13 July 2016

Dear Shareholders,

It gives me great pleasure to announce that Deacons (East Africa) PLC (formerly Deacons Kenya Limited) is listing on the Nairobi Securities Exchange.

This is in line with the promise that the Directors of the Company made during the public offer of shares in December 2010, to make best efforts to list its shares on the Nairobi Securities Exchange. It is important to note that any plan to list, is subject to satisfying the necessary eligibility criteria and obtaining the requisite approvals from the Capital Markets Authority and the Nairobi Securities Exchange.

Deacons raised KES 704,247,500 with 11,267,960 new shares allotted, during the 2010 public offer. The number of shareholders increased from 15 to 328. In the Information Memorandum issued in November 2010, we undertook to carry out a number of investment activities. I am glad to report that we have achieved most of the targets. These activities were to:

1. **Expand the store footprint of existing brands:** The Company has expanded from 25 stores at the end of 2010 to 31 stores at the end of 2015 (this number excludes stores under the Woolworths brand). We are on target to achieve a 38 store count by the end of 2016.
2. **Expand into the East African Market (particularly in Rwanda and Uganda):** The Company entered the Rwanda market in 2011 with a one store operation and is anticipating to increase this to two stores by the end of 2016. The Uganda market has grown and the store footprint has consequently increased from a single store in 2009 to three stores at the end of 2015.
3. **Pursue new opportunities and grow the portfolio of international brands:** The Company introduced the Babyshop brand in 2011, the Bossini brand in 2013 and the Reebok brand in early 2016.
4. Develop/acquire central warehousing and head office facilities: In order to make additional capital available for store expansion needs, the Company opted to enter into long term leases for this purpose instead of purchasing land and buildings.
5. **Actively seek reputable retailers for acquisition:** The Company continues to seek attractive brand opportunities through acquisitions, similar to its acquisition in 2010 of the Adidas and the Lifefitness brand for the East African territory, with a view of maximizing shareholder wealth.
6. **Reduce bank borrowings:** Whilst Deacons total bank borrowings net of cash declined to KES 50.5 million as at 31 December 2011 from KES 135.6 million, following the capital raise in November 2010, the Company embarked on an aggressive expansion plan, after the listing, leading to an increase of debt to KES 655 million, as at end 2015. However, following the sale of the Woolworths business in December 2015 and positive trading performance in early 2016, the debt declined to KES 300 million.

More recently, Revenue in 2015 was up by 24% against the previous year, with the Company achieving KES 2.3 billion in turnover. This was driven by the opening of a Bossini and Mr Price Store in Acacia Mall, Kampala (both in Q2 2015) and Garden City Mall, Thika Road (both in Q3 2015). The strategy in 2015, was to optimize stock holding and variety, in line with customer demands. This resulted in healthier gross margins compared to the previous year.

The increase in overall operational expenses in 2015 by 28%, compared to the previous year is directly attributable to cost of borrowings and real estate rental costs, related to new stores whose full trading potential will be realized in the near term.

The Company concluded the sale of its remaining 49% shareholding in Woolworths business in Kenya resulting in a gain in disposal of KES 64.9 million. This exit was strategic and allowed Deacons to invest and focus on its wholly managed brands and franchises. The total comprehensive income was recorded at KES 100.6 million, an increase of 73% compared to the previous year.

3 Statement from the Chairman

Going forward, in line with our 2015-2020 strategy we see continued growth in your Company, arising from:

- Growing demand from an increasing middle class segment, who demand quality goods and services of international standards;
- The rapid urbanisation in the region and the growth of retail property developments. The Company is keen to penetrate other secondary cities in Kenya and launch other brands into Kigali and Kampala. As mentioned, by end of 2016, the Company expects to have 38 stores in place;
- New opportunities that will allow us to increase our portfolio of international brands in the life style sector. The Company is in advanced discussions with several international brands that are keen to enter the East African market in the short term;
- Creating and/or acquiring local brands for a more diverse market segment; and
- The opportunity to attract a younger customer base through digital interaction.

By capitalising on the opportunities above, the Company expects to achieve a 60-store retail chain, supported by a robust e-commerce platform by 2020.

It is exciting to note that your Company, which has heritage, having traded successfully over the last 58 years, continues to be the leading fashion retailer in East and Central Africa. Total assets have increased to KES 2.49 billion in 2015 from KES 1.50 billion in 2010.

On behalf of your Board of Directors, I am pleased to present this Information Memorandum, which has been prepared to provide current and potential investors with detailed information, as well as to confirm that the Company has satisfied the Eligibility Requirements as provided for in The Capital Markets (Securities)(Public Offers, Listings and Disclosures) Regulations, 2002

Your
Sincerely
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Peter Gichuru Njoka,
Chairman