

Cadbury Nigeria Plc

**Un-audited Interim Financial Information
for the Nine months Ended 30 September 2016**

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Statement of financial position

In thousands of naira

	Note	Un-audited 30 September 2016	Audited 31 December 2015
Assets			
Property, plant and equipment	8	14,558,606	15,365,655
Intangible assets	9	237,765	283,218
Prepayments		-	23,148
Total non-current assets		14,796,371	15,672,021
Inventories	10	4,736,633	1,936,455
Trade and other receivables	11	3,957,058	5,166,194
Prepayments	12	363,737	234,118
Cash and cash equivalents	13	5,198,450	5,408,217
Total current assets		14,255,878	12,744,984
Total assets		29,052,249	28,417,005
Equity			
Share capital	14(a)	939,101	939,101
Share premium	14(b)	272,344	272,344
Other reserves		3,436,348	3,436,348
Share based payment reserve		30,266	30,266
Retained earnings		5,544,251	7,607,238
Total Equity		10,222,310	12,285,297
Liabilities			
Deferred taxation		348,294	348,294
Employee benefits		4,600,923	4,131,780
Total non-current liabilities		4,949,217	4,480,074
Current tax liabilities		88,071	547,266
Trade and other payables	15	13,792,651	11,104,368
Current liabilities		13,880,722	11,651,634
Total liabilities		18,829,939	16,131,708
Total equity and liabilities		29,052,249	28,417,005

Signed on behalf of the Company by Oyeyimika Adeboye

(Finance and Strategy Director)

Oyeyimika Adeboye

Statement of profit or loss and other comprehensive income

For the Nine months Ended 30 September 2016

In thousands of naira

	Un-audited 1 Jul - 30 Sep 2016	Un-audited YTD 30 Sep 2016	Un-audited 1 Jul - 30 Sep 2015	Un-audited YTD 30 Sep 2015
CONTINUING OPERATIONS				
REVENUE	5	7,408,426	21,325,541	6,935,574
Cost of sales		(6,982,062)	(16,848,631)	(4,657,672)
GROSS PROFIT		426,363	4,476,910	2,277,903
Other expense	6	(85,085)	(45,887)	(106,555)
Selling and distribution expenses		(1,347,903)	(4,249,093)	(1,328,051)
Administrative expenses		(152,782)	(1,209,534)	(602,106)
RESULTS FROM OPERATING ACTIVITIES		(1,159,408)	(1,027,603)	241,190
Finance income	7	101,769	185,447	50,314
Finance cost		-	-	-
NET FINANCE INCOME		101,769	185,447	50,314
(LOSS)/PROFIT BEFORE INCOME TAX		(1,057,639)	(842,156)	291,504
Income tax expense		-	-	(87,451)
(LOSS)/PROFIT FOR THE PERIOD		(1,057,639)	(842,156)	204,053
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,057,639)	(842,156)	204,053
(LOSS)/PROFIT ATTRIBUTABLE TO Owners of the Company		(1,057,639)	(842,156)	204,053
Basic (loss)/earning per share (kobo)		(56)	(45)	11
				2

Statement of changes in equity

Attributable to equity owners of the Company
For the Nine months Ended 30 September 2016
In thousands of naira

	Share capital	Share premium	Retained earnings	Other reserve	Share based reserve	Total equity
Balance at 1 January 2016	939,101	272,344	7,607,238	3,436,348	30,266	12,285,297
Comprehensive income for the period						
Profit for the period	-	-	(842,156)	-	-	(842,156)
Other Comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(842,156)	-	-	(842,156)
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	(1,220,831)	-	-	(1,220,831)
Cancellation of ordinary shares	-	-	-	-	-	-
Share based payment reserve	-	-	-	-	-	-
Total transactions with owners	-	-	(1,220,831)	-	-	(1,220,831)
Subsidiary's post acquisition result	-	-	-	-	-	-
Balance at 30 September 2016	939,101	272,344	5,544,251	3,436,348	30,266	10,222,310
Balance at 1 January 2015	939,101	272,344	6,851,741	3,436,348	42,492	11,542,026
Comprehensive income for the period						
Profit for the period	-	-	28,553	-	-	28,553
Other Comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	28,553	-	-	28,553
Transactions with owners, recorded directly in equity						
Dividend declared	-	-	(1,220,831)	-	-	(1,220,831)
Share based payment reserve	-	-	-	-	-	-
Total transactions with owners	-	-	(1,220,831)	-	-	(1,220,831)
Balance at 30 September 2015	939,101	272,344	5,659,463	3,436,348	42,492	10,349,748

Statement of cashflows

For the Nine months Ended 30 September 2016

In thousands of naira

	Un-audited 30 September 2016	Un-audited 30 September 2015
Cashflows from operating activities		
Profit for the period	(842,156)	28,552
Adjustments for:		
Depreciation & Amortisation	1,136,905	1,541,703
Gain on sale of PPE	(3,982)	(10,466)
Net finance income	(185,447)	(114,187)
Income tax expense	-	12,236
	<u>105,320</u>	<u>1,457,838</u>
Change in:		
Inventories	(2,800,178)	89,880
Trade and other receivables	1,209,136	1,132,498
Prepayments	(106,471)	(207,843)
Trade and other payables	3,607,703	901,862
Employee benefits	469,143	181,694
Cash generated from operating activities	<u>2,484,653</u>	<u>3,555,929</u>
Income tax paid	(459,196)	(365,212)
VAT paid	(1,013,234)	(801,353)
Net cash from operating activities	<u>1,012,222</u>	<u>2,389,364</u>
Cashflow from investing activities		
Interest received	185,447	114,187
Proceeds on disposal of PPE	41,621	14,982
Acquisition of property, plant and equipment	(322,041)	(591,537)
Net cash used in investing activities	<u>(94,973)</u>	<u>(462,368)</u>
Cashflow from financing activities		
Dividends paid	(1,127,017)	(1,075,171)
Net cash used in financing activities	<u>(1,127,017)</u>	<u>(1,075,171)</u>
Net (decrease)/increase in cash and cash equivalents	(209,768)	851,825
Cash and cash equivalent at 1 January	5,408,217	3,685,105
Cash and cash equivalent at 30 September	<u>5,198,450</u>	<u>4,536,930</u>

Notes to the financial statements

1 Reporting entity

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

The Company's brands fall into three principal categories, namely Refreshment Beverages, Confectionery and Intermediate Cocoa products. CADBURY BOURNVITA is the Refreshment Beverage, TOMTOM, BUTTERMINT, CLORETS and TRIDENT are the Confectionery products while COCOA BUTTER is a key product in the Intermediate Cocoa category.

Cadbury Nigeria Plc is owned 74.97% (2015: 74.97%) by Cadbury Schweppes Overseas Limited ("CSOL"), incorporated in the United Kingdom while CSOL is owned by Mondelez International, and 25.03% (2015: 25.03%) by a highly diversified spread of Nigerian individual and institutional shareholders. Other than CSOL, no other shareholder held more than 5% of the issued share capital of the Company as at 30 September 2016 (2015: Nil).

As at 30 September 2016, Cadbury Nigeria Plc is primarily involved in the manufacturing, marketing and selling of BOURNVITA, TOMTOM, TOMTOM HONEY LEMON, TREBOR BUTTERMINT, CADBURY 3-IN-1 HOT CHOCOLATE, TRIDENT GUM, CLORETS GUM, COCOA BUTTER, COCOA LIQUOR, COCOA CAKE and COCOA POWDER.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis and the use of actuarial methods for estimating certain employee benefits.

(c) Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousands, except when otherwise indicated.

(d) Use of estimates and judgments

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

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

3 Significant accounting policies

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

i. Non-derivative financial assets

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

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

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

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables.

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Cash and cash equivalents

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

ii. **Non-derivative financial liabilities**

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

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

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

The Company has the following non-derivative financial liabilities: bank overdrafts, trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii. **Share capital**

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

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

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized as profit or loss in the statement of comprehensive income.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Leasehold land – Over the lease term period
- Buildings – 40 years
- Plant and Machinery
 - o Power Generating Equipment – 10 years
 - o Packaging Equipment – 10 years
 - o Food and Candy Processing Equipment – 10 years

- Motor Vehicles
 - o Motor Vehicles – 5 years
 - o Tricycles – 3 years
- Office Furniture and Equipment – 6.67 years
- Software – 5 years
 - Catalyst SAP - 7 years
 - Others - 5 years

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

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

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

(d) Intangible assets (Software)

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

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

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software from the date it is available for use. The estimated useful life for software is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Leases

(i) Leased assets

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

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

(ii) Lease payments

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

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

(iii) Determining whether an arrangement contains a lease

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

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

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

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

The basis of costing is as follows:

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

Weighted average cost and standard cost are reviewed periodically to ensure they consistently approximate historical cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Stock values are adjusted for obsolete, slow-moving or defective items where appropriate.

(g) Impairment

(i) Non-derivative financial assets

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

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

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

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

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

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

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

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

(h) Employee benefits

(i) Defined benefit gratuity scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation in respect of defined benefit gratuity scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years and that benefit is discounted to determine its present value. In determining the liability for employee benefits under the defined benefit scheme, consideration is given to future increases in salary rates and the Company’s experience with staff turnover.

The recognised liability is determined by an independent actuarial valuation every year using the projected unit credit method. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation are recognized fully in other comprehensive income (OCI).

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

(ii) Defined contribution plan

A defined contribution scheme is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of all employee benefits relating to employee service in current and prior periods. In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognised as employee benefit expense in profit or loss in the periods which related services are rendered by employees. Employees contribute 7.5% each of their Basic salary, Transport & Housing Allowances to the Fund on a monthly basis. The Company's contribution is 10.3% of each employee's Basic salary, Transport & Housing Allowances.

(iii) Short-term employee benefits

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

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

(iv) Share-based payment transactions

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

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in accrued liability, over the period that the employees become unconditionally entitled to payment. The liability is premeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized as employee benefit in the administrative expenses in profit or loss.

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

(v) Other long-term employee benefits

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

(vi) Termination benefits

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

(i) Provisions

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

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(j) Contingent liabilities

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

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

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

(k) Government grants

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

(l) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates. Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss where the Company holds such financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss where the Company holds such financial assets and impairment losses recognized on financial assets (other than trade receivables).

Borrowing cost that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss.

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

(n) Tax

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

(i) Current tax

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

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

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(iii) Tax exposures

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

(o) Earnings per share

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

(p) Statement of cash flows

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

(q) Operating Segment

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

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

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

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

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The extent of the impact of these standards is yet to be determined. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

IFRS 9 Financial Instruments (2010) effective for annual periods beginning on or after 1 January 2018.

On 4 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard will not have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets at amortized cost, fair value through other comprehensive income or fair value through profit and loss. Even though these measurements categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model which is expected to increase the provision for bad debts recognised in the Company.

IFRS 15 Revenue from contracts with customers effective for annual periods beginning 1 January 2017

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue-Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract a contract-based 5 step analysis of transactions to determine whether, how much and when revenue is recognised. The Company is yet to assess the impact of the standard on its current accounting policies.

(s) New standards and interpretations effective from 1 January 2014

New IFRS standards and amendments to existing standards that became effective for annual periods commencing on or after 1st January 2014 have been applied in preparing the financial statements resulted in additional disclosures but had no significant impact on the measurements of the Company's assets and liabilities.

-Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

-Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

4 Measurement of fair values

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

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

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

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

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

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

5 Revenue

Revenue for the period comprises:
In thousands of naira

	Un-audited Company	Un-audited Company
	30 September	30 September
Domestic sales	19,477,231	19,183,103
Export sales	1,848,311	1,890,338
Total revenue	21,325,541	21,073,441

6 Other income/(expense)

Other income/(expense) comprises:
In thousands of naira

	Un-audited 30 September 2016	Un-audited 30 September 2015
Sale of by-products	54,483	15,588
Redundancy/restructuring costs*	(100,370)	(108,951)
	(45,887)	(93,363)

7 Finance income and finance cost

Recognized in profit or loss:
In thousands of naira

	Un-audited 30 September 2016	Un-audited 30 September 2015
Interest income on bank deposits	185,447	114,187
Finance income	185,447	114,187
Finance cost	-	-
Net finance income recognised in profit or loss	185,447	114,187

* Redundancy payments relates to severance paid to employees in respect of organisation restructuring exercise

8 Property, plant and equipment

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

	Leasehold						Total
	Land	Buildings	Plant & machineries	Furniture & equipment	Motor vehicles	Capital - Work in progress	
Cost or deemed cost							
At January 1, 2016	652,800	4,732,855	18,863,870	1,332,080	1,371,155	694,462	27,647,223
Additions	-	-	-	-	44,808	277,233	322,041
Disposals	-	-	-	-	(138,729)	-	(138,729)
Transfers	-	-	709,425	2,717	-	(668,364)	-
At September 30, 2016	652,800	4,732,855	19,573,295	1,334,797	1,277,234	303,331	27,830,535
Accumulated depreciation and impairment losses							
Balance at January 1, 2016	100,507	789,699	10,058,955	574,034	758,371	-	12,281,567
Depreciation for the period	9,347	144,764	738,157	61,499	137,684	-	1,091,451
Disposals	-	-	-	-	(101,089)	-	(101,089)
At September 30, 2016	109,855	934,464	10,797,112	635,534	794,965	-	13,271,929
Carrying amounts							
At January 1, 2016	552,293	3,943,155	8,804,915	758,046	612,784	694,462	15,365,656
At September 30, 2016	542,946	3,798,391	8,776,184	699,264	482,268	303,331	14,558,606

9 Intangible assets

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

In thousands of naira

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Cost		
Balance as at 1 January	505,226	501,256
Addition	-	3,970
	<u>505,226</u>	<u>505,226</u>
Accumulated amortization		
Balance as at 1 January	222,008	159,180
Charge	45,453	62,828
	<u>267,461</u>	<u>222,008</u>
Carrying amounts		
At 1 January	<u>283,218</u>	<u>342,076</u>
At 30 September	<u>237,765</u>	<u>283,218</u>

10 Inventories

In thousands of naira

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Raw and packaging materials	2,308,870	793,930
Product in process	229,150	95,919
Finished products	1,271,975	714,796
Spare parts	518,925	247,975
Goods in transit	407,714	83,835
	<u>4,736,633</u>	<u>1,936,455</u>

11 Trade and other receivables

In thousands of naira

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Trade receivables	2,845,690	3,667,111
Export expansion grant receivable	-	602,724
Other receivables	290,836	405,457
Due from related parties	820,532	490,902
	<u>3,957,058</u>	<u>5,166,194</u>

12 Prepayments

- (a) Non current prepayments consists of long-term portion of rental expenses prepaid by the Company.
- (b) Current prepayments consists of short-term portion of rental, insurance and other expenses prepaid by the Company.

13 Cash and cash equivalents

In thousands of naira

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Bank balances	2,922,952	4,221,020
Call deposits	2,275,498	1,187,197
	<u>5,198,450</u>	<u>5,408,217</u>

14 Capital and reserves

(a) Share capital

In thousands of naira

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Authorised 4,000,000,000 (2014: 4,000,000,000) ordinary shares of 50k each	<u>2,000,000</u>	<u>2,000,000</u>

Issued and fully paid ordinary shares of 50k each

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
<i>At 1 January</i>	<u>939,101</u>	<u>939,101</u>
<i>At 30 September</i>	<u>939,101</u>	<u>939,101</u>

(b) Share premium

In thousands of naira

	Un-audited 30 September <u>2016</u>	Audited 31 December <u>2015</u>
<i>At 1 January</i>	<u>272,344</u>	<u>272,344</u>
<i>At 30 September</i>	<u>272,344</u>	<u>272,344</u>

15 Trade and other payables

In thousands of naira

	Un-audited 30 September 2016	Audited 31 December 2015
Trade payable	4,303,931	3,407,762
Dividend payable	699,780	605,966
Accrued expenses	4,522,383	4,755,254
Due to related parties	4,266,556	2,335,386
	13,792,651	11,104,368

16 Contingent liability

The Company has a Technical Service, Management Service and Royalty Agreement with Mondelez Eastern Europe Middle East & Africa FZE and Cadbury UK Ltd. In light of the recent pronouncements by the Financial Reporting Council of Nigeria, the Company will be unable to make any accruals for these liabilities until it has obtained the approval of the National Office of Technology Acquisition and Promotion (NOTAP). No provision has therefore been made for Royalty, Technical service and Management fees in these financial statements. If the Company were to apply the most recently approved NOTAP rates against these draft agreements, there will be a contingent liability of N434m for the period.