

SEYCHELLES BREWERIES LIMITED

INTERIM FINANCIAL STATEMENTS

FOR HALF YEAR ENDED 31 DECEMBER 2018

The Board of Directors of Seychelles Breweries Limited (SBL) is pleased to announce its results for the six months ended 31st December 2018.

Half year performance overview

Seychelles Breweries delivered a strong set of results for the first half of the current financial year F19. During the first six months, the business generated net revenue of R217.2 million (F18 HY: R204.9 million), registering 6% growth versus the same period last year, and delivered profit after tax of R46.3 million (F18 HY: R31.4 million), which is 48% above the same period last year.

Revenue

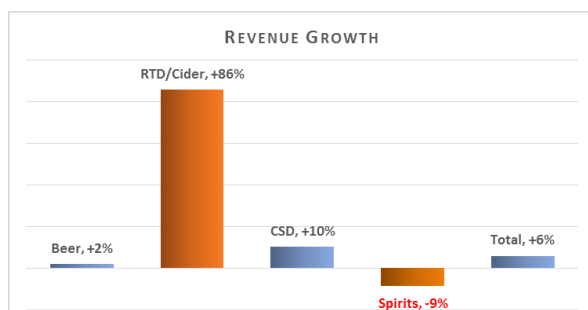
Revenue growth of 6% over F18 is primarily driven by:

- Consistent availability of great quality products to our customers and consumers across all islands
- Good performance of Beer and carbonated soft drink (CSD) brands underpinned by our increased focus on trade execution
- Improved availability of ready-to-drink (RTD) Smirnoff Ice brand
- Successful launching of innovation products and
- Increased investment behind brand equity

The performance of imported Spirits registered a revenue decline of 9% (F18 HY: -28%), which is attributed to parallel importation by unauthorized non-Diageo importers.

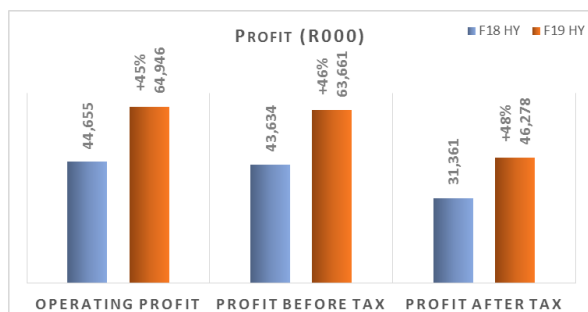
The innovation launches during first half are:

- Seypearl mixers in returnable glass bottles, including Ginger Ale, Tonic and Soda Water
- Seypearl Pineapple in PET
- Slow Turtle Cider in returnable glass bottles
- Schweppes CSD Can importation



Profit

The Operating Profit of R64.9 million (F18 HY: R44.7 million) is 45% above the same period last year. Sales revenue growth, improved sales mix, better cost management and reversal of penalty for late payment of taxes contributed to the strong profit growth, which is partially offset by the devaluation of Seychelles Rupees against major currencies.



Cash management

The company generated operating cash of R84.6 million (F18 HY: R56.2 million) in the first six month of the financial year 2018 (F18). The cash generated was applied for paying taxes and dividend, making investment in capital expenditure and managing the working capital requirements of the business.

Capital expenditure

The long-term strategy of upgrading production facilities to world-class standards has continued as planned. That includes major overhauls of glass bottling line as well as fermentation and beer processing areas. The installation of a new shrink-wrapper on the PET line has been helping us deliver higher line efficiency. A new kegging line installation complements our intent to supply consumers with the highest quality fresh beer in the growing draught segment.

We are currently overhauling the PET line filler and are excited to put a new malt processing unit, new glass line filler as well as further upgrades in yeast/fermentation and beer filtration areas before the end of this financial year. All designed to deliver consistently great quality product at high efficiencies.

In the past two-and-a-half years, the company have invested R165m towards upgrading its production facilities. The investment has started returning value already as we see remarkable improvement in all key performance indicators of the supply chain operation, including cost of goods manufactured, line efficiency, energy usage, water ratio and quality ratings. The improved efficiency also made it possible for us to pursue our extensive innovation agenda.

Full year performance outlook

The members of the Board and the management team are delighted with the performance in the first half of this financial year and would like to maintain the momentum in the remainder of the year. We are particularly excited about the innovation product successes since launch.

We have increased advertising and marketing expenditure this year to support our core and strategic brands and we are using conventional media as well as social media for reaching out to our consumers in Seychelles.

Investing in our winning team is our priority for this year. We have accelerated investment in our people for improving their capabilities and for building the high-performance team. We are developing leaders for the future under a well-structured training program. Also, under a separate program, we are sending our high talented employees on vocational training to other Diageo markets including Ghana, South Africa and Kenya.

We are on-track in pursuing our long-range strategy of growing core brands, transforming CSD and explore innovation opportunities. We must continue our focus on consistent supply of the great quality products, trade execution, effective marketing activities and enhancing the capacities and capabilities of our people.

We continue to be the **Best performing, most trusted and respected beverages company** in Seychelles.

Condensed statement of financial position

	Note	As at 31 Dec 2018 R'000	As at 30 Jun 2018 R'000
ASSETS			
Total non-current assets		318,152	314,647
Cash and cash equivalents		4,508	1,991
Current tax receivable	5	46,933	44,524
Other current assets		118,263	104,907
Total assets		487,856	466,069
EQUITY			
Share capital		63,000	63,000
Actuarial valuation gains		500	500
Retained earnings		267,498	233,820
Total equity		330,998	297,320
LIABILITIES			
Deferred tax liabilities	6	28,289	24,815
Post-employment provision		15,196	14,242
Bank overdrafts		-	19,388
Trade and other payables		113,373	110,304
Total liabilities		156,858	168,749
Total equity and liabilities		487,856	466,069



Nicholas Cook
Managing Director

14th February, 2019



Mohammad Iqbal
Finance Director

Condensed statement of comprehensive income

		6 months ended 31 December	
		2018	2017
	Note	R'000	R'000
Revenue		217,222	204,904
Cost of sales		(114,555)	(118,607)
Gross Profit		102,667	86,297
Advertising and marketing costs		(9,289)	(6,760)
Administrative expenses		(29,896)	(27,022)
Other income/(expense)		1,464	(7,860)
Operating profit		64,946	44,655
Interest income		(1,285)	(1,021)
Profit before tax		63,661	43,634
Tax expenses	4	(17,383)	(12,273)
Net earnings		46,278	31,361

Statement of changes in equity

	Share capital R'000	Actuarial valuation gains R'000	Retained earnings R'000	Total equity R'000
At 1st July 2017	63,000	500	216,402	279,902
Profit for year ended on 30 June 2017	-	-	42,618	42,618
Dividends	-	-	(25,200)	(25,200)
At 30 June 2018	63,000	500	233,820	297,320
At 1st July 2018	63,000	500	233,820	297,320
Profit for 6 months ended 31 Dec 2018	-	-	46,278	46,278
Dividends	-	-	(12,600)	(12,600)
At 31 Dec 2018	63,000	500	267,498	330,998

Condensed statement of cash flow

	6 months ended 31 December	
	2018	2017
	R'000	R'000
Cash generated from operating activities	84,604	56,237
Change in working capital	(10,287)	30,905
Interest received	(685)	(421)
Post employment benefits - paid	(545)	(1,420)
Tax paid	(16,318)	(11,323)
Net cash generated from operating activities	56,769	73,978
Acquisition of property, plant and equipment	(22,264)	(43,167)
Proceed on sale of investment property	-	5,815
Dividends paid during the year	(12,600)	(12,600)
Net increase in cash and cash equivalents	21,905	24,026
Cash and cash equivalents at beginning of the period	(17,397)	(11,064)
Cash and cash equivalents at end of the period	4,508	12,962

Notes to the financial statements

1. General information

Seychelles Breweries Limited is incorporated as a limited liability company in Seychelles under the Companies Act 1972 and is domiciled in Seychelles. The address of its registered office and principal place of business is as follows:

Seychelles Breweries Limited,
O Brien House,
PO Box 273,
Le Rocher,
Mahe, Seychelles.

2. New and amended standards adopted by the Company during the current financial year.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in the statement of profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The adoption of this amendment did not have a material impact on the Company's financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The adoption of this amendment did not have a material impact on the Company's financial statements.

IFRS 9: Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets.

IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods.

In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The adoption of this amendment did not have a material impact on the Company's financial statements.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Taxes

The company is subject to taxes in Seychelles. Significant judgment is required in determining the Company's provision for taxes. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Functional currency

The choice of the functional currency of the Company has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The financial currency has been assumed by the Directors to be the Seychelles Rupee.

Depreciation policies

The Directors therefore make estimates based on historical experience and use best judgment to assess the useful lives of assets and to forecast the expected residual values of the asset at the end of their expected useful lives.

Impairment of assets

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

Asset lives and residual values

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Company would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

Retirement benefit obligations

The cost of defined benefit pension plans has been determined using Actuarial Valuation and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by using the method as per the Seychelles Employment Act.

Limitation of sensitivity analysis

Sensitivity analysis demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's views of possible near-term market changes that cannot be predicted with any certainty.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of receivables.

In the process of applying the company's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases;
- Whether assets are impaired.

4. Tax expenses

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	6 months ended 31 December	
	2018	2017
	R'000	R'000
Business tax	12,472	7,028
Corporate social responsibility tax for the current year	1,437	1,365
	13,909	8,393
Deferred tax movement	3,474	3,880
Total tax expenses for the period	17,383	12,273

5. Current tax receivable

The movement in the current tax receivable account is as follows:

	As at 31 Dec 2018 R'000	As at 30 Jun 2018 R'000
At the beginning of the period	44,524	37,797
Tax paid	16,318	15,328
Tax charged for the period	(13,909)	(8,601)
At the end of the period	46,933	44,524

6. Deferred tax

The movement in the deferred tax account is as follows:

	As at 31 Dec 2018 R'000	As at 30 Jun 2018 R'000
At the beginning of the period	(24,815)	(13,921)
Charged to profit and loss	(3,474)	(10,894)
Deferred tax liabilities at the end of the period	(28,289)	(24,815)