GUINNESS
NIGERIA
RC 771

Unaudited Interim Financial Statements - 30 September 2016

Contents

Statement of Financial Position

As at 30 September

	Notes	30 Sept 2016	30 June 2016
ASSETS		₦'000	₦'000
Non-current assets			
Property, plant and equipment	14(a)	87,021,446	87,232,984
Intangible assets	15	1,627,084	1,708,807
Prepayments	17(a)	180,818	180,818
Total non-current assets		88,829,348	89,122,609
Current assets			
Inventories	18	20,406,271	13,021,248
Trade and other receivables	19	24,033,334	26,509,663
Prepayments	17(b)	1,901,534	2,494,400
Cash and cash equivalents	20	6,170,573	5,844,524
Total current assets		52,511,712	47,869,835
Total assets		141,341,060	136,992,444
Equity			
Share capital	21(b)	752,944	752,944
Share premium	21(c)	8,961,346	8,961,346
Retained earnings		29,719,383	31,946,315
Total equity		39,433,673	41,660,605
Liabilities			
Non-current liabilities			
Loans and borrowings ,	23(a)	17,563,167	14,034,546
Employee benefits		1,240,256	1,246,856
Deferred tax liabilities		12,940,815	12,940,815
Total non-current liabilities		31,744,238	28,222,217
Current liabilities			
Bank overdrafts	20	6,012,793	2,938,068
Current tax liabilities	13(b)	520,970	585,724
Dividend payable	22	3,840,326	3,860,475
Loans and borrowings	23(a)	19,320,468	22,195,374
Trade and other payables	24	40,468,592	37,529,981
Total current liabilities		70,163,149	67,109,622
Total liabilities		101,907,387	95,331,839
Total equity and liabilities		141,341,060	136,992,444

Approved by the Board of Directors on 28 October 2016 and signed on its behalf by:

Babatunde A. Savage (Chairman)

FRC/2013/ICAN/00000003514

Bismarck Rewane

FRC/2014/CIBN/00000006624

Ronald Plumridge (Finance & Strategy Director)

FRC/2015/IODN/000000012370

The notes on pages 6 to 21 are integral parts of these financial statements.

Income Statement

For the period ended 30 September

	Notes	3 Months Ended 30 September 2016	3 Months Ended 30 September 2015
		₦'000	₦'000
Revenue	8	23,018,313	21,741,803
Cost of sales		(16,446,125)	(12,437,248)
Gross profit		6,572,188	9,304,555
Other income	9(a)	99,583	144,242
Marketing and distribution expenses	9(b)	(3,659,468)	(5,527,786)
Administrative expenses		(2,327,243)	(2,473,628)
Operating profit		685,060	1,447,383
Finance income	10(a)	466,731	167,158
Finance costs	10(b)	(3,365,022)	(1,096,976)
Net finance costs		(2,898,291)	(929,818)
(Loss) / profit before taxation		(2,213,231)	517,565
Tax credit / (expense)	13(a)	(13,701)	(155,269)
(Loss) / profit for the year		(2,226,932)	362,296
Earnings per share			
Basic and diluted (loss) / earnings per share (kobo)		(148)	24

Statement of Other Comprehensive Income

For the period ended 30 September

	Notes	3 Months Ended 30 September 2016	3 Months Ended 30 September 2015
		₦'000	₦'000
(Loss) / profit for the year		(2,226,932)	362,296
Other comprehensive income			
Items that will never be reclassified to the income statement			
Defined benefit plan actuarial gain (IAS 19)		-	-
Tax on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss) / income for the year		(2,226,932)	362,296

The notes on pages 6 to 21 are integral parts of these financial statements.

Statement of Changes in Equity

For the period ended 30 September

	Notes	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
		₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 July 2016		752,944	8,961,346	-	31,946,315	41,660,605
Total comprehensive income						
Loss for the year		-	-	-	(2,226,932)	(2,226,932)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(2,226,932)	(2,226,932)
Transaction with owners, recorded directly in equity						
Dividends to equity holders		-	-	-	-	-
Shared based payment reserve write-back		-	-	-	-	-
Share based payment charge		-	-	43,998	-	43,998
Share based payment recharge		-	-	(43,998)	-	(43,998)
Total transactions with owners		-	-	-	-	-
Balance at 30 September 2016		752,944	8,961,346	-	29,719,383	39,433,673

The notes on pages 6 to 21 are integral parts of these financial statements.

Statement of Cash Flows

For the period ended 30 September 2016

	Notes	3 Months Ended 30 September 2016	3 Months Ended 30 September 2015
		₦'000	₦'000
Cash flows from operating activities			
(Loss) / profit for the year		(2,226,932)	362,296
Adjustments for:			
Depreciation	14(a)	2,116,245	2,776,718
Amortisation of intangible assets	15(a)	89,527	39,325
Share based payment charge		43,998	26,230
Finance income	10(a)	(466,731)	(167,158)
Finance costs	10(b)	3,365,022	1,096,976
Impairment of inventories	18	413,032	-
Write-off of property, plant and equipment		80,570	43,436
Loss on disposal of property, plant and equipment		-	(26,355)
Long service awards charge		21,458	29,324
Income tax expense	13(a)	13,701	155,269
		3,449,890	4,336,061
Changes in:			
Inventories		(7,798,055)	(333,733)
Trade and other receivables	19(b)	2,498,582	(4,651,759)
Prepayments		592,866	313,596
Trade and other payables	24	2,285,080	(5,318,365)
Cash generated from operating activities		1,028,363	(5,654,200)
Income tax paid	13(b)	(78,455)	-
Gratuity paid		(22,591)	(79,741)
Value added tax paid		(724,205)	(926,587)
Long service awards paid		21,745	(27,418)
Net cash (used in) / generated from operating activities		224,857	(6,687,946)
Cash flows from investing activities			
Finance income received	10(a)	400,480	161,080
Proceeds from disposal of property, plant and equipment		-	32,340
Acquisition of intangible assets		-	(785,204)
Acquisition of property, plant and equipment		(1,656,977)	(1,069)
Net cash used in investing activities		(1,256,497)	(592,853)
Approved by the Board of Directors on 28 October 2016 and signed on its behalf by:			
Proceeds from loans and borrowings	23(b)	3,117,986	603,695
Repayment of loans and borrowings	23(b)	(3,479,586)	-
Repayment of finance lease liabilities	23(b)	(278,521)	(896,119)
Finance costs paid	10(b)	(1,056,766)	(968,201)
Dividends paid	22(b)	(20,149)	(55,493)
Net cash generated from / (used in) financing activities		(1,717,036)	(1,316,118)
Net (decrease) / increase in cash and cash equivalents		(2,748,676)	(8,596,917)
Cash and cash equivalents at 1 July		2,906,456	4,332,861
Cash and cash equivalents at 30 September	20	157,780	(4,264,056)

The notes on pages 6 to 21 are integral parts of these financial statements.

Notes to the Financial Statements

For the period ended 30 September 2016

1. Reporting entity

Guinness Nigeria Plc, a public Company quoted on the Nigerian Stock Exchange was incorporated on 29 April 1950, as a trading company importing Guinness Stout from Dublin. The Company has since transformed itself into a manufacturing operation and its principal activities continue to be brewing, packaging, marketing and selling of Guinness Foreign Extra Stout, Guinness Extra Smooth, Guinness African Special, Malta Guinness, Malta Guinness Low Sugar, Harp Lager, Smirnoff Ice, Smirnoff Ice - Double Black, Satzenbrau Lager, Dubic Lager, Dubic Dark Ale, Snapp, Orijin, Orijin Bitters, Orijin Zero non-alcoholic, Johnnie Walker, Smirnoff Vodka, Ciroc, Baileys, Captain Morgon, McDowell's No.1 Whisky, McDowell's VSOP Brandy, Royal Challenge, Gordon and other International Premium Brands (IPS) making it a total beverage alcohol (TBA) company.

The address of the Company's registered office is at 24 Oba Akran Avenue, Ikeja, Lagos.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were authorised for issue by the Board of Directors on 28 October 2016.

3. Functional and presentation currency

These statements are presented in Naira, which is the Company’s functional currency. All financial information presented in Naira (₦) has been rounded to the nearest thousand unless otherwise stated.

4. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make 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 estimates are recognised prospectively.

Information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Assumptions and estimation uncertainties

- property, plant and equipment: depreciation of assets
- measurement of defined benefit obligations: key actuarial assumptions
- share-based payment
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

(b) Judgements

Significant judgements were made in application of accounting policies that could have significant effects on the amounts recognised in the financial statements.

- recognition and measurement of impairment and provisions on trade and other receivables

Measurement of fair values

Some of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market 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. as derived from prices).
Level 3	–	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28 (

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Share based payments
- Financial risk management and financial instruments

5. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items which have been measured on an alternative basis on each reporting date.

Items	Measurement bases
Non-derivative financial instruments	Initially measured at fair values and subsequently measured at amortised
Employee benefits	Present value of defined benefit obligation.
Share-based payment transactions	Event day fair value of the equity instrument issued.

6. Changes in accounting policies

Except for the changes below, the Company has consistently applied the significant accounting policies to all periods presented in these financial statements.

The Company has adopted the following new standards (where applicable) with a date of initial application for periods starting on or after 1 January 2015:

(i) Defined Benefit Plans: Employee Contributions - Amendments to IAS 19

(ii) Annual Improvements to IFRSs 2010–2012 Cycle – IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24

(iii) Annual Improvements to IFRSs 2011–2013 Cycle – IFRS 3, IFRS 13, IAS 40

These changes to the standards do not have material effect on the financial statements.

7. Significant accounting policies

Except for the changes explained in Note 6, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was measured. Foreign currency differences are generally recognised in income statement. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(b) Financial instruments

i. Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises 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 recognised as a separate asset or liability.

The Company has the following non-derivative financial assets:

Cash and cash equivalents

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

Loans and receivables

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

Loans and receivables with short-term maturities and no stated rates of interest are measured at original invoice amounts where the effect of discounting is not significant.

ii. Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

iii. Share capital

The Company has 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 recognised as a deduction from equity, net of any tax effects.

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 realise the asset and settle the liability simultaneously.

(c) Property, plant and equipment

i. Recognition, measurement and derecognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and 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 self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, 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 capitalised 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. The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in income statement.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

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

Leasehold land	–	lease period
Buildings	–	60 years
Plant and machinery	–	2 to 40 years
Furniture and equipment	–	3 to 5 years
Motor vehicles	–	4 years
Returnable packaging materials	–	5 to 10 years
Chillers	–	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.

(d) Intangible Assets

Software, concession right and distribution right

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. The Company's intangible assets with finite useful life comprises computer software, concession right and distribution right. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost less its residual value. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life for the current and preceding period is as follows:

Computer software- SAP	-	11 years
Computer software-others	-	5 years
Concession right	-	10 years
Distribution right	-	5 years

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

An intangible asset is derecognised where it is certain that there would be no future flow of economic benefit to the Company as a result of holding such asset.

(e) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on re-assessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the 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.

Leased assets

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Lease payments

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

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

(f) Inventories

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

Raw materials, non-returnable packaging materials and consumable spare parts	–	purchase cost on a weighted average basis including transportation and applicable clearing charges.
Finished products and products-in-process	–	average cost of direct materials and labour plus the appropriate amount attributable to production overheads based on normal production capacity.
Inventory-in-transit	–	purchase cost incurred to date.

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

(g) Impairment

i. Non-derivative financial assets

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised 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 recognised in income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised 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 income statement.

ii. Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset 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 recognised if the carrying amount of an asset or CGU exceeds its 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 amortisation, if no impairment loss had been recognised.

(h) Employee benefits

i. Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity. 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.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its management and non-management employees. Employee contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the income statement. The Company contributes 10% and 12% for management and non-management employees respectively while employees contribute 8% (2015: 8%) of their insurable earnings (basic, housing and transport allowance).

ii. Gratuity

– *Defined benefit gratuity scheme*

Lump sum benefits payable upon retirement or resignation of employment are fully accrued over the service lives of management and non-management staff under the scheme. Employees under the defined benefit scheme are those who had served a minimum of 5 years on or before 31 December 2008 when the scheme was terminated. Independent actuarial valuations are performed periodically on a projected unit credit basis. Remeasurement gains/losses arising from valuations are charged in full to other comprehensive income. The Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

– *Defined contribution gratuity scheme*

The Company has a defined contribution gratuity scheme for management and non-management staff. Under this scheme, a specified amount is contributed by the Company to third party fund managers and recognised as an employee benefit expense to income statement over the service life of the employees.

iii. Other long-term employee benefits

The Company's other long-term employee benefits represents Long Service Awards payable upon completion of certain years in service and accrued over the service lives of the employees. Independent actuarial valuations are performed periodically on a projected unit credit basis. Actuarial gains/losses and curtailment gains or losses arising from valuations are charged in full to income statement.

iv. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

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

vi. Share-based payment transactions

The fair value of equity settled share options and share grants is initially measured at grant date based on the binomial or Monte Carlo models and is charged in the income statement over the vesting period. For equity settled shares, the credit is included in share based payment reserve in equity whereas for cash settled share-based payments a liability is recognised in the statement of financial position, measured initially at the fair value of the liability.

For cash settled share options and share grants, the fair value of the liability is remeasured at the end of each reporting period until the liability is settled, and at the date of settlement, with any changes in the fair value recognised in the income statement. Cancellations of share options are treated as an acceleration of the vesting period and any outstanding charge is recognised in operating profit immediately.

(i) Provisions and contingent liabilities

Provisions

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

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.

(j) 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, excise duties, sales returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods 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 recognised as a reduction of revenue as the sales are recognised.

(k) Government grants

Government grants that compensate the Company for expenses incurred are recognised in the income statement as a reduction to cost of sales in the periods in which the expenses are recognised if the Company will comply with the condition attaching to them and it is probable that the grants will be received from the government.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues in income statement, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, interest expense on factoring of trade receivables recognised on financial assets except finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets, are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Taxation

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

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

Tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in the income statement account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 the following temporary differences:

i. the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income statement.
ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.
iii temporary differences arising on the initial recognition of goodwill.

(n) 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 earnings attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(o) 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. Finance cost paid is also included in financing activities while finance income received is included in investing activities.

(p) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Guinness Leadership Team which comprises of the members of the Board of Directors and other Executive Officers.

Segment information is required to be presented in respect of the Company's business and geographical segment, where applicable. The Company's primary format for segment reporting is based on geographical segments. The geographical segments are determined by management based on the Company's internal reporting structure. Where applicable, segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are as follows:

IFRS 9 – Financial instruments (effective for the financial statements for the year ending 30 June 2019) removes the multiple classification and measurement models for financial assets required by IAS 39 – Financial Instruments: Recognition and measurement and introduces a model that has only two classification categories: amortised cost and fair value. Classification is determined by the business model used to manage the financial assets and the contractual cash flow characteristics of the financial assets.

The accounting and presentation of financial liabilities and for derecognising financial instruments has been transferred from IAS 39 without any significant changes. The amendment to IFRS 7– *Financial instruments: Disclosures* requires additional disclosures on transition from IAS 39 to IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16 establishes a revised framework for determining whether a lease should be recognised on the statement of financial position. It replaces existing guidance on lease, including IAS 17, IFRS 16 also supersedes IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 is effective for financial periods beginning on or after 1 January 2019, with early adoption permitted.

The extent of the impact has not been determined and the Company does not plan to adopt these standards early.

(r) New standards and interpretations effective 1 January 2016

The following new standards or amendments are not expected to have significant impacts on the Company's financial
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Annual Improvements to IFRSs 2012–2014 Cycle – various standards
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Disclosure Initiative (Amendments to IAS 1)

(s) Service concession charges

Service concession charges represent fixed annual amounts payable to the grantor in respect of concession right to the concession asset. These amounts are charged to the income statement over the duration of the concession period.

8. Revenue

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Nigeria	21,433,377	21,190,421
Export	1,584,936	551,382
	23,018,313	21,741,803

Nigeria is the Company's primary geographical segment as over 98% of the Company's revenue is earned from sales in Nigeria. All of the Company's revenue is derived from sale of similar products with similar risks and returns. Additionally, there is no identifiable component of the business with up to 10% of the total revenue for the year. Thus, further segment information has not been presented.

9. Other income and marketing and distribution expenses

(a) Other income comprises:	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Operating lease income	51,495	90,048
Sale of by-products	48,088	27,869
Gain on disposal of property, plant and equipment	-	26,325
	99,583	144,242

(b) Marketing and distribution expenses

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Marketing expenses	741,295	1,691,063
Distribution expenses	2,918,173	3,836,723
	3,659,468	5,527,786

10. Finance income and finance costs

(a) Finance income is as follows:

(i) Finance income per income statement

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Interest income on bank deposits	56,878	167,158
Interest income on distributors' overdue debts and others	141,282	-
Total interest income arising from financial assets not measured at fair value through income statement	198,160	167,158
Gain on foreign exchange transactions	268,571	-
	466,731	167,158

(ii) Finance income in the statement of cash flows

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Finance income per income statement	466,731	167,158
Unrealised exchange gain	(59,747)	-
Accrued finance income	(6,504)	4,621
	400,480	171,779

(b) Finance costs are as follows:

(i) Finance costs per income statement

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Finance expense on loans and borrowings	906,332	698,970
Interest expense on overdraft	175,207	252,823
Unwinding of discount on employee benefits	33,641	71,941
Interest expense on intercompany overdue debts and others	46,030	71,521
Total interest expense arising from financial liabilities not measured at fair value through income statement	1,161,210	1,095,255
Loss on foreign exchange transactions	2,203,812	1,721
	3,365,022	1,096,976

(ii) Finance costs in the statement of cash flows

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Finance costs per income statement	3,365,022	1,096,976
Unwinding of discount on employee benefits	(33,641)	(71,941)
Accrued finance costs	(510,488)	-
Unrealised foreign exchange loss	(1,764,127)	-
	1,056,766	1,025,035

11. Profit before taxation

(a) Profit before taxation is stated after charging:

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Depreciation of property, plant and equipment (Note 14(a))	2,116,245	2,776,718
Write-off of property plant and equipment	80,570	43,436
Amortisation of intangible assets (Note 15(a))	89,527	39,325
Personnel expenses	2,343,899	2,709,768
Gain on disposal property, plant and equipment	-	(26,325)
Lease rental expenses	282,860	239,486
Royalty and technical service fees	541,568	437,717

12. Personnel expenses

(a) Personnel expenses including the provision for gratuity liabilities and other long term employee benefits comprise:

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Salaries, wages and allowances	2,066,283	2,395,828
Contributions to defined contribution plans	212,161	258,386
Share based payments expense	43,998	26,230
Charge for other long term employee benefits	21,458	29,324
Total personnel expenses	2,343,899	2,709,768

13. Taxation

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

(a) Amounts recognised in income statement

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Current tax expense:		
Income tax	-	144,918
Tertiary education tax	13,701	10,351
Adjustment for prior periods	-	-
	13,701	155,269
Deferred tax (credit) / expense:		
Origination and reversal of temporary differences	-	-
Total tax expense	13,701	155,269

(b) Movement in current tax liability

	30 Sept 2016	30 June 2016
	₦'000	₦'000
Balance at 1 July	585,724	2,275,704
Payments during the year	(78,455)	(1,807,544)
Charge for the year	13,701	143,011
Withholding tax credit notes utilised	-	(25,447)
Balance at 30 September	520,970	585,724

14. Property, plant and equipment (PPE)

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

	Leasehold Land	Buildings	Plant and Machinery	Furniture and Equipment	Motor Vehicles	Returnable packaging materials	Capital work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
At 1 July 2016	828,428	20,337,781	92,830,351	1,419,342	7,396,800	32,363,239	1,757,226	156,933,167
Additions	-	-	15,529	-	-	1,414,812	570,382	2,000,723
Transfers	-	35,957	40,447	4,200	-	-	(80,604)	-
Reclassification			(9,104)					(9,104)
Disposals/Write-offs	-	-	-	-	(13,357)	(251,129)	-	(264,486)
At 30 September 2016	828,428	20,373,738	92,877,223	1,423,542	7,383,443	33,526,922	2,247,004	158,660,300
Depreciation and impairment								
At 1 July 2016	128,925	3,007,910	41,231,124	1,272,677	4,864,130	19,195,417	-	69,700,183
Charge for the year	15,195	71,371	865,199	9,536	289,452	865,492	-	2,116,245
Reclassification			(1,300)					(1,300)
Disposals/Write-offs	-	-	-	-	(5,715)	(170,559)	-	(176,274)
At 30 September 2016	144,120	3,079,281	42,095,023	1,282,213	5,147,867	19,890,350	-	71,638,854
Carrying amount								
At 1 July 2016	699,503	17,329,871	51,599,227	146,665	2,532,670	13,167,822	1,757,226	87,232,984
At 30 September 2016	684,308	17,294,457	50,782,200	141,329	2,235,576	13,636,572	2,247,004	87,021,446

(b) Cash paid on acquisition of property plant and equipment

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Additions during the year (Note 14(a))	2,000,723	936,478
Payments on prior year acquisitions	966,249	654,188
Accruals on current year acquisitions	(1,309,995)	(804,394)
	1,656,977	786,273

(c) PPE disposed/written off in the statement of cash flows

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Cost of PPE disposed/written off	264,486	517,830
Accumulated depreciation on PPE disposed/written off	(176,274)	(468,380)
Carrying amount of PPE disposed/written off	88,212	49,450
Proceeds from disposal of property, plant and equipment	-	(32,340)
	88,212	17,110
Analysed as:		
Write-off of property, plant and equipment	80,570	43,436
Loss on disposal of property, plant and equipment	-	-
	80,570	43,436

15. Intangible assets

The movement on this account during the year was as follows:

	Distribution right	Concession right	Computer software	Total
	₦'000	₦'000	₦'000	₦'000
Cost				
Balance at 1 July 2016	995,250	485,611	2,291,215	3,772,076
Additions	-	-	-	-
Reclassification	-	-	9,104	9,104
Ap Balance at 30 September 2016	995,250	485,611	2,300,319	3,781,180
Amortisation				
Balance at 1 July 2016	99,525	122,876	1,840,868	2,063,269
Charge for the year	49,763	13,374	26,390	89,527
Reclassification	-	-	1,300	1,300
Balance at 30 September 2016	149,288	136,250	1,868,558	2,154,096
Carrying amount				
At 1 July 2016	895,725	362,735	450,347	1,708,807
At 30 September 2016	845,962	349,361	431,761	1,627,084

16 Other receivables

Non-current other receivables represent the long term portion of loans granted to employees of the Company. No interest is charged on these loans.

The loans are secured by the employees' retirement benefits. The current portion of other receivables is included in Trade and other receivables reported in current assets.

17. Prepayments

(a) Non-current prepayments mainly represent long-term portion of prepaid rent on the Company's operating leases.

(b) Current prepayments comprise:

	30 Sept 2016	30 June 2016
	₦'000	₦'000
Prepaid rent	350,760	579,129
Prepaid business insurance premiums	183,781	245,041
Prepaid advertising expense	102,525	42,372
Other prepaid expenses	1,264,468	1,627,858
	1,901,534	2,494,400

18. Inventories

Inventories comprise:

	30 Sept 2016	30 June 2016
	₦'000	₦'000
Finished products	8,163,427	4,974,805
Products in process	1,464,422	1,473,953
Raw materials and packaging materials	5,608,203	3,853,411
Engineering spares	2,259,681	1,721,112
Inventories in transit	2,910,538	997,967
	20,406,271	13,021,248

19 Trade and other receivables

(a) Trade and other receivables comprise:

	30 Sept 2016	30 June 2016
	₦'000	₦'000
Trade receivables	21,059,150	24,049,099
Other receivables	(28,241)	1,714,084
Amounts due from related parties	3,002,425	746,480
	24,033,334	26,509,663

(b) Changes in trade and other receivables in the statement of cash flows

	30 Sept 2016	30 Sept 2015
	₦'000	₦'000
Change in non-current receivables	-	17,157
Change in current receivables	2,476,329	(4,674,994)
Unrealised exchange gain	59,747	27,687
Accrued finance income	6,504	4,621
Withholding tax credit notes applied for tax settlement	-	-
Equity settled share based payment	(43,998)	(26,230)
	2,498,582	(4,651,759)

20 Cash and cash equivalents

	30 Sept 2016	30 June 2016
	₦'000	₦'000
Bank balances	2,546,321	2,200,272
Short-term deposits	3,624,252	3,644,252
Cash and cash equivalents	6,170,573	5,844,524
Bank overdrafts	(6,012,793)	(2,938,068)
Cash and cash equivalents in the statement of cash flows	157,780	2,906,456

Included in cash and cash equivalents are unclaimed dividends amounting to ₦3,595 million (30 June 2016: ₦3,615 million) held in a separate bank account in accordance with guidelines issued by the Securities and Exchange Commission (SEC). Under the SEC guidelines, these amounts are restricted from use by the Company.

21 Share capital and reserves

(a) Authorised ordinary shares of 50k each
in thousands of shares

	30 Sept 2016	30 June 2016
At 30 September	2,500,000	2,500,000

(b) Issued and fully paid-up ordinary shares of 50k each
in thousands of shares

	30 Sept 2016	30 June 2016
At 30 September	1,505,888	1,505,888

Share capital
in thousands of naira

At 30 September	752,944	752,944

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(c) Share premium
Share premium represents the consideration received in excess of the nominal value of ordinary shares of the Company.

(d) Share based payment reserve
The share based payment reserve comprises the cumulative weighted average fair value of executive share option and executive share award plans granted by Diageo Plc to Directors and employees of the Company which have not vested at year end.

22 Dividends

Dividend payable

	30 Sept 2016	30 June 2016
	₦'000	₦'000
At 1 July	3,860,475	3,903,005
Declared dividend	-	4,818,842
Transfer of foreign dividend to intercompany creditors	-	(2,617,424.00)
Payments during the year	(20,149)	(2,243,948)
At 30 September	3,840,326	3,860,475

23 Loans and borrowings

(a) Loans and borrowings comprise:

	30 Sept 2016	30 June 2016
	₦'000	₦'000
Non-current liabilities		
Related party loans	9,850,308	7,321,687.00
Unsecured term loans	5,842,500	4,842,500
Finance lease liabilities	1,870,359	1,870,359
Total non-current loans and borrowings	17,563,167	14,034,546
Current liabilities		
Related party loans	-	33,908
Unsecured commercial papers	8,495,995	11,270,039
Unsecured term loans	9,815,809	9,606,334
Finance lease liabilities	1,008,664	1,285,093
Total current loans and borrowings	19,320,468	22,195,374
Total loans and borrowings	36,883,635	36,229,920

(b) Movement in loans and borrowings

	30 Sept 2016	30 June 2016
	₦'000	₦'000
At 1 July	36,229,920	19,218,314
Proceeds from loans and borrowings obtained during the year	3,117,986	24,378,091
Exchange difference on foreign currency loan	1,156,797	1,760,285
Accrued finance costs	510,488	293,379
Loans repaid during the year	(3,479,586)	(4,458,209)
Finance lease repaid during the year	(278,521)	(4,961,940)
At 30 September	37,257,084	36,229,920

24 Trade and other payables

(a) Trade and other payables comprise:	30 Sept 2016	30 June 2016
	₦'000	₦'000
Trade payables	16,597,121	18,167,963
Other payables and accrued expenses	9,613,280	8,441,043
Amounts due to related parties	14,258,192	10,920,975
	40,468,592	37,529,981

25 Events after the reporting date

There are no significant subsequent events, which could have had a material effect on the financial statements of the Company as at 30 September 2016 that have not been adequately provided for or disclosed in the financial statements.