

**Cadbury Nigeria Plc**

**Un-audited Interim Financial Information  
for the Nine Months Ended 30 September 2017**

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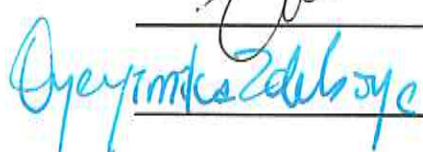
## Statement of financial position

*In thousands of naira*

		Un-audited 30 September <u>2017</u>	Audited 31 December <u>2016</u>
	<i>Note</i>		
<b>Assets</b>			
Property, plant and equipment	9	14,091,243	14,187,438
Intangible assets	10	345,692	397,439
<b>Total non-current assets</b>		<b>14,436,935</b>	<b>14,584,877</b>
Inventories	11	7,370,198	5,020,938
Trade and other receivables	12	4,955,408	4,952,653
Prepayments	13	1,379,137	823,169
Cash and cash equivalents	14	2,857,779	3,011,314
<b>Total current assets</b>		<b>16,562,522</b>	<b>13,808,074</b>
<b>Total assets</b>		<b>30,999,457</b>	<b>28,392,951</b>
<b>Equity</b>			
Share capital	15(a)	939,101	939,101
Share premium	15(b)	272,344	272,344
Other reserves		3,436,348	3,436,348
Share based payment reserve		42,634	42,634
Retained earnings		6,541,427	6,366,307
<b>Total Equity</b>		<b>11,231,854</b>	<b>11,056,734</b>
<b>Liabilities</b>			
Deferred taxation		187,708	187,708
Employee benefits		4,898,712	4,328,231
<b>Total non-current liabilities</b>		<b>5,086,420</b>	<b>4,515,939</b>
Bank overdraft	14	2,706,418	151,365
Current tax liabilities		55,875	102,192
Trade and other payables	16	11,918,890	12,566,721
<b>Current liabilities</b>		<b>14,681,183</b>	<b>12,820,278</b>
<b>Total liabilities</b>		<b>19,767,602</b>	<b>17,336,217</b>
<b>Total equity and liabilities</b>		<b>30,999,457</b>	<b>28,392,951</b>

Approved by the Board of Directors on 24th October, 2017 and signed on its behalf by:

  
 Amir Shamsi (Managing Director) FRC/Pending

  
 Oyeyimika Adebayo (Finance and Strategy Director)  
 FRC/2013/ICAN/00000001089

**Statement of profit or loss and other comprehensive income**

*For the Nine Months ended 30 September 2017*

*In thousands of naira*

		Un-audited 1 Jul-30 Sep 2017	Un-audited YTD 30 Sep 2017	Un-audited 1 Jul-30 Sep 2016	Un-audited YTD 30 Sep 2016
<b>CONTINUING OPERATIONS</b>					
REVENUE	5	8,100,909	24,365,271	7,408,426	21,325,542
Cost of sales	6	(5,667,795)	(18,748,945)	(6,982,062)	(16,848,631)
<b>GROSS PROFIT</b>		<b>2,433,114</b>	<b>5,616,326</b>	<b>426,364</b>	<b>4,476,911</b>
Other income/(expense)	7	32,202	51,163	(85,085)	(45,887)
Selling and distribution expenses		(1,228,755)	(3,937,461)	(1,347,903)	(4,249,093)
Administrative expenses		(536,560)	(1,588,756)	(152,782)	(1,209,534)
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>700,001</b>	<b>141,272</b>	<b>(1,159,406)</b>	<b>(1,027,603)</b>
Finance income	8	61,996	128,010	101,769	185,447
Finance cost		(60,061)	(333,735)	-	-
<b>NET FINANCE (COST)/ INCOME</b>		<b>1,934</b>	<b>(205,726)</b>	<b>101,769</b>	<b>185,447</b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>701,935</b>	<b>(64,454)</b>	<b>(1,057,637)</b>	<b>(842,156)</b>
Income tax expense		-	-	-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>701,935</b>	<b>(64,454)</b>	<b>(1,057,637)</b>	<b>(842,156)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>701,935</b>	<b>(64,454)</b>	<b>(1,057,637)</b>	<b>(842,156)</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO Owners of the Company</b>		<b>701,935</b>	<b>(64,454)</b>	<b>(1,057,637)</b>	<b>(842,156)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>701,935</b>	<b>(64,454)</b>	<b>(1,057,637)</b>	<b>(842,156)</b>
Basic earning/(loss) per share (kobo)		37	(3)	(56)	(45)

### Statement of changes in equity

Attributable to equity owners of the company  
For the Nine Months ended 30 September 2017  
In thousands of naira

	Share capital	Share premium	Retained earnings	Other reserve	Share based reserve	Total equity
<b>Balance at 1 January 2017</b>	939,101	272,344	6,366,307	3,436,348	42,634	11,056,734
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	(64,454)	-	-	(64,454)
Write-back of statute barred unclaimed dividend	-	-	239,574	-	-	239,574
Other Comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	175,120	-	-	175,120
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	-	-	-	-
Share based payment recharge	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-
<b>Balance at 30 September 2017</b>	939,101	272,344	6,541,427	3,436,348	42,634	11,231,854
<b>Balance at 1 January 2016</b>	939,101	272,344	7,607,238	3,436,348	30,266	12,285,297
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	(842,156)	-	-	(842,156)
Other Comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	(842,156)	-	-	(842,156)
<b>Transactions with owners, recorded directly in equity</b>						
Dividend declared	-	-	(1,220,831)	-	-	(1,220,831)
Share based payment recharge	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	(1,220,831)	-	-	(1,220,831)
<b>Balance at 30 September 2016</b>	939,101	272,344	5,544,251	3,436,348	30,266	10,222,310



## Statement of cashflows

*For the Nine months ended 30 September 2017*

*In thousands of naira*

	Un-audited 2017	Un-audited 2016
<b>Cashflows from operating activities</b>		
Loss for the period	(64,454)	(842,156)
<b>Adjustments for:</b>		
Depreciation & Amortisation	1,174,454	1,136,905
Gain on sale of PPE	(76,589)	(3,982)
Statute-barred unclaimed dividend	239,575	-
Net finance cost/(income)	205,726	(185,447)
Income tax expense	-	-
	<u>1,478,712</u>	<u>105,320</u>
Change in:		
Inventories	(2,349,260)	(2,800,178)
Trade and other receivables	(2,755)	1,209,136
Prepayments	(555,968)	(106,471)
Trade and other payables	355,070	3,607,703
Employee benefits	570,481	469,143
<b>Cash generated from operating activities</b>	<b>(503,720)</b>	<b>2,484,653</b>
Income tax paid	(46,317)	(459,196)
VAT paid	(766,603)	(1,013,234)
<b>Net cash from operating activities</b>	<b>(1,316,640)</b>	<b>1,012,223</b>
<b>Cashflow from investing activities</b>		
Interest received	128,010	185,447
Proceeds on disposal of PPE	80,549	41,621
Acquisition of property, plant and equipment	(1,030,472)	(322,041)
<b>Net cash used in investing activities</b>	<b>(821,913)</b>	<b>(94,973)</b>
<b>Cashflow from financing activities</b>		
Dividends paid	(236,300)	(1,127,017)
Interest expense paid	(333,735)	-
<b>Net cash used in financing activities</b>	<b>(570,035)</b>	<b>(1,127,017)</b>
Net (decrease)/increase in cash and cash equivalents	(2,708,588)	(209,767)
Cash and cash equivalent at 1 January	2,859,949	5,408,217
<b>Cash and cash equivalent at 30 September</b>	<b>151,361</b>	<b>5,198,450</b>

## **Notes to the financial statements**

### **1 Reporting entity**

Cadbury Nigeria Plc is a company domiciled in Nigeria. The address of the Company's registered office is Lateef Jakande Road, Ikeja, Lagos. The Company is principally engaged in the manufacture and sale of branded fast moving consumer goods mostly to the Nigerian market, but also for exports in West Africa.

The Company's brands fall into three principal categories, namely refreshment beverages, confectionary and intermediate cocoa products. Cadbury Bournvita is the refreshment beverage, Tom Tom, Buttermint, Clorets and Trident gum are the Confectionery products while Cocoa Butter is a key product in the intermediate cocoa category.

Cadbury Nigeria Plc is owned 74.97% (2016:74.97%) by Cadbury Schweppes Overseas Limited ("CSOL"), incorporated in the United Kingdom while CSOL is owned by Mondelez International and 25.03% (2016: 25.03%) by a highly diversified spread of Nigerian individual and institutional shareholders.

### **2 Basis of preparation**

#### **(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

#### **(b) Basis of preparation**

These financial statements have been prepared under the historical cost basis except for the following:

- Liabilities for equity-settled share-based payment arrangements – fair value
- Defined benefit obligations – present value of the obligation
- Inventory - lower of cost or net realizable value

The methods used to measure fair values are discussed further in note 4.

#### **(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 thousands, except when otherwise indicated.

#### **(d) Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, 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.

## Notes to the financial statements

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

#### (a) 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 translated 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 translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in profit or loss. 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.

#### (b) Financial instruments

##### i. Non-derivative financial assets

The Company initially recognizes financial assets such as loans and receivables on the date that they are originated. All other financial assets 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 such derecognised financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company has the following non-derivative financial assets

##### *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.



## Notes to the financial statements

### *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 and are carried at amortised cost using the effective interest method.

### 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.

#### **Derecognition**

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

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.

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

### (c) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labor, 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.

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. Gains or 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 profit or loss and other comprehensive income.

## Notes to the financial statements

### (ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

### (iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of capital-work-in-progress, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another 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 years of significant items of property, plant and equipment are as follows:

- Leasehold land – Over the lease term period
- Buildings – 40 years
- Plant and Machinery
  - o Power Generating Equipment – 20 years
  - o Packaging Equipment – 15 years
  - o Food and Candy Processing Equipment – 15 years
  - o Totebins - 2 years
- Motor Vehicles
  - o Motor Vehicles – 4 years
  - o Tricycles – 3 years
- Office furniture and Equipment – 6.67 years
- Software – 5 years
  - o Catalyst SAP – 7 years
  - o Others – 5 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.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

### (d) Intangible assets (Software)

#### (i) Recognition and measurement

Software acquired is stated at cost less accumulated amortisation and accumulated impairment losses.

## Notes to the financial statements

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software from the date it is available for use. The estimated useful life for software is 7 years for Catalyst SAP and 5 years for other software. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (e) Leases

#### (i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

#### (ii) Leased assets

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On 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.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

#### (iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### (f) 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. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.



## Notes to the financial statements

The basis of costing is as follows:

- Engineering spares and consumable stock - purchase cost on a weighted average basis including transportation and clearing costs;
- Raw, sundry and non-returnable packaging materials, finished products and products in process measured on the basis of standard cost adjusted for variances. The cost of finished goods and products in progress comprises raw materials, direct labour, other direct costs and related production overheads;
- Stock-in-transit - purchase cost incurred to date;

Weighted average cost and standard cost are reviewed periodically to ensure they consistently approximate 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 where appropriate.

### (g) Dividend

Dividends are recognized as a liability in the period they are declared.

Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 are written back to retained earnings.

The Securities and Exchange Commission (SEC) published a circular in 2015 directing Capital Market Registrars to return all unclaimed dividend which has been in their custody for fifteen (15) months and above to the paying companies. These unclaimed dividends are included as a liability to the shareholders until they become statute barred in accordance with the provisions of Section 385 of CAMA.

### (h) Impairment

#### (i) Non-derivative financial assets

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 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. Adverse changes in the payment status of borrowers or issuers and observable data indicating that there is a measurable decrease in expected cashflows from a group of financial assets.

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.



## **Notes to the financial statements**

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 judgment 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, where applicable, 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.

### **(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. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

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").

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 used to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses in respect of other assets recognized in prior years 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.

## **Notes to the financial statements**

### **(i) Employee benefits**

#### **(i) Defined benefit gratuity scheme**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit gratuity scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years 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. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation are recognized fully in other comprehensive income (OCI).

The effect of any curtailment is also charged in full in profit or loss immediately the curtailment occurs. The discount rate is the yield on Federal Government of Nigeria issued bonds that have maturity dates approximately the terms of the Company's obligation. Although the scheme is not funded, the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

#### **(ii) Defined contribution plan**

A defined contribution scheme is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of all employee benefits relating to employee service in current and prior periods. In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognised as employee benefit expense in profit or loss in the periods which related services are rendered by employees. Employees contribute 8% each of their Basic salary, Transport & Housing Allowances to the Fund on a monthly basis. The Company's contribution is 10.3% of each employee's Basic salary, Transport & Housing Allowances.

#### **(iii) Short-term employee benefits**

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

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.

#### **(iv) Share-based payment transactions**

The Company participates in a group share-based payment arrangement instituted by its ultimate parent, Mondelez International. Certain employees of the Company participate in this arrangement which is based on the shares of Mondelez International. The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the years that the employees unconditionally become entitled to the awards.



## **Notes to the financial statements**

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as 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.

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 accrued liability, over the period that the employees become unconditionally entitled to payment. The liability is premeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized as employee benefit in the administrative expenses in profit or loss.

Share-based payment arrangements in which the Company receives goods or services and has no obligation to settle the share-based payment transaction are accounted for as equity-settled share-based payment transactions, regardless of the equity instrument awarded.

### **(v) Other long-term employee benefits**

The Company's other long-term employee benefits represents Long Service Awards scheme instituted for all permanent employees. The Company's obligation in respect of the Long Service Awards scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognized fully in profit or loss.

### **(vi) 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.

### **(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 pre-tax cash flows at a 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. A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

## **Notes to the financial statements**

### **(k) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

### **(l) Government grants**

An unconditional government grant related to export sales is recognized in statement of profit or loss and other comprehensive income as cost of sales when the grant becomes receivable.

### **(m) 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 significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

### **(n) Finance income and finance costs**

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss where the Company holds such financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

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 where the Company holds such financial assets.

### **(o) Tax**

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



## Notes to the financial statements

### (i) Current tax

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. The Company is subject to the following types of current income tax:

Company Income Tax- This relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.

Tertiary Education Tax- Tertiary education tax is based on the assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act LFN 2011.

### (ii) Deferred tax

Deferred tax is recognised 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 recognised for:

- temporary differences on 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;

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (iii) Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### (p) Share capital

The Company has only one class of shares: ordinary shares. Ordinary shares are classified as equity. 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.

## **Notes to the financial statements**

### **(q) 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 year, adjusted for own shares held (if any). 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 (if any), for the effects of all dilutive potential ordinary shares.

### **(r) Statement of cash flows**

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while finance income is included in investing activities.

### **(s) Operating segment**

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.

The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

All operating segments' operating results are reviewed regularly by the Company's Board of Directors 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 to the Company's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

### **(t) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The extent of the impact of these standards is yet to be determined. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

#### **IFRS 9 Financial Instruments (2010) effective for annual periods beginning 1 January 2018**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.



## Notes to the financial statements

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

### **IFRS 15 Revenue from contracts with customers effective for annual periods beginning 1 January 2018**

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

### **Amendments to IFRS 2- Classification and measurement of share based payment transactions effective for annual periods beginning 1 January 2018**

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

*Measurement of cash-settled share-based payments* – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore in measuring the liability market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions. The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

*Classification of share-based payments settled net of tax withholdings* – The Company may be obligated to collect or withhold tax related to a share-based payment, even though the tax obligation is often a liability of the employee and not the Company. Currently, it is unclear whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled.

The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

## Notes to the financial statements

*Accounting for a modification of a share-based payment from cash-settled to equity-settled* – There is no specific guidance in IFRS 2 that addresses the accounting when a share-based payment is modified from cash-settled to equity-settled. The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The Company will adopt the amendments for the year ending 31 December 2018.

### **IFRS 16- Leases effective for annual periods beginning 1 January 2019**

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.

## **4 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In some cases, if the inputs used to measure the fair value of an asset or a liability is categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair value is included in Financial Instruments – Financial risk management and fair values.



## 5 Revenue

Revenue for the period comprises:

*In thousands of naira*

	Un-audited 30 September 2017	Un-audited 30 September 2016
Domestic sales	22,058,568	19,477,231
Export sales	2,306,704	1,848,311
Total revenue	24,365,271	21,325,542

6 The Company obtained approval from the National Office for Technology Acquisition and Promotion (NOTAP) for the 2016 Trade Mark License Agreement and the Technical Know How and Management Services Agreement in June 2017.

NOTAP approved a rate of 0.5% of Net Sales amounting to N131,722,475 for the Trade Mark Licence Agreement in respect of the following Brands:

- . Bournvita
- . TomTom
- . Buttermint
- . Cadbury 3-in-1 Hot Chocolate

NOTAP approved a rate of 1.5% of Net Sales amounting to N449,691,150 for the Technical Know How and Management Services Agreement.

In accordance with Rule 4 issued by the Financial Reporting Council of Nigeria, the total of N581,413,625 was accrued for in the financial statements and is included in cost of sales.

## 7 Other income

Other income comprises:

*In thousands of naira*

	Un-audited 30 September 2017	Un-audited 30 September 2016
Sale of by-products	42,374	54,483
Gain on disposal of PPE	82,134	
Redundancy/restructuring costs*	(73,345)	(100,370)
	51,163	(45,887)

## 8 Finance income and finance cost

Recognized in profit or loss:

*In thousands of naira*

	Un-audited 30 September 2017	Un-audited 30 September 2016
Interest income on bank deposits	128,010	185,447
Finance income	128,010	185,447
Bank interest charges & net exchange losses	(302,486)	-
Bank charges	(31,249)	
Net finance cost recognised in profit or loss	(205,726)	185,447

**9 Property, plant and equipment**

The movement on these accounts was as follows:  
In thousands of naira

	Leasehold							Total
	Land	Buildings	Plant & machineries	Office Furniture & equipment	Motor vehicles	Capital - Work in progress		
<b>Cost or deemed cost</b>								
At January 1, 2017	652,801	4,775,652	19,599,676	1,384,943	1,232,426	137,697	27,783,195	
Additions	-	58,303	302,374	5,440	486,782	177,573	1,030,472	
Disposals	-	-	-	-	(260,859)	-	(260,859)	
Transfers	-	26,268	50,446	193,962	-	(270,676)	-	
<b>At September 30, 2017</b>	<b>652,801</b>	<b>4,860,223</b>	<b>19,952,496</b>	<b>1,584,345</b>	<b>1,458,349</b>	<b>44,594</b>	<b>28,552,808</b>	
<b>Accumulated depreciation and impairment losses</b>								
Balance at January 1, 2017	112,971	983,117	11,039,911	654,300	805,457	-	13,595,756	
Depreciation for the period	9,347	146,389	725,087	66,801	175,082	-	1,122,707	
Disposals	-	-	-	-	(256,898)	-	(256,898)	
<b>At September 30, 2017</b>	<b>122,318</b>	<b>1,129,506</b>	<b>11,764,998</b>	<b>721,101</b>	<b>723,641</b>	<b>-</b>	<b>14,461,565</b>	
<b>Carrying amounts</b>								
At January 1, 2017	539,830	3,792,535	8,559,765	730,643	426,969	137,697	14,187,439	
<b>At September 30, 2017</b>	<b>530,482</b>	<b>3,730,717</b>	<b>8,187,498</b>	<b>863,244</b>	<b>734,708</b>	<b>44,594</b>	<b>14,091,243</b>	

**10 Intangible assets**

Intangible assets represent the purchase costs and installation of software licences. The movement on this account during the period was as follows:

*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
<b>Cost</b>		
<i>Balance as at 1 January</i>	691,949	505,226
Addition	-	186,723
	<u>691,949</u>	<u>691,949</u>
<b>Accumulated amortization</b>		
<i>Balance as at 1 January 2017</i>	294,510	222,008
Charge	51,747	72,502
	<u>346,257</u>	<u>294,510</u>
<b>Carrying amounts</b>		
At the beginning of the period	<u>397,439</u>	<u>283,218</u>
At the end of the period	<u>345,692</u>	<u>397,439</u>

**11 Inventories**

*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
Raw and Packaging materials	2,883,338	2,712,530
Product in process	311,111	39,107
Finished products	3,117,935	1,808,773
Spare parts	719,913	388,287
Goods in transit	337,901	72,241
	<u>7,370,198</u>	<u>5,020,938</u>

**12 Trade and other receivables**

*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
Trade receivables	4,243,632	4,367,299
Other receivables	139,964	429,480
Due from related parties	571,812	155,874
	<u>4,955,408</u>	<u>4,952,653</u>



**13 Prepayments**

*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
Prepaid insurance	51,569	97,031
Prepaid rent	39,340	26,044
Advance to suppliers	878,164	695,163
Other prepayments	410,064	4,931
	<u>1,379,137</u>	<u>823,169</u>

**Prepayments are analysed as follows:**

*In thousands of naira*

	30 September 2017	31 December 2016
Non-current assets	-	-
Current assets	1,379,137	823,169
	<u>1,379,137</u>	<u>823,169</u>

**14 Cash and cash equivalents**

*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
Bank balances	1,756,441	1,887,216
Call deposits	1,101,338	1,124,098
<b>Cash and cash equivalents in the statement of financial position</b>	<u>2,857,779</u>	<u>3,011,314</u>
Bank overdrafts	(2,706,418)	(151,365)
<b>Cash and cash equivalents in the statement of cash flows</b>	<u>151,361</u>	<u>2,859,949</u>

**15 Capital and reserves**

*(a) Share capital*

*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
Authorised 2,747,827,802 (2016: 2,747,827,802) ordinary shares of 50k each	<u>1,373,914</u>	<u>1,373,914</u>

*Issued and fully paid ordinary shares of 50k each*

	Un-audited 30 September 2017	Audited 31 December 2016
<i>At 1 January</i>	<u>939,101</u>	<u>939,101</u>
<i>At 30 September</i>	<u>939,101</u>	<u>939,101</u>

**(b) Share premium**  
*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
<i>At 1 January</i>	272,344	272,344
<i>At 30 September</i>	272,344	272,344

**16 Trade and other payables**  
*In thousands of naira*

	Un-audited 30 September 2017	Audited 31 December 2016
Trade payable	4,405,399	4,164,468
Dividend payable	1,023,914	1,499,789
Accrued expenses	2,793,988	4,112,134
Due to related parties	3,695,589	2,790,330
	<u>11,918,890</u>	<u>12,566,721</u>

**17 Contingent liability**

The Company has a Technical Service, Management Service and Royalty Agreement with Mondelez Eastern Europe Middle East & Africa FZE and Cadbury UK Ltd. In light of pronouncements by the Financial Reporting Council of Nigeria, the Company will be unable to make any accruals for these liabilities until it has obtained the approval of the National Office of Technology Acquisition and Promotion (NOTAP). No provision has therefore been made for Royalty, Technical service and Management fees in these financial statements. If the Company were to apply the most recently approved NOTAP rates against these draft agreements, there will be a contingent liability of N517mm.

