



**Nigerian Breweries Plc**

RC: 613

**Unaudited Condensed Interim Financial Statements**

**For the nine months ended 30<sup>th</sup> September, 2018**

<b>Contents</b>	<b>Page</b>
Condensed interim income statement ended 30 <sup>th</sup> September	3
Condensed interim statement of other comprehensive income ended 30 <sup>th</sup> September	5
Condensed interim statement of financial position	7
Condensed interim statement of changes in equity	9
Condensed interim statement of cash flows	13
Notes to the condensed interim financial statements	14

CONDENSED INTERIM INCOME STATEMENT

	Notes	GROUP			
		Quarter to date 30 <sup>th</sup> September 2018 #'000	Year to date 30 <sup>th</sup> September 2018 #'000	Quarter to date 30 <sup>th</sup> September 2017 #'000	Year to date 30 <sup>th</sup> September 2017 #'000
Revenue		71,309,343	254,998,171	78,180,052	270,206,480
Excise duty expense		(5,903,287)	(16,932,486)	(4,500,092)	(15,539,215)
<b>Net Revenue</b>		<b>65,406,056</b>	<b>238,065,685</b>	<b>73,679,960</b>	<b>254,667,265</b>
Cost of Sales	5	(46,771,651)	(143,350,204)	(48,324,139)	(147,805,218)
<b>Gross Profit</b>		<b>18,634,405</b>	<b>94,715,481</b>	<b>25,355,821</b>	<b>106,862,047</b>
Other Income		227,612	658,309	212,412	2,046,505
Marketing and Distribution Expenses	5	(16,896,276)	(51,448,477)	(16,017,131)	(51,861,541)
Administrative Expenses	5	(5,840,357)	(16,183,780)	(6,571,733)	(14,750,144)
<b>Results from operating activities</b>		<b>(3,874,616)</b>	<b>27,741,533</b>	<b>2,979,369</b>	<b>42,296,867</b>
Finance income	6a	18,844	238,561	37,988	124,685
Finance costs	6b	(1,218,569)	(5,505,789)	(2,648,166)	(7,993,765)
<b>Net Finance costs</b>		<b>(1,199,725)</b>	<b>(5,267,228)</b>	<b>(2,610,178)</b>	<b>(7,869,080)</b>
Profit before tax		(5,074,341)	22,474,305	369,191	34,427,787
Income tax expenses	7	1,429,147	(7,684,630)	(109,299)	(10,416,863)
<b>Profit after tax</b>		<b>(3,645,194)</b>	<b>14,789,675</b>	<b>259,892</b>	<b>24,010,924</b>
Profit for the year attributable to:					
Owners of the Company		(3,646,319)	14,786,894	258,764	24,007,809
Non-controlling interest		1,125	2,781	1,127	3,115
<b>Profit for the period</b>		<b>(3,645,194)</b>	<b>14,789,675</b>	<b>259,891</b>	<b>24,010,924</b>
Earnings per share					
Basic Earnings per share (kobo)		(46)	185	3	300
Diluted earnings per share (kobo)		(46)	185	3	300

The notes on pages 14 to 18 are an integral part of these interim financial statements

CONDENSED INTERIM INCOME STATEMENT

	Notes	COMPANY			
		Quarter to date	Year to date	Quarter to date	Year to date
		30 <sup>th</sup> September 2018 N'000	30 <sup>th</sup> September 2018 N'000	30 <sup>th</sup> September 2017 N'000	30 <sup>th</sup> September 2017 N'000
Revenue		71,309,343	254,998,171	78,180,052	270,206,480
Excise duty expense		(5,903,287)	(16,932,486)	(4,500,092)	(15,539,215)
<b>Net Revenue</b>		<b>65,406,056</b>	<b>238,065,685</b>	<b>73,679,960</b>	<b>254,667,265</b>
Cost of Sales	5	(46,771,651)	(143,350,204)	(48,324,139)	(147,805,218)
<b>Gross Profit</b>		<b>18,634,405</b>	<b>94,715,481</b>	<b>25,355,821</b>	<b>106,862,047</b>
Other Income		227,612	658,309	212,412	2,046,505
Marketing and Distribution Expenses	5	(16,896,276)	(51,448,477)	(16,017,131)	(51,861,541)
Administrative Expenses	5	(5,839,107)	(16,179,780)	(6,570,482)	(14,746,144)
<b>Results from operating activities</b>		<b>(3,873,366)</b>	<b>27,745,533</b>	<b>2,980,619</b>	<b>42,300,867</b>
Finance income	6a	18,844	238,561	37,988	124,685
Finance costs	6b	(1,235,871)	(5,555,460)	(2,664,908)	(8,040,584)
<b>Net Finance costs</b>		<b>(1,217,027)</b>	<b>(5,316,899)</b>	<b>(2,626,920)</b>	<b>(7,915,899)</b>
Profit before tax		(5,090,393)	22,428,634	353,699	34,384,968
Income tax expenses	7	1,434,683	(7,664,946)	(104,341)	(10,403,161)
<b>Profit after tax</b>		<b>(3,655,710)</b>	<b>14,763,688</b>	<b>249,358</b>	<b>23,981,807</b>
Profit for the year attributable to:					
Owners of the Company		(3,655,710)	14,763,688	249,358	23,981,807
Non-controlling interest		-	-	-	-
<b>Profit for the period</b>		<b>(3,655,710)</b>	<b>14,763,688</b>	<b>249,358</b>	<b>23,981,807</b>
Earnings per share					
Basic Earnings per share (kobo)		(46)	185	3	300
Diluted earnings per share (kobo)		(46)	185	3	300

The notes on pages 14 to 18 are an integral part of these interim financial statements

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME**

	GROUP			
	Quarter to date	Year to date	Quarter to date	Year to date
	30 <sup>th</sup> September 2018 N'000	30 <sup>th</sup> September 2018 N'000	30 <sup>th</sup> September 2017 N'000	30 <sup>th</sup> September 2017 N'000
Notes				
<b>Profit for the period</b>	(3,646,319)	14,786,894	258,764	24,007,809
Other comprehensive income, net of tax				
<b>Total comprehensive income for the period</b>	<b>(3,646,319)</b>	<b>14,786,894</b>	<b>258,764</b>	<b>24,007,809</b>
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the Company	(3,646,319)	14,786,894	258,764	24,007,809
<b>Total comprehensive income for the period</b>	<b>(3,646,319)</b>	<b>14,786,894</b>	<b>258,764</b>	<b>24,007,809</b>

The notes on pages 14 to 18 are an integral part of these interim financial statements

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME**

	COMPANY			
	Quarter to date	Year to date	Quarter to date	Year to date
	30 <sup>th</sup> September 2018 ₦'000	30 <sup>th</sup> September 2018 ₦'000	30 <sup>th</sup> September 2017 ₦'000	30 <sup>th</sup> September 2017 ₦'000
Notes				
<b>Profit for the period</b>	(3,655,710)	14,763,688	249,358	23,981,807
Other comprehensive income, net of tax				
Total comprehensive income for the period	(3,655,710)	14,763,688	249,358	23,981,807
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the Company	(3,655,710)	14,763,688	249,358	23,981,807
Total comprehensive income for the period	(3,655,710)	14,763,688	249,358	23,981,807

The notes on pages 14 to 18 are an integral part of these interim financial statements

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT:**

		30 <sup>th</sup> September 2018	30 <sup>th</sup> September 2018	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2017
	Notes	Group ₦'000	Company ₦'000	Group ₦'000	Company ₦'000
<b>ASSETS</b>					
Property, plant and equipment	8	188,137,136	187,960,886	195,230,394	195,050,394
Intangible assets and goodwill		97,310,010	97,310,010	98,277,166	98,277,166
Investments		150,000	829,625	150,000	829,625
Other receivables		422,423	422,423	551,862	551,862
Prepayments		609,153	609,153	525,831	525,831
<b>Non-current assets</b>		<b>286,628,722</b>	<b>287,132,097</b>	<b>294,735,253</b>	<b>295,234,878</b>
Inventories		34,664,951	34,664,951	42,728,862	42,728,862
Trade and other receivables		26,742,475	26,742,475	20,384,112	20,384,112
Prepayments		617,698	617,698	1,038,885	1,038,885
Deposit for imports		3,092,452	3,092,452	7,474,027	7,474,027
Cash and cash equivalents		9,413,144	9,411,966	15,866,954	15,865,776
<b>Current assets</b>		<b>74,530,720</b>	<b>74,529,542</b>	<b>87,492,840</b>	<b>87,491,662</b>
<b>Total assets</b>		<b>361,159,442</b>	<b>361,661,639</b>	<b>382,228,093</b>	<b>382,726,540</b>

The notes on pages 14 to 18 are an integral part of these interim financial statements

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT: (Cont'd)

		30 <sup>th</sup> September 2018	30 <sup>th</sup> September 2018	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2017
	Notes	Group ₦'000	Company ₦'000	Group ₦'000	Company ₦'000
<b>EQUITY</b>					
Share capital		3,998,451	3,998,451	3,998,451	3,998,451
Share premium		73,770,356	73,770,356	73,770,356	73,770,356
Share based payment reserve		729,646	729,646	748,450	748,450
Retained earnings		89,449,259	89,367,062	99,692,668	99,633,677
<b>Equity attributable to</b>					
<b>owners of the company</b>	11	<b>167,947,712</b>	<b>167,865,515</b>	<b>178,209,925</b>	<b>178,150,934</b>
<b>Non-controlling interest</b>		<b>91,283</b>	<b>-</b>	<b>88,502</b>	<b>-</b>
<b>Total Equity</b>		<b>168,038,995</b>	<b>167,865,515</b>	<b>178,298,427</b>	<b>178,150,934</b>
<b>LIABILITIES</b>					
Loans and borrowings		27,720,985	27,720,985	9,326,393	9,326,393
Employee benefits		13,911,014	13,911,014	13,209,837	13,209,837
Deferred tax liabilities		24,430,561	24,430,561	26,666,864	26,666,864
<b>Non-current liabilities</b>		<b>66,062,560</b>	<b>66,062,560</b>	<b>49,203,094</b>	<b>49,203,094</b>
Bank overdraft and Commercial Papers		11,931,297	11,931,297	470,930	470,930
Current tax liabilities		17,710,614	17,674,721	19,606,270	19,553,190
Dividend payable		6,225,125	6,225,125	8,028,742	8,028,742
Trade and other payables		89,779,013	90,490,583	126,620,630	127,319,650
Provisions		1,411,838	1,411,838	-	-
<b>Current liabilities</b>		<b>127,057,887</b>	<b>127,733,564</b>	<b>154,726,572</b>	<b>155,372,512</b>
<b>Total liabilities</b>		<b>193,120,447</b>	<b>193,796,124</b>	<b>203,929,666</b>	<b>204,575,606</b>
<b>Total equity and liabilities</b>		<b>361,159,442</b>	<b>361,661,639</b>	<b>382,228,093</b>	<b>382,726,540</b>

Approved by the Board of Directors on 25<sup>th</sup> October, 2018 and signed on its behalf by:


  


.....Mr. Jordi Borrut Bel (Managing Director/CEO)  
FRC/2018/ODN/00000018359

.....Mr. Rob Kleinjan (Finance Director)\*

The notes on pages 14 to 18 are an integral part of these interim financial statements

\* Mr Kleinjan has a waiver from the Financial Reporting Council of Nigeria to sign the Interim Financial Statement while processing his FRC registration with the Council.



Condensed interim statement of changes in equity

For the nine-month period ended September 2018  
Group

	Share Capital	Share Premium	Share Based Payment Reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 <sup>st</sup> January 2018	3,998,451	73,770,356	748,450	99,692,668	178,209,925	88,502	178,298,427
Profit for the year	-	-	-	14,786,894	14,786,894	2,781	14,789,675
Other comprehensive income for the year	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	14,786,894	14,786,894	2,781	14,789,675
Transaction with owners, recorded directly in equity	-	-	-	-	-	-	-
<b>Contributions and distributions</b>	-	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-
Share based payment charge	-	-	614,062	-	614,062	-	614,062
Share based payment recharge	-	-	(632,866)	-	(632,866)	-	(632,866)
Dividends	-	-	-	(25,030,303)	(25,030,303)	-	(25,030,303)
Unclaimed dividends written back	-	-	-	-	-	-	-
<b>Total contributions and distributions</b>	-	-	(18,804)	(25,030,303)	(25,049,107)	-	(25,049,107)
<b>Changes in ownership interest</b>	-	-	-	-	-	-	-
<b>Total transactions with owners of the company</b>	-	-	(18,804)	(25,030,303)	(25,049,107)	-	(25,049,107)
<b>Balance as at 30<sup>th</sup> September, 2018</b>	<b>3,998,451</b>	<b>73,770,356</b>	<b>729,646</b>	<b>89,449,259</b>	<b>167,947,712</b>	<b>91,283</b>	<b>168,038,995</b>

The notes on pages 14 to 18 are an integral part of these interim financial statements

Condensed interim statement of changes in equity						
For the nine-month period ended September 2018						
Company	Share Capital	Share Premium	Share Based Payment Reserve	Retained Earnings	Total Equity	
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
	Notes					
Balance as at 1 <sup>st</sup> January 2018	3,998,451	73,770,356	748,450	99,633,677	178,150,934	
Profit for the year	-	-	-	14,763,688	14,763,688	
Other comprehensive income for the year	-	-	-	-	-	
<b>Total Comprehensive income for the year</b>	-	-	-	14,763,688	14,763,688	
Transaction with owners, recorded directly in equity	-	-	-	-	-	
<b>Contributions and distributions</b>						
Issue of ordinary shares	-	-	-	-	-	
Share based payment charge	-	-	614,062	-	614,062	
Share based payment recharge	-	-	(632,866)	-	(632,866)	
Dividends	-	-	-	(25,030,303)	(25,030,303)	
Unclaimed dividends written back	-	-	-	-	-	
<b>Total contributions and distributions</b>	-	-	(18,804)	(25,030,303)	(25,049,107)	
<b>Changes in ownership interest</b>						
Total transactions with owners of the company	-	-	(18,804)	(25,030,303)	(25,049,107)	
<b>Balance as at 30<sup>th</sup> September, 2018</b>	<b>3,998,451</b>	<b>73,770,356</b>	<b>729,646</b>	<b>89,367,062</b>	<b>167,865,515</b>	

The notes on pages 14 to 18 are an integral part of these interim financial statements

Condensed interim statement of changes in equity

For the nine-month period ended September 2017

Group	Share Capital	Share Premium	Share Based Payment Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 <sup>st</sup> January 2017	3,964,551	64,950,103	571,106	96,343,708	165,829,468	84,300	165,913,768
Profit for the year	-	-	-	24,007,809	24,007,809	3,115	24,010,924
Other comprehensive income for the year	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	24,007,809	24,007,809	3,115	24,010,924
Transaction with owners, recorded directly in equity	-	-	-	-	-	-	-
<b>Contributions and distributions</b>							
Issue of ordinary shares	33,900	8,820,253	-	-	8,854,153	-	8,854,153
Share based payment charge	-	-	276,173	-	276,173	-	276,173
Share based payment recharge	-	-	(278,521)	-	(278,521)	-	(278,521)
Dividends	-	-	-	(20,457,080)	(20,457,080)	-	(20,457,080)
Unclaimed dividends written back	-	-	-	-	-	-	-
<b>Total contributions and distributions</b>	33,900	8,820,253	(2,348)	(20,457,080)	(11,605,275)	-	(11,605,275)
<b>Changes in ownership interest</b>							
<b>Total transactions with owners of the company</b>	33,900	8,820,253	(2,348)	(20,457,080)	(11,605,275)	-	(11,605,275)
<b>Balance as at 30th September, 2017</b>	3,998,451	73,770,356	568,758	99,894,437	178,232,002	87,415	178,319,417

The notes on pages 14 to 18 are an integral part of these interim financial statements

Condensed interim statement of changes in equity

For the nine-month period ended September 2017

Company	Share Capital #'000	Share Premium #'000	Share Based Payment Reserve #'000	Retained Earnings #'000	Total Equity #'000
Balance as at 1 <sup>st</sup> January 2017	3,964,551	64,950,103	571,106	96,319,782	165,805,542
Profit for the year	-	-	-	23,981,807	23,981,807
Other comprehensive income for the year	-	-	-	-	-
<b>Total Comprehensive income for the year</b>	-	-	-	<b>23,981,807</b>	<b>23,981,807</b>
Transaction with owners, recorded directly in equity	-	-	-	-	-
<b>Contributions and distributions</b>					
Issue of ordinary shares	33,900	8,820,253	-	-	8,854,153
Share based payment charge	-	-	276,173	-	276,173
Share based payment recharge	-	-	(278,521)	-	(278,521)
Dividends	-	-	-	(20,457,080)	(20,457,080)
Unclaimed dividends written back	-	-	-	-	-
<b>Total contributions and distributions</b>	<b>33,900</b>	<b>8,820,253</b>	<b>(2,348)</b>	<b>(20,457,080)</b>	<b>(11,701,031)</b>
<b>Changes in ownership interest</b>					
<b>Total transactions with owners of the company</b>	<b>33,900</b>	<b>8,820,253</b>	<b>(2,348)</b>	<b>(20,457,080)</b>	<b>(11,701,031)</b>
<b>Balance as at 30th September, 2017</b>	<b>3,998,451</b>	<b>73,770,356</b>	<b>568,758</b>	<b>99,844,509</b>	<b>178,182,074</b>

The notes on pages 14 to 18 are an integral part of these interim financial statements

Condensed interim statement of cash flows

For the nine-month period ended 30<sup>th</sup> September

	Group 2018 N'000	Company 2018 N'000	Group 2017 N'000	Company 2017 N'000
Profit for the year	14,789,675	14,763,688	24,010,924	23,981,807
Adjustments for:				
Depreciation	22,143,591	22,139,841	24,759,848	24,756,098
Amortization of intangible assets	1,027,028	1,027,028	1,078,749	1,078,749
Finance income	(238,561)	(238,561)	(124,685)	(124,685)
Interest expenses	3,718,182	3,767,853	2,896,955	2,943,774
Gratuity, employee benefit and share based payment charges	2,516,656	2,516,656	1,665,317	1,665,317
Loss on sale of property, plant and equipment	14,523	14,523	491,562	491,562
Income tax expense	7,684,630	7,664,946	10,416,863	10,403,161
	<b>51,655,724</b>	<b>51,655,974</b>	<b>65,195,533</b>	<b>65,195,783</b>
Changes in:				
Inventories	8,063,911	8,063,911	(15,658,965)	(15,658,965)
Trade and other receivables	(6,228,924)	(6,228,924)	(8,863,001)	(8,863,001)
Prepayments	337,865	337,865	(62,897)	(62,897)
Trade and other payables	(28,884,376)	(28,871,826)	10,201,846	13,166,693
Provisions	1,411,838	1,411,838	(473,933)	(473,933)
Deposit for imports	4,381,575	4,381,575	1,008,595	1,008,595
<b>Cash generated from operating activities</b>	<b>30,737,613</b>	<b>30,750,413</b>	<b>40,934,389</b>	<b>43,899,485</b>
Income tax paid	(11,816,589)	(11,779,718)	(15,546,259)	(15,546,259)
Gratuity paid	(1,193,244)	(1,193,244)	(849,400)	(849,400)
Other long term employee benefits paid	(641,040)	(641,040)	(530,246)	(530,246)
VAT paid*	(8,678,226)	(8,678,226)	(11,287,485)	(11,287,485)
<b>Net cash from operating activities</b>	<b>8,408,514</b>	<b>8,458,185</b>	<b>28,716,777</b>	<b>28,763,596</b>
<b>Cash flows from investing activities</b>				
Finance income	238,561	238,561	124,685	124,685
Proceeds from sale of property, plant and equipment	87,528	87,528	49,321	49,321
Acquisition of property, plant and equipment	(15,180,714)	(15,180,714)	(18,436,031)	(18,436,031)
Acquisition of intangible assets	(31,541)	(31,541)	(44,875)	(44,875)
<b>Net cash used in investing activities</b>	<b>(14,886,166)</b>	<b>(14,886,166)</b>	<b>(18,306,900)</b>	<b>(18,306,900)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and borrowings	54,000,000	54,000,000	32,000,000	32,000,000
Repayment of loans and borrowings	(35,605,408)	(35,605,408)	(21,000,000)	(21,000,000)
Interest paid	(2,997,196)	(3,046,867)	(1,486,028)	(1,532,847)
Dividends paid	(26,833,920)	(26,833,920)	(16,321,180)	(16,321,180)
<b>Net cash used in financing activities</b>	<b>(11,436,524)</b>	<b>(11,486,195)</b>	<b>(6,807,208)</b>	<b>(6,854,027)</b>
Net increase/(decrease) in cash and cash equivalents	(17,914,177)	(17,914,177)	3,602,669	3,602,669
Cash and cash equivalents as at 1 <sup>st</sup> January	15,396,024	15,394,846	11,285,821	11,284,643
<b>Cash and cash equivalents as at 30<sup>th</sup> September</b>	<b>(2,518,153)</b>	<b>(2,519,331)</b>	<b>14,888,490</b>	<b>14,887,312</b>
Represented by:				
Cash balance	9,413,144	9,411,966	14,991,250	14,990,072
Bank Overdraft and Commercial Papers	(11,931,297)	(11,931,297)	(102,760)	(102,760)
	<b>(2,518,153)</b>	<b>(2,519,331)</b>	<b>14,888,490</b>	<b>14,887,312</b>

The notes on pages 14 to 18 are an integral part of these interim financial statements

\* Value Added Tax (VAT) paid shown separately above has been adjusted for in deriving the change in trade and other payables

## **Notes to the condensed interim financial statements**

### **1. REPORTING ENTITY**

Nigerian Breweries Plc, a public Company quoted on The Nigerian Stock Exchange, was incorporated in Nigeria on the 16<sup>th</sup> November 1946, under the name, Nigerian Brewery Limited. The name was changed on 7<sup>th</sup> 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. a company domiciled in the Netherlands, the latter having a 55.95% interest in the equity of Nigerian Breweries Plc. The address of the Company's registered office is 1, Abebe Village Road, Iganmu, Lagos. The condensed interim financial statements of the Company as at and for the nine-month period ended 30<sup>th</sup> September 2018 comprise the Company and its subsidiaries.

The financial statements of Nigerian Breweries Plc as at and for the year ended 31<sup>st</sup> December 2017 are available on the Company's registered website [www.nbplc.com/investor-relations.html](http://www.nbplc.com/investor-relations.html)

### **2. BASIS OF PREPARATION**

#### **a. Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of Nigerian Breweries Plc as at and for the year ended 31<sup>st</sup> December 2017.

#### **b. Functional and presentation currency**

These condensed interim financial statement are presented in Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand unless stated otherwise.

#### **c. Use of estimates and judgements**

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31<sup>st</sup> December 2017.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a. General**

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31<sup>st</sup> December 2017.

**b. Income tax**

Income tax expenses are recognised based on management's best estimation of the weighted average expected full year income tax rate.

**4. SEASONALITY**

The performance of the Company is subject to seasonal fluctuations as a result of weather conditions and festivities. The Company's full year results and volumes are dependent on the performance in the peak-selling season, typically resulting in higher revenue and profitability in the last quarter of the year. The impact from this seasonality is also noticeable in several working capital related items such as inventory, trade receivables and payables.

**5. ANALYSIS OF EXPENSES BY NATURE**

For the nine-month period ended 30<sup>th</sup> September

	Group 2018 N'000	Company 2018 N'000	Group 2017 N'000	Company 2017 N'000
Raw materials and consumables	90,638,574	90,638,574	91,978,372	91,978,372
Advertising and sales expenses	17,506,495	17,506,495	16,368,151	16,368,151
Depreciation	22,143,591	22,139,841	24,759,848	24,756,098
Amortization	1,027,028	1,027,028	1,078,749	1,078,749
Employee benefits	32,760,648	32,760,648	31,568,156	31,568,156
Distribution	19,274,372	19,274,372	20,927,677	20,927,677
Repairs and Maintenance	11,785,509	11,785,509	11,307,283	11,307,283
Royalty and technical service fees	5,993,738	5,993,738	7,804,419	7,804,419
Others	9,852,506	9,852,256	8,624,248	8,623,998
<b>Total cost of sales, marketing &amp; distribution and administration expenses</b>	<b>210,982,461</b>	<b>210,978,461</b>	<b>214,416,903</b>	<b>214,412,903</b>

**6. INTEREST INCOME, INTEREST EXPENSES AND OTHER NET FINANCE EXPENSES**

Net finance income and expenses for the nine-month period ended 30<sup>th</sup> September 2018 amounted to N5.3 billion (nine-month period ended 30<sup>th</sup> September 2017: N7.9billion).

**a. Finance income**

Interest income for the nine-month period ended 30<sup>th</sup> September 2018 amounted to N239 million (nine-month period ended 30<sup>th</sup> September 2017: N125 million).

**b. Finance expense**

Interest expenses for the nine-month period ended 30th September 2018 amounted to N5.6 billion (nine-month ended 30th September 2017: N8 billion).

Other net finance expenses for the nine-month period ended 30th September 2018 amounted to N1.8 billion (nine-month ended 30th September 2017: N5.0 billion). The interest expenses on the net pension liability for the period ended 30th September 2018 amounted to N1.4 billion (nine-month period ended 30th September 2017: N1.0 billion).

**7. INCOME TAX EXPENSES**

The Company's effective tax rate in respect of continuing operations for the nine-month period ended 30th September 2018 was 32.64 per cent (for the nine-month period ended 30th September 2017: 28.67 per cent).

**8. PROPERTY PLANT AND EQUIPMENT**

**Acquisitions**

During the nine-month period ended 30th September 2018 the Company acquired, plant and equipment with a cost of N15.1 billion (nine-month period ended 30th September 2017: N18.5 billion).

**Capital commitments**

As at 30th September 2018, the Company's capital expenditure commitments for property, plant and equipment amounted to N27.4 billion (30th September 2017: N22.2 billion).

**9. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

**Financial risk management**

The aspect of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31<sup>st</sup> December 2017.



**10. EQUITY**

**Reserves**

The reserves consist of share premium, share-based payment, equity contribution reserves and retained earnings.

**Weighted average number of shares (basic and diluted)**

For the nine-month period ended 30<sup>th</sup> September

In shares

	2018	2017
1 <sup>st</sup> January		
Weighted average number of shares	7,996,902,051	7,929,100,888
Bonus issues	-	67,801,163
<hr/>		
30 <sup>th</sup> September		
Weighted average number of shares	7,996,902,051	7,996,902,051
<hr/>		

#### 11. NET CASH COVERAGE /INTEREST BEARING DEBT POSITION

For the nine-month period ended 30<sup>th</sup> September

	<b>Group</b> <b>30<sup>th</sup> September</b> <b>2018</b> <b>N'000</b>	<b>Company</b> <b>30<sup>th</sup> September</b> <b>2018</b> <b>N'000</b>	<b>Group</b> <b>31<sup>st</sup> December</b> <b>2017</b> <b>N'000</b>	<b>Company</b> <b>31<sup>st</sup> December</b> <b>2017</b> <b>N'000</b>
Loans and borrowings	27,720,985	27,720,985	9,326,393	9,326,393
Bank overdrafts	1,554,391	1,554,391	470,930	470,930
Commercial papers	10,376,906	10,376,906	-	-
Cash, cash equivalents and current	(9,413,144)	(9,411,966)	(15,866,954)	(15,865,776)
<b>(Net cash coverage position)/interest bearing debt position</b>	<b>30,239,138</b>	<b>30,240,316</b>	<b>(6,069,631)</b>	<b>(6,068,453)</b>

The company has revolving credit facilities with five Nigerian banks to finance its working capital. The approved limit of the loan with each of the banks range from ₦6 billion to ₦15 billion (total of ₦66 billion). ₦27 billion was utilized as at 30<sup>th</sup> September, 2018 (2017: ₦28 billion).

#### 12. CONTINGENCIES

No material updates in comparison with 2017 year-end reporting were identified that need to be reported.

#### 13. RELATED PARTY TRANSACTIONS

The Company has related party relationships with its parent company, Heineken N.V. and Heineken group entities. These transactions are conducted on terms comparable to transactions with third parties. The related party transactions in the first nine-month period ended 30<sup>th</sup> September 2018 do in substance not deviate from the transactions as reflected in the financial statements as at and for the year 31<sup>st</sup> December 2017.

#### 14. SUBSEQUENT EVENTS

There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 30<sup>th</sup> September 2018 that have not been adequately provided for or disclosed in these condensed interim financial statements.