Nigerian Breweries Plc
RC: 613

Un-audited Interim Financial Statements

as at 30 September, 2012

Contents

Statement of financial position

As at 30 September 2012
In thousands of naira

	Note	30/09/2012	31/12/2011	31/12/2010
Assets				
Property, plant and equipment	11	127,169,951	119,428,310	90,768,515
Intangible assets	12	9,107,435	4,109,799	973,560
Goodwill	13	50,021,531	50,021,531	-
Investments in equity accounted investees	14	150,000	150,000	150,000
Long term debtors	15	194,600	191,447	155,006
Total non-current assets		**186, 643,517**	**173, 901,086**	**92, 047,081**
Inventories	16	26,471,442	22,419,753	16,799,818
Trade and other receivables	17	17,468,942	11,393,095	5,785,671
Prepayments	17	1,646,633	1,299,203	659,779
Foreign currencies purchased for imports	17	6,312,992	1,133,415	-
Cash and cash equivalents	18	7,672,030	21,876,465	12,607,725
Total current assets		**59,572,039**	**58,121,931**	**35,852,993**
Total Assets		**246,215,556**	**232,023,018**	**127,900,075**

The notes on pages 8 to 34 are an integral part of these financial statements.

Statement of financial position (continued)

As at 30 September 2012
In thousands of naira

	Note	30/09/ 2012	31/12/ 2011	31/12/2010
Equity				
Share capital	19	3,781,352	3,781,282	3,781,282
Share premium	19	4,569,655	4,568,038	4,568,038
Reserves	19	7,089,858	7,089,858	7,089,858
Retained earnings		63,064,698	61,116,471	32,564,062
Total equity attributable to equity holders of the Company		78,505,563	76,555,649	48,003,240
Non controlling interest		-	1,687	-
Total equity		**78, 505,563**	**76, 557,336**	**48,003,240**
Liabilities				
Loans and borrowings	22	50,000,000	38,000,000	-
Employee benefits		6,743,924	6,866,571	4,137,051
Deferred tax liabilities	21	19,779,411	20,600,169	15,200,257
Total non-current liabilities		**76,523,335**	**65,466,740**	**19,337,308**
Bank overdraft	18	5,911,329	108,180	95,308
Current tax liabilities	*9b*	21,624,074	19,922,977	14,154,257
Loans and borrowings	22	4,000,000	9,000,000	-
Trade and other payables	23	59,651,255	60,967,786	46,309,961
Total current liabilities		**91,186,658**	**89,998,943**	**60,559,526**
Total liabilities		**167,709,993**	**155,465,682**	**79,896,834**
Total equity and liabilities		**246,215,556**	**232,023,018**	**127,900,075**

The statement of financial position, statement of comprehensive income, statement of changes in equities and statement of cash flows on pages 2 to 7 were approved by the Board of Directors on the 24th of October, 2012 and signed on its behalf by:

…………………………………………………………...Jasper Hamaker, (Finance Director)

The notes on pages 8 to 34 are an integral part of these financial statements.

Statement of comprehensive income

For the nine months ended 30 September 2012

In thousands of naira	Note	30/09/2012	30/09/2011	31/12/2011
Continuing Operations		₦'000	₦'000	₦'000
Revenue	4	197,083,532	159,965,132	230,123,214
Cost of sales		(108,104,288)	(83,546,425)	(120,674,802)
Gross profit		**88,979,244**	**76,418,707**	**109,448,412**
Other income	5	90,847	81,145	345,125
Distribution expenses		(29,060,738)	(24,024,146)	(33,020,725)
Administrative expenses		(16,537,561)	(14,005,416)	(19,985,583)
Results from operating activities		**43,471,793**	**38,470,289**	**56,787,229**
Interest income	6	501,410	735,201	1,329,159
Interest expense	6	(5,366,214)	(478,490)	(1,604,178)
Net (loss)/profit on foreign exchange transactions		(1,439,466)	(741,365)	(136,855)
Net finance costs		**(6,304,270)**	**(484,654)**	**(411,874)**
Share of profit of equity accounted investees (net of Income tax)		-	-	-
Profit before income tax		37,167,523	37,985,635	56,375,355
Income tax expense	9a	(11,926,904)	(12,846,811)	(18,507,880)
Profit for the period		**25,240,619**	**25,138,824**	**37,867,475**

The notes on pages 8 to 34 are an integral part of these financial statements

Statement of changes in equity

Attributable to equity holders of the Company

For the nine months ended 30 September 2012	Share Capital ₦'000	Share Premium ₦'000	Revaluation reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at January 1, 2011	**3,781,282**	**4,568,038**	**7,089,858**	**32,564,062**	**48,003,240**
Total comprehensive income for the year					
Profit or loss				37,867,474	37,867,474
Prior year unrecognised actuarial loss				(749,280)	(749,280)
IFRS adjustment				831,393	831,393
Transfer from unclaimed dividend				57,711	57,711
Transfer from revaluation reserve				0	0
Transactions with owners, recorded directly in equity					
Dividends to equity holders				(9,453,203)	(9,453,203)
Unclaimed dividend				0	0
Balance at December 31, 2011	**3,781,282**	**4,568,038**	**7,089,858**	**61,118,158**	**76,557,336**
Total comprehensive income for the year					
Profit or loss				25,240,619	25,240,619
Business acquisitions adjustments	70	1,617		(606,391)	(604,704)
Transfer from revaluation reserve					-
Transactions with owners, recorded directly in equity					
Dividends to equity holders				(22,687,687)	(22,687,687)
Unclaimed dividend				-	-
Balance at September 30, 2012	**3,781,352**	**4,569,655**	**7,089,858**	**63,064,698**	**78,505,563**

The notes on pages 8 to 34 are an integral part of these financial statements.

Statement of cash flows

In thousands of naira

For the nine months ended 30 September 2012	Note	30/09/2012	31/12/2011
Cash flows from operating activities			
Profit for the period		25,240,619	37,867,475
Adjustments for:			
Depreciation	*11*	13,356,635	13,071,735
Amortization of intangible assets	12	574,725	235,179
(Reversal of) impairment losses on property, plant and equipment			-
Impairment losses on intangible assets			
Net finance costs		6,304,270	411,874
Reversal of impairment losses on intangible assets			
Impairment losses on assets classified as held for sale			
Share of profit of equity accounted investees			
Loss on sale of property, plant and equipment		34,166	60,707
Loss on sale of intangible assets		-	-
Income tax expense	9a	11,926,904	18,507,880
		57,437,319	**70,154,851**
Change in long term debtors		(3,153)	(36,443)
Change in inventories		(4,051,689)	(369,992)
Change in trade receivables and other receivables		(6,075,848)	(3,288,519)
Tangible assets acquired on business combination		(4,223,398)	
Change in prepayments		(347,430)	(639,424)
Change in foreign currencies purchased for imports		(5,179,577)	(1,133,415)
Change in trade and other payables (excluding dividend payable)		(3,178,386)	1, 342,354
Change in provisions and employee benefits		(215,744)	337,461
Cash generated from operating activities		**34,162,094**	**66,366,872**
Income tax paid	9b	(11,644,320)	(12,522,834)
Net cash (used in) from operating activities		**22,517,774**	**53,844,038**
Cash flows from investing activities			
Interest received		501,410	1,329,159
Proceeds from sale of property, plant and equipment		113,082	50,906
Acquisition of subsidiary, net of cash acquired		-	(65,235,106)
Acquisition of property, plant and equipment	11	(22,393,403)	(16,949,017)
Acquisition of intangible assets	12	(114,935)	(75,456)
Net cash used in investing activities		**(21,893,846)**	**(80,879,513)**

The notes on pages 8 to 34 are an integral part of these financial statements

Statement of cash flows (continued)

	Note	2012	2011
Cash flows from financing activities			
Borrowings	22	7,000,000	47,000,000
Interest paid		(5,366,214)	(1,604,178)
Dividends paid	20b	(20,825,832)	(9,904,403)
Net cash used in financing activities		**(19,192,046)**	**35,491,419**
Net decrease in cash and cash equivalents		(18,568,118)	8,455,944
Cash and cash equivalents at January 1	18	21,768,286	12,512,417
Cash and Cash equivalents acquired through business combination		-	936,781
Effect of exchange rate fluctuations on cash held		(1,439,466)	(136,855)
Cash and cash equivalents at September 30/December 31		**1,760,702**	**21,768,286**

The notes on pages 8 to 34 are an integral part of these financial statements.

Notes to the financial statements - continued

1. Reporting entity

Nigerian Breweries Plc, a public company quoted on the Nigerian Stock Exchange, was incorporated on the 16th of November, 1946, under the name, Nigerian Brewery Limited. The name was changed on the 7th of January, 1957, to Nigerian Breweries Limited and thereafter to Nigerian Breweries Plc in 1990 when the Companies and Allied Matters Act of that year came into effect. The Company is a subsidiary of Heineken N.V. of the Netherlands, the latter having a 54.10% interest in the equity of Nigerian Breweries Plc. The address of the Company's registered office is 1, Abebe Village Road Iganmu Lagos. The Company is primarily involved in the brewing, marketing and selling of lager, stout, non-alcoholic drinks and soft drinks.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 24.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in naira, which is the Company's functional currency. All financial information presented in naira has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the accounts.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the notes to the accounts.

Notes to the financial statements – continued

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2011 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently by the Company entities.

(a) Basis of consolidation

i. Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

ii. Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

iii. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been modified where necessary to align them with the policies adopted by the Company.

iv. Investments in associates (equity accounted investees)

Associates are those entities over which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Notes to the financial statements – continued

v. Transactions eliminated on consolidation

Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting 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 recognized in profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

i. Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Notes to the financial statements – continued

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

ii. Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: bank overdrafts, trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii. Share capital

The Company has only one class of shares, ordinary shares. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost or re-valued amounts less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Fixed assets under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Cost also includes transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the financial statements – continued

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized as profit or loss in the statement of comprehensive income.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:

- Land – Lease period
- Buildings – 15 to 40 years
- Plant and Machinery – 10 to 30 years
- Motor Vehicles – 5 years
- Furniture and Equipment – 3 to 5 years
- Returnable Packaging Materials – 5 to 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(e) Intangible assets

i. Intangible assets with finite useful lives

The cost of an intangible asset with a finite useful life is amortised to the profit and loss account on a straight line basis over its estimated useful life.

The Company’s intangible assets with finite useful lives comprise acquired software and a distribution network acquired as part of a business combination. The acquired distribution network provides the Company with opportunities for increased market penetration.

Notes to the financial statements – continued

ii. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. Goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired

iii. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2011. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

iv. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

v. Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets except Goodwill. The estimated useful lives for the current and comparative periods are as follows:

Computer software	-	5 to 7 years
Distribution network (acquired in a business combination)	-	10 years

(f) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows:

Notes to the financial statements – continued

Raw, sundry and non-returnable packaging materials and spare parts	-	purchase cost on a weighted average basis including transportation and clearing costs.
Finished products and products in process	-	weighted average cost of direct materials, labour costs and a proportion of production overheads based on normal level of activity.
Stock-in-transit	-	purchase cost incurred to date.

Weighted average cost is reviewed periodically to ensure it consistently approximates historical cost.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Stock values are adjusted for obsolete, slow-moving or defective items.

(h) Impairment

i. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the financial statements – continued

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(i) Employee benefits

i. Pension Funds

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the profit and loss account. Employees contribute 6% each of their Basic salary, Transport & Housing Allowances to the Fund on a monthly basis. The Company's contribution is 11% and 9% of each employee's Basic salary, Transport & Housing Allowances for non-management and management employees respectively.

Notes to the financial statements – continued

ii. Gratuity

Gratuity payable on retirement or resignation of employment is accrued over the service life of the employees. The past service cost of current pay rises is charged to the profit and loss account as pay rises are awarded. The Company currently operates two gratuity schemes, a defined benefit scheme and a defined contribution scheme:

(a) *Defined benefit scheme*

The Company's net obligation in respect of defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. In determining the liability for employee benefits under the defined benefit scheme, consideration is given to future increases in salary rates and the Company's experience with staff turnover.

The recognised liability is determined by an independent actuarial valuation every year using the projected unit credit method. A portion of the actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation are charged directly to the income statement. The portion of actuarial gains and losses to be recognised is the excess that fell outside the 10% 'corridor' (calculated as 10% of the higher of the Plan's assets or obligations) at the end of the previous reporting period, divided by the expected average remaining working lives of the employees participating in the scheme. The effect of any curtailment is charged in full to the profit and loss account immediately the curtailment occurs. Although the scheme is not funded, the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

(b) *Defined contribution scheme*

The Company has a defined contribution scheme for certain employees which is funded through fixed contributions made by the Company over the service life of the employees and charged accordingly as employee benefit expense in the Company's income statement. The funds are managed and administered by Progress Trust (CPFA) Limited and Nigerian Breweries Plc has no recourse to the funds.

iii. Other long-term employee benefits

Other long term employee benefits are accrued over the service life of the employees. The charge to the income statement is based on an independent actuarial valuation performed using the projected unit credit method.

iv. Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

v. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the financial statements – continued

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

vi. Share-based payment transactions

The fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods

(l) Government grants

Unconditional government grants relating to export sales are recognized in profit or loss as other income in the period in which the grant is awarded.

(m) 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, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

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 recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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

Notes to the financial statements – continued

(n) Income and deferred tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is provided for using the liability method, which represents taxation at the current rate of corporate tax on all timing differences between the accounting values and their corresponding tax values. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is charged to the profit and loss account except to the extent that it relates to a transaction that is recognised directly in equity.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(o) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Segment reporting

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

Notes to the financial statements – continued

All operating segments' operating results are reviewed regularly by the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash balances with banks and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(r) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2013 financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

4. Revenue

In thousands of naira	**30/092012**	**30/09/2011**	**30/12/2011**
Nigeria	196,958,377	159,844,514	229,940,640
Export	125,155	120,619	182,574
Total revenue	**197,083,532**	**159,965,132**	**230,123,214**

Nigeria is the Company's primary geographical segment as over 99% of the Company's sales are made in Nigeria. Additionally, all of the Company's sales comprise of brewed products with similar risks and returns. Accordingly, no further business or geographical segment information is reported.

5. Other income

Other income represents amount realised from sale of by-products and scrap materials.

Notes to the financial statements – continued

6. Interest income and expense

Interest income represents income earned on bank deposits while interest expense represents charges paid on overdraft facilities utilised during the year.

7. Profit before taxation

Profit before taxation is stated after charging:

In thousands of naira	Note	30/09/2012	30/09/2011	31/12/2011
Depreciation of property, plant and equipment	11	13,356,635	8,754,221	13,071,735
Amortisation of intangible assets	12	574,725	115,935	235,179
Personnel expenses		18,192,313	12,850,903	18,324,786
Loss on property, plant and equipment disposed		34,166	46,727	60,707

8. Personnel expenses

In thousands of naira	Note	30/09/2012	30/09/2011	31/12/2011
Salaries, wages and allowances		12,672,714	9,343,111	13,337,856
Contributions to defined contribution plans		1,615,172	1,241,520	1,693,764
Expenses related to defined benefit plans		655,114	367,458	543,858
Provisions for other long term employee benefits		68,938	18,000	400,633
Training, recruitment and canteen expenses		1,435,621	1,898,395	1,394,700
Reorganisation and restructuring expenses		789,245	287,707	352,108
Medical expenses		465,719	287577	418,707
Other personnel expenses		489,790	407,135	183,160
		18,192,313	**12,850,903**	**18,324,786**

Notes to the financial statements – continued

9. Taxation

(a) Income tax expense

The tax charge for the period has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

In thousands of naira	***Note***	**30/09/2012**	**30/09/2011**	**30/0/2011**
Current tax expense				
Current period income tax		12,127,353	12,838,267	17,784,089
Current period education tax		-	-	-
Additional provision for tax exposures				417,465
Adjustment for prior periods		1,218,064	95,631	-
		13,345,417	**12,933,898**	**18,291,553**
Deferred tax expense				
Origination and reversal of temporary differences		(1,418,513)	(87,087)	216,327
Reduction in tax rate				
Change in unrecognized deductible temporary differences		-		-
Recognition of previously unrecognized tax losses				
Total income tax expense		**11,926,904**	**12,846,811**	**18,507,880**

(b) Movement in current tax liability balance

In thousands of naira	**30/09/2012**	**31/12/ 2011**
Liability balance at January 1	19,922,977	14,154,257
Payments during the year	(11,644,320)	(12,522,834)
Provisions for the year	13,345,417	18,291,553
Liability balance at September 30/December 31	**21,624,074**	**19,922,977**

10. Earnings per share

Profit attributable to ordinary shareholders

In thousands of naira	**30/09/2012**	**30/09/2011**
Profit for the period	25,240,619	25,138,824
Profit attributable to ordinary shareholders	**25,240,619**	**25,138,824**

Notes to the financial statements – continued

Weighted average number of ordinary shares

In thousands of shares	***Note***	**2012**	**2011**
Issued ordinary shares at January 1		7,562,562	7,562,562
Effect of own shares held			-
Effect of share options exercised			-
Effect of shares issued related to business combination		142	
Weighted average number of ordinary shares at September 30/December 31		**7,562,704**	**7,562,562**

Profit attributable to ordinary shareholders (diluted)

In thousands of naira	**2012**	**2011**
Profit attributable to ordinary shareholders (basic)	25,240,619	25,138,824
Interest expense on convertible notes, net of tax		-
Profit attributable to ordinary shareholders (diluted)	**25,240,619**	**25,138,824**

Weighted average number of ordinary shares (diluted)

In thousands of shares

	Note	**2012**	**2011**
Weighted average number of ordinary shares (basic)		7,562,562	7,562,562
Effect of shares issued related to business combination		142	-
Effect of share options on issue			-
Weighted average number of ordinary shares (diluted)		**7,562,704**	**7,562,562**

Notes to the financial statements – continued

11. Property, plant and equipment

(a) The movement on these accounts during the year was as follows:

	Land	Building	Plant and machinery	Motor vehicle	Furniture and equipment	Returnable packaging materials	Capital work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
Balance at January 1, 2011	1,315,246	20,465,605	79,787,061	6,226,798	4,573,744	41,622,340	2,505,255	156,496,049
Acquisition through business com	0	14,108,600	11,528,480	1,478,319	331,665	0	186,970	27,634,034
Additions	9,258	1,234,964	3,210,022	952,119	1,278,336	7,794,518	2,469,800	16,949,017
Disposals	-	-	(288,789)	(347,516)	(26,769)	-	-	(663,074)
Transfers	-	338,588	978,375	69,207	503,614	-	(1,889,784)	-
Balance at 31st December 2011	**1,324,504**	**36,147,756**	**95,215,148**	**8,378,926**	**6,660,591**	**49,416,859**	**3,272,242**	**200,416,026**
Balance at January 1, 2012	**1,324,504**	**36,147,756s**	**95,215,148**	**8,378,926**	**6,660,591**	**49,416,859**	**3,272,242**	**200,416,026**
Acquisitions through Business combination		(5,411,812)	0	0	0	5,406,500	0	(5,312)
Additions	231,231	626,535	1,544,526	1,156,784	1,746,009	9,288,098	7,800,221	22,393,403
Transfer to completed assets		334,082	568,381		56,181		(958,644)	-
Disposals	(59)	(5,637)	(111)	(578,801)	(287,571)	0	(28,936)	(901,116)
Balance at 30th September 2012	**1,555,676**	**31,690,924**	**97,327,943**	**8,956,909**	**8,175,209**	**64,111,457**	**10,084,883**	**221,903,002**
Depreciation and impairment losses								
Balance at January 1, 2011	**33,297**	**5,829,215**	**30,960,560**	**4,302,071**	**1,528,557**	**23,073,834**	**-**	**65,727,535**
Depreciation through business combination		807,209	697,769	1,088,141	146,788			2,739,909
Depreciation for the year	-	603,692	4,741,643	944,053	1,141,736	5,640,612	-	13,071,736
Disposals	0	0	(351,250)	(221,975)	21,764	-	-	(551,460)
Balance at 31st December 2011	**33,297**	**7,240,116**	**36,048,723**	**6,112,289**	**2,838,845**	**28,714,446**	**-**	**80,987,721**
Balance at January 1, 2012	**33,297**	**7,240,116**	**36,048,723**	**6,112,289**	**2,838,845**	**28,714,446**	**-**	**80,987,721**
Depreciation for the year		835,685	4,992,822	691,097	882,761	5,954,270	-	13,356,635
Disposals	(30)	(18,355)	(62,285)	(545,285)	(168,467)			(794,401)
Acquisitions through Business combination		0	0	0	0	1,183,102	0	1,183,102
Balance at 30th September 2012	**33,267**	**8,057,465**	**40,979,260**	**6,258,102**	**3,553,139**	**35,851,819**	**0**	**94,733,051**
Carrying amount								
At January 1, 2011	**1,281,948**	**14,636,389**	**48,826,500**	**1,924,728**	**3,045,188**	**18,548,506**	**2,505,255**	**90,768,514**
At December 31, 2011	**1,291,207**	**28,907,642**	**59,166,425**	**2,266,636**	**3,821,745**	**20,702,413**	**3,272,242**	**119,428,310**
At September 30, 2012	**1,522,409**	**23,633,460**	**56,348,683**	**2,698,807**	**4,622,069**	**28,259,639**	**10,084,883**	**127,169,951**

Notes to the financial statements – continued

(b) Plant, machinery and buildings were professionally re-valued as at 30th June, 1995, by Knight Frank (Nigeria) - Chartered Surveyors on the basis of open market values. The values were incorporated in the books at that date. The surplus that arose on the revaluation was credited to the fixed assets revaluation reserve. All subsequent additions are stated at cost. The revaluation surplus on previously re-valued fixed assets which are disposed are transferred from the fixed assets revaluation reserve to general reserve.

In thousands of naira	**2012**	**2011**	**January 1 2011**
Land and buildings	315,902	315,902	378,334
Plant and machinery	326	326	393
	316,228	**316,228**	**378,727**

12. Intangible assets

Cost	**Software**	**Other Intangibles**	**Work in Progress**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Balance at Ist January 2011	**1,369,988**	**3,469,433**	**-**	**1,369,988**
Acquisition through business combinations				3,469,433
Other acquisitions - internally developed	78,039		(2,582)	75,456
Balance at 31st December 2011	**1,448,026**	**3,469,433**	**(2,582)**	**4,914,876**
Balance at Ist January 2012	**1,448,026**	**3,469,433**	**(2,582)**	**4,914,876**
Acquisitions through business combination		-		-
Other acquisitions - internally developed	90,614		24,321	114,935
Reclassifications from leased land		5,411,812	-	5,411,812
Balance at 30 September 2012	**1,538,641**	**8,881,245**	**21,739**	**10,441,624**
Amortization and impairment losses				
Balance at Ist January 2011	**396,427**		**-**	**396,427**
Acquisition through business combinations		173,472		173,472
Amortization for the year	159,400	75,779		235,179
Balance at 31st December 2011	**555,827**	**249,251**	**-**	**805,078**
Balance at Ist January 2012	**555,827**	**249,251**		**805,078**
Amortisation for the year	**299,817**	**274.908**		**574,725**
Impairment loss	**0**	**(45,614)**		**(45,614)**
Balance at 30 September, 2012	**855,644**	**478,545**	**0**	**1,334,189**
Carrying amount				
At January 1, 2011	**973,561**		**-**	**973,561**
At December 31, 2011	**892,200**	**3,220,183**	**(2,582)**	**4,109,799**
At September 30, 2012	**407,910**	**8,677,787**	**21,739**	**9,107,435**

Notes to the financial statements – continued

13. Goodwill

Effective 17 October 2011, Nigerian Breweries Plc acquired Sona Systems Associates Business Management Limited and Life Breweries Company Limited from Heineken International B.V. The goodwill arises from numerous synergies that can be harnessed from the breweries acquired to maximise value for the Company's shareholders and other stakeholders.

Goodwill arising from the combination was computed as follows:

In thousands of naira	**2011**
Purchase consideration	65,235,106
Net identifiable assets and liabilities attributable to Nigerian Breweries Plc as at 17 October 2011 (See Note (a) below)	(15,213,575)
Goodwill from acquisition	**50,021,531**

The useful life of Goodwill at the balance sheet date is assessed to be indefinite with no impairment losses.

(a) The net identifiable assets and liabilities acquired include:

	2011
Fixed assets	24,894,127
Intangible assets	3,295,961
Stock	5,249,943
Debtors and prepayments	1,997,482
Amount due from related parties	321,422
Cash and cash equivalents	936,781
Total assets	**36,695,716**
Other current liabilities	(3,709,239)
Amounts due to related parties	(10,141,101)
Deferred tax liabilities	(6,296,931)
Employee benefits	(1,321,659)
Total liabilities	**(21,468,930)**
Net identifiable assets and liabilities	**15,226,786**
Net assets attributable to non-controlling interest at Acquisition date	(13,211)
Adjusted net identifiable assets and liabilities	**15,213,575**

Notes to the financial statements – continued

However, the balances of the subsidiaries acquired in prior year were merged with the balances of the Companies with effect from 1 June 2012.

14. Equity accounted investees

Investment of ₦150, 000,000 represents the cost of the Company's equity investment in Progress Trust (CPFA) Limited, incorporated in Nigeria. Progress Trust (CPFA) Limited is licensed by the National Pension Commission to conduct the business of a closed pension fund administrator and also manages the gratuity fund of employees of Nigerian Breweries. The activities of Progress Trust (CPFA) Limited are regulated by the National Pension Commission (Pencom). The benefits arising from its activities accrue principally to members of the pension and gratuity schemes and the Company's residual interest in Progress Trust (CPFA) Limited is immaterial. The funds and assets of both the pension and defined contribution gratuity scheme are held by an Independent Licensed Pension Fund Custodian in line with the Pension Reform Act, 2004.

15. Long term debtors

Long term debtors represents loans granted to the Company's employees, which is backed by employees' retirement benefit obligations.

16. Inventories

In thousands of naira	**2012**	**2011**	**January 1 2011**
Raw materials	7,530,692	6,342,610	5,001,228
Product in process	2,412,998	1,982,272	1,738,895
Finished products	5,814,366	2,262,029	1,289,857
Non-returnable packaging materials	5,424,701	5,238,687	3,193,688
Spare parts	3,444,084	4,025,309	3,061,201
Sundry materials	81,412	89,689	-
Good in transit	1,763,189	2,479,157	2,514,949
	26,471,442	**22,419,753**	**16,799,818**

Notes to the financial statements – continued

17. Trade and other receivables

In thousands of naira	**Note**	**2012**	**2011**	**January 1 2011**
Trade receivables		7,688,050	6,884,985	3,491,131
Other receivables		9,005,582	1,559,652	2,294,540
Prepayments		1,646,633	1,299,203	659,779
Foreign currencies purchased for import		6,312,992	1,133,415	-
Due from related parties		775,311	2,948,458	-
		25,428,567	**13,825,713**	**6,445,449**

18. Cash and cash equivalents

In thousands of naira	**2012**	**2011**	**January 1 2011**
Bank balances	7,342,878	11,866,478	5,901,627
Call deposits	324,690	9,996,163	6,696,989
Call in hand	4,462	13,824	9,109
Cash and cash equivalents	**7,672,030**	**21,876,465**	**12,607,725**
Bank overdrafts used for cash management purposes	(5,911,329)	(108,180)	(95,308)
Cash and cash equivalents in the statement of cash flows	**1,760,702**	**21,768,285**	**12,512,417**

19. Capital and reserves

(a) Authorised ordinary shares of 50k each

In number of shares	**2012**	**2011**
At January 1	8,000,000,000	8,000,000,000
Movement		-
At September 30 /December 31	**8,000,000,000**	**8,000,000,000**

(b) Issued and fully paid ordinary shares of 50k each

In number of shares	**2012**	**2011**
At January 1	7,562,562,340	7,562,562,340
Issued for cash		-
Issued in business combination	142,092	-
Exercise of share options		-
At September 30/December 31	**7,562,704,432**	**7,562,562,340**

(c) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment in 1995 as detailed in note 11b above.

Notes to the financial statements – continued

20. Dividends

(a) Declared dividends

The following dividends were declared and paid by the company during the year:

	2012		2011	
	Per share (kobo)	**₦'000**	**Per share (kobo)**	**₦'000**
Interim dividend				
Final dividend	300	22,687,687	125	9,453,203
Interim dividend				
	300	**22,687,687**	**125**	**9,453,203**

After the respective reporting dates, the following dividends were proposed by the directors:

In thousands of naira	2012	2011
… kobo per qualifying ordinary share (2011:300 kobo)	22,687,687	9,453,203
	22,687,687	**9,453,203**

The dividends have not been provided for and there are no income tax consequences.

(b) Movement in dividend payable

	2012	2011
At 1 January	4,721,958	5,230,873
Declared dividend	22,687,687	9,456,496
Payments	(20,825,832)	(9,904,407)
Unclaimed dividend transferred to retained earnings		(61,008)
	6,583,814	**4,721,958**

Notes to the financial statements – continued

21. Deferred tax assets and liabilities

21a. Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			**Liabilities**			**Net**		
In thousands of naira	**30 September 2012**	**31 Dec 2011**	**1 Jan 2011**	**30 September 2012**	**31 Dec 2011**	**1 Jan 2011**	**30 September 2012**	**31 Dec 2011**	**1 Jan 2011**
Property, plant and equipment		-	-	(21,260,988)	(21,128,913)	(16,474,413)	(21,260,988)	(21,128,913)	(16,474,,413)
Intangible assets		-	-	(150,365)	(1,596,603)	(32,122)	(150,365)	(1,596,603)	(32,122)
Other investment	183,849	-	-		-	(282,474)	183,849	-	(282,474)
Inventories	154,769	154,769	135,000		-	-	154,769	154,769	135,000
Loans and borrowings		-	-		-	-		-	-
Employee benefits		1,938,271	1,199,220	(1,286,973)			-1,286,973	1,938,271	1,199,220
					-	-		-	-
Provisions for doubtful debts	2,344,297	48,811	254,532		-	-	2,344,297	48,811	254,532
Unrealised exchange difference			-		(16,505)			(16,505)	
Tax loss carry-forwards	236,000						236,000		
Tax assets/ (liabilities)	**2,918,915**	**2,141,851**	**1,588,752**	**(22,698,326)**	**(22,742,020)**	**(16,789,009)**	**(19,779,411)**	**(20,600,169)**	**(15,200,257)**
Set off of tax	-	-	-	-	-	-	-	-	-
Net tax assets/(liabilities)	**2,918,915**	**2,141,851**	**1,588,752**	**(22,698,326)**	**(22,742,020)**	**(16,789,009)**	**(19,779,411)**	**(20,600,169)**	**(15,200,257)**

Notes to the financial statements – continued

21b. Deferred tax assets and liabilities (continued)
Movement in temporary differences during the period

In thousands of naira	Balance January 1, 2011	Recognized in profit or loss	Recognized in equity	Balance December 31, 2011	Recognized in profit or loss	Recognized directly in equity	Balance September 30, 2012
Property, plant and equipment	(16,474,413)	(4,654,500)	-	(21,128,913)	(132,076)	-	(21,269,241)
Intangible assets	(32,122)	(1,564,480)	-	(1,596,603)	(1,446,238)	-	(150,365)
Inventories	135,000	19,769	-	154,769	183,849		338,618
Other investments	(282,474)	282,474	-	-			
Employee benefits	1,199,220	739,051		1,938,271	(3,225,244)		-1,286,973
Tax loss carry-forwards	-	-	-	-	236,000		236,000
Unrealised exchange difference	-	(16,505)	-	(16,505)	16,505		
Provisions for doubtful debts	254,532	(205,720)	-	48,811	2,295,486		2,344,297
	(15,200,257)	**(5,399,912)**		**(20,600,169)**	**820,758**		**(19,779,411)**

Notes to the financial statements – continued

22. Borrowings

In thousands of naira	***Note***	**2012**	**2011**	**January 1, 2011**
a. Long term loan facility				
Long term borrowings		50,000,000	46,000,000	-
Short term portion of long term loan		-	(8,000,000)	-
		50,000,000	**38,000,000**	
b. Short term facility				
Short term portion of long term loan		-	8,000,000	-
Short term working capital loan		4,000,000	1,000,000	
		4,000,000	**9,000,000**	**-**

23. Trade and other payables

In thousands of naira	***Note***	**2012**	**2011**	**January 1, 2011**
Trade payables and accrued expenses		46,011,593	44,698,619	29,918,038
Dividend payable		6,583,814	4,721,958	5,230,873
Non-trade payables and accrued expenses		4,362,706	3,991,013	7,206,238
Amount due to related parties		2,693,143	7,556,196	3,954,812
		59,651,256	**60,967,786**	**46,309,961**

24. Explanation of transition to IFRSs

As stated in note 2(a), these are the Company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended September 30, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2011 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

.Notes to the financial statements – continued

24a. Reconciliation of equity as at 01 January, 2011

In thousands of naira	Nigeria GAAP (SAS)	Effect of transition to IFRSs	IFRSs
Assets			
Property, plant and equipment	72,719,521	18,048,994	90,768,515
Intangible assets	1,080,636	(107,076)	973,560
Investments in equity accounted investees	150,000	-	150,000
Long Term Debtors	155,003	3	155,006
Non-current assets	**74,105,160**	**17,941,921**	**92,047,081**
Inventories	21,231,097	(4,431,279)	16,799,818
Trade and other receivables	6,445,450	(659,779)	5,785,671
Prepayments	-	659,779	659,779
Foreign currencies purchased for imports			
Cash and cash equivalents	12,607,725	-	12,607,725
Current assets	**40,284,272**	**(4,431,280)**	**35,852,993**
Total assets	**114,389,432**	**13,510,642**	**127,900,075**
Equity			
Share capital	3,781,282	-	3,781,282
Share premium	4,568,038	-	4,568,038
Reserves	7,089,858	-	7,089,858
Retained earnings	34,732,984	(2,168,922)	32,564,062
Equity attributable to equity holders of the Company	**50,172,162**	**(2,168,922)**	**48,003,240**
Total equity	**50,172,162**	**(2,168,922)**	**48,003,240**
Liabilities			
Employee benefits	4,137,051	-	4,137,051
Deferred tax liabilities	15,200,257	-	15,200,257
Non-current liabilities	**19,337,308**	**-**	**19,337,308**
Bank overdraft		95,208	95,308
Current tax liabilities	14,154,257	-	14,154,257
Trade and other payables	30,725,705	15,584,256	46,309,961
Current liabilities	**44,879,962**	**15,679,564**	**60,559,526**
Total liabilities	**64,217,270**	**15,679,564**	**79,896,834**
Total equity and liabilities	**114,389,432**	**13,510,643**	**127,900,075**

(24b). Reconciliation of equity as at 31 December 2011

In thousands of naira	Nigeria GAAP (SAS)	Effect of transition to IFRSs	IFRSs
Property, plant and equipment	98,428,278	21,000,032	119,428,310
Intangible assets	4,345,488	(235,689)	4,109,799
Investments in equity accounted investees	150,000	0	150,000
Goodwill	50,021,531		50,021,531
Long Term Debtors	191,447	- 0	191,447
Non-current assets	**153,136,743**	**20,764,344**	**173,901,087**
Inventories	27,533,033	(5,113,280)	22,419,753
Trade and other receivables	12,692,298	(1,299,203)	11,393,095
Prepayments	-	1,299,203	1,299,203
Foreign currencies purchased for imports	1,133,415	-	1,133,415
Cash and cash equivalents	21,876,465	-	21,876,465
Current assets	**63,235,211**	**(5,113,280)**	**58,121,931**
Total assets	**216,371,954**	**15,651,063**	**232,023,018**
Equity			
Share capital	3,781,282	-	3,781,282
Share premium	4,568,038	-	4,568,038
Reserves	7,089,858	-	7,089,858
Retained earnings	62,611,393	(1,494,923)	61,116,471
Equity attributable to equity holders of the Company	**78,050,571**	**(1,494,923)**	**76,555,649**
Non controlling interest	**15,600**	**(13,913)**	**1,687**
Total equity	**78,066,171**	**(1,508,836)**	**76,557,336**
Liabilities			
Loans and borrowings	38,000,000		38,000,000
Derivatives			
Employee benefits	6,866,570	1	6,866,571
Deferred tax liabilities	21,231,638	(631,469)	20,600,169
Non-current liabilities	**66,098,208**	**(631,468)**	**65,466,740**
Bank overdraft		108,180	108,180
Current tax liabilities	19,922,977	-	19,922,977
Loans and borrowings	-	9,000,000	9,000,000
Trade and other payables	52,284,598	8,683,188	60,967,786
Current liabilities	**72,207,575**	**17,791,368**	**89,998,943**
Total liabilities	**138,305,783**	**17,159,899**	**155,465,682**
Total equity and liabilities	**216,371,954**	**15,651,063**	**232,023,018**

Notes to the financial statements – continued

24c. Reconciliation of comprehensive income as at 30 September 2012

	Nigeria GAAP (SAS)	Effect of transition to IFRSs	IFRSs
	₦'000	₦'000	₦'000
Continuing operations			
Revenue	197,083,532	-	197,083,532
Cost of sales	(109,705,631)	1,601,344	(108,104,288)
Gross profit	**87,377,901**	**1,601,344**	**88,979,244**
Other income	90,847	-	90,847
Distribution expenses	(29,060,738)	-	(29,060,738)
Administrative expenses	(17,977,027)	1,439,466	(16,537,561)
Results from operating activities	**40,430,983**	**3,040,810**	**43,471,793**
Interest income	501,410	-	501,410
Interest expense	(5,366,214)	-	(5,366,214)
Net loss on foreign exchange transactions	-	(1,439,466)	(1,439,466)
Net finance costs	**(4,864,804)**	**(1,439,466)**	**(6,304,270)**
Profit before income tax	**35,566,179**	**1,601,344**	**37,167,523**
Income tax expense	(11,926,904)	-	(11,926,904)
Profit for the period	**23,639,276**	**1,601,344**	**25,240,619**
Profit attributable to:			
Owners of the Company	23,636,726	1,601,343	25,238,069
Non-controlling interest	2,550	-	2,550
Profit for the period	**23,639,276**	**1,601,343**	**25,240,619**