



**INTERNATIONAL
BREWERIES PLC.**

A proud part of the **ABInBev** family

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Contents

Corporate information	1
Report of the directors	2
Statement of directors' responsibilities	12
Independent auditor's report	13
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Other national disclosures:	
Statement of value added	58
Five-year financial summary	59

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Corporate information

Company registration number

RC 9632

Chairman

HRM Nnaemeka Alfred Achebe, CFR,MNI

Appointed 30 May, 2018

Directors

Mrs. Annabelle Degroot	British	
Mr. Sunday Akintoye Omole	Nigerian	
Mr. Folorunsho Awomolo	Nigerian	
Mr. Michael Oerlemans	(SouthAfrican)	Resigned 28 February, 2018
Mr. Christopher Tyne	(SouthAfrican)	Resigned 19 March 2018
Mr. Zuber Momoniat	(SouthAfrican)	Appointed 26 February 2018
Mr. Andrew Scott Murray	American	Appointed 23 October, 2018
HRM Peter Nwokike Anugwu	Nigerian	Appointed 30 May, 2018
Mr. Michael Onochie Ajuwku	Nigerian	Appointed 30 May, 2018
Ms. Abiye Tobin-West	Nigerian	Appointed 30 May, 2018
Mr. Phillip Redman	British	Appointed 30 May 2018 and resigned on 31 December, 2018
Otunba Michael Daramola	Nigerian	Appointed 30 May, 2018
Mr. Godwin Oche	Nigerian	Appointed 30 May, 2018
Mr. Richard Rivett-Carnac	American	With effect from 31 December 2018
Ms. Olutoyin Odulate	Nigerian	With effect from 18 April, 2019
Mr. Gustav Van Heerden	(SouthAfrican)	Resigned 19 February, 2018
Mrs. Afolake Lawal	Nigerian	(resigned 30 May 2018)

Alternate directors:

Mr. Olugbenga Awomolo (Mr. Folorunsho Awomolo)

Independent Auditors

PricewaterhouseCoopers
Landmark Towers
5B, Water Corporation Road
Victoria Island,
Lagos, Nigeria.

Corporate office

22/36 Glover road,
Ikoyi,
Lagos

Company secretary

Mr. Muiyiwa Ayojimi
22/36 Glover road,
Ikoyi,
Lagos

Bankers

CitiBank Limited
Eco Bank Plc.
First Bank of Nigeria Limited
Guaranty Trust Bank Plc.
Polaris Bank Limited
Stanbic IBTC Plc.
First City Monument Bank Plc.

Standard Chartered Bank Limited
Union Bank of Nigeria
Wema Bank Plc.
Zenith Bank Plc.
Rand Merchant Bank Limited
United Bank of Africa Plc.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

The directors have the pleasure of submitting their report together with the audited annual financial statements for the period ended 31 December 2018.

1 Legal form

International Breweries Plc was incorporated as a private limited liability company on 22 December, 1971 and became a public limited liability Company on 26 April, 1994. The Company is a part of the AB InBev Group (The largest Brewer in the World).

2 Principal activities

The principal activities of the Company continue to be brewing, packaging and marketing of alcoholic and non-alcoholic beverages.

3 Operating summary

The Company's results for the year ended 31 December 2018 are set out on page 16. The loss for the year has been transferred to retained earnings. The summarised results are presented below:

	2018 N'000	2017 N'000
Net revenue	120,610,825	36,527,807
Loss before tax	(8,049,312)	(3,233,711)
Tax credit	4,405,133	4,628,936
(Loss)/profit for the year	(3,644,179)	1,395,225
Total comprehensive (loss)/income for the year	(3,842,321)	874,084

4 Dividend declaration

The Board maintains a dividend policy which guides its decision on dividend declaration. The Directors therefore resolved not to recommend the payment of a dividend for the period ended 31 December, 2018 (31 December 2017: nil). The board view this decision as appropriate in the circumstance and in the future interest of the Company owing to the current gearing ratio.

5 Directors

The names of the directors as at year end/date of this report are as set out in the corporate information page. The following directors served during the year under review but resigned before 31 December, 2018: Mr. Michael Oerlemans, Mr. Gustav Van Heerden, Mr. Christopher Tyne, Mrs. Afolake Lawal and Mr. Phillip Redman.

Mr. Andrew Murray was appointed on 23 October, 2018, Mr. Richard Rivett-Carnac was appointed with effect from 31 December, 2018 to fill the casual vacancy the exit of Mr. Phillip Redman created on the Board effective 31 December, 2018. Ms. Olutoyin Odulate was appointed as an Independent non-executive director on 18 April, 2019.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

Other directors appointed during the year are Mr. Zuber Momoniat (26 February, 2018), HRM Peter Nwokike Anugwu (30 May, 2018), Mr. Micheal Onochie Ajuwku (30 May, 2018), Mr. Abiye Tobin-West (30 May, 2018), Mr. Michael Daramola (30 May, 2018) and Mr Godwin Oche (30 May, 2018).

Details of the Directors' interest in the Company's shares during the year are set out below

	December 2018	December 2017
	Number	Number
Direct holding		
HRM Igwe Nnaemeka Alfred Ugochukwu Achebe	40,732,127	40,732,127
Mr. Sunday Akintoye Omole	72,647	72,647
Michael Onochie Ajukwu	69,750,522	65,000,000
Indirect holding		
Mr. Sunday Akintoye Omole (through Cardinal Investment Nigeria limited)	968,087	968,087
Mr.Folorunsho Awomolo (through Newco Investment Company Limited)	106,904,126	106,904,126

6 Directors' interest in contracts

The directors have complied with the provisions of Section 277 of the Companies and Allied Matters Act, Cap.20 LFN 2004 at the date of this report.

7 Corporate governance

This report describes the directors' approach to corporate governance and how the board applied the Codes on corporate governance and other applicable regulations.

The directors are committed to maintaining the best standard which they believe is pivotal to the discharge of their stewardship expectations. The Board is aware of the new National Code on Corporate Governance and has began the application of the 28 principles as enshrined in the Code. The Company's conviction is that corporate governance practices should be accorded a more practical approach in enhancing company ideals and management performance.

In fulfilment of the SEC Code and the National Code, the Company has appointed an Independent non-executive director.

The Company "Issuer" maintain prompt compliance with regulatory filings in line with good corporate practice. However, pursuant to the provisions of Rule 1.1.5 Rules of filing of Accounts and Treatment of default filing, Rulebook of The Exchange (Issuer's Rules), the 2017 Audited Financial Statements was filed on 4 April, 2018. The Issuer paid the sum of one hundred thousand naira (N100,000) as default fees on the late filing of the said Account. This disclosure is made in this Annual Report and Accounts as mandated by the Nigerian Stock Exchange.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

(i) Leadership and effectiveness

Board of directors: composition, independence and renewal

The board was composed of as at the date of this report, the chairman, eight non-executive directors and four executive directors.

The board considers its directors as at year end and as at the time of this report as independent for the purpose of their contributions to the invaluable integrity, corporate wisdom and experience towards the board and committees' deliberations and decisions. The board is therefore satisfied with the performance and continued independence of judgment of each of the directors.

The ratification of appointment as directors of Mr. Andrew Murray, Mr. Richard Rivett-Carnac and Ms. Olutoyin Odulate will be proposed at the next annual general meeting.

(ii) The Board's Operation

Board meetings and attendance

The Board of directors met during the period under review. Individual director's attendance at these meetings is as set out in the table below. In the few instances where a director was unable to attend a board or committee meeting, his or her alternate attended in his stead and any comments which they had on matters set out in the agenda for consideration at such meeting was given in advance to the chairman of the meeting.

Analysis of attendance of meetings of Board members

Names of Directors	Dates of meeting							No. of Meetings Attended
	26/02/18	19/03/18	30/05/18	11/6/18	19/07/18	23/10/18	27/11/18	
HRM Igwe Nnaemeka Alfred Achebe (Chairman)(ADY)	N	N	Y	Y	Y	Y	Y	5/7
Mr. Akintoye Omole	Y	Y	Y	Y	Y	Y	Y	7/7
Mrs. Annabelle Degroot (Managing Director)	Y	Y	Y	Y	Y	Y	N	6/7
Igwe Peter Anugwu (ADY)	N	N	Y	Y	Y	Y	Y	5/7
Mr. Michael Ajukwu (ADY)	N	N	Y	Y	Y	Y	Y	5/7
Mr. Zuber Momoniat (Finance Director)	Y	Y	Y	Y	Y	Y	Y	7/7
Ms. Abiye Tobin-West (ADY)	N	N	Y	Y	Y	Y	Y	5/7
Mr. Olugbenga Awomolo	Y*	Y*	Y*	Y*	Y*	Y*	Y*	7/7
Mr. Phillip Redman (RDY)	N	N	Y	Y	Y	N	N	3/7
Mr. Andrew Murray (ADY)	N	N	N	N	N	Y	Y	2/7
Otunba Michael Daramola	N	N	N	Y	Y	Y	Y	4/7
Mr. Godwin Oche (ADY)	N	N	Y	Y	Y	Y	N	4/7
Mr. Richard Rivett-Carnac (ADY)	-	-	-	-	-	-	-	0/7
Mrs. Afolake Lawal (RDY)	Y	Y	N	N	N	N	N	2/7

Y Present
N Absent

(ADY) - Appointed during the year
(RDY) - Resigned during the year

* Alternate Director
- Not a member of the Board as at that date

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

Operation of the board

The board sets the strategic objectives and delegates to management the detailed planning and implementation of those policies. The board thereafter monitors compliance of the actualization of the set policies and objectives through quarterly reports to the board and its committees, enabling directors to explore and interrogate specific issues for feedback in greater detail.

The board and its committee meetings are held in an atmosphere of robust, constructive and intellectual debate of issues with sincerity of purpose, integrity and mutual respect.

Matters of exclusive preserve

The board has a schedule of matters as contained in an approval grid which is dealt with exclusively by the board. This includes but not limited to the approval of financial statements; annual expenditure/budget plan; material investment or disposals and the Company's business strategy.

The board governs through its established committees with reporting systems. Each committee or standing committee has specific written terms of reference and committee charters. All committee chairmen or their representatives report to the board and their decision extracts are included in the board packs circularized to all the board members two weeks before their meetings.

Risk and the board of directors

The company's Board of Directors is ultimately responsible for the company's risk management system and for reviewing its effectiveness. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risk management system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and there is an ongoing process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the company.

The company's Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Internal Audit function has been expanding in line with our global risk management structure. The activities and capabilities of the new initiative are far more improved than the traditional internal audit functions. The new structure will develop business insights, improve our operations and manage risks in a smart and proactive way using analytical techniques supported by a strong team.

This process has been established for the period under review up to the approval of the Annual Report and Accounts. The principal risks and uncertainties facing the Company are set out in note 4

Conflict of interest

The directors are aware and advised to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict with the company's interests and encouraged to make full disclosures. In accordance with the Companies and Allied Matters Act 2004 and the company's articles of association, the board can authorize potential conflicts of interest that may arise and to impose such limit or conditions as it may deem fit. There were however, no actual or potential conflicts of interest which were required to be authorized by the board during the period ended 31 December 2018.

The roles of executive and non-executive directors

The executive directors are responsible for proposing strategy and for making and implementing operational decisions. Non-executive directors complement the skills and experience of the executive directors, bringing independent judgment and making inputs through their knowledge and experience of other businesses and sectors.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

Information dissemination and training

The Company Secretary is responsible for advising the board, through the chairman, on issues of corporate governance. The secretariat supplies the board and its committees with full and timely information through meeting packs and other enough resources to enable directors to prepare adequately for their meetings and take informed decisions.

The company is committed to the continuing development of directors in order that they can build on their expertise and develop an ever more detailed understanding of the business and the ever changing legal and regulatory environment.

Other appointments

Non-executive directors may serve on the boards of other companies in order to widen their experience and knowledge for the Company's benefit. Directors ensure that their effectiveness on the board is not compromised by their external commitments. The board is pleased that the chairman and the non-executive directors commit enough time to their duties and the non-executive directors have confirmed that they have sufficient time to fulfil their respective obligations to the Company.

Board, committee and director performance evaluation

The Board subscribes to performance evaluation processes in line with best practice and as prescribed by the National Code on Corporate Governance. A formal evaluation of the board's performance was carried out for the year ended 31 March, 2017. The board considers its performance in the year under review as satisfactory and largely in compliance with prescribed codes of corporate governance. The board would be due for an independent assessment by the next financial year.

The Company Secretary

The Company Secretary who acts as secretary to the board and its committees attended all the meetings during the year under review.

(ii) The Board Committees

The Audit Committee

The audit committee chaired by Mr. Oladepo Adesina met during the period under review. The members representing the shareholders are Mr. Moses Ijayekunle and Mr. Adetunji Ajani Babajide, Mr. Michael Ajukwu, Ms. Abiye Tobin-West and Mr. Olugbenga Awomolo are representing the board.

The External Auditors, The Global Risks Management Manager, Internal Control Manager and the Finance Director attended the committee meetings by invitation. The work of the committee during the period included Audit matters and reviews.

The audit committee reports all activities and makes recommendations to the board. During the period under review, the audit committee discharged its responsibilities as they are defined in the committee's terms of reference and has ensured that applicable standards of governance and compliance are adhered to.

The Internal Control/Global Risks functions have direct access to the committee, primarily through its chairman. The functions enjoy the benefit of adapting the workings and processes of approved International and best practice templates for improved efficiency.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

Analysis of attendance of meetings of Audit Committee members for the period

Name of audit committee members	Date				Number of meetings attended
	8/02/18	19/03/18	18/07/18	22/10/18	Total
Mr. Oladepo Adesina - (Chairman/Shareholder)	Y	Y	Y	Y	4/4
Mr. Moses Ijayekunle - (Member/Shareholder)	Y	Y	Y	Y	4/4
Mr. Adetunji Ajani Babajide - "	Y	Y	Y	Y	
Mrs. Afolake Lawal - "(resigned 23/5/18)	Y	Y	-	-	2/4
Mr. Michael Ajukwu - (Member/Director) - appointed 30/05/18	-	Y	Y	Y	3/4
Ms. Abiye Tobin-West - " appointed 30/05/18	-	Y	Y	Y	3/4
Mr. Gbenga Awomolo - "	Y	X	Y	Y	

- Not a member of the Committee as at that date.
X- Absent

The Governance/Remuneration/Nomination Committee

The name of the Governance Committee was changed by the Board on 30 May, 2018 to Governance/Remuneration/Nomination Committee in order to streamline the processes of the Board Committee. The Committee is charged with the overall responsibility of ensuring that all governance reviews and strategic plans on remuneration and nomination were complied with.

The committee consist of Mr. Michael Ajukwu, Mr. Akintoye Omole, Abiye Tobin-West and Mr. Phillip Redman.

Analysis of attendance of meetings of Governance Committee members for the period

Name of governance/ remuneration/ nomination committee member	Date		Number of meetings attended Total
	18/07/18	16/10/18	
Mr. Michael Ajukwu (Chairman)	Y	Y	2/2
Mr. Akintoye Omole	Y	Y	2/2
Mr. Phillip Redman	Y	-	1/2
Ms. Abiye Tobin-West	-	Y	1/2

- Not a member of the Committee as at that date.

The Risk Management/Sustainability Committee

The name of the Committee was changed by the Board on 30 May, 2018 from Risk Management/Remuneration Committee to Risks Management/Sustainability Committee in order to streamline the processes of the Board Committees. The Committee provides focus on Risks and Sustainability, at all times, taking into cognizance established best practices. The Committee in that wise assists the Board in its oversight of the risk profile, risk management framework, risk strategy and the Sustainability framework for the Company.

The Risks Management/Remuneration Committee is composed of two members: Mr. Olugbenga Awomolo, Mr. Akintoye Omole and Mr. Phillip Redman. The Committee held three meetings during the year.

Analysis of attendance of meetings of Risk Management/Remuneration Committee members

Name of governance/	Date		Number of Total
	18/07/18	16/10/18	
Mr. Olugbenga Awomolo (Chairman)	Y	Y	2/2
Mr. Akintoye Omole	Y	Y	1/2
Mr. Phillip Redman	Y	-	2/2

- Not a member of the Committee as at that date.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

8 Share capital

During the year, the number of the Company's issued ordinary share capital remained at 8,595,861,936 (2017: 8,595,861,936) ordinary shares.

Details of share capital are shown in the report.

Active shareholders range - summary position as at 31 December 2018

Range	No of shareholders	Holders %	Holders Cum.	Units	Units %	Units Cum.
1 - 1000	18,216	45.37%	18,216	9,864,604	0.12%	9,864,604
1001 - 5000	14,574	36.30%	32,790	36,393,201	0.42%	46,257,805
5001 - 10000	4,644	11.57%	37,434	39,353,490	0.46%	85,611,295
10001 - 50000	2,181	5.43%	39,615	48,537,075	0.56%	134,148,370
50001 - 100000	261	0.65%	39,876	17,647,079	0.21%	151,795,449
100001 - 500000	166	0.41%	40,042	33,950,163	0.39%	185,745,612
500001 - 1000000	32	0.08%	40,074	26,024,218	0.30%	211,769,830
1000001 - 999999999	76	0.19%	40,150	8,384,092,106	97.54%	8,595,861,936
Grand total	40,150	100%	288,197	8,595,861,936	100%	

Substantial Shareholding

The particulars of the shareholders that held more than 5% of the issued and fully-paid share capital of the company as at 31 December, 2018 and at the date of this report are as follows:

Name	Holding	%
Brauhaase International Management GMBH.	2,377,579,013	27.66
AB InBev Nigeria Holdings BV	4,072,100,915	47.37

Shareholding by category:

Category of shareholder	No. of shareholder	Number Of Shares Held	Percentage holding (%)
Individuals	39,501	635,442,468	7.39
Institutional Investors			
Corporate	560	842,645,016	9.80
Institution	12	124,000	0.00
Pensioner	31	62,200,672	0.72
Tax Free	3	462,552	0.01
State & Local Govt	11	605,103,027	7.04
Foreign Shareholder			
Portfolio Investor	32	6,449,884,201	75.03
Total	40,150	8,595,861,936	100

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

Purchase of own shares

The Company did not purchase any of its own shares during the period under review.

Share capital history

Date	Authorised (N)		Issued and fully paid up (N)		Considerations
	Increase	Cumulative	Increase	Cumulative	
1971	-	4,500,000	-	4,500,000	Cash
1978	1,000,000	5,500,000	-	4,500,000	
1980	-	5,500,000	1,000,000	5,500,000	Cash
1981	2,500,000	8,000,000	1,300,000	6,800,000	Bonus
1981	-	8,000,000	1,100,000	7,900,000	Cash
1982	-	8,000,000	100,000	8,000,000	Bonus
1982	2,000,000	10,000,000	1,000,000	9,000,000	Bonus
1983	-	10,000,000	1,000,000	10,000,000	Bonus
1985	5,000,000	15,000,000	2,000,000	12,000,000	Bonus
1986	-	15,000,000	3,000,000	15,000,000	Bonus
1988	5,000,000	20,000,000	3,000,000	18,000,000	Bonus
1989	-	20,000,000	2,000,000	20,000,000	Bonus
1991	30,000,000	50,000,000	5,000,000	25,000,000	Bonus
1992	-	50,000,000	15,841,770	40,841,770	Cash
1993	-	50,000,000	2,709,846	43,551,616	Cash
1995	100,000,000	150,000,000	2,496,000	46,047,616	Cash
1995	-	150,000,000	51867000	97,914,616	Cash
1996	-	150,000,000	204,000	98,118,616	Cash
1998	-	150,000,000	213,000	98,331,616	Cash
1999	-	150,000,000	51,608,000	149,939,616	Cash
2001	110,000,000	260,000,000	60,384	150,000,000	Cash
2002	-	260,000,000	106,457,341	256,457,341	Cash
2007	1,240,000,000	1,500,000,000	-	256,457,341	
2008	-	1,500,000,000	800,000,000	1,056,457,341	Cash
2009	-	1,500,000,000	-	1,056,457,341	
2012	500,000,000	2,000,000,000	574,805,874	1,631,263,215	Cash
2014	-	2,000,000,000	15,861,425	1,647,124,640	Bonus
2017	2,300,000,000	4,300,000,000	2,650,806,320	4,297,930,960	Consolidation

9 Corporate social responsibility

During the period under review, the Company's corporate social responsibility towards its immediate and surrounding communities, especially in respect of community development, health and education, the environment and other social welfare, was again demonstrated in the various projects executed during the year and other donations both in cash and in the Company's products to various institutions and community centres. In response to the rising unemployment population among the youths in Nigeria, one of the major projects carried out by the Company during the year is the continuation of the Youth Enterprise Development Initiative tagged "KICK START" initiated in 2016. The Kick Start program is aimed at creating a culture of entrepreneurship among young people by promoting business awareness and material support through the development of business skills by training; providing grants as start-up capital for new businesses or grants to support expansion of existing businesses; and providing post investment support through mentoring and coaching. The amount expended on the program as at 31 December, 2018 was N116,399,565 (2017: N36.248 million). Other beneficiaries of the corporate social responsibility program of the Company are as listed below. This excludes gifts in Company products during the year.

It is worthy of note that corporate social responsibility initiative was extended to the Gateway Brewery despite its infancy stage of operations.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

Community projects and donations during the year included the following:

Description/projects	N'000
Renovation and donation of equipment to Primary Health Care Centre, Esa-Odo in Osun State.	4,000
Built a five-room convenience with water facility for Omi-Asoro Primary, Ilesa, Osun-State	2,900
Construction of Solar Powered Borehole for Ilashe Community	2,500
Construction of Solar Powered Borehole for the Christian Mission School for the Deaf, in Ibadan-Oyo State.	2,500
Construction of two Solar Powered Boreholes for two Communities in Sagamu Ogun State.	6,400
Kick-Start youth empowerment programme in the Eastern States	86,500
Kick-Start youth empowerment programme in the South Western States	29,900
	134,700

It remains the company's policy not to make donations to political organisations in the country and in compliance with section 38(2) of the Companies and Allied Matters Act Cap C 20, Laws of the Federation of Nigeria 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose during the year under review.

10 Ethical business conduct

The International Breweries Code of Business Conduct and Ethics as adopted from AB InBev, sets out high ethical standards with which all Company's employees are expected to comply, and forms part of the wider programme of policies and procedures throughout the Company. The Company personnel are committed to conducting business in a way that is fair, ethical and within the framework of applicable laws and regulations. During the course of the year, the Company's policies and procedures were reviewed in light of related 'adequate procedures' guidance, and developing corporate best practice, and made a number of enhancements, including the roll out of a new Company-wide anti-bribery policy. Key aspects covered by the programme include, amongst other matters, our anti-bribery policy, due diligence and other forms of compliances in relation to business partners, training of employees and monitoring and reporting mechanisms. Independent confidential whistle blower hotlines have been re-introduced into the Company's operations so that employees and third parties can report any breach.

11 Employment, environmental and health safety policies

The Company sustained the most of its workforce post-merger and reinvigorated the work space with new employees. The people team designed and continually reviewed employment policies which attract, retain and motivate the highest quality of staff. Management is committed to an active equal opportunities policy, from recruitment and selection, through training and development, appraisal and promotion to retirement. It is the company's policy to ensure that everyone is treated equally, regardless of gender, colour, nationality, ethnic origin, race, disability, marital status, religion or trade union affiliation.

The Company is committed to its new policy on diversity as it understands the benefit of employing the right balance in people of different backgrounds.

The Company is ever committed to sustaining its policies and programmes on occupational health and safety to ensure a safe working environment for all its employees, suppliers, consumers and visitors to our sites. We have revised our policies on health and safety to enshrine world class manufacturing practices.

12 Research and development

To ensure improved overall operational effectiveness, considerable emphasis is placed on research and development in the company's technical activities, through the AB InBev Group. This enables the Company to develop new products, packaging, processes and new manufacturing capabilities.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Report of the directors

13 Going concern and audit

The directors are satisfied that International Breweries Plc is a going concern.

In accordance with Section 357(2) of the Companies and Allied Matters Act, Cap. C20 LFN 2004, Messrs. PricewaterhouseCoopers "PwC" (Chartered Accountants) have indicated their willingness to continue as auditors to the Company. A resolution will be proposed at the Annual General Meeting to authorise the directors to fix their remuneration.

14 Financial Risk

Information on the Company's financial risk management objectives and policies and details of its exposure to price risk, credit risk, liquidity risk and cash flow risk are contained in note 4 to the financial statements.

The directors are responsible for the management of the business of the Company and may exercise all the powers vested on them by the Company subject to the articles of association and relevant statutes

15 Events after the reporting period

There are no events which could have had a material effect on the state of affairs of the company as at the balance sheet date being 31 December, 2018 which have not been adequately disclosed in these financial statements.

16 Stakeholder's Engagement

We are a Company of owners and the continuing need for engagement is key to our success. The Company knows its stakeholders and proactively engage with them in regular and constructive discuss thereby managing the change communications at required times to ensuring shared value for all.


The effective engagement of a broad spectrum of shareholders was reflective of the cooperation enjoyed on the timely and successful completion the merger process within the period under review.

17 Complaints Management Policy

Complying with the rules of the Securities and Exchange Commission on framework for complaints management, the Company and its Registrars provide responses within its framework to shareholder issues and concerns.

This framework also provides the opportunity for shareholder feedbacks on matters that can affect its corporate existence.

By order of the board:



Muiyiwa Ayojimi
Company Secretary/General Counsel
Lagos-Nigeria.
FRC/2013/NBA/00000002667
30 June 2019

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Statement of directors' responsibilities

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibility includes:

- a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
- c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



HRM Nnaemeka Alfred Achebe, CFR, MNI
Chairman
FRC/2013/NIM/00000001568

30 June 2019



Mrs. Annabelle Degroot
Director
FRC/2017/IODN/00000018097

30 June 2019

INTERNATIONAL BREWERIES PLC

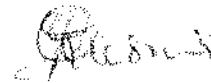
REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap. C20 LFN 2004, we the members of the Audit Committee of International Breweries Plc, having carried out our statutory functions under the Act, hereby report as follows:-

- (a) That the accounting and reporting policies of the Company are in accordance with legal requirements and acceptable ethical practices.
- (b) That the scope and planning of both the external and internal audit for the year ended 31 December, 2019 are satisfactory and reinforce the company's internal control systems.
- (c) That having reviewed the External Auditors' findings and recommendations on management matters, we are satisfied with management responses thereon.

Finally, we acknowledge the co-operation of management, staff and the external auditors - Messrs PWC Nigeria in the conduct of our duties.

Dated this 30th of June, 2019.



Mr. Oladepo Adesina
FRC/2013/NIM/00000003678
Chairman

Members of the Audit Committee

1.	Mr. Oladepo Adesina	-	Shareholder	(Chairman)
2.	Mr. Moses Ijayekunle	-	Shareholder	Member
3.	Mr. Ajani Adetunji	-	Shareholder	Member
4.	Ms. Abiye Tobin-West	-	Director	Member
5.	Mr. Michael Ajukwu	-	Director	Member
6.	Mr. Olugbenga Awomolo	-	Director	Member



Independent auditor's report

To the Members of International Breweries Plc

Report on the audit of the financial statements

Our opinion

In our opinion, International Breweries Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

International Breweries Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment on trade receivables – N1.9 billion (notes 3.3.3(a), 3.10, 3a and 17.1)</i></p> <p>At 31 December 2018, the company's trade receivable balance is N25.5 billion.</p> <p>We focused on impairment on financial assets because the directors made significant and subjective judgement in determining the amount of loss allowance.</p>	<p>We adopted a substantive approach to test the impairment on financial assets. Specifically, we:</p> <ul style="list-style-type: none">• Evaluated methodology adopted for calculating ECL on trade receivables;• Checked that benchmarked default patterns have been appropriately considered to determine the loss rates for lifetime ECL for trade receivables;• Assessed the reasonableness and reliability of the source of the benchmarked patterns applied;

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

<p>The adoption of IFRS 9 “Financial Instruments” introduced the expected credit loss (ECL) model, which requires significant judgement.</p> <p>The directors have adopted the simplified approach using the provision matrix to determine the loss allowance for trade receivables.</p> <p>Significant judgement exercised by the directors include:</p> <ul style="list-style-type: none"> • Methodology used to determine the loss rates for the calculation of the lifetime ECL; and • Incorporation of forward looking information such as inflation rate, unemployment rate and crude oil prices in determining the ECL. 	<ul style="list-style-type: none"> • Checked mathematical accuracy of formulae applied in the ECL calculation by recalculating the historical default rate and the lifetime ECL; • Checked management methodology for evaluating the impact of macroeconomic factors on the loss rates and performed regression analysis on the historically adopted loss rate and applicable historical macro-economic variables; • Checked the historical macroeconomic information used to their source and the reliability of that source; • Checked the presentation and disclosure of trade receivables in the financial statements.
<p><i>Valuation of employee benefits obligation – N2.5 billion (notes 2.24ii, 3b and 21)</i></p> <p>Provision is made for gratuities due to staff upon disengagement based on their years of service and current emoluments as contained in the staff conditions of service. The Company makes provisions for gratuity for employees that have spent at least 5 years of continuing service in the Company.</p> <p>The liability recognised in the statement of financial position is based on the actuarial valuation of the present value of the obligation. We also focussed on this area due to the sensitivity of the assumptions used in determining the value of the obligation.</p> <p>The present value of the obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions.</p> <p>Financial and demographic assumptions are made in estimating actuarial pension liabilities. Financial assumptions include determining discount rate.</p> <p>In determining the appropriate discount rate, the Company considered the interest rates of Federal Government of Nigeria bonds that are denominated in the currency which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.</p> <p>Demographic assumptions examine the age of the employees who qualify for the benefit, the expected maturity profile, their current salary, expected salary increases as well as the head count of employees.</p>	<p>We adopted a substantive approach to test the employee benefits obligation. We carried out the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the independent actuary’s competence, capabilities and objectivity; • Assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the industry; • Evaluated the appropriateness of the financial and demographic assumptions used in determining the value of the obligation based on our review of independent information; • Checked the underlying employee information used by the valuer to the employee information obtained directly from management; and • Checked the presentation and disclosure of the post-retirement benefits in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises: Corporate Information, Report of the Directors, Statement of Directors' Responsibilities, Statement of Value Added and Five-Year Financial Summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the International Breweries Plc 2018 Annual Report, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the International Breweries Plc 2018 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Udochi Muogilim

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Udochi Muogilim
FRC/2013/ICAN/00000003209



30 June 2019

International Breweries Plc

Annual report and financial statements

for the year ended 31 December 2018

Statement of profit or loss and other comprehensive income

		12 Months ended 31 December 2018	9 Months ended 31 December 2017
	Note	N'000	Restated N'000
Revenue	5	120,610,825	36,527,807
Cost of sales	6	(73,270,580)	(22,819,921)
Gross profit		47,340,245	13,707,886
Administrative expenses	7	(15,883,120)	(3,446,657)
Marketing and promotion expenses	8	(20,966,060)	(6,086,720)
Net impairment charge on financial assets	17.4	(236,392)	(1,130,244)
Other income	9	807,494	123,387
Other losses - net	10	(3,166,112)	(2,451,305)
		7,896,055	716,347
Finance income	11	84,265	532,971
Finance cost	11	(16,029,632)	(4,483,029)
Finance costs - net		(15,945,367)	(3,950,058)
Loss before tax		(8,049,312)	(3,233,711)
Income tax credit	12	4,183,014	4,628,936
(Loss)/profit for the year		(3,866,298)	1,395,225
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurements of post employment benefits obligations		(198,142)	(521,141)
Other comprehensive loss for the year		(198,142)	(521,141)
Total comprehensive (loss)/income for the year		(4,064,440)	874,084
Basic and diluted (loss)/earnings per share (Naira)	25	(0.45)	0.16

The notes on pages 21 to 57 are an integral part of these financial statements.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Statement of financial position

		12 Months ended 31 December 2018 N'000	9 Months ended 31 December 2017 Restated N'000	12 Months ended 1 April 2017 Restated N'000
ASSETS	Note			
Non-current assets				
Property, plant and equipment	14	243,373,657	190,181,908	31,575,208
Intangible assets	15	467,506	432,592	45,738
Other receivables	17	45,684	1,481,590	-
Derivative financial Instruments	18	656,500	-	-
Deferred tax assets	12	189,618	-	-
		<u>244,732,965</u>	<u>192,096,090</u>	<u>31,620,946</u>
Current assets				
Inventories	16	19,857,541	16,204,786	3,835,324
Trade and other receivables	17	28,330,564	15,750,189	6,938,722
Cash and cash equivalents	19	17,357,850	8,098,186	1,165,203
Current tax assets	12	-	-	-
		<u>65,545,955</u>	<u>40,053,161</u>	<u>11,939,249</u>
Total assets		<u>310,278,920</u>	<u>232,149,251</u>	<u>43,560,195</u>
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	12	-	4,155,359	3,155,876
Borrowings	22	153,738,160	18,170,989	-
Employee benefit obligations	21	2,500,402	2,571,384	998,902
		<u>156,238,562</u>	<u>24,897,732</u>	<u>4,154,778</u>
Current liabilities				
Trade and other payables	20	53,994,967	95,520,290	12,778,432
Borrowings	22	63,438,877	69,871,674	11,987,582
Current tax liabilities	12	1,445,591	2,634,192	1,422,602
		<u>118,879,435</u>	<u>168,026,156</u>	<u>26,188,616</u>
Total liabilities		<u>275,117,997</u>	<u>192,923,888</u>	<u>30,343,394</u>
EQUITY				
Share capital	23	4,297,931	4,297,931	1,647,125
Share premium	24	6,160,731	6,160,731	6,160,731
Employee benefit reserves		1,360,756	1,360,756	1,360,756
Retained earnings		(1,555,357)	(1,357,215)	-
Retained earnings		24,896,862	28,763,160	4,048,189
Total equity		<u>35,160,923</u>	<u>39,225,363</u>	<u>13,216,801</u>
Total equity and liabilities		<u>310,278,920</u>	<u>232,149,251</u>	<u>43,560,195</u>

The notes on pages 21 to 57 are an integral part of these financial statements.

The financial statements on pages 17 to 59 were approved and authorised for issue by the board of Directors on 30 June 2019 and were signed on its behalf by:

)
 HRM Nnaemeka Alfred Achebe, CFR,MNI (Chairman) FRC/2013/NIM/00000001568

)
 Mrs. Annabelle Degroot (Director) FRC/2017/IODN/00000018097

)
 Mr. Alexander Chukwuma Atuona (Country Finance Manager) FRC/2019/ICAN/00000019271

)
 Mr. Zuber Momoniat (Director) FRC/2018/IODN/00000018772

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Statement of changes in equity

	Notes	Share capital N'000	Share Premium N'000	Other reserves N'000	Employee benefit reserves N'000	Retained (losses)/ earnings N'000	Total equity N'000
Balance at 1 April 2017		1,647,125	6,160,731	1,360,756	-	4,710,148	13,878,760
Correction of error	29	-	-	-	-	(661,959)	(661,959)
1 April 2017 - Restated		1,647,125	6,160,731	1,360,756	-	4,048,189	13,216,801
Profit for the year		-	-	-	-	1,395,225	1,395,225
Other comprehensive loss		-	-	-	(521,141)	-	(521,141)
Total comprehensive income for the year		-	-	-	(521,141)	1,395,225	874,085
Transactions with owners in their capacity as owners:							
Issue of shares		2,650,806	-	-	-	(2,650,806)	-
Group reorganisation	13	-	-	-	(836,074)	25,970,552	25,134,478
Balance at 31 December 2017		4,297,931	6,160,731	1,360,756	(1,357,215)	28,763,160	39,225,363
Balance at 1 January 2018		4,297,931	6,160,731	1,360,756	(1,357,215)	28,763,160	39,225,363
Impact of IFRS 9 and IFRS 15 (net of tax)		-	-	-	-	-	-
At 1 January 2018 - Restated		4,297,931	6,160,731	1,360,756	(1,357,215)	28,763,160	39,225,363
Loss for the year		-	-	-	-	(3,866,298)	(3,866,298)
Other comprehensive loss		-	-	-	(198,142)	-	(198,142)
Total comprehensive loss for the year		-	-	-	(198,142)	(3,866,298)	(4,064,440)
Transactions with owners in their capacity as owners:		-	-	-	-	-	-
Balance at 31 December 2018		4,297,931	6,160,731	1,360,756	(1,555,357)	24,896,862	35,160,923

On the adoption of IFRS, the revalued amount of land and building was recognised as deemed cost. The accretion on revaluation of land and building is recognised within other reserves.

The notes on pages 21 to 57 are an integral part of these financial statements.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Statement of cash flows

		12 Months ended 31 December 2018 N'000	9 Months ended 31 December 2017 N'000
	Note		
Cash flows from operating activities			
Cash (used in)/ generated from operations	26	(28,874,806)	46,415,631
Income tax paid	12	(1,350,564)	-
VAT paid		-	(1,613,250)
Employee benefits paid	21	(1,143,895)	(12,764)
Net cash (outflow)/inflow from operating activities		(31,369,265)	44,789,617
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	(69,772,968)	(43,217,673)
Acquisition of intangible asset	15	(102,326)	(396,714)
Proceeds from disposal of property, plant and equipment		-	500,445
Interest income	11	84,265	532,971
Net cash outflow from investing activities		(69,791,029)	(42,580,971)
Cash flows from financing activities			
Proceed from borrowings	22	254,798,160	20,832,300
Repayment of borrowings	22.1	(150,313,251)	(10,567,977)
Interest paid	11	(2,684,784)	(21,281,238)
Net cash inflow from financing activities		101,800,125	(11,016,915)
Net increase/(decrease) in cash and cash equivalents		639,831	(8,808,269)
Cash and cash equivalents at the beginning of the year		(11,668,416)	(2,860,147)
Cash and cash equivalents at the end of the year	19.1	(11,028,585)	(11,668,416)

The notes on pages 21 to 57 are an integral part of these financial statements.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

1 General information

These financial statements are the financial statements of International Breweries Plc ("the Company"). The Company was incorporated in Nigeria as a private limited liability company on 22 December 1971 under the Companies and Allied Matters Act, and is domiciled in Nigeria. The Company became a public limited liability company on 26 April, 1994.

The address of its registered office is:
22/36 Glover road,
Ikoyi,
Lagos, Nigeria

The principal activities of the Company are brewing, packaging and marketing of beer, alcoholic flavoured/ non-alcoholic beverages and soft drinks.

In August through to November 12, 2017, ABInBev acquired 72.17% of SABMiller shares in International Breweries Plc in a series of transactions which resulted in ABInBev acquiring controlling interests in the company. On November 13, 2017, a merger arrangement was consummated between International Breweries Plc and two other entities namely, Intafact Beverages Limited and Pabod Breweries Limited all controlled by AB Inbev.

2 Summary of accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except for the following:

- Certain financial assets and liabilities – measured at amortised cost
- Derivative instruments – measured at fair value
- Employee benefit liability - measured at present value

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Naira.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have no doubt that the company will be in existence after 12 months. The directors do not intend to cease operations or stop any of the production lines.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

The Company has just completed a merger and completed the construction of its new plant in Sagamu. It is strategically positioned for success in the future. Although it recorded a loss in the year ended 31 December 2018, it continues to grow in quality and number.

2.3 Changes in accounting policy and disclosures

2.3.1 New standards, amendments, interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.3.3.

2.3.2 New Standards, amendments, interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

a. IFRS 16 - 'Leases', (effective date- 1 January 2019)

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17.

The Company does not intend to adopt the amendments before its effective date and is currently assessing the full impact of this standard on its financial statements.

b Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement (effective date - 1 January 2019)

This amendment specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. IAS 19 Employee Benefits specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

The Company does not intend to adopt the amendments before its effective date and is yet to assess the full impact of the amendments on its financial statements.

c IFRIC 23 Uncertainty over income tax treatment (effective date - 1 January 2019)

These amendments were issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

The Company does not intend to adopt the amendments before its effective date and is yet to assess the full impact of the amendments on its financial statements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3.3 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers on the Company's financial statements.

Impact of on the financial statements

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted only in changes in accounting policies as there was no adjustment to the amounts previously recognized in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Where this option is elected, any adjustment to the carrying amounts of financial assets and liabilities at the date of transition will be recognized in opening retained earnings on 1 January 2018 in the statement of changes in equity. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures will also only be applied to the current period.

The comparative period notes disclosures repeat those disclosures made in the prior year. The Company has elected to adopt the provision matrix approach as a practical expedient for the calculation of expected credit loss on trade receivables on the adoption of IFRS 9. The IFRS 9 general model has been applied on all other financial assets at amortised cost.

The Company has also adopted IFRS 15: Revenue from Contracts with Customers using the modified retrospective method, with the effect of applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 financial year has not been restated but is presented, as previously reported, under IAS 18 and related interpretations. The impact on the Company's balances as at 1 January 2018 as a result of the adoption of IFRS 15 was immaterial and has therefore not been recognised.

(a) IFRS 9 Financial instruments – Impact of adoption

The new financial instruments standard, IFRS 9 replaces the provisions of IAS 39. The new standard presents a new model for classification and measurement of assets and liabilities, a new impairment model which replaces the incurred credit loss approach with an expected credit loss approach, and new hedging requirements. The Company does not apply hedge accounting.

The adoption of IFRS 9: Financial Instruments from 1 January 2018 resulted in changes in accounting policies and the adjustments to the classification of financial assets in the financial statements. The new accounting policies are set out in notes below.

i Classification and measurement

(i) Financial assets

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management assessed the classification of its financial assets which is driven by the cash flow characteristics of the instrument and the business model in which the asset is held.

The Company's financial assets include cash and cash equivalents, trade receivables, amount due from related parties, staff receivables and other receivables as at the transition date. The Company's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest. For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and cash equivalents are domiciled.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

Financial assets were previously classified as loans and receivables and are now classified as financial assets at amortised cost under IFRS 9.

The changes in the classification and measurement requirements of IFRS 9 only resulted in a nomenclature change as the effect on the carrying amount of the financial assets and the opening retained earnings as at 1 January 2018 was insignificant.

(ii) Financial liabilities

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in the Company's own credit risk for financial liabilities measured at fair value through profit or loss. The Company does not have any financial liabilities measured at fair value through profit or loss, hence no impact on adoption of the new Standard.

The adoption of IFRS 9 eliminates the policy choice on the treatment of gain or loss from the refinancing of a borrowing. Day one gain or loss can no longer be deferred over the remaining life of the borrowing but must now be recognised at once. No retrospective adjustments have been made in relation to this change as at 1 January 2018.

ii Impairment of financial assets

Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 for each of these classes of assets. The following are the Company's financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Amount due from related parties
- Staff receivables
- Other receivables
- Cash and cash equivalents

a) Trade receivables

The Company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from customers for the sale of the Company's products. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit loss experience observed according to the behavior of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The macroeconomic variables considered are inflation rate and gross domestic product (GDP).

The loss allowance determined under IFRS 9 was not materially different from the loss allowance already recognised by the Company, therefore, no adjustments have been made to the carrying amounts of trade receivables.

b) Other financial assets at amortised cost

The Company applies the IFRS 9 general approach in measuring the expected credit losses (ECL) on all other receivables. A day one provision will now be required on these instruments. The three stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The 3 stage model also incorporates forward looking estimates.

There were no provision recognised on cash and cash equivalents, amount due from related parties, staff receivables and other receivables as the identified loss was immaterial

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

(b) Impact of adoption (IFRS 15 - Revenue from Contracts with Customers)

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in its accounting policies. The adoption did not result in adjustments to the amounts recognised in the financial statements.

IFRS 15 introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules using the modified retrospective approach and has not restated comparatives for the 2017 financial year. There was no significant impact on the Company's retained earnings at the date of initial application, 1 January 2018.

The adoption of IFRS 15 and IFRS 9 by the Company had no impact on the statement of cash flows.

2.4 Revenue recognition (Policy applicable from 1 January 2018)

IFRS 15 'Revenue from Contracts with Customers' has been adopted with effect from 1 January 2018. The Accounting policy is updated to reflect the terminology in the new standard but it has had no effect on financial information reported in the current or comparative periods.

Sale of goods

Revenue from the sale of the Company's products is recognised when control of the products is transferred, being at a point in time when the products leave the warehouse. Payment of the transaction price is due immediately.

Revenue is measured at the fair value of the consideration received or receivable, net of Value Added Tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the contract has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analysis, market research data and internally generated information. Revenue also includes co-packaging income derived from the use of the company's facilities for the production of products of other companies under a co-packaging arrangement.

It is the Company's policy to sell its products to the customer with a right of return within 14 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The number of products returned has been steady for years, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Revenue recognition (Policy applicable until 31 December 2017)

Sale of goods

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of VAT, excise duties, returns, customer discounts and other sales-related discounts.

Revenue from the sale of products is recognised in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Turnover also includes co-packaging income derived from the use of the company's facilities for the production of products of other companies under a co-packaging arrangement. The same recognition criteria also apply to the sale of by-products and waste (such as spent grains) with exception that this is included within other income.

2.5 Other income

Other income constitutes gains from the sale of assets, net of taxes; proceeds from the sale of by-products; interest on deposits and others. These various sources of income are recognised in profit or loss when ownership has been transferred to the buyer.

2.6 Segment reporting

Performance of operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Company, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

No business or geographical segment information is reported as the Company's primary geographical segment is Nigeria. Presently, 100 percent of the Company's sales are made in Nigeria. Also, identical risks and returns apply to all Company products.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency and presentation currency of the Company is the Nigerian Naira (N).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the company's functional currency are recognized in profit or loss within other gains/(losses) - net.

2.8 Income and deferred tax

The tax for the period comprises income, education and deferred taxes. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Education tax is computed at 2% of the assessable profits. The Company's liability for income and education taxes are calculated using tax rates that have been enacted or substantively enacted under the Companies Income Tax Act and the Education tax Act at the statement of financial position date.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.9 Leases

Leases are classified as either finance or operating leases. The company has no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10 Financial instruments

(a) Financial assets

i) Recognition and derecognition

The Company recognises a financial asset in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

ii) Classification

From 1 January 2018, the Company classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The Company's financial assets consists of debt instruments and derivative financial instruments. The classification of the Company's debt instruments depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

The Company classifies its financial assets as those to measured at amortised cost except derivatives classified as those to be measured at fair value through profit or loss (see 2.11).

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently the Company's debt instruments are measured at amortised cost. The Company's financial assets include trade receivables, intercompany receivables, other receivables and cash and cash equivalents.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

iv) Impairment of financial assets

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach to determine impairment of its trade receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the trade receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the trade receivables to arrive at the loss allowance for the period. See note 4.3a for further details.

Accounting policy applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

i) Classification

The Company classifies its financial assets as loans and receivables. The Company does not hold financial assets in any other financial instrument category except for derivative financial assets carried at fair value through profit or loss (FVTPL). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables, amount due from related parties, staff receivables and cash and cash equivalents, and are included in current and non current assets depending on their contractual settlement date. They are classified as current if they are to be settled within one year and non-current if they are to be settled after one year.

ii) Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate less any impairment.

iii) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests for control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(b) Financial liabilities

The Company's policy on financial liabilities have been consistently applied to the each period.

i) Recognition and derecognition

The Company recognises a financial asset in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

ii) Classification

Financial liabilities are classified as either financial liabilities at amortised cost or financial liabilities at fair value through profit or loss. The Company's financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition.

The Company's financial liabilities include trade payables, amount due to related parties and accrued expenses. They are classified as current liabilities if payment is within one year or less. Otherwise, they are classified as non-current liabilities.

iii) Measurement

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

2.11 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument recognised immediately in profit or loss and are included in other gains/(losses) - net.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Trade receivables

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

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

2.14 Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents includes cash in hand, bank deposits repayable on demand, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and bank overdraft. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.15 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

2.18 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Property, plant and equipment

All categories of property, plant and equipment are stated initially at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of assets commences when assets are available for use. Depreciation is charged on a straight line basis at annual rates which are expected to write off the cost of the assets over their anticipated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates used which are consistent with those of the previous years are:

Asset category	Useful life
Building	22 - 55 years
Plant and machinery	5 - 50 years
Vehicles, furniture & equipment	
-Vehicles	4 - 10 years
-Furniture and equipment	5 - 30 years

Gains and losses on disposal of property, plant and equipment are determined by comparing sales proceeds with the carrying amounts and taken into account in determining operating profit. These gains or losses are recognised within "other losses - net" in the profit or loss.

Returnable containers

Returnable containers are reflected at cost. Provisions are made for breakages and losses in trade to write off the cost over the expected useful life of the container. This period is shortened where appropriate by reference to market dynamics.

The total landed cost of new bottles and crates are also recognised in returnable containers. Amortisation of containers is calculated on a straight line basis over the expected useful lives from the date that available for use. It is calculated to reflect the estimated pattern of consumption of the future economic benefits embodied in the asset and recognised in the profit or loss at the following rates:

Bottles	6 years
Crates	7 years

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

2.20 Deposits by customers

Returnable containers in circulation are recognised within property, plant and equipment. A corresponding liability is recognised in respect of the obligation to repay the customers deposits. Deposits paid by customers for branded returnable containers are reflected in the statement of financial position within current liabilities.

2.21 Intangible assets

Computer software

Acquired computer software licenses are stated at cost less amortisation and any impairment losses. Costs includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Amortisation is calculated on the straight-line method to allocate the cost of the intangible assets over their estimated useful lives. The computer software has an estimated useful life of 5 years.

2.22 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The reversal is recognised in the profit or loss in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset should not exceed the amount it would have been had the original impairment not occurred.

2.23 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs of disposal. The cost of inventories consist of purchase costs, conversion costs and all other costs incurred in bringing them to their present location and condition.

i) Raw materials

Raw materials and other bought-in components are measured using the purchase price, import duties, transport, dock charges and other costs directly attributable to its acquisition less trade discounts, rebates and other similar items.

ii) Work in progress and finished goods

Finished goods and work in progress are measured using standard costs based on weighted average and include cost of raw materials, direct costs and an appropriate portion of production overheads based on normal operating capacity.

iii) Goods in transit

Goods ordered, shipped and awaiting delivery are recognised as goods in transit and are stated at the purchase price plus other incidental costs incurred to date.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

iv) Spares, fuel and lubricants

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period but only at the point of issue. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.24 Employee benefits

i) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. The Company recognises wages, salaries, social security contributions, bonuses and other allowances for current employees in the profit or loss as the employees render such services.

A liability is recognised for the amount expected to be paid under short-term benefits if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Other long-term employee benefit obligations

The Company's obligation in respect of long term employee benefits, other than pension plans, is the amount of future benefit the employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

The discount rate is the yield at the statement of financial position date on high quality rated corporate bonds that have maturity dates approximating the terms of the Company's obligations. The obligation is calculated using the projected credit unit method. Any actuarial gains and losses are recognised in the profit or loss in the period in which they arise.

The Company recognises a liability and an expense for long term service awards where cash is paid to the employee at certain milestone dates in the employee's career with the Company.

The Company also provides 1% of employees gross salary as disability/death in service insurance benefits under the Employee Compensation Act 2010. The charge represents the Company's obligations under the scheme. The charge is recognised in the profit or loss of the year of incidence.

iii) Post employment obligations

- Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. In line with the provisions of the Nigerian Pension Reform act 2004, the Company instituted a defined contribution scheme for its employees. The scheme is funded by fixed contributions from the employees and the Company at the rate of 8% and 10% of remunerations respectively. The funds are invested outside the Company through Pension Fund Administrators (PFAs) preferred by the employees. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The matching contributions made by the Company to the relevant PFAs are recognised as employee benefit expenses in the profit or loss when the costs become payable in the reporting periods during which the employees have rendered services in exchange for those contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

- Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. The Company makes an unfunded provision for retirement benefit entitlements due to staff upon disengagement based on their years of service and current emoluments as contained in the staff conditions of service. No other post employment benefit arrangement exists between the Company and the current or past employees.

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other reserves in the statement of changes in equity and in the statement of financial position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

2.25 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined using the indirect method. Profit before tax is therefore adjusted by non-cash items, such as depreciation of property, plant and equipment and amortisation of intangible assets. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

2.26 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 as share capital at their par value. Any amounts in excess of the par value is recognised in share premium within equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.27 Common control transactions

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination (and where that control is not transitory), are referred to as common control transactions. The accounting policy for the acquiring entity would be to account for the transaction at book values in its consolidated financial statements.

The book values of the acquired entity are the consolidated book values as reflected in the group annual financial statements of the selling entity. The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions, will be allocated to retained earnings in equity. Where comparative periods are presented, the financial statements and financial information are not restated.

2.28 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 Critical accounting estimates, judgements and errors

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs are disclosed in note 4.3 (a) on credit risk.

Sensitivity of the expected credit loss to a 5% inverse and positive change to each forward-looking macro variables, with all other variables held constant is N15.5 million.

b) Defined benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of Federal Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 21.

c) Deferred taxation

The Company is subject to income taxes within Nigeria, which does not require much judgment in terms of provision for income taxes but a certain level of judgment is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilize the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable income is based on forecast cash flows from operations.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

4 Financial risk management

4.1 Financial risk factors

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

The Company's activities expose it to a variety of financial risks; market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company analyses each of these risks individually as well as on an interconnected basis and defines strategies to manage the economic impact on the Company's performance in line with its financial risk management policy. Management meets on a frequent basis and is responsible for reviewing the results of the risk assessment, approving recommended risk management strategies, monitoring compliance with the financial risk management policy and reporting to the board of directors.

4.2 Derivatives

Derivatives are only used for economic hedging purposes. They are classified and measured at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Company has the following derivative instruments:

Non-current asset	31 December 2018 N'000	31 December 2017 N'000
Over the counter (OTC) forward contracts	656,500	-

4.3 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Company. The Company's credit risk arises from cash and cash equivalents, trade and other receivables, and favourable derivative financial instruments.

The management of the Company has credit policies in place to monitor the exposure to credit risk on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and prospective credit customers analysed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. Credit limits are established for qualifying customers and these limits are regularly reviewed. Customers that fail to meet the Company's creditworthiness standards are allowed to transact business with the Company only on a cash basis.

The estimates of deductible allowances for incurred losses on impairment in respect of trade and other receivables are established by the Company. The main components of this allowance are a specific loss component that relates to individually significant exposures and customers with outstanding amounts but who have not placed orders for a period of one year or more. The collective loss allowance is determined based on historical data of payment statistics.

In monitoring customer credit risk, customers are grouped according to their credit mappings, including whether they are individual or corporate entities, whether they are key distributors or retail distributors and the verification of the existence of previous financial difficulties.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum credit risk exposure.

	Maximum Exposure	
	31 December 2018	31 December 2017
	N'000	N'000
Cash and cash equivalents (note 19)	17,357,850	8,098,186
Trade receivables - Gross (note 17.1)	27,420,322	15,071,383
Other financial assets at amortised cost (note 17.2)	1,871,168	868,526
Total assets bearing credit risk	46,649,340	24,038,095

(a) Impairment losses

(i) Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP growth rate and inflation rate in Nigeria to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2018 using a provision matrix:

31 December 2018

Days past due	Trade receivables				Total
	A Band 0 - 30 days N'000	B Band 31 - 60 days N'000	C Band 61 - 90 days N'000	D Band 91 - 120 days N'000	
Estimated total gross carrying amount at default	11,166,537	7,725,393	4,216,271	4,312,121	27,420,322
Expected credit loss rate	0.50%	1.50%	3.00%	36.72%	
Expected credit loss	55,833	115,881	126,488	1,583,558	1,881,760

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses on the face of the statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other financial assets at amortised cost

As at 31 December 2018, other financial assets at amortised cost include cash and cash equivalents, amount due to related parties and other receivables. The Company expects the total amount to be recovered. The identified impairment loss on these financial assets are immaterial and have not been recognised.

An aged analysis of trade receivables as at 31 December 2017 is presented as follows:

	31 December 2017
Trade receivables	N'000
Neither past due nor impaired	7,388,782
- 1 - 30 days	2,542,992
- 30 - 60 days	1,511,742
- 60 - 90 days	85,510
Total past due but not impaired trade receivables	4,140,244
- 60 - 90 days	570,249
- 90 - 180 days	465,438
Above 180 days	2,506,670
Impairment	(3,542,357)
Total trade receivables - Net	11,529,026

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

Reconciliation of impairment provision is disclosed in note 17.4.

Previous accounting policy for impairment of trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. Other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

(b) Credit quality of financial assets

An analysis of the credit quality of cash and cash equivalents that are neither past due nor impaired is presented as follows:

	31 December 2018 N'ooo	31 December 2017 N'ooo
Credit quality of cash and cash equivalents		
Credit Ratings		
AAA	12,165,039	5,885,998
AA	1,926,764	1,461,376
A	191,649	128,686
BBB	2,538,045	13,711
BB	-26,252	510,994
B	154,855	-
Other	407,750	97,422
	17,357,850	8,098,186

Definitions of ratings

AAA	'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	A financial institution of good condition and strong capacity to meet its obligations with expectations of very low default risk. It indicates very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	A financial institution of good condition and strong capacity to meet its obligations. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when due should remain largely unchanged.
BBB	'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
BB	'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.
B	'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial condition is weak but obligations are still met as and when due. Has more than one major weakness and may require external support which may not be assured. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly.
Others	This indicates financial institutions or other counterparties with no available ratings and cash in hand.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

(c) Credit concentration

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

4.3 Liquidity risk

(a) Management of liquidity risk

Cash flow forecasting is performed by the Finance Manager to monitor the Company's liquidity requirements and to ensure it has sufficient cash to meet operational needs. Such forecasts take into consideration the Company's committed plans and internal and administrative cash flow requirements.

The Company has incurred indebtedness in the form of trade payables. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities. Surplus cash held by the Company over and above the balance required for working capital management are transferred to the treasury unit and invested in short term fixed deposit accounts.

(b) Maturities of financial liabilities

Below is the analysis of the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 December 2018	Less than 3 months N'ooo	3 months - 1 year N'ooo	Above 1 year N'ooo	Total N'ooo
Trade payables (note 20)	-	11,925,626	-	11,925,626
Borrowings (note 22)	28,386,435	35,052,442	153,738,160	217,177,037
Accrued expenses (note 20)	-	16,780,264	-	16,780,264
Amount due to related parties (note 27)	-	20,714,990	-	20,714,990
Unclaimed dividends	175,963	-	-	175,963
	28,562,398	84,473,322	153,738,160	266,773,880
31 December 2017	Less than 3 months N'ooo	3 months - 1 year N'ooo	Above 1 year N'ooo	Total N'ooo
Trade payables (note 20)	-	39,358,862	-	39,358,862
Borrowings (note 22)	8,561,718	30,976,012	161,556,781	201,094,511
Accrued expenses (note 20)	-	6,359,315	-	6,359,315
Amount due to related parties (note 27)	-	44,349,369	-	44,349,369
Unclaimed dividends	147,489	-	-	147,489
	8,709,207	121,043,558	161,556,781	291,309,546

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

4.4 Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the financial results of the Company will be adversely impacted by unfavourable changes in exchange rates to which the Company is exposed. The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A change in the value of any such foreign currency could have an effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent of balances and transactions denominated in foreign currency.

	31 December 2018 N'000	31 December 2017 N'000
Foreign currency denominated balances		
Cash and cash equivalents	1,468,329	-
Trade and other payables	(32,054,668)	(46,858,153)
Borrowings	(424,000)	-
	<u>(31,010,339)</u>	<u>(46,858,153)</u>

Sensitivity analysis for foreign exchange risk

Foreign exchange risks arise from future commercial transactions and recognised assets. The Company makes payments and receipts primarily in Nigerian Naira. The Company is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Naira. The Company's significant balances are denominated in US Dollars, however, the company has balances in South African Rand, Euro and Pounds.

	31 December 2018 N'000	31 December 2017 N'000
Impact on profit or loss		
5% increase in exchange rates	(1,550,516.95)	(2,342,907.65)
5% decrease in exchange rates	1,550,517	2,342,908

(ii) Interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. The Company is exposed to interest rate risk to the extent of balances and transactions.

Sensitivity analysis for interest rate risk

Below is the likely impact of changes in the interest rates:

	31 December 2018 N'000	31 December 2017 N'000
Impact on profit or loss		
5% increase in interest rates	801,482	224,151
5% decrease in interest rates	(801,482)	(224,151)

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

(iii) Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to price risk.

4.5 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as the sum of all equity components on the statement of financial position.

The gearing ratios were as follows:

	31 December 2018 N'000	31 December 2017 N'000
Borrowings (note 22)	217,177,037	88,042,663
Cash and cash equivalents (note 19)	(17,357,850)	(8,098,186)
Net debt	199,819,187	79,944,477
Total equity	35,160,923	39,225,363
Total capital	234,980,110	119,169,840
 Gearing ratio	 85%	 67%

4.6 Fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

At the reporting date, the Company valued its derivatives as measured at fair value in the level 2 fair value hierarchy. The carrying amounts of all other financial assets and liabilities at the reporting date approximate their fair values.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

5	Revenue	31 December 2018 N'000	31 December 2017 N'000
	Net revenue from contracts with customers	120,610,825	36,527,807
	The group derives revenue from the transfer of goods and services at a point in time. Disaggregation of revenue from contracts with customers	31 December 2018 N'000	31 December 2017 N'000
	Key accounts	7,433,934	-
	Distributors	113,176,891	36,527,807
		120,610,825	36,527,807
6	Cost of sales	31 December 2018 N'000	31 December 2017 N'000
	Materials consumed and allocated overheads	55,523,367	19,034,878
	Employee benefit expenses	2,374,127	554,774
	Technical management fees	2,780,263	717,224
	Amortisation of container	7,677,725	1,460,282
	Depreciation - plant machinery	4,915,098	1,052,763
		73,270,580	22,819,921
7	Administrative expenses	31 December 2018 N'000	31 December 2017 N'000
	Employee benefit expenses	4,588,953	1,280,691
	Other staff related costs	2,148,042	419,372
	Staff recruitment and training expenses	215,374	100,581
	Audit fee	59,609	28,838
	Corporate social responsibilities & donations	116,400	75,075
	Business running costs	4,391,995	536,113
	Depreciation	4,295,335	986,941
	Amortisation	67,412	19,045
		15,883,120	3,446,657
	The Company paid the sum of one hundred thousand naira (N100,000) as default fees on late filing of its 2017 audited financial statements. This amount has been presented within business running costs in administrative expenses.		
7.1	Depreciation expense	31 December 2018 N'000	31 December 2017 N'000
	Reported in cost of sales	12,592,823	1,052,763
	Reported in administrative expenses	4,295,335	986,941
		16,888,158	2,039,704
8	Marketing, promotion and distribution expenses	31 December 2018 N'000	31 December 2017 N'000
	Transportation and distribution	11,223,003	3,271,726
	Employee benefit expense	1,883,552	896,516
	Advertising and promotion	7,859,505	1,918,478
		20,966,060	6,086,720

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

8.1	Employee benefits expenses	31 December 2018 N'000	31 December 2017 N'000
	Salaries and wages	7,778,096	2,420,854
	Defined contribution	193,765	40,741
	Defined benefit	874,771	270,386
	Employee benefit expenses	8,846,632	2,731,981
8.2	Employee benefit expenses	31 December 2018 N'000	31 December 2017 N'000
	Reported in cost of sales	2,374,127	554,774
	Reported in administrative expenses	4,588,953	1,280,691
	Reported in marketing, promotion and distribution expenses	1,883,552	896,516
		8,846,632	2,731,981
9	Other income	31 December 2018 N'000	31 December 2017 N'000
	Waste and scrap sales	32,351	6,298
	Fair value gain on derivatives	759,485	-
	Sundry income	15,658	117,089
		807,494	123,387
10	Other losses - net	31 December 2018 N'000	31 December 2017 N'000
	Net foreign exchange loss - realised (note 10.1)	(2,101,267)	(2,030,962)
	Loss on disposal of asset	-	(6,959)
	Net foreign exchange loss - unrealised (note 10.2)	(1,064,845)	(413,384)
		(3,166,112)	(2,451,305)
10.1	Net foreign exchange loss - realised	31 December 2018 N'000	31 December 2017 N'000
	Foreign exchange gain - realised	(1,885,633)	-
	Foreign exchange loss - realised	3,986,900	2,030,962
		2,101,267	2,030,962
10.2	Net foreign exchange loss - unrealised	31 December 2018 N'000	31 December 2017 N'000
	Foreign exchange gain - unrealised	-	-
	Foreign exchange loss - unrealised	1,064,845	413,384
		1,064,845	413,384
11	Finance income and costs	31 December 2018 N'000	31 December 2017 N'000
	Finance income		
	Interest income	84,265	532,971
	Finance costs		
	Interest expense on borrowings	(16,029,632)	(4,483,029)
	Finance costs - net	(15,945,367)	(3,950,058)

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

12	Current income tax and deferred tax	31 December 2018 N'000	31 December 2017 N'000
12.1	Current income tax		
	Income tax	-	-
	Education tax	161,963	129,884
	Total current income tax	161,963	129,884
	Deferred income tax credit to profit or loss	(4,344,977)	(4,758,820)
	Total credit to profit or loss	(4,183,014)	(4,628,936)
12.2	Reconciliation of effective tax rate	31 December 2018 N'000	31 December 2017 N'000
	Profit before tax	(8,049,312)	(3,233,711)
	Tax at Nigeria corporation tax rate of 30% (2017: 30%)	(2,414,794)	(970,113)
	Education tax at 2% of assessable profit	161,963	129,884
	Expense giving rise to permanent difference	(1,930,183)	(3,788,707)
		(4,183,014)	(4,628,936)
Provision for income tax is computed on the basis of Companies Income Tax rate of 30% in accordance with the provisions of Companies Income Tax Act. Education tax represents 2% of assessable profit in accordance with the provisions of the Education Tax Act.			
12.3	Current income tax (asset)/liability	31 December 2018 N'000	31 December 2017 N'000
	At 1 January	2,634,192	1,422,602
	Provision for the year	161,963	129,884
	Payment during the year	(1,350,564)	-
	Group reorganisation	-	1,081,706
	At 31 December	1,445,591	2,634,192
12.4	Deferred income tax		
Deferred taxes are calculated on all temporary differences using the liability method and an effective tax rate of 30%. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The analysis of deferred tax (assets) and deferred tax liabilities is as follows:			
		31 December 2018 N'000	31 December 2017 N'000
	Deferred tax assets:		
	-Deferred tax assets to be settled within 12 months	189,618	20,298,380
		189,618	20,298,380
	Deferred tax liabilities:		
	-Deferred tax liabilities to be settled after more than 12 months	-	24,453,739
	Deferred assets/(liabilities) - net	189,618	(4,155,359)

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

Deferred tax assets	Tax losses	Employee benefits	Provisions	Others	Total
The gross movement on the deferred income tax account is as follows:	N'000	N'000	N'000	N'000	N'000
At 31 December 2017	819,460	227,461	-	18,647,997	19,694,918
(Charged)/credited to profit or loss	40,718,967	(227,461)	1,398,329	(18,307,247)	23,582,588
At 31 December 2018	41,538,427	-	1,398,329	340,750	43,277,506

Deferred tax liabilities	Properties, plant and equipment	Other Properties, plant and equipment	Total
The gross movement on the deferred income tax account is as follows:	N'000	N'000	N'000
At 31 December 2017	24,275,600	178,139	24,453,739
(Charged)/credited to profit or loss	19,171,412	(178,139)	18,993,273
At 31 December 2018	43,447,012	-	43,447,012

	31 December 2018	31 December 2017
	N'000	N'000
The gross movement on the deferred income tax account is as follows:		
At 1 January	(4,155,359)	(8,914,179)
Credit to profit or loss	4,344,977	4,758,820
At 31 December	189,618	(4,155,359)

13 Group reorganisation

In August through to November 12, 2017, ABInBev acquired 72.17% of SABMiller shares in International Breweries Plc in a series of transactions which resulted in ABInBev acquiring controlling interests in the company. On November 13, 2017, a merger arrangement was consummated between International Breweries Plc and two other entities namely, Intafact Beverages Limited and Pabod Breweries Limited all controlled by AB Inbev.

The predecessor value method of accounting for the merger was adopted as the three companies are under common control and the control is not transitory as enunciated in IFRS 3 which scopes out of its purview, business combinations by such companies under common control. The scheme of merger clearly states that the merged entities are categorized as business combinations under common control (BCUCC). The identified basis for categorizing the merged entities as under common control includes:

- The merged entities are ultimately controlled by ABInBev
- The common control is not transitory,
- Consequent upon the merger, ABInBev possesses the power to govern the financial and operating policies of the merged entities for the purposes of obtaining benefits from the Company's activities.
- The extent of non controlling interest in each of the merged entities, both before and after the business combination is not significant as to determine whether the combination involves entities under common control.

Under the predecessor value method adopted, goodwill is not recognised on acquisition. The net tangible and intangible assets acquired and liabilities assumed in the acquisition of Pabod Breweries Limited and Intafact Beverages Limited was deemed to be the purchase price on the acquisition date and presented in the common control reserve transferred to retained earnings on consolidation. As at 31 December 2017, the Company incurred a total sum of N897million on acquisition related costs, consisting mainly of filing fees and professional services fees. These amounts have been reflected in the respective expense accounts in the statement of profit or loss and other comprehensive income.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

The purchase transaction accounted for under the predecessor values method of accounting which requires, among other items, that assets and liabilities assumed be recognized in the combined statement of financial position at the previous carrying value as of the acquisition date. Therefore, the combined statement of financial position for the period after the acquisition includes the following price allocation based on the previous financial costs.

	Intafact N'000	Pabod N'000	Total N'000	Remeasurement N'000	Restated Total N'000
Assets					
Property, plant and equipment	86,881,854	42,752,699	129,634,553	(1,139,716)	128,494,837
Deferred tax asset	-	1,786,642	1,786,642	-	1,786,642
Trade and other receivables	8,138,986	5,948,499	14,087,486	-	14,087,486
Inventories	6,731,556	3,413,145	10,144,701	-	10,144,701
Cash and cash equivalents	1,036,415	2,575,862	3,612,277	-	3,612,277
Total Assets	102,788,811	56,476,847	159,265,658	(1,139,716)	158,125,942
Liabilities					
Deferred tax liabilities	7,245,988	-	7,245,988	-	7,245,988
Employee benefit liability	-	-	-	793,719	793,719
Borrowings	31,342,983	37,277,953	68,620,936	-	68,620,936
Trade and other payables	38,081,112	17,168,004	55,249,116	-	55,249,116
Current tax liabilities	1,026,434	55,272	1,081,706	-	1,081,706
Total liabilities	77,696,517	54,501,228	132,197,745	793,719	132,991,464
Net assets transferred	25,092,294	1,975,619	27,067,913	(1,933,435)	25,134,478

14 Property, plant and equipment

	Land and buildings N'000	Plant and machinery N'000	Vehicles, furniture and equipment N'000	Returnable containers N'000	Assets in course of construction N'000	Total N'000
Cost:						
As at 1 January 2018	25,434,810	75,708,486	6,758,894	38,437,054	65,217,977	211,557,221
Additions	-	-	-	-	69,772,968	69,772,968
Transfers from asset in course of construction	21,202,119	73,560,955	2,645,321	21,998,136	(119,406,531)	-
Write off	-	(763,086)	(2,452,752)	-	-	(3,215,838)
Disposals	-	-	-	-	-	-
As at 31 December 2018	46,636,929	148,506,355	6,951,463	60,435,190	15,584,414	278,114,351
As at 1 April 2017	3,446,302	21,444,687	1,432,152	9,271,793	4,975,194	40,570,128
Group reorganisation	12,331,707	29,894,233	3,506,646	18,749,796	64,012,455	128,494,837
Additions	212,001	1,088,660	358,064	9,886,870	31,672,078	43,217,673
Reclassification	9,444,800	23,281,290	1,497,273	1,218,387	(35,441,750)	-
Disposals	-	(384)	(35,241)	(689,792)	-	(725,417)
As at 31 December 2017	25,434,810	75,708,486	6,758,894	38,437,054	65,217,977	211,557,221
Accumulated Depreciation						
As at 1 January 2018	410,414	6,902,535	999,477	13,062,887	-	21,375,313
Depreciation for the year	923,751	5,804,037	2,482,645	7,677,725	-	16,888,158
Write off	-	(763,086)	(2,452,752)	(306,939)	-	(3,522,777)
Disposals	-	-	-	-	-	-
As at 31 December 2018	1,334,165	11,943,486	1,029,370	20,433,673	-	34,740,694
As at 1 April 2017	278,019	5,413,961	607,636	2,695,304	-	8,994,920
Depreciation for the year	132,395	1,488,814	415,382	3,114	-	2,039,705
Impairment	-	-	-	10,558,701	-	10,558,701
Disposals	-	(240)	(23,541)	(194,232)	-	(218,013)
As at 31 December 2017	410,414	6,902,535	999,477	13,062,887	-	21,375,313
Net book value						
At 31 December 2018	45,302,764	136,562,869	5,922,093	40,001,517	15,584,414	243,373,657
At 31 December 2017	25,024,396	68,805,951	5,759,417	25,374,167	65,217,977	190,181,908
At 1 April 2017	3,168,283	16,030,726	824,516	6,576,489	4,975,194	31,575,208

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

15	Intangible assets	31 December 2018 N'000	31 December 2017 N'000
	Computer software		
	Cost		
	Opening balance	480,493	83,779
	Additions	102,326	396,714
	As at 31 December	582,819	480,493
	Accumulated amortisation		
	Opening balance	47,901	28,856
	Charge for the year	67,412	19,045
	As at 31 December	115,313	47,901
	Net book value	467,506	432,592
Intangible assets relate to computer software programme licenses acquired by the Company. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives. The costs are amortised to "administrative expenses" in the profit or loss.			
16	Inventories	31 December 2018 N'000	31 December 2017 N'000
	Raw materials	9,500,425	7,026,464
	Spares parts, fuel and lubricants	3,716,848	2,764,866
	Production in progress	4,508,624	1,066,096
	Consumables	73,817	91,033
	Finished products	1,997,732	2,763,912
	Stationeries	60,095	2,492,415
		19,857,541	16,204,786
16.1	Spares parts, fuel and lubricants	31 December 2018 N'000	31 December 2017 N'000
	Spares parts, fuel and lubricants	4,245,049	2,764,866
	Provision for obsolete inventory	(528,201)	-
		3,716,848	2,764,866
17	Trade and other receivables	31 December 2018 N'000	31 December 2017 N'000
17.1	Trade receivables	27,420,322	15,071,383
	Impairment provision on trade receivables	(1,881,760)	(3,542,357)
	Net trade receivables	25,538,562	11,529,026
17.2	Other financial assets at amortised cost (2017: other loans and receivables)		
	Amount due from related parties (note 27)	275,284	623,403
	Staff receivables	-	23,739
	Other receivables	1,595,884	221,384
		1,871,168	868,526
17.3	Non-financial assets		
	Deposit for supplies	-	1,663,642
	Prepayments	966,518	3,170,585
		966,518	4,834,227
	Total trade and other receivables	28,376,248	17,231,779

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

	31 December 2018 N'000	31 December 2017 N'000
Current	28,330,564	15,750,189
Non current	45,684	1,481,590
	<u>28,376,248</u>	<u>17,231,779</u>
17.4 Impairment provision analysis	31 December 2018 N'000	31 December 2017 N'000
Opening balance	3,542,357	112,215
Reorganisation	-	2,309,925
	<u>3,542,357</u>	<u>2,422,140</u>
Write-off during the year	(1,896,989)	(10,027)
Increase in allowance	236,392	1,130,244
Balance at 31 December	<u>1,881,760</u>	<u>3,542,357</u>
18 Derivative asset	31 December 2018 N'000	31 December 2017 N'000
OTC forward contract	656,500	-
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period through profit or loss.		
19 Cash and cash equivalents	31 December 2018 N'000	31 December 2017 N'000
Cash in hand	4,945	8,996
Cash at bank	7,779,616	8,089,190
Restricted cash*	9,573,289	-
	<u>17,357,850</u>	<u>8,098,186</u>
The company classifies its cash on hand and in bank, and investments in short term liquid instruments as cash and cash equivalents.		
*Restricted cash is collateral deposit held by the bank till the maturity date of forward contracts.		
19.1 Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
	31 December 2018 N'000	31 December 2017 N'000
Balances as above	17,357,850	8,098,186
Bank overdraft	(28,386,435)	(19,766,602)
Balances per statement of cash flows	<u>(11,028,585)</u>	<u>(11,668,416)</u>
20 Trade and other payables	31 December 2018 N'000	31 December 2017 N'000
Trade payable	11,925,626	39,358,862
Accrued expenses	16,780,264	6,359,315
Customers' deposit	-	3,159,025
Amount due to related parties	20,714,990	44,349,369
Other payable	4,398,124	2,146,230
Unclaimed dividends	175,963	147,489
	<u>53,994,967</u>	<u>95,520,290</u>

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

20.1 Other payables	31 December 2018 N'000	31 December 2017 N'000
Other provisions	1,002,597	1,053,562
Excise duty	1,621,501	368,361
VAT payable	444,325	724,307
WHT Payable	1,329,701	-
	4,398,124	2,146,230

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

21 Employee benefits obligation

International Breweries Plc operates contributory pension scheme under the Nigerian Pension Reform Act, 2014. Contributions are through appointed Pension Fund Administrators that provide pension benefits for employees upon retirement.

Provision is made for gratuities due to staff upon disengagement based on their years of service and current emoluments as contained in the staff conditions of service. The Company makes provisions for gratuity for employees that have spent at least 5 years continuing service in the Company. The mandatory retirement age for all staff is 60 years.

For pension, the Company's legal or constructive obligation for these plans is limited to the contributions.. Contribution is based on total emoluments (basic salary, transport, housing and meal allowances).

Expected contributions to post-employment benefit plans for the year ending 31 December 2019 are N71.2 million.

21.1 Amount recognised in the statement of financial position

Movement in the present value of the defined benefit obligation	31 December 2018 N'000	31 December 2017 N'000	31 March 2017 N'000
Defined benefit obligation at 1 January	2,571,384	998,902	424,859
Current service costs	511,444	109,402	590,058
Interest cost	363,327	160,984	-
Amount recognised in the profit or loss	874,771	270,386	590,058
Remeasurement gain due to assumption changes	(496,672)	(498,220)	-
Remeasurement loss due to experience adjustment	694,814	1,019,361	-
Remeasurements losses recognised in other comprehensive income	198,142	521,141	-
Contributions:			
Benefits paid by the plan	(1,143,895)	(12,764)	(16,015)
Group reorganisation	-	793,719	-
Defined benefit obligation at 31 December	2,500,402	2,571,384	998,902

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

21.2 Actuarial assumption and sensitivity analysis

a	Actuarial assumption	31 December 2018	31 December 2017	31 March 2017
	*Discount Rate	15.75%	14.25%	16.00%
	Average Long-term Rate of Future Salary Increases (p.a.)	12%	12%	12%
	Average Future Long-term Rate of Inflation (p.a.)	12%	12%	12%
	Mortality in Service	The mortality tables are published by the institute and Faculty of Actuaries, United Kingdom.		
	Turnover Rates	4.0% up to 29yrs 3% from 30 to 39yrs 2% from 40 to 44yrs 1% from 45 to 54yrs 0% above 54 yrs		
	Actuarial Cost Method	Projected Unit Credit		

*The liability duration of the Gratuity Plan is estimated at 16.51 years (2017: 14.94 years). We have compared this with the modified duration of the closest FGN bond as at 30th November 2018 which was 5.91 years with a gross redemption yield of about 15.74 %. We have therefore adopted a discount rate of 15.75% (2017: 14.25%)

b Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holder other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

		31 December 2018 N'000	31 December 2017 N'000	31 March 2017 N'000
Basic assumptions		2,500,402	2,571,384	998,902
Discount rate	+1%	2,177,686	2,268,427	901,911
	-1%	2,888,227	2,933,266	1,111,870
Salary increase	+1%	2,910,561	2,950,733	1,120,083
	-1%	2,156,102	2,250,213	893,855
Age Rated Up by 1 year		2,501,896	2,571,360	999,691
Age Rated Down by 1 year		2,499,031	2,571,379	998,185

The sensitivity analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the assumptions shown. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

c Risk exposure

Through its defined benefit, the group is exposed to a number of risks, the most significant of which are detailed below:

Inflation risks	Some of the Company's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the Company's plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

22 Borrowings

The overdraft facilities from the various banks are all secured by corporate guarantee of the company (including the merged entities). Interest on the bank overdrafts is payable at rates ranging from 19.5% to 23%; (2017:19.5% to 23%).

During the year, there was a term loan facility agreement with Zenith bank and Citibank. The Zenith bank loan amounting to N30 billion with a maturity date for the facility obtained to be one year from the date of the financial close (i.e. the date upon which the Lender has confirmed to the obligors that all of the conditions precedent to utilization, in which case, the borrower has received all of the documents and other evidences required in form and substance satisfactory to the lender).

Citibank loan of \$424m was obtained during the year with maturity date of May 2021. The Company has entered into non deliverable forward contracts to mitigate the forex risk on the contractual interest and principal repayments.

Interest rates on the Company's loans range from 21% to 23%. The Company's borrowings are for a period ranging from one year to three years.

	31 December 2018 N'000	31 December 2017 N'000
(a) Current		
Bank overdrafts	28,386,435	19,766,602
Term bank loan	35,052,442	50,105,072
	<u>63,438,877</u>	<u>69,871,674</u>
(b) Non Current		
Term bank loan	153,738,160	18,170,989
22 Movement in borrowings (excluding bankdrafts)		
	31 December 2018 N'000	31 December 2017 N'000
At 1 January	68,276,061	8,123,632
Reorganisation	-	49,888,106
Addition	254,798,160	20,832,300
Accrued interest	16,029,632	4,483,029
Repayment	(150,313,251)	(15,051,006)
	<u>188,790,602</u>	<u>68,276,061</u>
23 Share capital		
	31 December 2018 N'000	31 December 2017 N'000
Authorised:		
8,600,000,000 Ordinary shares of 50 kobo each	4,300,000	4,300,000
Issued and fully paid:		
8,595,861,920 Ordinary shares of 50 kobo each	4,297,931	4,297,931

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

24	Share premium	31 December 2018 N'000	31 December 2017 N'000
	Balance as at 31 December	6,160,731	6,160,731
25	Earnings per share		
	Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue at the end of the reporting period.		
		31 December 2018	31 December 2017
	(Loss)/profit attributable to shareholders (N'000)	(3,866,298)	1,395,225
	Weighted average number of ordinary shares in issue ('000)	8,595,862	8,595,862
	Basic and diluted (loss)/earnings per share (Naira)	(0.45)	0.16
	Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (2017: Nil), hence the basic and diluted earnings per share have the same value.		
26	Cash generated from operating activities	31 December 2018 N'000	31 December 2017 N'000
26.1	Reconciliation of cash generated from operations		
	Loss before tax	(8,049,312)	(3,233,711)
	Adjustment for non cash items:		
	Depreciation of property, plant and equipment (note 14)	16,888,158	2,039,704
	Amortisation of intangible assets (note 15)	67,412	19,045
	Fair value gain on derivatives (note 10)	656,500	-
	Interest income	(84,265)	(532,971)
	Interest expense	16,029,632	4,483,029
	Impairment of property, plant and equipment (note 14)	-	10,558,701
	Employee benefit expense (note 21.1)	874,771	270,386
	Loss on disposal of property plant and equipment (note 26.2)	-	6,959
	Impairment loss on financial assets	236,392	1,130,244
	Unrealised exchange loss (note 11)	1,064,845	-
	Changes in working capital:		
	(Increase)/decrease in trade and other receivables	(11,380,861)	6,406,263
	Increase in inventories	(3,652,755)	(2,224,761)
	(Decrease)/increase in trade and other payables	(41,525,323)	27,492,742
	Net cash generated from operations	(28,874,806)	46,415,631
26.2	An analysis of loss on disposal of property, plant and equipment is shown below:		
		31 December 2018 N'000	31 December 2017 N'000
	Proceeds from disposal of Property, plant and equipment	-	500,445
	Net book value of property, plant and equipment disposed (note 14)	-	(507,404)
	Loss on disposal of property plant and equipment	-	(6,959)

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

26.3 Reconciliation to cashflows: Changes in working capital

2017	Trade receivables N'ooo	Inventories N'ooo	Trade payables N'ooo
Movement per the statement of financial position	8,811,467	12,369,462	82,741,858
Impairment of financial assets	(1,130,244)	-	-
Non cash adjustment: Reorganisation	(14,087,486)	(10,144,701)	(55,249,116)
Movement per statement of cash flows	(6,406,263)	2,224,761	27,492,742

27 Related parties

The company's related parties include the ultimate parent company, AB InBev, SAB-Miller Finance BV and SAB-Miller Plc a subsidiary of AB InBev; its group entities; the directors, their close family members and employees who are able to exert a significant influence on the company's operating policies. These may also include key management personnel having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Brauhaase International Management GMBH and its ultimate holding company as at 31 December, 2018 held an equity interest of 72.17% in International Breweries Plc.

During the year, transactions with companies related to the ultimate holding company were in respect of the following:

a) Rendering of services	31 December 2018 N'ooo	31 December 2017 N'ooo
Amount due from parent	275,284	-
Amount due from fellow subsidiaries	-	623,403
Total receivables from related parties	275,284	623,403
Amount due to parent	-	-
Amount due to fellow subsidiaries	20,714,990	44,349,369
Total payables to related parties	20,714,990	44,349,369

All outstanding balances with these related parties are priced on arm's length basis and are to be settled within the agreed periods. None of the balances are secured and do not bear interest.

b) Key management compensation

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. These persons make up the board of directors. The compensation paid or payable to key management for employee services is shown below:

	31 December 2018 N'ooo	31 December 2017 N'ooo
The emoluments of the highest paid director	18,591	7,854
Salaries and other short term employee benefits	62,456	-
Post - employment benefits	5,681	-
	68,137	-

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

The emoluments of the directors were within the bands stated below:

	31 December 2018 Number	31 December 2017 Number
0 - 5,000,000	-	3
5,000,001 - 15,000,000	6	3
Above 15,000,000	1	-
	<u>7</u>	<u>6</u>

The directors who did not earn emolument waived their right to receive emolument.

28 Employees

i) The average number of persons (excluding directors) employed by the Company during the year was as follows:

	31 December 2018 Number	31 December 2017 Number
Management	436	126
Non-management	1,813	1,322
	<u>2,249</u>	<u>1,448</u>

ii) The table below shows the number of employees (excluding directors), who earned over N400,000 as emoluments in the year and were within the bands stated.

	31 December 2018 Number	31 December 2017 Number
400,000 - 1,500,000	28	11
1,500,000 - 3,000,000	877	585
3,000,001 - 4,500,000	831	668
Above 4,500,000	513	184
	<u>2,249</u>	<u>1,448</u>

29 Restatements for error

To enhance the comparability of information and correct prior period error, changes were made to the presentation and amount of certain items in the financial statements. The restated financial statement line items are shown below:

Opening period	31 March 2017 N'000	Reclassification N'000	Remeasurement N'000	1 April 2017 (Restated) N'000
Non current assets				
Property, plant and machinery (note a)	31,748,068	-	(172,860)	31,575,208
Non current liabilities				
Employee benefit obligation (note b)	509,803	-	489,099	998,902
Other payables (note c)	136,522	(136,522)	-	-
Current Liabilities				
Employee benefit (note d)	165,438	(165,438)	-	-
Trade and other payables (note c & d)	12,476,472	301,960	-	12,778,432
	<u>13,288,235</u>	<u>-</u>	<u>489,099</u>	<u>13,777,334</u>
Equity				
Retained earnings	4,710,148	-	(661,959)	4,048,189
	<u>13,749,685</u>	<u>-</u>	<u>-</u>	<u>13,749,685</u>

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

Comparative period	31 December 2017 N'000	Reclassification N'000	Remeasurement N'000	31 December 2017 (Restated) N'000
Non current assets				
Property, plant and machinery (note a)	191,554,977	-	(1,373,069)	190,181,908
Non current liabilities				
Employee benefit obligation (note b)	793,826	-	1,777,558	2,571,384
Other payables (note c)	147,489	(147,489)	-	-
Current Liabilities				
Employee benefit (note d)	544,620	(544,620)	-	-
Trade and other payables (note c & d)	5,814,695	692,109	-	6,506,804
Current tax liabilities	2,634,192	-	1,553,746	4,187,938
	9,934,822	-	3,331,304	13,266,126
Equity				
Retained earnings				
- Adjustment on container	(1,180,420)	1,180,420	-	-
- Pre-merger tax provisions	(1,081,705)	1,081,705	-	-
- Group reorganisation	29,330,038	(2,262,125)	(1,097,361)	25,970,552
- Opening retained earnings	4,710,148	-	(661,959)	4,048,189
- Profit for the year	1,429,318	-	(1,587,838)	(158,520)
Other reserves				
- Group reorganisation	-	-	(836,074)	(836,074)
- Reserve for the year	-	-	(521,141)	(521,141)
	35,469,504	-	(4,704,373)	28,503,006
	146,150,651	-	-	148,412,776
Statement of profit or loss and other comprehensive income	31 December 2017		Remeasurement	31 December 2017
	N'000		N'000	(Restated) N'000
Administrative expenses				
Employee benefit expense (note b)	1,307,092		(26,401)	1,280,691
Depreciation (note a)	926,449		60,492	986,941
Income tax expense	129,884		1,553,746	1,683,630
Other comprehensive income				
Remeasurements of post employment benefits (note b)	-		(521,141)	(521,141)

Notes to the restatement

a) Property, plant and equipment (PPE): Depreciation relating to prior periods were charged in the current year ended 2018. PPE has been adjusted to correctly reflect the appropriate net book value as at 31 March 2017 and 31 December 2017. This resulted in an increase in PPE of N172million and N1.3billion in the opening and comparative periods respectively.

b) Employee benefit obligation: The Company engaged of an actuary to determine the Company's obligation under the defined benefit scheme. Adjustments have been made to appropriately reflect the balances per the actuarial valuation report for the opening and comparative periods.

c) Non current other payables representing unclaimed dividend has been reclassified to current trade and other payables as these dividends are payable on demand in the opening and comparative period.

d) Amounts payable to employees was presented on the face of the statement of financial position as employee benefit. The Company has reclassified these amounts in opening and comparative periods to trade and other payables.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Notes to the financial statements

29 Contingent liabilities and commitments

At the statement of financial position reporting date, there was legal claims of N15.12 billion (2017: nil) against International Breweries Plc for which the law suits have not been concluded as at year end arising.

The Company is rigourously defending these claims in court and expects a favourable outcome.

The Company had no capital commitments as at 31 December 2018 (2017: nil). However, the company entered into a contractual commitment of N394.59 million (USD 1,083.5m) in respect of project in Sagamu which will be executed in 2019.

Operating lease commitments - the Company as a lessee.

The Company leases office spaces and residential buildings under cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. Prepaid amounts are recognised as current in trade and other receivables (note 17).

30 Events after the reporting period

There were no significant events after the reporting period, which could have had a material effect on the state of affairs of the Company as at 31 December 2018 that have not been adequately provided for or disclosed in the financial statements.

31 Non-audit services

During the year and upon obtaining board approval, PricewaterhouseCoopers was engaged to perform tax compliance, transfer pricing and FIRS tax audit services respectively. The agreed fee for the engagement was N36 million (\$100,000).

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Statement of value added

	12 Months ended December 2018		9 Months ended December 2017	
	N'000	%	N'000	%
Revenue	120,610,825		36,527,807	
Less: bought in materials and services	(87,918,204)		(31,665,257)	
Other gains/(losses)	807,494		123,387	
Value added	33,500,115	100	4,985,937	100
Applied as follows:				
To pay employees:				
Wages, salaries and other benefits	8,846,632	26.4	2,731,981	54.8
To pay government:				
Tax credit	(4,183,014)	(12.5)	(4,628,936)	- 92.8
To provide for enhancement of assets and growth:				
Depreciation of plant, property and equipment	16,888,158	50.4	2,039,704	40.9
Net Interest	15,945,367	47.6	3,950,058	79.2
Amortisation of intangible asset	67,412	0.2	19,045	0.4
(Loss)/Profit for the year	(4,064,440)	(12.1)	874,084	17.5
Value added	33,500,115	100	4,985,937	100

This statement represents the distribution of the wealth created through the use of the Company's assets by its own and employees' efforts.

International Breweries Plc
Annual report and financial statements
for the year ended 31 December 2018
Five-year financial summary

Financial position	12 Months ended December 2018 N'000	9 Months ended December 2017 N'000	-----12 months-----		
			31 March 2017 N'000	31 March 2016 N'000	31 March 2015 N'000
Capital employed:					
Ordinary share capital	4,297,931	4,297,931	1,647,125	1,647,125	1,647,125
Share premium	6,160,731	6,160,731	6,160,731	6,160,731	6,154,725
Retained earnings	24,896,862	28,763,160	4,048,189	4,828,779	2,107,317
Other reserves	1,360,756	1,360,756	1,360,756	1,360,756	1,360,756
Employee benefit reserves	(1,555,357)	(1,357,215)	-	-	-
Total equity	35,160,923	39,225,363	13,216,801	13,997,391	11,269,923
Represented by:					
Non-current assets	244,732,965	192,096,090	31,620,946	22,841,925	18,795,469
Current assets	65,545,955	40,053,161	11,939,249	10,640,181	10,477,785
Current liabilities	(118,879,435)	(168,026,156)	(26,188,616)	(15,846,886)	(9,975,208)
Non-current liabilities	(156,238,562)	(24,897,732)	(4,154,778)	(3,637,829)	(8,028,123)
Net assets	35,160,923	39,225,363	13,216,801	13,997,391	11,269,923
Net assets per share	4.09	4.56	4.01	4.25	3.42

Net assets per share is calculated by dividing net assets of the company by the number of ordinary shares outstanding at the end of the reporting period.

Financial result	12 Months ended December 2018 N'000	9 Months ended December 2017 N'000	31 March 2017 N'000	31 March 2016 N'000	31 March 2015 N'000
Revenue	120,610,825	36,527,807	32,711,218	23,269,364	20,649,295
Gross profit	47,340,245	13,707,886	15,164,459	10,708,935	9,061,478
Net operating expenses	(39,444,190)	(12,991,539)	(7,080,034)	(5,567,823)	(4,426,217)
Operating profit	7,896,055	716,347	8,084,425	5,141,112	4,635,261
Net finance (costs)/income	(15,945,367)	(3,950,058)	(5,192,676)	(1,484,286)	(1,819,707)
(Loss)/profit before taxation	(8,049,312)	(3,233,711)	2,891,749	3,656,826	2,815,554
Income tax expense	4,183,014	4,628,936	(1,857,392)	(1,004,078)	(869,064)
(Loss)/Profit for the year	(3,866,298)	1,395,225	1,034,357	2,652,748	1,946,490
Basic & diluted (loss)/earnings per share	(0.45)	0.16	0.31	0.81	0.59

(Loss)/Earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding at the end of the reporting period.