilities (net)	**1,726,749**	**1,910,233**
Deferred income tax is calculated using the enacted income tax rate of 30% (2021:30%). The movement on the Group deferred income tax account is as follows:		
At start of year	1,910,233	1,729,029
Credit to statement of profit or loss and other comprehensive income	(188,903)	81,399
Prior year under provision of deferred tax	5,506	93,124
Total charge to P&L	**(183,397)**	**174,523**
Charge to equity	**(87)**	**6,681**
At end of year	**1,726,749**	**1,910,233**

19. Deferred income tax (continued)

Consolidated Group deferred tax assets and liabilities and deferred income tax charge in the consolidated income statement are attributable to the following items.

Year ended 31 December 2023	1.1.2023 KShs' 000	Charged /(credited) to P&L KShs' 000	Charged /(credited) to equity KShs' 000	31.12.2023 KShs' 000
Deferred income tax liabilities				
Property, plant and equipment:				
■ on historical cost basis	1,026,308	(84,373)	-	941,935
■ on revaluation surpluses	1,213,549	-	-	1,213,549
■ on Right of Use Assets	7,212	(1,162)	-	6,050
Unrealised exchange gains	35,494	68,144	-	103,638
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	2,295,403	(17,391)	-	2,278,012
Deferred income tax assets				
Provisions for liabilities and charges	(441,097)	(136,411)	-	(577,508)
Unrealised exchange losses	(16,087)	(36,632)	-	(52,719)
Lease liabilities	(8,358)	1,531	-	(6,827)
Deferred tax in respect of fair value loss on hedge reserve	(22,616)	-	(87)	(22,703)
Prior year under provision of deferred tax	102,988	5,506	-	108,494
	(385,170)	(166,006)	(87)	(551,263)
Net deferred income tax liability	1,910,233	(183,397)	(87)	1,726,749

NOTES (CONTINUED)

19. Deferred income tax (continued)

Year ended 31 December 2022	1.1.2022 KShs' 000	Charged /(credited) to P&L KShs' 000	Charged /(credited) to equity KShs' 000	31.12.2022 KShs' 000
Deferred income tax liabilities				
Property, plant and equipment:				
■ on historical cost basis	1,076,597	(50,289)	-	1,026,308
■ on revaluation surpluses	1,213,549	-	-	1,213,549
■ on Right of Use Assets	7,212	-	-	7,212
Unrealised exchange gains	18,062	17,432	-	35,494
Deferred tax in respect of fair value gain on hedge reserve	12,840	-	-	12,840
	2,328,260	(32,857)	-	2,295,403
Deferred income tax assets				
Provisions for liabilities and charges	(570,994)	129,897	-	(441,097)
Unrealised exchange losses	(1,450)	(14,637)	-	(16,087)
Lease liabilities	(7,355)	(1,003)	-	(8,358)
Deferred tax in respect of fair value loss on hedge reserve	(29,297)	-	6,681	(22,616)
Prior year under provision of deferred tax	9,865	93,123	-	102,988
	(599,231)	207,380	6,681	(385,170)
Net deferred income tax liability	1,729,029	174,523	6,681	1,910,233

19. Deferred income tax (continued)

Deferred income tax of KShs 16,291,000 (2022: KShs 16,059,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation and the equivalent depreciation based on the historical cost of currently owned property.

Company deferred income tax assets and liabilities are attributable to the following items:

The analysis of Company deferred tax assets and deferred tax liabilities is as follows:	2023 KShs' 000	2022 KShs' 000
Deferred income tax liabilities	**1,991,624**	**2,070,569**
Property, plant and equipment:		
■ on historical cost basis	977,836	1,062,029
■ on revaluation surpluses	1,270,958	1,270,958
Unrealised exchange gains	99,569	34,276
Total deferred income tax liabilities	**2,348,363**	**2,367,263**
Deferred income tax assets		
Provisions for liabilities and charges	(307,105)	(279,877)
Unrealised exchange losses	(49,137)	((15,822)
Right of use assets	(497)	(1,082)
Deferred tax in respect of fair value loss on hedge reserve	-	87
Total deferred income tax assets		
	(356,739)	**(296,694)**
Net deferred income tax liability	**1,991,624**	**2,070,569**

NOTES (CONTINUED)

20 (a) Property, plant and equipment – Group

	Land and Buildings	Plant and Machinery	Vehicles and Equipment	Construction in Progress*	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Year ended 31 December 2023					
Opening net book amount	**5,347,667**	**3,969,533**	**414,094**	**2,204,192**	**11,935,486**
Additions					
■ Purchases	4,246	110,568	175,350	149,198	439,362
■ ROU Additions	3,977	-	7,357	-	11,334
Impairment	-	(185,939)	(164)	-	(186,103)
Depreciation charge	(118,288)	(390,038)	(190,303)	-	(698,629)
Transfers	112,070	222,863	97,669	(432,602)	
					-
Assets reclassified as held for sale					
■ Cost	53,929	-	-	-	53,929
■ Accumulated depreciation	(13,549)	-	-	-	(13,549)
Closing net book amount	**5,390,052**	**3,726,987**	**504,003**	**1,920,788**	**11,541,830**
At 31 December 2023					
Cost or valuation	6,951,732	10,117,437	1,731,638	1,920,788	20,721,595
Accumulated depreciation	(1,561,680)	(6,390,450)	(1,227,635)	-	(9,179,765)
Net book amount	**5,390,052**	**3,726,987**	**504,003**	**1,920,788**	**11,541,830**
Year ended 31 December 2022					
Opening net book amount	**5,743,628**	**4,111,003**	**240,518**	**2,019,860**	**12,115,009**
Additions					
■ Purchases	9,713	61,303	180,748	499,738	751,502
■ ROU Additions	9,074	-	11,626	-	20,700
Disposals					
■ Cost	(2,822)	-	(11,815)	-	(14,637)
■ Accumulated depreciation	2,822	-	11,815	-	14,637
Impairment	(22,142)	-		-	(22,142)
Depreciation charge	(118,176)	(373,733)	(137,774)	-	(629,683)
Transfer to lease liability	798	972	-	-	1,769
Transfers	26,442	169,988	118,976	(315,406)	-
Assets reclassified as held for					
Cost	(415,450)	-	-	-	(415,450)
Accumulated depreciation	113,780	-	-	-	113,780
Closing Net book amount	**5,347,667**	**3,969,533**	**414,094**	**2,204,192**	**11,935,486**

NOTES (CONTINUED)

20 (a) Property, plant and equipment – Group (continued)

At 31 December 2022					
Cost or valuation	6,779,325	10,722,033	1,595,926	2,204,192	21,301,444
Accumulated depreciation	(1,431,658)	(6,753,470)	(1,181,832)	-	(9,366,959)
Net book amount	**5,347,667**	**3,969,533**	**414,094**	**2,204,192**	**11,935,486**

*Construction in progress relates to factory buildings under construction and plant and machinery under installation at the year end.

As at 31 December 2023, property, plant and equipment includes right of use assets of KShs 20,129,000 (2022 – KShs 32,354,000 related to leased properties (see Note 29).

20 (a) Property, plant and equipment – Company

	Land and Buildings	Plant and Machinery	Vehicles and Equipment	Construction in Progress*	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Year ended 31 December 2023					
Opening net book amount	**5,339,577**	**3,969,581**	**414,095**	**713,279**	**10,436,532**
Additions					
■ Purchases	4,246	110,568	175,349	101,727	391,890
■ ROU Additions	-	-	7,358	-	7,358
Impairment	-	(185,939)	(164)	-	(186,103)
Depreciation charge	(116,003)	(390,038)	(190,302)	-	(696,343)
Transfers	112,070	222,863	97,669	(432,602)	-
Assets held for sale Cost	53,929	-	-	-	53,929
Assets held for sale Acc depreciation	(13,549)	-	-	-	(13,549)
Closing net book amount	**5,380,270**	**3,727,035**	**504,005**	**382,404**	**9,993,714**
At 31 December 2023					
Cost or valuation	6,938,403	10,118,516	1,749,743	382,404	19,189,066
Accumulated depreciation	(1,558,133)	(6,391,481)	(1,245,738)	-	(9,195,352)
Net book amount	**5,380,270**	**3,727,035**	**504,005**	**382,404**	**9,993,714**

NOTES (CONTINUED)

20 (a) Property, plant and equipment – Company

	Land and Buildings	Plant and Machinery	Vehicles and Equipment	Construction in Progress*	Total
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Year ended 31 December 2022					
Opening net book amount	**5,743,010**	**4,111,052**	**240,519**	**510,553**	**10,605,134**
Additions					
Purchase	9,713	61,303	180,748	518,132	769,896
ROU additions	-	-	11,626	-	11,626
Disposals					
■ Cost	-	-	(11,815)	-	(11,815)
■ Accumulated depreciation	-	-	11,815	-	11,815
Impairment	(22,142)		-	-	(22,142)
Depreciation charge	(115,777)	(373,733)	(137,774)	-	(627,284)
Transfer to lease liability	-	972	-	-	972
Transfers	26,443	169,988	118,976	(315,406)	-
Assets held for sale Cost	(415,450)	-	-	-	(415,450)
Assets held for sale Acc depreciation	113,780	-	-	-	113,780
Closing net book amount	**5,339,577**	**3,969,582**	**414,095**	**713,279**	**10,436,532**
At 31 December 2022					
Cost or valuation	6,768,158	10,724,082	1,614,029	713,279	19,818,548
Accumulated depreciation	(1,428,581)	(6,754,501)	(1,199,935)	-	(9,383,016)
Net book amount	**5,339,577**	**3,968,582**	**414,095**	**713,279**	**10,436,532**

*Construction in progress relates to factory buildings under construction and plant and machinery under installation at the year end.

As at 31 December 2023, property, plant and equipment includes right of use assets of KShs 10,397,000 (2022: KShs 24,315,000) related to leased properties (see Note 29).

20. (a) Property, plant and equipment – Group

In 2022 Knight Frank Valuers Limited, professionally valued the Group's and Company's land and buildings. The valuation was on an open market value basis.

The valuer used the comparable method of valuation for valuation of land. This is defined as a set of procedures in which a valuer derives the value by comparing the property being valued to similar properties that have recently been sold applying appropriate units of comparison and making adjustments to the sale prices of the comparable sales. The technique is based on the principal of substitution which states that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. The fair value measurement of revalued items of land has been categorized as a level 2 fair value based on the inputs to the valuation techniques.

Buildings were valued on the basis of Depreciated Replacement Cost (Private Sector) which is defined as the Current Gross Replacement Cost of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement of revalued items of buildings has been categorized as a level 3 fair value based on the inputs to the valuation techniques.

20. (a) Property, plant and equipment – Group (Continued)

Significant unobservable inputs which would cause variations in estimated fair value would include risk-adjusted discount rate increase (decrease), shorter (longer) void periods and surrounding infrastructural developments (deteriorations).

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2023	2022
	KShs' 000	KShs' 000
Cost	2,396,263	2,293,439
Accumulated depreciation	(680,358)	(624,443)
Net book amount	**1,715,905**	**1,668,996**

There are no assets that have been pledged as collateral for loans.

20. (b) Assets held for sale

During the year ended 31 December 2022, management approved the disposal of 6 properties previously classified within the company's land and buildings but not in use to be sold to interested parties.

The properties comprise land and buildings in the leaf growing areas. Given that the properties met the criteria for classification as held for sale under IFRS5, "non-current assets held for sale and discontinued operations", they were recorded at the lower of their net book value and fair value less costs to sell. The fair value less cost to sell of the assets amounts to KShs 301,670,000. The fair value measurement of revalued items of land has been categorized as a level 2 fair value based on the inputs to the valuation techniques. Buildings were valued on the basis of Depreciated Replacement Cost (Private Sector) which is defined as the Current Gross Replacement Cost of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. None of the properties were disposed off during the year.

In the year ended 31 December 2023, management has re-assessed and reclassified back one of the properties back to fixed assets as it no longer meets the conditions to be held for sale. The fair value of the reclassified asset is KShs 38,376,000

	2023	2022
	KShs' 000	KShs' 000
At the start of the year	**301,670**	-
Reclassifications from property plant and equipment	-	415,450
Reclassifications to property plant and equipment	(53,929)	-
Accumulated depreciation	13,549	(113,780)
Fair value adjustment	2,004	-
At the end of the year	**263,294**	**301,670**

NOTES (CONTINUED)

21. Investment in subsidiaries

The Company's interest in its subsidiaries, all of which are wholly owned, incorporated in Kenya, unlisted and have the same year end as the Company, were as follows:

Subsidiary	Principal activity	Cost KShs' 000
BAT Kenya Tobacco Company Limited	Selling of cigarettes	12,000
East Africa Tobacco Company (Kenya) Limited	Dormant	-
	Totals	12,000

22. Inventories

	Group		Company	
	2023 KShs' 000	2022 KShs' 000	2023 KShs' 000	2022 KShs' 000
Raw materials and consumables	4,885,600	3,164,429	4,865,377	3,159,900
Finished goods	755,729	467,308	671,498	395,466
	5,641,329	3,631,737	5,536,875	3,555,366

23. Receivables and prepayments

	Group		Company	
	2023 KShs' 000	2022 KShs' 000	2023 KShs' 000	2022 KShs' 000
Trade receivables	2,110,063	1,078,635	-	
Other receivables	319,481	242,172	611,042	220,010
Prepayments	281,964	721,169	275,647	690,832
Due from related parties	1,240,095	2,992,102	4,003,735	4,889,737
	3,951,603	5,034,078	4,890,424	5,800,579

The carrying amounts of the above receivables and prepayments approximate their fair values.

24. Derivative financial instruments – Group and Company

The fair values of derivatives are determined based on market data (primarily yield curves, implied volatilities and exchange rates) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. In the absence of sufficient market data, fair value is based on the quoted market price of similar derivatives. The fair value measurement has been categorized as level two based on the inputs to the valuation techniques.

	Group & Company			
	2023 Assets KShs' 000	2022 Liabilities KShs' 000	2023 Assets KShs' 000	2022 Liabilities KShs' 000
Forward foreign currency contracts	3,136	-	2,772	4,848
Current	3,136	-	2,772	4,848
Non-current	-	-	-	-
	3,136	-	2,772	4,848

24. Derivative financial instruments – Group and Company (continued)

These derivatives principally consist of foreign currency swaps which have been designated as hedges due to their value changes offsetting with other components of net finance costs relating to financial assets and financial liabilities. The derivatives are undertaken for risk management purposes.

25. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash at bank	**1,820,542**	**2,368,003**	**1,820,556**	**2,367,962**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Cash at bank	1,820,542	2,368,003	1,820,556	2,367,962
	1,820,542	**2,368,003**	**1,820,556**	**2,367,962**

26. Payables and accrued expenses

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Trade payables	1,318,904	1,707,883	1,132,597	1,464,405
Statutory payables	1,720,854	783,727	1,104,932	429,713
Due to related companies	684,047	884,599	650,456	865,735
Accrued charges	1,416,320	1,429,646	1,262,860	1,035,216
Other payables	220,512	258,308	220,512	258,308
	5,360,637	**5,064,163**	**4,371,357**	**4,053,376**

27. Borrowings

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Non-current				
Lease liabilities	8,813	13,544	-	6,479
	8,813	13,544	-	6,479
Current				
Lease liabilities	13,942	22,716	12,065	21,503
	13,942	22,716	12,065	21,503

The lease liabilities relate to lease arrangements that the group has entered into for warehouses, vehicles and office premises for administrative, marketing and distribution teams in the ordinary course of business.

The movement in borrowings is as follows;

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Opening balance	36,260	39,978	27,982	38,672
Lease liability reclassification	-	-	-	-
Lease additions	11,334	20,700	7,358	11,627
Payment of lease liabilities	(27,400)	(28,034)	(24,719)	(25,360)
Interest expense	2,561	3,616	1,444	3,043
Closing balance	22,755	36,260	12,065	27,982

The Group and Company have the following undrawn borrowing facilities:

The facilities are open ended. Bond guarantees are issued in favour of the Kenya Revenue Authority to cover import duty and excise payable.

	2023	2022
	KShs' 000	KShs' 000
Overdraft and short-term loan facilities bonds and guarantees	9,586,000	8,228,000
	9,586,000	8,228,000

28. Current tax movement

	Group		Company	
	2023	2022	2023	2022
	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Opening income tax asset	512,962	(167,973)	451,098	535,157
Charge to statement of profit or loss and other comprehensive income	(2,637,718)	(2,846,358)	(412,997)	(247,274)
Income tax paid	2,688,095	3,527,293	491,878	163,215
Closing income tax asset/(liability)	**563,339**	**512,962**	**529,979**	**451,098**
Current asset	563,339	512,962	529,979	451,098
Current liability	-	-	-	-
Closing income tax asset/(liability)	**563,339**	**512,962**	**529,979**	**451,098**

29. Leases

The Group leases warehouses, offices, vehicles and furniture. The leases typically run for a period ranging between 5-9 years. For certain leases, the Group is restricted from entering into any sub-lease arrangements. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right -of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

Group 2023	Land and Buildings KShs' 000	Vehicles and Equipment KShs' 000	Total KShs' 000
Balance as at 1st January	8,040	25,314	33,354
Additions to right-of-use assets	3,977	7,357	11,334
Depreciation charge for the year	(2,285)	(21,304)	(23,589)
Derecognition of right-of-use assets	-	(971)	(971)
Balance as at 31 December	**9,732**	**10,396**	**20,128**

Group 2022	Land and Buildings KShs' 000	Vehicles and Equipment KShs' 000	Total KShs' 000
Balance as at 1st January	1,366	38,112	39,478
Additions to right-of-use assets	9,072	11,627	20,699
Depreciation charge for the year	(2,399)	(25,395)	(27,794)
Derecognition of right-of-use assets	-	971	971
Balance as at 31 December	**8,039**	**25,315**	**32,354**

NOTES (CONTINUED)

29. Leases (continued)

(i) Right-of-use assets (continued)

Company	Vehicles and Equipment KShs' 000	Total KShs' 000
2023		
Balance as at 1st January	25,314	25,314
Additions to right-of-use assets	7,358	7,358
Depreciation charge for the year	(21,304)	(21,304)
Derecognition of right-of-use assets	(971)	(971)
Balance as at 31 December	**10,397**	**10,397**

2022	Vehicles and Equipment KShs' 000	Total KShs' 000
Balance as at 1st January	38,112	38,112
Additions to right-of-use assets	11,627	11,627
Depreciation charge for the year	(25,395)	(25,395)
Derecognition of right-of-use assets	971	971
Balance as at 31 December	**24,315**	**24,315**

(ii) Amounts recognised in profit or loss

	Group		Company	
	2023 KShs' 000	2022 KShs' 000	2023 KShs' 000	2023 KShs' 000
Lease under IFRS 16				
Interest on lease liability	2,561	3,616	1,444	3,043

(iii) Amounts recognised in cash flows

	Group		Company	
	2023 KShs" 000	2022 KShs" 000	2023 KShs" 000	2022 KShs' 000
Lease under IFRS 16				
Total cash outflows for leases	27,401	28,034	24,719	25,360

Renewal and cancelation options

Vehicle leases contain options exercisable by the Group to end the lease contract before contract period elapses.

30. Provisions for liabilities and charges

	Group KShs' 000	Company KShs' 000
Year ended 31 December 2023		
At start of year	**389,257**	**389,257**
Additional provisions	35,915	35,915
At end of year	**425,172**	**425,172**
Year ended 31 December 2022		
At start of year	**679,467**	**679,467**
Additional provisions	384,257	384,257
Unused amounts reversed	(674,467)	(674,467)
At end of year	**389,257**	**389,257**

Provisions comprise balances set up in the ordinary course of business and are related to general liabilities to various stakeholders. These mainly comprise litigations and legal claims made against the Group and Company by various stakeholders. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these litigations and claims. The Group and Company have recognised a provision for present obligations where the payments are probable and amounts can be estimated reliably.

31. Cash generated from operations

(a) Reconciliation of profit before taxation cash generated from operations

Group	2023 KShs' 000	2022 KShs' 000
Profit before taxation	**8,022,338**	**9,912,873**
Adjustments for:		
Depreciation (Note 20)	698,629	629,683
Impairment (Note 8)	186,103	22,142
Interest income (Note 11)	(14,498)	(20,487)
Interest expense (Note 11)	189,378	79,446
Interest on lease liabilities (Note 11)	2,561	3,616
Disposal of lease liabilities (Note 20)	-	(1,769)
Fair value gain /(loss) on ineffective derivatives	(5,503)	14,982
Fair value adjustment on assets held for sale (Note 20b)	(2,004)	-
Changes in working capital:		
■ inventories	(2,009,592)	227,900
■ receivables and prepayments	1,082,475	(667,000)
■ payables and accrued expenses	296,474	(362,536)
■ provisions for liabilities and charges	35,915	(633,813)
Cashflows from operations	**8,482,276**	**9,205,037**

31. Cash generated from operations (continued)

(a) Reconciliation of profit before taxation cash generated from operations (continued)

Company	2023 KShs' 000	2022 KShs' 000
Profit before taxation	**929,935**	**1,158,075**
Adjustments for:		
Depreciation (Note 20)	696,343	627,284
Impairment (Note 20)	186,103	22,142
Interest income (Note 11)	(14,498)	(20,487)
Interest expense (Note 11)	187,645	79,389
Interest on lease liabilities (Note 11)	1,444	3,043
Disposal of lease liabilities (Note 20)	-	(972)
Fair value gain/(loss) on ineffective derivatives	(5,503)	14,982
Fair value adjustment on assets held for sale (Note 20b)	(2,004)	-
Changes in working capital:		
■ inventories	(1,981,509)	(243,668
■ receivables and prepayments	910,155	(319,686)
■ payables and accrued expenses	317,981	(1,443,033)
■ provisions for liabilities and charges	35,915	(633,813)
Cashflows from operations	**1,262,007**	**(269,408)**

32. Related party transactions

The Group is controlled by British American Tobacco Plc incorporated in England and Wales, which is also the ultimate parent of the Group. There are other companies that are related to British American Tobacco Kenya plc through common shareholdings or common directorships. The Company has an operating subsidiary, BAT Kenya Tobacco Company Limited.

The following transactions were carried out with related parties.

	Group		Company	
	2023 KShs' 000	2022 KShs' 000	2023 KShs' 000	2022 KShs' 000
(i) Sale of goods and services				
Subsidiary	17,155,119	15,976,884	17,155,119	15,976,884
Other related parties	9,191,575	10,307,911	9,191,575	10,307,911
	26,346,694	**26,284,795**	**26,346,694**	**26,284,795**
(ii) Purchase of goods and services				
Parent company	416,573	508,570	416,573	508,570
Other related parties	1,492,743	1,450,661	1,492,743	1,450,661
	1,909,316	**1,958,231**	**1,909,316**	**1,959,231**
(iii) Outstanding balances arising from sale and purchase of goods/services				
Receivables from other related parties	1,240,095	2,992,102	3,996,194	2,992,102

32. Related party transactions (continued)

(iii) Outstanding balances arising from sale and purchase of goods/ services (continued)	Group 2023 KShs' 000	Group 2022 KShs' 000	Company 2023 KShs' 000	Company 2022 KShs' 000
Payables to the parent company	58	8,267	58	8,267
Payables to other related parties	683,989	880,488	650,398	857,468
	684,047	888,755	650,456	865,735

The amounts outstanding are unsecured and will be settled in cash. No interest is charged on outstanding balances and no guarantees have been given or received.

	2023 KShs' 000	2022 KShs' 000
(v) Key management compensation		
Salaries and other short-term employment benefits	78,211	95,373
Other long-term benefits	21,586	18,141
	99,797	113,514
(vi) Directors' remuneration		
Fees for services as a Director	25,128	24,526
Other emoluments (included in key management compensation above)	51,783	52,182
Total remuneration of directors of the Company	76,911	76,708

33. Contingent liabilities

The Group and Company's contingencies mainly arise from litigations and claims against and by the Group and Company. Given the nature of these legal cases, the Directors are of the opinion that disclosing the details of each case can be expected to prejudice seriously the position of the Group and Company with other parties. The Company has however recognised a provision for present obligations where the payments are probable and amounts can be estimated reliably. These provisions are included within Note 30 to the Financial Statements.

The Group has guarantees amounting to KShs 3,083,685,703 (2022: KShs 3,480,232,703), issued on its behalf in the normal course of business from which it is anticipated that no material liabilities will arise.

34. Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the Financial Statements is as follows:

	Group 2023 KShs' 000	Group 2022 KShs' 000	Company 2023 KShs' 000	Company 2022 KShs' 000
Property, plant and equipment	217,381	151,625	217,381	151,625

35. Subsequent events

At the date of approval of the Financial Statements, the Directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with in these Financial Statements, which significantly affected the financial position of the Group and results of its operations.

PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION

Major shareholders as at 10 February 2024

Shareholder	No. of shares	% shareholding
Molensteegh Invest BV.	60,000,000	60.00%
Standard Chartered Nominees Non-Resd. A/C 9866	5,595,629	5.60%
Standard Chartered Nominees A/C KE003262	4,838,575	4.84%
Stanbic Nominees Ltd A/C NR1030824	3,285,002	3.29%
Standard Chartered Nominees Non Resd A/C KE11663	3,066,410	3.07%
Investment& Mortgages Nominees Ltd A/C 003746	975,000	0.98%
Investment& Mortgages Nominees Ltd A/C 003745	975,000	0.98%
Stanbic Nominees Ltd A/C R6631578	973,402	0.97%
Standard Chartered Kenya Nominees Ltd A/C Ke002373	750,000	0.75%
Kenya Commercial Bank Nominees Limited A/C 915b	730,045	0.73%
Others (5,262) shareholders)	18,810,937	18.79%
Total	**100,000,000**	**100.00%**

Summary of shareholders as at 10 February 2024

Shareholder	No. of shareholders	No. of shares	% shareholding
Foreign investors	130	80,522,566	80.52%
Local institutions	479	12,973,458	12.98%
Local individuals	4,663	6,503,976	6.50%
Total	**5,272**	**100,000,000**	**100.00%**

Distribution of shareholders as at 10 February 2024

Shareholder	No. of shareholders	No. of shares	% shareholding
Less than 500	2,960	623,711	0.62
501 - 5,000	1,901	2,963,543	2.96
5,001- 10,000	163	1,188,701	1.19
10,001 - 100,000	203	6,033,473	6.03
100,001 - 1,000,000	40	12,404,956	12.41
Above 1,000,000	5	76,785,616	76.79
TOTALS	**5,272**	**100,000,000**	**100.00%**

Directors' shareholding as at 10 February 2024

Director's Name	Shareholding
Marion Gathoga-Mwangi	671
Sidney Wafula	300

PROXY FORM

BAT KENYA

To:
The Secretary,
British American Tobacco Kenya plc,
P.O. Box 30000 - 00100,
Nairobi

I/We ----------

Share A/c No ----------

Of (Address) ----------

Being a member(s) of British American Tobacco Kenya plc, hereby appoint:

Or failing him/her, the duly appointed Chairperson of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Wednesday, 26 June 2024 and at any adjournment thereof.

As witness my/our hand/s this ---------- day of ---------- 2024

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(Signature) (Signature)

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

RESOLUTION	FOR	AGAINST	ABSTAIN
Ordinary Business			
1) To receive, consider and if approved, adopt the Company's audited Financial Statements for the year ended 31 December 2023, together with the reports of the Chairperson, Directors and Auditor thereon.			
2) To confirm the interim dividend of KShs 5/- per ordinary share paid on 22 September 2023 and to approve a final dividend for the year ended 31 December 2023, of KShs 45/- per ordinary share to be paid net of Withholding tax on 26 June 2024, to shareholders on the Register at the close of business on 24 May 2024.			
3) Election of Directors: a) To re-elect Paul Muthaura who retires at this meeting in accordance with Article 101 of the Articles of Association, having been appointed by the Board after the last Annual General Meeting and being eligible, offers himself for re-election as a Director.			
b) To re-elect Phyllis Wakiaga who retires at this meeting in accordance with Article 101 of the Articles of Association having been appointed by the Board after the last Annual General Meeting, and being eligible, offers herself for re-election as a Director.			
c) To re-elect Samuel Onyango who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers himself for re-election as a Director.			
d) To re-elect André Joubert who retires at this meeting by rotation in accordance with the provisions of Article 102 of the Company's Articles of Association and being eligible, offers himself for re-election as a Director.			
4) To re-elect the following Directors, being members of the Board Audit & Risk Committee, to continue to serve as members of the said Committee: Dr. Martin Oduor-Otieno, Samuel Onyango, Marion Gathoga-Mwangi and Paul Muthaura.			
5) To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2023.			
6) To re-appoint Messrs. KPMG Kenya as External Auditor of the Company by virtue of Section 721(2) of the Companies Act 2015 and to authorise the Directors to fix their remuneration for the year ending 31 December 2024.			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(s): ----------

Address: ----------

Mobile Number

---------- ----------

(Date) (Signature)

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

Approval of registration
I/WE approve to register to participate in the virtual Annual General Meeting to be held on 26 June, 2024.

Consent for use of the mobile number provided
I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM.

NOTES:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, Image Registrars Limited at the address: 5th Floor, Absa Towers, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to info@image.co.ke or batshares@image.co.ke , to arrive not later than 9:00 a.m. on 24 June, 2024 i.e. Two working days before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the proxy form must be under its common seal or under the hand of an officer or duly authorised attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights, to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairperson of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairperson of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the proxy form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid, the proxy form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarised certified copy of such power or authority), to Image Registrars Limited at the address above, not later than 9:00 am on 24 June 2024 or, in the case of a poll taken at any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll.
6. An option to abstain on voting for any resolution has been included on the proxy form. The legal effect of choosing this option is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are abstained will, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

NOTES

HEAD OFFICE
British American Tobacco Kenya plc
8 Likoni Rd, Industrial Area
P.O. Box 30000 - 00100, GPO, Nairobi - Kenya
Tel: +254 (0) 711062000
Email: info_ke@bat.com
www.batkenya.com