Bralirwa

PART OF THE HEINEKEN COMPANY

# Annual Report and Accounts
# 2018


ENJOY RESPONSIBLY
Heineken
BREWED WITH PASSION FOR QUALITY
HEINEKEN LAGER BEER
Heineken
PREMIUM QUALITY

# Contents

Bralirwa

PART OF THE HEINEKEN COMPANY


Passion for Quality · Enjoyment for Life · Respect for People, Society and Environment

# Mission Statement and Values

## Our Mission Statement

A World Class sustainable beverage company in Rwanda with high quality brands that satisfy needs and give enjoyment to our consumers, while respecting our people, society and the environment in which we live.

## Our Values

Bralirwa PLC's three core values are derived from its parent company Heineken N.V.'s values, being Respect, Enjoyment and Passion for Quality. The values are based on the Company's passion for quality beverages and its constant respect for its employees, business partners, customers, shareholders and all who are connected to the Company. The values help define the corporate culture and working methods within the organisation.

### Respect

As an integral part of the local and global communities in which it operates, Bralirwa PLC respects the laws and regulations of the countries in which it is active. Bralirwa PLC pays attention to different cultures and to the environment preservation, aims to be a good corporate citizen and takes most seriously its responsibility to be fully integrated, in a sustainable way, in the society in which it operates.

### Enjoyment

Bralirwa PLC participates in making life more enjoyable by producing high quality beers and sparkling beverages and marketing them responsibly through innovative sponsorships, advertising and countrywide promotions. Bralirwa PLC's sponsorship portfolio, which spans sports, music and arts includes many positive events that contribute to the enjoyment of many. Enjoyment for life is also reflected in the working life and atmosphere within the Company.

### Passion for Quality

As a subsidiary of Heineken N.V. and a license holder of The Coca-Cola Company, Bralirwa Plc ensures that everything it does or produces is of high quality. Bralirwa Plc continually aims to obtain and maintain its internal and external quality standards. This is not only reflected in its products and brands, but also in other activities such as social and employment policies. In Bralirwa Plc there is a belief that being a quality employer and investing in employees creates benefits and value for the Company and its reputation, but also for all of the Company's stakeholders.

Aerial view of Gisenyi brewery site


# PART ONE

QUICK READ

# Quick Read

## Results At A Glance

| Results in Rwf millions | 2018 | 2017 | Change (%) |
|---|---|---|---|
| Revenue | 98,954 | 86,354 | 14.6% |
| EBIT | 18,441 | 14,706 | 25.4% |
| EBITDA | 30,944 | 28,308 | 9.3% |
| Net Profit | 7,242 | 5,079 | 42.6% |
| Dividend (proposed) | 5,657 | 3,857 | 46.7% |
| Free Operating Cash flow | (7,870) | 574 | -1471.1% |

| Statement of financial position in Rwf millions | | | |
|---|---|---|---|
| Total Assets | 134,801 | 127,729 | 5.5% |
| Net Working Capital | (23,129) | (17,109) | 35.2% |
| Shareholder's equity | 39,076 | 35,691 | 9.5% |
| Net debt | 47,686 | 42,240 | 12.9% |

| Results and Statement of financial position per share (1 Rwf) | | | |
|---|---|---|---|
| Weighted Average Number of Shares | 1,028,570,000 | 1,028,570,000 | 0.0% |
| Earnings per share 'Rwf | 7.04 | 4.94 | 42.5% |
| Dividend Proposed 'Rwf | 5.50 | 3.75 | 46.7% |
| Free Operating Cash (deficit) flow 'Rwf | (7.65) | 0.56 | -1466.1% |

| Employees in Numbers | | | |
|---|---|---|---|
| Average Number of Employees | 538 | 546 | -1.5% |

| Key Ratios (in %) | | | |
|---|---|---|---|
| EBIT as % of Revenue | 18.6% | 17.0% | 9.4% |
| Net Profit as % of Average Shareholder's Equity | 18.5% | 14.2% | 30.3% |
| Net Debt/EBITDA | 154.1% | 149.2% | 3.3% |
| EBITDA/Interest expenses (times covered) | 382.3% | 331.0% | 15.5% |
| RONA | 10.4% | 7.2% | 44.4% |
| Cash Conversion Rate | -108.7% | 11.3% | -1061.9% |
| Dividend % Payout (% of Net Profit) | 78.1% | 75.9% | 2.9% |

Packaging line inside the brewery

## History

- Founded in 1957, Bralirwa PLC is a Rwandan company producing and selling a portfolio of beer brands and soft drinks
- Bralirwa PLC has been part of the HEINEKEN Group since 1971
- Bralirwa PLC shares have been listed on the Rwandan Stock Exchange since 31 January 2011


Coca-Cola
refreshingly
good


# PART TWO

## CHAIRMAN'S STATEMENT

# Chairman's Statement

## Introduction

Let me start by thanking Mr. Boudewijn Haarsma for his Chairmanship of our Company since 2015 and I would like to thank the Board for appointing me to the Chair of the Board as from October 2018 in succession of Mr. Haarsma.

In addition, let me thank our former Vice Chairman and Managing Director Mr. Victor Madiela for his contribution to our Company over the last 2.5 years. At the same time I would like you to join me in welcoming our new Vice Chairman and Managing Director Mr. Merid Demissie to our Company.

Furthermore, it is with great pleasure that I address to you my first Chairman's statement for the year ended 31 December 2018.

## Business Context 2018

The economic growth in Sub-Saharan Africa was estimated at 3.4% in 2018. This growth was largely driven by improved policies in some countries and a more supportive external environment including stronger global growth, higher commodity prices and consequently higher capital inflows.

The East Africa Community (EAC) sustained economic growth, with Rwanda outperforming in terms of real GDP growth at 7.2% in 2018. The Rwandan economy performed well, driven by agriculture, service and industry sectors. However, Rwanda's formal trade deficit increased by 12.4%, mainly due to increased imports supporting the ongoing infrastructure improvement projects while exports grew on a lower level. In 2018, the Rwandan Franc (Rwf) depreciated 4.0% against the US Dollar (USD) and appreciated 0.1% against the Euro (EUR). Headline inflation declined to 1.4% in 2018 compared to last year, mainly due to reduced food prices resulting from good agricultural performance.

In 2018, Bralirwa PLC's overall financial performance improved compared to 2017, despite the challenging business environment. Revenue management combined with a focus on cost savings as well as operational efficiencies, positively impacted results.

In order to drive future performance, we launched the local production of Heineken® in our Gisenyi brewery in December 2018. A great milestone for the Company and leveraging Bralirwa PLC's investments over a number of years in both its assets and people.

## Top line

Top line, volume and revenue, improved substantially driven by Bralirwa PLC's brand investments and new product introductions. Revenue was 14.6% higher than last year at Rwf 99.0 billion (2017: Rwf 86.4 billion), due to favourable mix and strong volume growth. The market recovered from the prior years' price increases, but remained very competitive with still constrained consumer spending.

In 2018 pricing was taken on soft drinks for the first time in two years, to compensate for increased fixed costs from operations and currency depreciation resulted in higher raw material and other costs. The adverse impact on volume was in line with expectations.

## Investments

The launch of Heineken® local production, the Gisenyi brewery waste water treatment plant and the new Enterprise Resource Planning (ERP) system, resulted in capital expenditure of Rwf 15.2 billion in 2018 (2017: Rwf 11.3 billion).

The Heineken® launch in December 2018 leveraged prior years' investments in the Gisenyi brewery and also required additional equipment and returnable packaging materials. Furthermore, the Gisenyi brewery has become more environmentally sustainable in its operations with the startup of the new waste water treatment plant. This plant is treating the waste water from the brewery to levels far within the Rwandan and World Health Organization (WHO) norms. In addition, the Go Live of the new ERP system in November 2018, brought Bralirwa's ERP system to the latest version. Complementing the ERP system, various new tools and HEINEKEN standard processes and ways of working were implemented to support our ambition to become a World Class organisation.

The Bramin farm joint venture's fifth year of commercial farming was impacted by infestations and operational issues, adversely impacting Bramin's crop yields and results. An impairment of Rwf 0.3 billion was recorded in the Bralirwa financials on the Bramin long term loan. This charge, which has no impact on cash flows, reflects Bralirwa management's view of the lower future expected performance of Bramin. Despite the impairment, we continue to believe in the importance of the farm and the many positive contributions which it brings to the Company. We have strengthened farm management and remain focused on improving the yield of the existing crops and are testing promising new crops in order to bring profitability to the farm.

### Debt

Debt reduction remains one of Bralirwa PLC's key priorities. The repayment of the USD denominated long term IFC loan commenced with a payment of USD 3.1 million and the BPR loan was repaid in full in 2018. However, our net debt position temporarily increased to Rwf 47.7 billion (2017: Rwf 42.2 billion) mainly due to investment associated with the Heineken® local production and resulted in higher net finance costs of Rwf 8.1 billion (2017: Rwf 7.0 billion).

### Financial statements

The overall financial performance improved compared to 2017, despite the challenging business environment. Revenue management combined with a focus on cost savings as well as operational efficiencies, positively impacted the 2018 Statement of Financial Position and of Comprehensive Income as follows:

1. Net debt increased by 12.9% to Rwf 47.7 billion in 2018 (2017: Rwf 42.2 billion).
2. Total payables reduced by 11.8% to Rwf 30.7 billion in 2018 (2017: Rwf 34.7 billion).
3. Revenue improved by 14.6% to Rwf 99.0 billion in 2018 (2018: Rwf 86.4 billion), driven by a favourable mix and strong volume growth which increased by 14.6%.
4. Increased cost of sales by 10.1% to Rwf 66.2 billion in 2018 (2017: Rwf 60.1 billion), driven by higher volume, cost savings, efficiencies and mixed effects and despite higher raw material costs.
5. The other operating expenses reflect the impairment of the Bramin long term loan of Rwf 0.3 billion (2017: Rwf 2.4 billion).
6. Net finance cost increased by 15.7% to Rwf 8.1 billion in 2018 (2017: Rwf 7.0 billion), mainly driven by the Heineken® top line investment.

Consequently, our results from operating activities increased by 25.4% to Rwf 18.4 billion (2017: Rwf 14.7 billion), and profit and total comprehensive income for the year 2018 increased by 42.6% to Rwf 7.2 billion (2017: Rwf 5.1 billion). This resulted in an improved earnings per share of Rwf 7.04 in 2018 (2017: Rwf 4.94).

### Brands

The year 2018 was another great year for the Mützig brand, maintaining the high growth trend of 2018. Mützig strengthened its position as the brand for celebration moments as a 'gateway to world class experiences' with its sponsorship platforms of live music, high-end fashion and high-profile cultural events.

Primus, the most Rwandan brand in our portfolio, strengthened its market position with double-digit growth, supported by Primus Citron. The highlight of the summer was the eighth edition of Primus Guma-Guma Super Star, the local-star music contest, activated countrywide and engaging thousands of fans. The winning vote went to Bruce Melody, while the popularity award was given to the artist most liked by the audience-Christopher.

In February 2018, Bralirwa PLC introduced Amstel 100% Pure Malt, bringing its rich European heritage and the Amsterdam origin to life under the tagline Superior quality, born in Amsterdam. With Amstel 100% Pure Malt, we achieved our ambitious volume growth target in the malt beer segment.

In December 2018, Bralirwa PLC reached a great milestone and started the local production of Heineken®. Leveraging Bralirwa PLC's investments over a number of years in world class equipment, expertise and brew master knowledge, resulting in a high quality Heineken® beer matching the international standards. With Heineken® local production, Bralirwa PLC offers its consumers the same great taste at a more affordable price, making the Heineken® brand more accessible to the Rwandan consumer.

### Safety

Nothing is more important to Bralirwa PLC than the safety of our employees and the people we work with. Our ultimate goal is simple: zero accidents. To achieve it 'Safety First' remained our number one priority and Bralirwa PLC has again invested substantially in safety in 2018.

Improvements have been made in industrial processes, people mindset and ways of working both inside and outside our production sites. By the end of 2018 all company and contractor vehicles have been equipped with GPS devices to track safe driving behavior. This means Bralirwa PLC is tracking safe driving from our delivery truck to Sales representative cars and from pool car to Management Team vehicle. Another big step to full commitment to safety everywhere and always.

## Our Organization, Our People

The focus of the year 2018 was on awareness and development of HEINEKEN leadership expectations and capabilities amongst senior and middle management levels, supported by various trainings to equip middle managers with the essential leadership skills.

Continued effort was directed to developing the capabilities of our employees in various functions, which will contribute to our employees' performance in their current and future roles, and as we prepare for our journey towards becoming a World Class organization.

## Social

As in past years, Bralirwa PLC continues to provide a number of Corporate Social Responsibility (CSR) activities to benefit communities and the environment. A selection of the CSR activities are described in greater detail in the Director's Report in this Annual Report.

## Dividend

Payment of a cash dividend for 2018 of Rwf 5.50 per share (2017: Rwf 3.75) will be proposed to the annual general meeting of shareholders scheduled for 22 May 2019. The proposed dividend, if approved, will be paid on 21 June 2019. The dividend represents 78.1% of the net profit of the year 2018.

Please note that the payment will be subject to a withholding tax. The book close date for Bralirwa PLC shares will be 15 May 2019, such that the final dividend will be paid to all shareholders, whose names appear in the Register of Shareholders at the close of business on that day.

## Board of Directors

As mentioned, Mr. Boudewijn Haarsma stepped down from the Chair and I was appointed to the Board and to the Chair of the Board in October 2018.

Vice Chairman and Managing Director Mr. Victor Madiela stepped down from the Board and was succeeded by Mr. Merid Demissie in January 2019.

## Auditors

The proposal for your approval at the annual general meeting of shareholders is to re-appoint Deloitte Rwanda Ltd as our Auditors.

## Outlook 2019

Ongoing uncertainties and resulting volatility in the global economy are expected to continue to impact African economies. In 2018, the Rwandan economy performed well, supported by improved agricultural performance and with growth still ahead of average growth rates in Sub-Saharan Africa. We expect this trend to continue in 2019, excluding any significant unforeseen macroeconomic or political developments.

Although consumer spending power is improving, it is expected to remain constrained. However, we expect to deliver top line growth in 2019 supported by our new product introductions in the market. Cost pressures and the uncertain tax environment will likely continue to be challenging, but further focus on cost management and reducing debt should enable margin improvement in 2019.

## Conclusion

Let me conclude by thanking my colleagues of the Board for their support in 2018.

To management and all employees, thanks for a great job in 2018. To our commercial partners, our thanks for their co-operation and partnership. To our consumers, our thanks for their loyalty and trust in the quality of our brands.

And to you our shareholders, thank you for your support in 2018 and continued confidence in our Company.

Lieven van der Borght
Chairman of the Board,
Kigali, 29 March 2019


100% Pure Malt
Superior Quality, Born in Amsterdam
SUPERIOR QUALITY
AMSTEL BEER
100% PURE MALT
BORN IN AMSTERDAM
AMSTEL BEER
AMSTEL BEER
SLOW BREWED
EXTRA MATURED

# Ijambo rya Perezida w'Imana y'Ubutegetsi

### Intangiriro

Ndabanza nshimire Bwana Boudewijn Haarsma wabaye Perezida w'Inama y'Ubutegetsi uhereye mu mwaka 2015, nshimire kandi Inama y'Ubutegetsi kuba yarangiriye icyizere nkasimbura Bwana Haarsma ku ntebe ya Perezida w'Inama y'Ubutegetsi kuva mu kwakira 2018.

Ndogera gushimira kandi Bwana Victor Madiela wari Perezida w'Inama y'Ubutegetsi wungirije akaba n'Umuyobozi Mukuru w'Uruganda, ndamushimira kubera ibyo twagezeho hamwe nawe mu gihe cy'imyaka ibiri n'igice. Mbasabye mwe mwese kandi ngo mumfashe duhe ikaze Bwana Merid Demissie Perezida w'Inama y'Ubutegetsi wungirije akaba n'Umuyobozi Mukuru w'Uruganda.

Ku rundi ruhande, nshimishijwe no kubagezaho ijambo ryanjye rya mbere nka Perezida w'Inama y'Ubutegetsi ribagezaho raporo y'umwaka twasoje taliki 31 Ukuboza 2018.

### Ishusho rusange y'ubucuruzi muri 2018

Umwaka wa 2018, umusaruro w'ibihugu biri munsi y'ubutayu bwa sahara wari witezweho ku zamuka ku gipimo cya 3,4%.

Ibi byaraturutse ahanini ku ivugururwa ry'amategeko mu bihugu bimwe, uburyo buboneye mu gufasha ubucuruzi no kuzamuka cyane k'ubukungu kw'isi, ku micungire myiza y'igiciro cy'ibicuruzwa, n'inzira z'ishoramari yoroheje.

Akarere k'ibihugu byo mu burasirazuba duherereyemo kagize umusaruro utubutse, naho umusaruro mbumbe w'u Rwanda uzamuka ku gipimo cya 7,2% mu mwaka wa 2018.

Ubukungu bw'u Rwanda bwari bwifashe neza, bishingiye ahanini ku buhinzi, serivise ndetse n'inganda. Icyakora ikinyuranyo cy'ibitumizwa mu mahanga cyagabanutseho 12,4%, kuko ibitumizwa mu mahanga byariyongereye bitewe n'imishinga iri mu gihugu yo kubaka ibikorwaremezo, naho ibyoherezwa mu mahanga byiyongereye ku gipimo gito. Muri 2018, agaciro k'ifaranga ry'u Rwanda kagabanutse ku kigero cya 4,0% ugereranije n'idorali rya Amerika, na 0,1% ugereranije n'amayero. Umusaruro mbumbe wazamutse ku gipimo cya 1,4% ugereranije n'umwaka wabanje, irizamuka rikaba rishingiye ku kuba ikiguzi cy'ibikomoka ku buhinzi cyaragabanutse, kuko muri rusange ubuhinzi bwatanze umusaruruo ushimishije.

Nubwo hatabuze imbogamizi, mu mwaka wa 2018 umusaruro wa Bralirwa wariyongereye muri rusange ugereranije n'umwaka wa 2017. Uburyo bwo gucunga no kwitwararika kumikoreshereze y'amafaranga, bwatanze umusaruro. Kugira ngo tubashe kwitwara neza no mu minsi izaza, mu Kuboza 2018 twashyize ku isoko Heineken yengewe iwacu mu ruganda i Rubavu. Iki gikorwa cy'indashyikirwa cyongereye agaciro ishoramari rya BRALIRWA ndetse n'abakozi.

### Ishusho rusange y'ibyacurujwe

Uko twacuruje, ibyo twacuruje, ibyo twinjije n'ingano y'ibyo twagurishije byarazamutse bitewe nuko twashyize imbaraga mu kuzana ibinyobwa bishya. Ibyo twinjije byazamutseho 14,6% ugereranije n'umwaka ushize. Ni ukuvuga Miliyari 99 (2017 yari miliyoni 86,4), bitewe nuko ingano y'ibyagurishijwe yazamutseho 14,6%. Uyu mwaka nta kibazo twongeye kugira ku izamuka ry'igiciro twakoze mu mwaka wabanje. Nubwo tugifite ba mukeba ku isoko ndetse n'agafaranga umuguzi abonye kakaba gakenewe kuri yinshi.

Mu mwaka wa 2018 twazamuyeho gato igiciro cy'ibinyobwa bidasembuye ibintu twaherukaga hashize imyaka ibiri, twabikoze kubera ko ikiguzi cy'ibyo dukenera cyari hejuru ugereranije n'inyungu twabonaga. Impinduka ibi byateye ku ngano z'ibyo ducuruza zari zitenzwe.

### Ishoramari

Gushyira ku isoko Heineken yengewe mu Rwanda, uruganda rusukura amazi aba yakoreshejwe ku ruganda rwo ku Gisenyi, Uburyo bw'ikorana buhanga bwifashishwa mu kazi ka buri munsi k'uruganda, byatwaye Miliyari 15 na Miliyoni 200 z'amafaranga y'u Rwanda muri 2018 (Miliyari 11 na Miliyoni 300 z'amafaranga y'u Rwanda muri 2017).

Heineken yengewe mu Rwanda yashyizwe ku isoko ku mugaragaro mu Ukuboza 2018 yasabye byinshi byiyongera ku ishoramari twakoze ku ruganda rwo ku Gisenyi, kuko hari hakenewe kugura izindi mashini n'amacupa yo kuyishyiramo asubizwa. Ikindi, uruganda rwo ku Gisenyi ruri ku rwego rutabangamiye ibidukikije kuko rufite uruganda rusukura amazi aba yakoreshejwe. Ibi bikaba ari no mu rwego rwo kubahiriza amabwiriza ya Leta y'u Rwanda n'Umuryango Mpuzamahanga wita ku Buzima. Ikiyongereye kuri ibyo ni uburyo bushya bw'imikorere hifashishijwe ikoranabuhanga, maze akazi kagakorwa mu buryo bumwe mu bigo byose bya HEINEKEN, bikaba ari no mu rwego rwo kuvugurura imikorere ikajya ku rwego mpuzamahanga.

Ku mwaka wa gatanu umurima w'urufatanye BRAMIN imaze ikora hagamijwe inyungu, twahuye n'ingorane nko kuba imyaka yaratewe n'udukoko, ndetse n'ingorane mu mikorere, byatumye umusaruro uba mukeya. Ikindi kubera ko umusaruro wa BRAMIN wakomeje kuba mukeya mu mwaka washize, inguzanyo ya amafaranga Miliyoni 300 yahawe BRAMIN yandikwa mu bitabo by'imari bya BRALIRWA. Ibi nta ngaruka bizagira ku mafaranga akenewe mu buryo bwa buri munsi, kuko ubuyobozi bwa BRALIRWA bwabonye ko mu minsi iri mbere nta kintu kinini BRAMIN izatanga. Nubwo hakigaragara umusaruro muke, ntidushidikanya ko uyu murima ugifite umumaro kandi tuzi ibyiza umaze kugeza kuri BRALIRWA. Twahaye imbaraga ubuyobozi n'imicungire y'uyu murima, ubu tugiye no kwibanda ku musaruro w'imbuto dusanzwe dufite kugira ngo wiyongere, turimo kandi kugerageza ubundi bwoko bw'imbuto kugira ngo uyu murima koko uzatugeze ku musaruro n'inyungu.

## Ideni

Kugabanya umwenda wa BRALIRWA nicyo kituraje ishinga. Kuri ubu twatangiye kwishyura inguzanyo y'igihe kirekire twahawe na IFC, duhereye kuri miliyoni 3 n'ibihumbi 100 by'amadorali. Inguzanyo ya BPR twayishyuye yose uko yakabaye. Icyakora umwenda wacu warazamutse maze ugera ku mafaranga y'u Rwanda miliyari 47 na miliyoni 700 (2017 yari miliyari 42 na miliyoni 200 y'amafaranga y'u Rwanda) bitewe n'ishoramari twakoze ubwo twashyiraga ku isoko Heineken® byadusabye amafaranga y'u Rwanda miliyari 8 na miliyoni 100 (2017 yari miliyari 7).

## Raporo z'Ibitabo by'Ibaruramari

Ikigereranyo rusange kigaragaza ko twagize umusaruro mwiza ugereranije n'umwaka wa 2017, nubwo twagize imbogamizi ziturutse ku miterere urwego ubucuruzi bukorwamo. Imicungire myiza y'ibyo twinjiza no kwita cyane ku gukoresha ikiguzi gito, byagize, nkurikizi nziza kuri Raporo y'Ibaruramari no ku Ngano y'Ibyo Twinjiza muri rusange ku buryo bukurikira:

1. Umwaka wa 2018 Ideni nyaryo ryazamutse ku kigero cya 12,9% riva ku mafaranga y'u Rwanda miliyari 42 na miliyoni 200 mu mwaka wa 2017, rigera kuri miliyari 47 na miliyoni 700 mu mwaka wa 2018.
2. Amafaranga dusohora yose hamwe yagabanutse ku kigero cya 11.8% ava kuri miliyari 34 na miliyoni 700 mu mwaka wa 2017 agera kuri miliyari 30 na miliyoni 700 mu mwaka wa 2018.
3. Amafaranga yinjiye yiyongereye ku kigero cya 14,6% ni ukuvuga amafaranga miliyari 99 mu mwaka wa 2018 (2017 yari amafaranga miliyari 86 na miliyoni 400), kubera ko ibyo ducuruza byiyongereye ku kigero cya 14,6%.
4. Ikiguzi ku bicuruzwa cyazamutse ku kigero cya 10,1% ni ukuvuga miliyari 60 na miliyoni 100 mu mwaka wa 2017, na miliyari 66 na miliyoni 200 mu mwaka wa 2018, bikaba byaratewe n'izamuka ry'ingano y'ibyacurujwe, gukoresha ikiguzi gito, gukoresha neza amafaranga no kunganirana kw'ibicuruzwa n'ubwo habayeho izamuka ry'ikiguzi cy'ibikoresho fatizo by'uruganda.
5. Andi mafaranga yatanzwe mu bikorwa by'ikigo agaragaza igabanuka ngenagaciro ku isoko ry'ideni ry'igihe kirekire rya Bramin ringana na miliyoni 300. (2017 yari miliyari 2 na miliyoni 400 y'amafaranga y'u Rwanda)
6. Ikiguzi nyacyo cyazamutse ku kigero cya 15,7%, kiva kuri miliyari 8 na miliyoni 100, naho mu mwaka wa 2017 yari miliyari 7. Izamuka ryaturutse ku ishoramari mu kwenga Heineken.

Bityo rero, twageze ku izamuka rya 25,4% ku musaruro w'ibikorwa by'ikigo ugera kuri miliyari 18 na miliyoni 400 uvuye kuri miliyari 14 na miliyoni 700 ndetse n'ayinjira aturutse ku bikorwa by'ikigo azamukaho 42,6% agera kuri miliyari 7 na miliyoni 200 avuye kuri miliyari 5 na miliyoni 100. Ibi byatumye habaho izamuka ry'inyungu ku mugabane igera ku mafaranga y'u Rwanda 7,04 , ivuye ku mafaranga 4,94 mu mwaka wa 2017.

## Ibicuruzwa

Umwaka wa 2018 nawo wabaye umwaka mwiza ku gicuruzwa cya Mützig mu bijyanye n'ibyacurujwe cyane. Mützig yashimangiye ko ari ikinyobwa kijyane n'ibihe by'ibirori ikoreshwa mu guha abantu ibihe byiza ku rwego rwo hejuru biciye mu gutera inkunga ibitaramo by'umuziki ucurangwa imbonankubone ("live"), iby'imideli, iby'urwenya n'iby'umuco.

Primus, inzoga ikunzwe n'abanyarwanda kurusha izindi, yongeye kugaragaza imbaraga zayo ku isoko izamuka bidasanzwe tubifashijwemo na Primus Citron. Primus Guma-Guma Super yabaye ku nshuro yayo ya munani, ihuza abahanzi babanyarwanda mu bitaramo byabereye mu bice binyuranye by'igihugu, ari nako bahura n'ibihumbi by'abafana. Bruce Melody niwe washoboye kwegukana irushanywa, naho igihembo cy'umuhanzi ukunzwe kurusha abandi cyegukanywa n'umuhanzi Christopher.

Gashyantare 2018, Bralirwa yashyize ku isoko inzoga Amstel igizwe 100% na Malt, iza ifite imbaraga nyinshi ikomora ku murage wayo mu burayi, ubwiza n'uburyohe ifite kuva yatangira kwengwa mu mugi ikomokamo wa Amsterdam. Hamwe na Amstel 100% Pure Malt, twageze ku ngano y'ibyo twifuzaga gucuruza mu rwego rw'inzoga zengwa hifashishijwe "malt".

Mu Kuboza 2018, BRALIRWA yageze ku ndoto zayo maze ishyira ku isoko Heineken® yengewe mu Rwanda. Ibi byaje bikurikira ishoramari BRALIRWA imaze iminsi ikora mu nganda zayo, ubuhanga n'ubunararibonye mu kwenga inzoga, byose bituma tuba ku rwego rwo kwenga Heineken yujuje ibipimo n'ubuziranenge ku rwego mpuzamahanga. Kwengera Heineken mu Rwanda byatumye duha abanyarwanda Heineken y'umwimerere ku giciro gito, bituma kandi Heineken ishobora kugera henshi ku isoko ryo mu Rwanda.

## Kubungabunga Abantu n'Ubuzima Bwabo

Muri Bralirwa PLC nta kiruta umutekano n'ubuzima bw'abakozi bacu n'abandi bantu dukorana. Intego yacu y'ibanze irumvikana: Impanuka ni ikizira, kugira ngo tuyigereho, mu mwaka wa 2018 twashyize imbaraga mu bikorwa bizadufasha "kubungabunga ku buryo buhoraho umutekano w'abantu n'ubuzima bwabo".

Habaye impinduka mu buryo bw'imikorere, mu myumvire y'abakozi, n'uburyo akazi gakorwa haba hanze ndetse no mu ruganda. Mu mpera z'umwaka wa 2018 imodoka zose z'uruganda ndetse n'izabafatanyabikorwa zashyizwemo utwuma tugenzura imikoreshereze y'ikinyabiziga (GPS). Mu mwaka wa 2018, habaye impinduka nyinshi mu kurushaho kwirinda impanuka. Ni ukuvuga ko kuri ubu BRALIRWA ifite uburyo byo kugenzura uko ikinyabiziga kiri gukoreshwa haba abafatanyabikorwa batwara ibicuruzwa byacu, abakozi bacu bakorera ku isoko, tutibagiwe izindi modoka zose z'uruganda harimo n'izabayobozi.

## Ikigo Cyacu, Abantu Bacu

Umwaka wa 2018 twibanze ahanini mu kumenyesha no kuzamura ubumenyi mu buryo bw'Imiyoborere HEINEKEN yahisemo, ari nabwo yifuriza buri wese. Hatanzwe amahugurwa mu ngeri zinyuranye z'ubuyobozi mu ruganda. Ayo mahugurwa yari agamije gutanga ubumenyi bwibanze mu miyoborere.

Twakomeje gushyira ingufu nyinshi mu kongerera abakozi bacu ubushobozi mu myanya y'imirimo itandukanye, ibyo bikaba bizagira uruhare mu kongera umusaruro w'abakozi bacu bashinzwe n'iyo bashobora gushingwa mu gihe kizaza, mu rugendo twitegura rwo kuba ikigo cyo ku rwego rw'isi.

## Imbonezamubano

Kimwe no mu myaka yashize, Bralirwa PLC ikomeje gukora Ibikorwa mbonezamubano bifitiye akamaro abaturage. Ibikorwa mbonezamubano bifitiye akamaro abaturage byakozwe bisobanuye neza mu gice cya 'Raporo y'Umuyobozi w'Ikigo' muri iyi Raporo y'Umwaka.

## Urwunguko ku Migabane

Ibijyanye no kwishyura amafaranga 5,5 Rwf y'urwunguko ku migabane mu mwaka wa 2018 (2017: Amafaranga 3,75 Rwf) bizagezwa ku nama rusange y'abanyamigabane mu nama iteganijwe ku itariki ya 22 Gicurasi 2019. Urwunguko ku migabane ruteganyijwe nirwemezwa, ruzishyurwa ku itariki ya 21 Kamena 2019. Urwunguko ku nyungu ni 78,1% y'inyungu nyayo yose y'umwaka wa 2018.

Mwibuke ko urwo rwunguko rusoreshwa umusoro ufatirwa (withholding tax). Itariki Bralirwa izasubika igurishwa ry'imigabane yayo ni kuwa 15 Gicurasi 2019, bivuze urwunguko ku migabane ruzishyurwa abanyamigabane bose bazaba banditse mu gitabo cy'abanyamigabane ku itariki ya 15 Gicurasi 2019 nyuma y'akazi.

## Inama y'Ubuyobozi

Nk'uko mwabimenyeshejwe, uwari Perezida w'inama y'ubutegetsi yacyuye igihe, akaba ari njye wamusimbuye kuri uwo mwanya. Mu Kwakira 2018.

Naho Uwungirije Perezida w'inama y'Ubutegetsi akaba kandi Umuyobozi Mukuru wa BRALIRWA Bwana Victor Madiela yasimbuwe kuri uwo mwanya, asimburwa na Bwana Merid Demissie muri Mutarama 2019.

## Abagenzuzi

Umushinga wo kwemeza Deloitte Rwanda Ltd nk'abagenzuzi bacu uzagezwa ku nama rusange ngarukamwaka y'abanyamigabane.

## Uko tubona umwaka wa 2018

Ibibazo bikomeje kuba mu bukungu bw'isi byitezwe ko bizakomeza kugira ingaruka ku bukungu bw'Afurika. Mu mwaka wa 2018, ubukungu bw'u Rwanda bwitwaye neza, biturutse ku iterambere ry'ubuhinzi. Iterambere ry'ubukungu bw'u Rwanda mu mwaka wa 2018 ryaruse umubari munini w'ibindi bihugu byo muri Afurika yo munsi y'Ubutayu bwa Sahara. Twiteze ko iyi ntambwe izakomeza mu mwaka 2019, mu gihe cyose impamvu ziturutse hanze zakomeza kuba nkeya kandi zigacungwa bikwiye.

Nubwo ubushobozi bw'umuguzi burushaho kuzanzamuka haracyari imbogamizi. Icyakora, twiteze ko tuzakomeza gutera imbere cyane mu mwaka 2019, tubifashijwemo n'ibicuruzwa bishyashya twazanye ku isoko, n'ubwo ubushobozi bw'abaguzi bwitezwe ko buzakomeza kuba buke. Ibibazo by'ikiguzi cyo hejuru bizakomeza kuba intambamyi, ariko ingamba z'imicungire y'ikiguzi n'izo kugabanya umuzigo w'ideni bizadufasha kongera urwunguko mu mwaka wa 2019.

## Umusozo

Ndifuza gusoza nshimira bagenzi banjye mu nama y'ubutegetsi ku bufatanye bagaragaje mu mwaka wa 2018. Ku bayobozi n'abakozi mwese, mbashimiye akazi k'indashyikirwa mwakoze mu mwaka wa 2018, turashimira abafatanyabikorwa bacu mu bucuruzi, ku bw'ubufatanye mwatugaragarije. Turashimira kandi abakiriya bacu, ku bw'ubudahemuka n'icyizere mugirira ibicuruzwa byacu byiza.

Na mwe rero banyamigabane, ndabashimira inkunga yanyu mu mwaka wa 2018 no kuba mukomeje kwizera Ikigo cyacu.

Lieven van der Borght
Chairman of the Board,
Kigali, 29 March 2019


# PART THREE

BRALIRWA'S BOARD OF DIRECTORS AND SENIOR MANAGEMENT


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## DIRECTORS

| | | |
|---|---|---|
| Lieven van der Borght (Belgian) | Chairman | Appointed in October 2018 |
| Boudewijn Haarsma (Dutch) | Chairman | Stepped down in October 2018 |
| Merid Demissie (Ethiopian) | Vice Chairman and Managing Director | Appointed in January 2019 |
| Victor Madiela (Congolese) | Vice Chairman and Managing Director | Stepped down in January 2019 |
| Chantal Mubarure (Rwandan) | Independent Non - Executive Director | Re-appointed in May 2018 |
| John Bosco Sebabi (Rwandan) | Independent Non - Executive Director | Re-appointed in May 2018 |
| Hubert Eze (Nigerian) | Non - Executive Director | Re-appointed in May 2018 |

## COMPANY SECRETARY

Godfrey Kamukunde
P.O. Box 131
Kigali-Rwanda

## REGISTERED OFFICE

Brasseries et Limonaderies du Rwanda PLC
Kicukiro, P.O. Box 131
Kigali-Rwanda
Tel: (+250) 252 587 200 / 582 993

## AUDITORS

Deloitte Rwanda Limited
1st Floor, Umoja Building,
P.O. Box 3903, Kigali
Kigali-Rwanda

## ADVOCATES

Mhayimana Isaie & Associés
P.O. Box 713
Kigali-Rwanda

## BANKERS

**Banque de Kigali (BK) PLC**
53, Avenue du Commerce
P.O. Box 175
Kigali-Rwanda

**Compagnie Générale de Banque Limited**
P.O. Box 5230
Kigali-Rwanda

**I&M Bank (Rwanda) PLC**
11 Boulevard de la Révolution
P.O. Box 354
Kigali-Rwanda

**KCB Bank Rwanda Limited**
Avenue de la Paix
P.O. Box 5620
Kigali-Rwanda

**Equity Bank Rwanda PLC**
Grand Pension Plaza Building
1st Floor, KN 4 Ave, Kigali
P.O. Box 494
Kigali - Rwanda

**Guaranty Trust Bank Rwanda Limited**
20 Boulevard de la Révolution
P.O. Box 331
Kigali-Rwanda

**Ecobank Rwanda Limited**
Plot 314, Avenue de la Paix
P.O. Box 3268
Kigali-Rwanda

**Banque Populaire du Rwanda Limited**
32 Avenue de l'Armée
P.O. Box 1348
Kigali-Rwanda

**Access Bank Rwanda Limited**
UTC Building, 3rd floor Avenue de la Paix 1232
P.O. Box 2059
Kigali-Rwanda

# Board of Directors

## 1. Lieven van der Borght

**Chairman of the Board**

Lieven Van der Borght joined Heineken through Bralima Zaïre in 1993. During his successful career in Heineken, he has held various Commerce, Marketing and General Management roles in Switzerland, the Netherlands, Curaçao, Cambodia and the Czech Republic. He was appointed the Managing Director Middle East, North Africa and West Central Africa in the Africa, Middle East and Eastern Europe region in 2015. He is Chairman of ALMAZA Lebanon, BRASCO Congo Brazzaville, BRASSIVOIRE Ivory Coast, Vice-Chairman of BRARUDI Burundi and Board member of GIC Jordan, Groupe des Boissons du Maroc, SABC Cameroun, Sirocco JV United Arab Emirates. He joined the Board and the Chair of the Board of Bralirwa PLC in October 2018.

## 2. Boudewijn Haarsma

**Former Chairman of the Board**

Boudewijn Haarsma has over twenty years of working experience within Heineken, mainly in Commercial and General Management roles. He served as the Managing Director of three Heineken operating companies, in Surinam (2000-2003) and at two different brewery groups in Nigeria (2010-2015). Between 2003 and 2010 Boudewijn was the General Manager of Heineken's Innovation and Beer Systems operations serving the Heineken Group and based in Amsterdam. He was appointed the Managing Director for East and West Africa in the Africa, Middle East and Eastern Europe Region in 2015. He stepped down from the Board and the Chair of the Board of Bralirwa PLC in October 2018.

## 3. Merid Demissie

**Executive Director/Vice Chairman of the Board and Managing Director**

Merid Demissie joined Bralirwa PLC from Heineken Ethiopia, where he started in 2014 as a Sales Director. During the past 5 years in Ethiopia, he has successfully built a new Sales and Trade Marketing team, grew volume and nearly doubled market share in one of Africa's most competitive markets. Prior to joining Heineken, Merid started his career in the beverage industry with Coca-Cola SABCO in Ethiopia in 1999 where he spent 7 years working in different positions in Sales & Marketing with growing responsibilities. From 2007 until 2014, Merid held several commercial regional roles in the Coca-Cola Central East & West Africa Business Unit. He was appointed the Vice Chairman of the Board in December 2018 and joined Bralirwa PLC as the Managing Director in January 2019.

# Board of Directors (Continued)

## 4. Victor Madiela

**Former Executive Director/Vice Chairman of the Board and Managing Director**

Victor Madiela joined Heineken through Brasseries du Congo in Congo Brazzaville in 1999 as a Finance Controller. In 2002, he was appointed Logistics Manager. From 2008 to 2012 he was Planning and Control Manager of Bralima in the DRC. Since 2012, Victor was the Finance Director of Brasseries et Limonaderies du Burundi (Brarudi) SA. He was appointed the Vice Chairman of the Board in August 2016 and joined Bralirwa PLC as the Managing Director on 1 September 2016. He stepped down from the Board and as the Managing Director of Bralirwa PLC in January 2019.

## 5. Chantal Mubarure

**Independent Non-Executive Director**

Chantal Mubarure joined the Board of Bralirwa PLC in 2005. She is a Certified Performance Technologist (CPT) and Kirk Patrick certified. She has more than 15 years of experience working with the Government and Development Partners. She is currently the Public Sector capacity building consultant and member of various Boards in Rwanda.

## 6. John Bosco Sebabi

**Independent Non-Executive Director**

CEO/Founder of Fortis Consult and the board chairman of Rwanda Airports Company. John Bosco Sebabi joined the Board of Bralirwa PLC in August 2017. He is the former Deputy Director General of the Rwanda Social Security Board (RSSB) in charge of funds management. He has also held various senior management positions in the Rwandan financial sector including Chief Operating Officer for the East Africa Exchange and Director General of the Operations Directorate at the National Bank of Rwanda. He holds a Msc in International Economics, Banking and Finance from Cardiff University, Wales (The United Kingdom) and a Bsc in Economics and an Associate degree in Economics from the National University of Rwanda.

# Board of Directors (Continued)

## 7. Hubert I. EZE

**Non-Executive Director**

Hubert I. Eze joined Heineken through Nigerian Breweries PLC in 1992 in the Sales Department and subsequently rose through the ranks to become a Senior Manager. In 2007, he joined Heineken Caribbean and Central America as Commercial Excellence Manager and later Marketing and Commercial Director before becoming the General Manager of Heineken Latin America Export. In 2010 he was appointed to the Nigerian Breweries PLC Board of Directors. Since January 2018 he is the General Manager at Brasseries et Limonaderies du Burundi (Brarudi) SA. He joined the Board of Bralirwa PLC in April 2018.


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# Senior Management

## 1. Merid Demissie

**Executive Director/Vice Chairman of the Board and Managing Director**

Merid Demissie joined Bralirwa PLC from Heineken Ethiopia, where he started in 2014 as a Sales Director. During the past 5 years in Ethiopia, he successfully built a new Sales and Trade Marketing team, grew volume and nearly doubled market share in one of Africa's most competitive markets. Prior to joining Heineken, Merid started his career in the beverage industry with Coca-Cola SABCO in Ethiopia in 1999 where he spent 7 years working in different positions in Sales & Marketing with growing responsibilities. From 2007 until 2014, Merid held several commercial regional roles in the Coca-Cola Central East & West Africa Business Unit. He was appointed the Vice Chairman of the Board in December 2018 and joined Bralirwa PLC as the Managing Director in January 2019.

## 2. Victor Madiela

**Former Executive Director/Vice Chairman of the Board and Managing Director**

Victor Madiela joined Heineken through Brasseries du Congo in Congo Brazzaville in 1999 as a Finance Controller. In 2002, he was appointed Logistics Manager. From 2008 to 2012 he was Planning and Control Manager of Bralima in the DRC. Since 2012, Victor was the Finance Director of Brasseries et Limonaderies du Burundi (Brarudi) SA. He was appointed the Vice Chairman of the Board in August 2016 and joined Bralirwa PLC as the Managing Director on 1 September 2016. He stepped down from the Board and as the Managing Director of Bralirwa PLC in January 2019.

## 3. Marcel Oosterveld

**Finance Director**

Marcel Oosterveld joined Bralirwa PLC in April 2016 as the Finance Director. He started his career at Heineken in Amsterdam at Head Office in October 2008 as Export Controller. In 2012 he moved to the position of Manager Corporate Accounting & Reporting. In this role he was responsible for the Accounting & Reporting and ERP systems of the Head Office entities. Furthermore, he managed the successful roll-out of one of Heineken's common ERP systems in a large number of markets. Before joining Heineken, Marcel worked as Interim Finance Consultant and held several finance positions at real estate investment company Unibail-Rodamco. He holds a Master of Science Degree in Economics from the University of Groningen, the Netherlands.

# Senior Management (Continued)

## 4. Laetitia Uwera

**Human Resource Director**

Laetitia Uwera joined Bralirwa PLC in October 2018 as the Human Resource Director. She started her human resources career as HR Coordinator at Tigo Rwanda in 2009 and rose through the ranks over the years by fulfilling increasingly senior HR positions in Rwanda, Luxembourg and the United Kingdom. Before joining Bralirwa PLC, she worked as Chief Human Resources Officer at Tigo Rwanda. She holds an honours degree in Hospitality and Human Resources Management from the Napier University, Edinburgh, UK and is a Chartered Member of the Chartered Institute of Personnel and Development, London, UK.

## 5. Sabine Jager

**Former Human Resource Director**

Sabine Jager, who was Human Resource Director until September 2018, joined Bralirwa PLC in November 2014 as People and Organisation Development Manager. She started her career at Heineken in Amsterdam at Head Office in August 2011 as HR Business Partner. Before joining Heineken, Sabine worked as HR Manager for Albumprinter B.V. and held different HR project roles at several companies including Shell and Rabobank. She holds a Master of Science Degree in Psychology from the University of Amsterdam, the Netherlands.

## 6. Peter Karadjov

**Marketing Director**

Peter Karadjov joined Bralirwa PLC in August 2016 as Innovation & Consumer Development Manager. A year later, he was appointed the Marketing Director, responsible for all brand management and Bralirwa PLC's innovation projects. He started his career in Heineken Bulgaria in 2003 as Research Manager and spent 2 years working for the Central and Eastern Europe Region afterwards. In 2011 he moved to Heineken Russia, where he held the positions of Marketing Services Manager and Head of Innovation Group, building a structured innovation process, developed the innovation strategy, and launched numerous successful innovation projects. He is a graduate from the Technical University in Sofia, Bulgaria, with a Masters Degree in Marketing and Engineering.

# Senior Management (Continued)

## 7. Ngange Ngxiki

**Sales Director**

Ngange Ngxiki joined Heineken in February 2016 as a Trade Marketing Director for the South African business. He moved to Bralirwa PLC in January 2017 as the Sales Director. Before joining Heineken he worked as a Field Sales Director for Brand House, a joint venture between Heineken and other partners in South Africa. He has extensive sales, trade marketing, and route to market experience having worked in various roles for the South African Breweries, Danone, Parmalat and Tiger Brands. He holds an honours degree from the University of Port Elizabeth in South Africa.

## 8. Sander Bokelman

**Supply Chain Director**

Sander Bokelman joined Bralirwa PLC in March 2015 as the Technical Director and become the Supply Chain Director in July 2018. He started his career in Heineken in 2007 in the Global Procurement Organization where he held several positions. In 2011 he moved to Ethiopia as the Logistics & Purchasing Manager to support building the new Heineken business which included setting up a new Greenfield Brewery. Before joining Heineken, Sander worked as a Business Consultant at Atos KPMG Consulting in the Netherlands. He holds a Master of Science Degree in Industrial Engineering and Management Science from the Eindhoven University of Technology in the Netherlands and rounded off a Diploma in Brewing in 2016.

## 9. Aline-Pascale Batamuliza

**Corporate Affairs & Communication Manager**

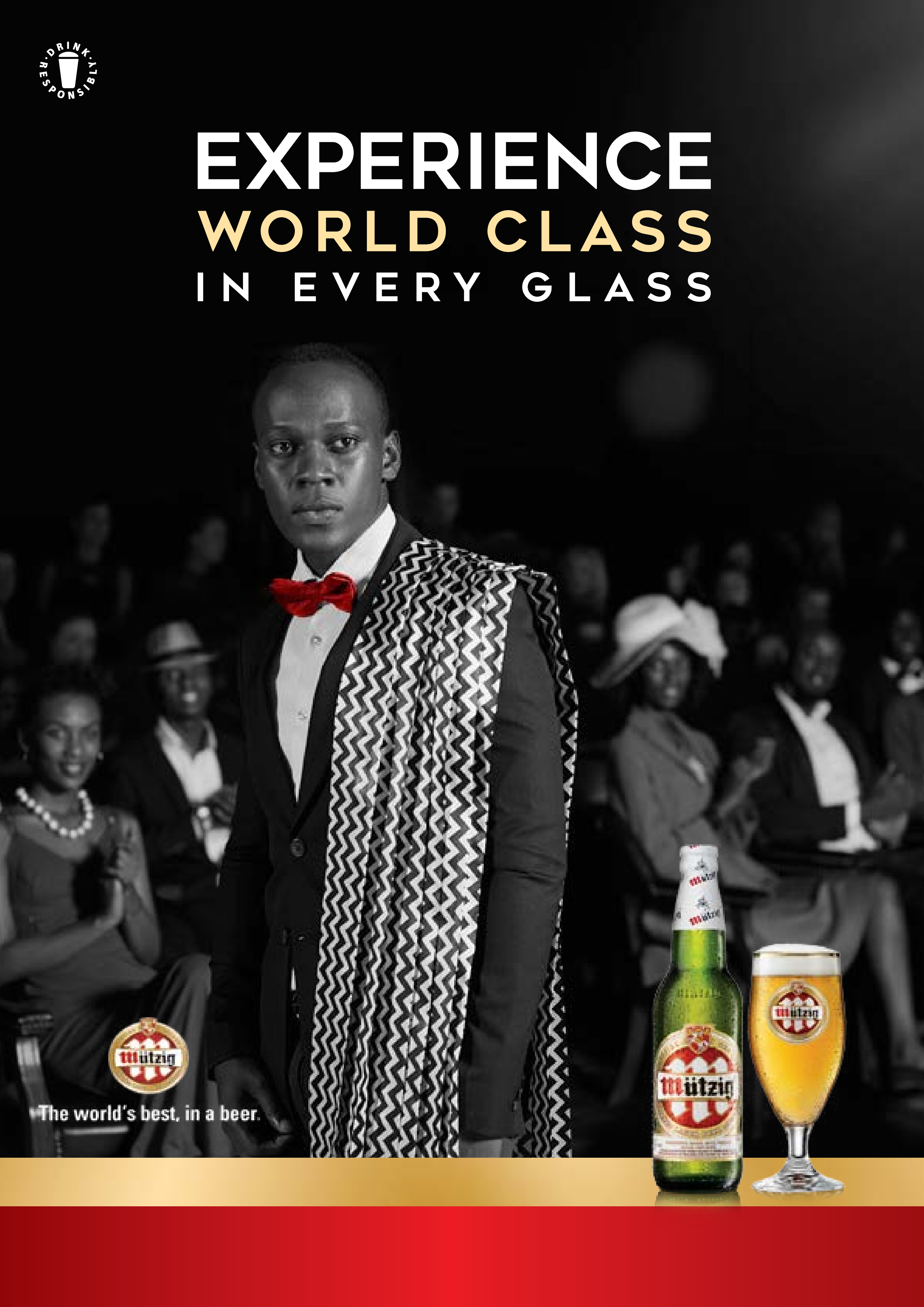
Aline-Pascale Batamuliza joined Bralirwa PLC in November 2018 as a Corporate Affairs & Communication Manager. Before joining Bralirwa PLC, she worked as a Program & Project Manager at Africa Improved Foods. She started her career in banking at I&M Bank Rwanda and rose through the ranks over the years by fulfilling increasingly senior positions with her last position being Product Development Manager. She holds a Bachelor's degree programme in Marketing Management, at Kigali Institute of Science, Technology and Management, Rwanda, an MA in International Business at Anglia-Ruskin University, Cambridge city, UK and an MBA in International Business at Hanze University, Groningen, the Netherlands.

# Senior Management (Continued)

## 10. Freddy Nyangezi

**Former Corporate Affairs & Communication Manager**

Freddy Nyangezi joined Bralirwa PLC in February 1996, his early career included a period of 8 years in Bralima/DRC within the Commercial Department. Prior to his position of Corporate Affairs and Communication Manager, Freddy has successfully held various leading sales and marketing roles within Bralirwa PLC. During that period, he delivered strong Primus brand performance including the development of the music platform PGGSS (Primus Guma Guma Super Star) and led the development and implementation of the Route to Market strategy. He holds a Degree in Economics Sciences (ULK/Rwanda). He retired from his position in December 2018.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# PART FOUR

## NOTICE OF THE ANNUAL GENERAL MEETING

# Notice of Annual Meeting

Notice is hereby given that the 9th annual general meeting of shareholders of Bralirwa PLC as a listed company will be held at the Kigali Convention Centre at Radisson Blu Hotel on Wednesday 22nd May 2019 at 2.30 pm for the following purposes:

## ORDINARY BUSINESS

1. Consideration of the annual report;
2. Receiving the auditor's report;
3. Consideration and approval of the financial statements;
4. Appropriation of profit and total comprehensive income for the year;
5. Discharge of the Directors and Auditors for the financial year 2018;
6. Appointment of Directors;
7. Appointment of Independent Auditors.

## NOTES:

### (a) PROXIES

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend instead of him/her. A proxy for a corporation may vote on a show of hands and on a poll. A proxy form is attached to the Annual Report and Accounts. If the proxy form is to be valid for the purposes of the meeting, it must be completed and deposited at the head office of CDSC Rwanda Ltd, the registrars located in Kigali Centenary House 4th Floor, by 22nd May 2019.

### (b) DIVIDEND

The payment of a total cash dividend for 2018 of Rwf 5.50 (five Rwanda francs and fifty cents) per share of Rwf 5.00 (five Rwandan francs nominal value) will be proposed to the annual general meeting of shareholders on 22nd May 2019.

Please take note that the payment will be subject to a withholding tax. The books close date for Bralirwa PLC shares will be 15th May 2019, meaning that the final dividend will be paid to all shareholders whose names appear in the Register of Shareholders at the close of business on that day.

**By order of the Board**
Godfrey KAMUKUNDE
Company Secretary

Kigali, 29th March 2019

Bralirwa
Part of the HEINEKEN Company

# Proposed Resolutions

## RESOLUTION 1

### CONSIDERATION OF THE ANNUAL REPORT

The annual general meeting of shareholders considered and approved by ordinary resolution the annual report presented by the Chairman of the Board and thanked the Directors for the performance made during the accounting year ended 31st December 2018.

## RESOLUTION 2

### RECEIVING THE AUDITOR'S REPORT

The annual general meeting of shareholders received and approved the auditor's report by ordinary resolution and noted the opinion of the auditors on the Bralirwa PLC 2018 audited financial statements.

## RESOLUTION 3

### CONSIDERATION AND APPROVAL OF FINANCIAL STATEMENTS

The annual general meeting of shareholders considered and approved by ordinary resolution the Bralirwa PLC 2018 audited financial statements.

## RESOLUTION 4

### APPROPRIATION OF PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

The annual general meeting of shareholders approved the profit and the total comprehensive income for the year 2018 of Rwf 7,242,431,000 and received the recommendation of the Board of Directors to declare the total dividend of Rwf 5.50 per share.

The annual general meeting of shareholders approves and declares a dividend of Rwf 5.50 per share.

The annual general meeting of shareholders decides that the book close date is 15th May 2019 and the final dividend will be paid on 21st June 2019.

The annual general meeting of shareholders decides also to allocate the balance of the non-distributed net profit amounting to Rwf 1.54 per share to retained earnings.

## RESOLUTION 5

### DISCHARGE OF DIRECTORS AND AUDITORS FOR FINANCIAL YEAR 2018

The annual general meeting of shareholders discharges the members of the Board and the Auditors for the year 2018.

## RESOLUTION 6

### APPOINTMENT OF DIRECTORS

The annual general meeting of shareholders appoints by ordinary resolution the following persons as Directors of Bralirwa PLC for a period of one year:

1. Mr. Lieven van der Borght
2. Mr. Merid Demissie
3. Mrs. Chantal Mubarure
4. Mr. John Bosco Sebabi
5. Mr. Hubert I. Eze

The annual general meeting of shareholders requests the Directors to elect the Chairman and the Vice Chairman among themselves. To this end, the annual general meeting of shareholders asks Mr. Lieven van der Borght to convene and chair the first meeting of new Board of Directors.

## RESOLUTION 7

### APPOINTMENT OF AUDITORS

The annual general meeting of shareholders appoints by ordinary resolution Deloitte Rwanda Ltd as the Auditor for a period of one year.

The annual general meeting of shareholders asks the Board of Directors to determine the fees and other expenses of the auditors.


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*Recommended retail price


# PART FIVE

## DIRECTORS' REPORT

# Directors' Report (Continued)

## 1. Legal status of the company

Bralirwa PLC is a public company limited by shares since 9th June 2010 incorporated in the Republic of Rwanda under the Law No. 17/2018 of 13th April 2018 governing companies and registered by the Registrar General is Office under no. 100004348, Bralirwa PLC was the first company to be listed on the Rwanda Stock Exchange (RSE) as from 31st January 2011.

The Company is a subsidiary of Heineken N.V. based in the Netherlands, which owns 75% of the total shareholding while the remaining 25% is owned by the public. The Company has a capital of Rwf 5,142,850,000 divided into 1,028,570,000 ordinary shares with a nominal value of Rwf 5.00.

The Board of Directors is composed of 5 members. The Directors who held office during the year and to the date of this report are set out on pages 22 till 24.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018, which discloses the state of affairs of the Company.

## 2. Operational Review

Top line, volume and revenue, improved substantially driven by Bralirwa's brand investments and new products introduction. Revenue was 14.6% higher than last year at Rwf 99.0 billion (2017: Rwf 86.4 billion), due to a favourable mix and strong volume growth. The market recovered from the prior years' price increases, but remained very competitive with still constrained consumer spending.

In 2018, pricing was taken on soft drinks for the first time in two years to compensate for increased fixed costs from operations, and currency depreciation resulted in higher raw material and other costs. The adverse impact on volume was in line with expectations.

A continued focus on cost savings combined with operational efficiencies resulted in improved performance at the bottom line. Bralirwa's results from operating activities increased by 25.4% to Rwf 18.4 billion (2017: Rwf 14.7 billion), and profit and total comprehensive income for the year 2018 increased by 42.6% to Rwf 7.2 billion (2017: Rwf 5.1 billion). This resulted in an improved earnings per share of Rwf 7.04 (2017: Rwf 4.94).

The following is a summary of our results for the year ended 31st December 2018:

| Rwf millions | 2018 | 2017 | Change (%) |
|---|---|---|---|
| **Revenue** | **98,954** | **86,354** | **14.6%** |
| **Results from operating activities** | **18,441** | **14,706** | **25.4%** |
| Net finance cost | (8,095) | (6,997) | 15.7% |
| **Profit before income tax** | **10,346** | **7,709** | **34.2%** |
| Income tax expense | (3,104) | (2,631) | 18.0% |
| **Profit and total comprehensive income for the year** | **7,242** | **5,078** | **42.6%** |

# Directors' Report (Continued)

## 3. Dividend

The Directors are recommending to the 9th annual general meeting of shareholders the declaration of a total dividend of Rwf 5.50 (2017: Rwf 3.75) per share. As per the law, the proposed final dividend approved will be subject to a deduction of withholding tax, the taxation is applicable to all shareholders whose names appear in the Company's register of shareholders at the close of business on 15th May 2019.

## 4. Corporate Governance

Bralirwa PLC Board of Directors is responsible for the overall governance of the Company and is accountable to the shareholders for ensuring that the Company complies with the law and the highest standards of best practices in corporate governance and business ethics.

The Directors are committed to fostering a culture that values ethical behavior, integrity and respect and the need to conduct the business and operations of the company in accordance with generally accepted corporate practices. The Directors believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

**a) Board of Directors**

The Articles of Association of the Company provide that the business and affairs of the Company are to be managed under the direction of the Board. The Board clearly understands its role, powers, duties and functions.

The Chairman of the Board is responsible for leadership and effective performance of the Board and for the maintenance of relations between Directors and Management that are open, cordial and conducive to productive cooperation.

The Board has in place an annual work plan that enables it to have detailed reviews of the Company's operations, approval of strategy, business plans, budgets and financial statements.

The Board receives regular reports on the Company's financial and operational results. The full Board meets at least four times a year.

The Directors receive all information relevant to the discharge of their obligations in accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues. In line with good governance practice, the Board has delegated authority for conduct of day-to-day business to the Vice Chairman and Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the Company's overall internal control of financial, operational and compliance issues as well as implementing strategies for the long-term success of the Company.

Four out of the five members of the Board are non-executive including the Chairman of the Board, and all others except the Vice Chairman and Managing Director are subject to periodic reappointment in accordance with the Company's Articles of Association.

**b) Audit and Risk Committee**

The Audit and Risk Committee exists pursuant to article 47 of the Company's Articles of Association, article 154(5) of Law N° 17/2018 of 13/04/2018 governing companies and the Board resolution of 25th May 2016.

The objective of the Committee is to support and advise the Board in its duties of adequately reviewing and approving the Company's financial statements, monitoring the effectiveness of internal controls and regularly assessing the main risks facing the Company.

The Committee is mandated to assist the Board in its oversight role of monitoring the effective implementation by Management and in assessing the proper functioning of the internal and external auditors. The Committee reports to the Board on how it has discharged its responsibilities.

It is composed of three (3) non-executive Directors with at least one member having the relevant financial experience and competence in accounting and/or auditing. Its meetings are also attended by the Managing Director, Financial Director and Process & Control Improvement Manager.

Other non-committee members are invited to attend all or part of any meeting as and when appropriate and necessary and assist the Committee from time to time, according to the particular items being considered and discussed.

# Directors' Report (Continued)

## 4. Corporate Governance (Continued)

**b) Audit and Risk Committee (Continued)**

The Committee meets at least twice a year and the meetings are aligned with the Board meetings to allow for work arising from the Committee to be carried out and reported to the Board.

The Committee monitors the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and reports to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

The Committee also reviews any other statements requiring Board approval which contain financial information and advises on where to carry out a review prior to the Board approval would be practicable and consistent with any prompt reporting requirements under Rwandan laws and regulations including all regulatory instruments for listed companies on the Rwanda Stock Exchange (RSE).

Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it reports its views to the Board.

The Committee's chairperson formally reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and on how it discharged its responsibilities. The Committee makes recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

**c) Management Committee**

The Management Committee comprises of the Vice Chairman and Managing Director and other Senior Managers occupying a strategic role in the business with the Company Secretary serving as the secretary.

The Committee is responsible for agreeing priorities, allocating resources, setting overall corporate target, agreeing and monitoring functional strategies and plans and has responsibilities for superintending the affairs of the business on a day-to-day basis. It is chaired by the Vice Chairman and Managing Director of the Company.

## 5. Analysis of shareholding

| Shareholder | Number of shares | Class of shares | Percentage of issued capital |
|---|---|---|---|
| Heineken International B.V. | 411,480,000 | Ordinary | 40.01% |
| Beleggingsmaatschappij Limba B.V. | 359,950,000 | Ordinary | 35.00% |
| Arisaig Africa Consumer Fund Limited | 68,096,600 | Ordinary | 6.62% |
| Standard chartered bank (Mauritius) ltd | 50,533,100 | Ordinary | 4.91% |
| Frontaura Global Frontier Fund LLC | 33,946,700 | Ordinary | 3.30% |
| Rwanda Social Security Board | 28,823,000 | Ordinary | 2.80% |
| CFC Stanbic Nominees Ltd A/C NR 4262756 | 20,998,800 | Ordinary | 2.04% |
| RWC Frontier Markets Equity Master Fund Limited | 14,043,900 | Ordinary | 1.37% |
| Other Shareholders | 40,697,900 | Ordinary | 3.95% |
| **Total** | **1,028,570,000** | **Ordinary** | **100.00%** |


100% Pure Malt
Superior Quality, Born in Amsterdam
SUPERIOR QUALITY
AMSTEL BEER
100% PURE MALT
BORN IN AMSTERDAM
AMSTEL BEER
AMSTEL BEER
SLOW BREWED
EXTRA MATURED

# Directors' Report (Continued)

## 6. Our Brands


**Mützig**

The year 2018 was another great year for the Mützig brand, maintaining the high growth trend of 2018. Mützig strengthened its position as the brand for celebration moments as a 'gateway to world class experiences' with its sponsorship platforms of live music, high-end fashion and high-profile cultural events. Most prominent and memorable were the Kigali Fashion Week, the Yvonne Chaka concert and the exciting Jazz Junction shows featuring world-class international artists like Zahara from South Africa, Oliver Mtukudzi (†) from Zimbabwe and Mbilia Bel from the DRC. Another highlight of 2018 was the high-reach Mtzig campaign 'Experience World Class in Every Glass', which reinforced the positioning of Mützig as the gateway to world class. This campaign was accompanied by the continuation of the Brewed to Perfection credentials communication stressing on the international quality of Mützig.

**Primus**

Primus, the most Rwandan brand in the Bralirwa PLC portfolio, strengthened its market position with double-digit growth. Supported by Primus Citron, launched late 2017 and fully rolled out in 2018.

The Primus highlight of the summer was the eighth edition of Primus Guma-Guma Super Star (PGGSS8), the local-star music contest, activated countrywide and engaging thousands of fans. The slogan "Another round, another vote" added to PGGSS8 an exciting element of voting for the favorite artist via buying Primus and using unique under-the-crown code. The winning vote of 2018 PGGSS8 went to Bruce Melody, while the popularity award was given to Christopher.

# Directors’ Report (Continued)

**Amstel**

In February 2018, Bralirwa PLC introduced Amstel 100% Pure Malt with a lavish event at the Radisson Blu Hotel, Kigali Convention Center. Bringing to life its rich European heritage and the Amsterdam origin via a vast communication campaign under the tagline Superior quality, born in Amsterdam. With Amstel 100% Pure Malt we achieved our ambitious volume growth target in the malt beer segment.

**Heineken®**

In December 2018, Bralirwa PLC reached a great milestone and started the local production of Heineken®. Leveraging Bralirwa PLC’s investments over a number of years in world class equipment, expertise and brew master knowledge, resulting in a high quality Heineken® beer matching the international standards. With Heineken® local production, Bralirwa PLC offers its consumers the same great taste at a more affordable price, making the Heineken® brand more accessible to the Rwandan market.


# Directors' Report (Continued)

## 7. Our Sales

In 2018, Bralirwa PLC delivered strong volume and revenue growth. Our continued commitment to our key sales focus areas, the fighting spirit of our sales force, consistent drive in flawless market execution and revenue management were the main drivers behind this growth.

Furthermore, we significantly improved our market visibility, outlet execution driven through our picture of success and outlet activation to engage consumers at the point of consumption. We drove the deep and wide availability of our brands, ensuring that they were sold at the right price points and to as many consumers and in as many occasions as possible. Through this approach we were able to remain top of mind and first choice for the majority of consumers.

To continue building the winning spirit of our sales force we continued with our capability development programs that are focused on key competencies. In a competitive market, we recognize that it is our people who make the difference in every outlet every single day. The implementation of our capability development framework continues to improve our level of customer engagement and market execution. The competence and development of our people remains a key pillar in our growth strategy.

# Directors' Report (Continued)

## 8. Our Supply Chain

### Safety

Nothing is more important to Bralirwa PLC than the safety of our employees and the people we work with. Our ultimate goal is simple: zero accidents. To achieve it 'Safety First' remained our number one priority and Bralirwa PLC has again invested substantially in safety in 2018.

Improvements have been made in industrial processes, people mindset and ways of working both inside and outside our production sites. By the end of 2018 all company and contractor vehicles have been equipped with GPS devices to track safe driving behavior. This means Bralirwa PLC is tracking safe driving from our delivery truck to Sales rep car and from pool car to Management Team vehicles. Another big step to full commitment to safety everywhere and always.

### Innovations

The year 2018 has been a year of milestones for Bralirwa PLC's Supply Chain department. New products like Amstel 100% Pure Malt and soft drinks PET 1 liter packs were developed and launched, and the year was topped with the formal launch of the local production of Heineken® in Rwanda.

HEINEKEN's Head Office in The Netherlands granted the license to Bralirwa PLC to produce and sell the Heineken® brand which is a great honor and a sign of trust in Bralirwa PLC's people and ways of working. After a long period of intense preparations and an investment of EUR 9 million in equipment, bottles, crates and people capabilities. Bralirwa PLC is required to work at the highest norms on standards and procedures, or, as people say in our operations: we now work within "the Champions League".

Export during 2018 has been increased slightly with deliveries of softdrinks PET products to Burundi and several beer brands to Uganda. With the launch of locally produced Heineken® export to neighboring countries is expected to increase substantially. Bralirwa PLC and Rwanda can be proud to have become the Heineken® supply hub for Rwanda and its neighboring countries.

### Organisation & People

From an organizational perspective and following HEINEKEN's global guidelines, in 2018 Bralirwa PLC's Technical- and Logistics departments have been merged into one Supply Chain department and combining two Management Team positions into one Supply Chain Director position. Following these guidelines the Local Procurement department, that used to be part of Logistics, has been merged into the Finance department allowing for further segregation of duties and stronger controls on cost to support our cost saving agenda.

In a multi-year Strategic Workforce Plan the Supply Chain department has evolved with another big step into becoming a World Class organisation. Maintenance and Quality control tasks have been further integrated into the daily work of Packaging and Brewing Operators allowing for more autonomous management on the shopfloor. These changes are being developed by training and coaching of people but also by introducing modern digital technologies reducing paperwork and administration. In 2019 digitalization will be further rolled out with amongst others implementing an advanced end-2-end planning tool and implementing "smart apps" on the shopfloor which can be used with any smart phone or tablet.

### Sustainability & Local sourcing

In 2018, the Gisenyi brewery has become more environmentally sustainable in its operations with the startup of the new waste water treatment plant. This plant is treating the waste water from the brewery to levels far within the Rwandan and World Health Organization (WHO) norms. This new World Class treatment plant provides Bralirwa PLC with the opportunity to re-use the generated biogas in its boilers to generate heat. This results in a significant reduction of the brewery's carbon emissions. Additionally, the effluent water from the treatment plant will be used for daily water consumption like floor cleaning, gardening, etc., so significantly reducing the brewery's fresh water consumption. These best practices are already being applied in the Kigali softdrink plant, having brought its water consumption to one of the lowest in the region.

Sourcing of raw materials within Rwanda and from Africa remains one of Bralirwa's high priorities. The cooperation with local smallholder farmers keeps getting focus while BraMin farm in Ndego District is being utilised for further innovation into alternative crops and farming activities.

### Award

The Kigali softdrink plant received a prestigious award in HEINEKEN's global Total Production Management (TPM) program, which is aimed at continuously reducing losses in operations. This shows that the plant, with its people and equipment, works at highly sophisticated industrial levels, driving value and quality to the Bralirwa PLC business.

# Directors' Report (Continued)

## 9. Our Organisation, Our People

In 2018, Bralirwa PLC focused on Leadership Capabilities Development. Awareness of the HEINEKEN Leadership expectations was created at senior and middle management levels. This initiative was supported by trainings to equip middle managers with the essential skills to lead the team. The training was successfully delivered and the tools offered to the middle managers are considered instrumental in having constructive discussions/feedbacks.

Continued effort was put on developing the functional capabilities in Supply Chain where a People and Organisation Development pillar was launched to support in the journey towards a World Class Supply Chain organization. Consequently, Supply Chain employees are getting more and more autonomous in executing their daily activities. Functional skills gap assessments were executed and planned trained delivered/followed up.

Furthermore, organisation development and effectiveness continued to be the focus, whereas all jobs were systematically evaluated in relation to other jobs in the organization. And the digitalizing of HR processes remained by launching a recruitment system which enables the organization to fully manage the recruitment process online.

# Directors' Report (Continued)

## 10. Our Corporate Social Responsibility

### Improving Mother and Child Health Care

Bralirwa PLC with the financing from Heineken Africa Foundation (HAF) provided support for the expansion of Neonatology and Maternity ward facilities at Gisenyi District Hospital and Gasabo Hospital (formerly Kacyiru Police Hospital) in efforts to increase access to quality health care for mother and child. Bralirwa PLC and by extension the HEINEKEN Group are committed to improving the quality of life in communities where we operate.

### Reducing Plastic waste through Recycling

Together with COPED, a local waste collection company and Coca-Cola, we developed a PET recycling system accompanied with PET collection points around the country. We publicly launched this system with the Ministry of Environment, Rwanda Environment Management Authority (REMA), and UN Environment on World Environment Day. PET bottles are being collected and shall be used as energy in controlled systems. At Bralirwa PLC, we strongly believe in people and respect the environment we all live in, which is embedded in everything we do and inspires all the decisions we make.


# Directors' Report (Continued)

## Growing with communities

Bralirwa PLC was awarded "Best 2018 Corporate Social Responsability (CSR) award winner", the company has been a leading manufacturer in Rwanda used to contribute to the improvement of people's lives including initiatives aimed at boosting access to portable water, tree planting, support to vulnerable widows and orphans in access to education, decent shelter, establishment of income generating activities, investment in healthcare services in rural parts of the country.

# Directors' Report (Continued)

## 11. Independent Auditors

The auditors, Deloitte Rwanda Limited, have expressed their willingness to continue in office in accordance with Law No. 17/2018 of 13th April 2018 governing companies.

Kigali, 29th March 2018

For the Board of Directors

Lieven van der Borght
Chairman of the Board

Merid Demissie
Vice Chairman of the Board


# PART SIX

BRALIRWA STATEMENT OF
FINANCIAL ACCOUNTS

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Law No. 17/2018 of 13 April 2018 governing companies requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Law No. 17/2018 of 13 April 2018 governing companies, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Law No. 17/2018 of 13 April 2018 governing companies.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company, its operating results as at 31 December 2018 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standard and the requirements of the Law No. 17/2018 of 13 April 2018 governing companies.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

### Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 29 March 2019 and were signed on its behalf by:

Lieven van der Borght
Chairman of the Board

Merid Demissie
Vice Chairman of the Board

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Brasseries et Limonaderies du Rwanda (Bralirwa) PLC (the Company), set out on pages 55 to 94 which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 17/2018 of 13 April 2018 governing companies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. The Institute of Certified Public Accountants of Rwanda Code of Ethics (ICPAR Code of Ethics), which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the financial statements in Rwanda, and we have fulfilled our other responsibilities under those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matter*

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

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC

## Report on the Audit of the Financial Statements

### *Key audit matter*

*Deposit liability for returnable packaging material*

Included under trade and other payables in note 26 to the financial statements is an amount of Rwf 15,436,634,000 relating to the deposit on returnable packaging material (RPM). To assess if the balance is fairly stated, the Directors have made significant estimates and judgement to determine the value of the deposit on returnable packaging material.

Judgement and estimates are made in relation to the market possession which is the value of returnable packaging material in the market. In estimating the market possession a key input is the average circulation time for the containers in the market. Once the number of containers in the market has been estimated, this is multiplied by the value of the containers to determine market possession. In coming up with the deposit liability, the market possession is then adjusted to remove the market loss. The market loss is an estimate of the value of returnable packaging in the market that is lost, and as such does not result in a liability.

The deposit liability for returnable packaging material is material to the financial statements and its determination requires significant judgement and estimates. It is for this reason that we considered this to be a key audit matter.

*How the matter was addressed in the audit*

Our audit procedures to assess the Directors estimates and judgement on the balance for deposit liability for returnable packaging material in response to the risks included the following:

- We obtained an understanding of the controls around the computation of circulation time and market loss and performed tests around the design and implementation of these controls.
- We evaluated and challenged the reasonableness of the methods and assumptions the Directors used to make the estimate and whether the methods for calculating the estimate are applied consistently.
- This was done by using historical data of the circulation time to check consistency with current year figures used into input of the circulation time and then recomputing the weighted average circulation time.
- We also independently tested the input data of the market loss for accuracy and also recomputed the market loss.
- We re-computed the deposit liability based on management's model which we had assessed for reasonableness.

*Other Information*

The Directors are responsible for the other information. The other information comprises the information included in; 'Results at a glance' Statement, the '*Chairman's Statement*', the '*Directors' Report*', and the '*Five year financial summary*'. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC

### Report on the Audit of the Financial Statements (Continued)

*Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of Law No. 17/2018 of 13 April 2018 governing companies, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC

## Report on the Audit of the Financial Statements (Continued)

*Auditor's Responsibilities for the Audit of the Financial Statements ( Continued)*

We are required to communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## Report on other Legal and Regulatory Requirements

As required by Article 132 of the Law No. 17/2018 of 13 April 2018 governing companies, we report to you based on our audit that:

i. We have obtained all information and explanations which, to the best of our knowledge, was required for our audit;
ii. Based on our audit, we have not identified any reason to believe that proper accounting records have not been kept;
iii. We have no relationship, interests and debt in the company;
iv. We have reported to the directors and management in the form of a separate management letter, internal control and other weaknesses identified during the audit and our recommendations for improvement;
v. In our opinion, according to the best of the information and the explanations given to us as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 of this Law regarding the requirement for individual annual accounts.

**For: Deloitte Rwanda Limited**

DELOITTE RWANDA LIMITED
P.O. BOX 3903
KIGALI - RWANDA

David WAWERU
Director

Signed at Kigali, 01st April 2019

## BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC
## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|---|
| **Revenue** | **8** | **98,953,763** | **86,353,934** |
| Cost of sales | | (66,160,847) | (60,078,805) |
| Gross profit | | **32,792,916** | **26,275,129** |
| Other income | 9 | 315,112 | 5,288,415 |
| Selling and distribution costs | | (4,502,950) | (4,089,548) |
| Administrative expenses | | (9,863,026) | (10,404,637) |
| Other operating expenses | | (301,000) | (2,362,921) |
| **Total expenses** | | **(14,666,976)** | **(16,857,106)** |
| **Results from operating activities** | **10** | **18,441,052** | **14,706,438** |
| Finance costs | | (8,094,886) | (6,997,065) |
| **Net finance cost** | **12** | **(8,094,886)** | **(6,997,065)** |
| **Profit before income tax** | | **10,346,166** | **7,709,373** |
| Income tax expense | 13 | (3,103,735) | (2,630,632) |
| **Profit after tax** | | **7,242,431** | **5,078,741** |
| **Other Comprehensive Income** | | - | **-** |
| **Total comprehensive income for the year** | | **7,242,431** | **5,078,741** |
| | | | |
| **Basic earnings per share – Rwf** | **22** | **7.04** | **4.94** |

The notes on pages 59 to 94 are an integral part of these financial statements

## BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC
## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| Assets | Notes | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 87,694,633 | 85,764,589 |
| Intangible assets | 15 | 903,388 | 131,113 |
| Equity Investments | 16 | 9,224 | 9,224 |
| Receivable from related parties - principal | 30 (d) | 4,341,181 | 3,397,543 |
| **Total non-current assets** | | **92,948,426** | **89,302,469** |
| **Current assets** | | | |
| Inventories | 18 | 19,956,523 | 20,444,898 |
| Receivable from related parties | 30 (d) | 781,222 | 814,929 |
| Trade and other receivables | 19 | 9,488,725 | 8,587,684 |
| Tax recoverable | 13 (b) | 2,841,088 | 1,269,926 |
| Bank and cash balances | 20 | 8,785,307 | 7,308,626 |
| **Total current assets** | | **41,852,865** | **38,426,063** |
| **Total assets** | | **134,801,291** | **127,728,532** |
| **Equity & Liabilities** | | | |
| **Equity** | | | |
| Share capital | 21 | 5,142,850 | 5,142,850 |
| Share premium | 21 | 84,857 | 84,857 |
| Other reserves | 21 | 2,071,990 | 2,071,990 |
| Retained earnings | | 31,776,519 | 28,391,226 |
| **Total equity** | | **39,076,216** | **35,690,923** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings LT | 23 | 22,145,879 | 26,997,065 |
| Deferred tax liability | 25 | 8,597,266 | 7,745,331 |
| **Total non-current liabilities** | | **30,743,145** | **34,742,396** |
| **Current liabilities** | | | |
| Loans and borrowings ST | 23 | 34,325,729 | 22,551,101 |
| Payable to related parties | 30 (d) | 1,892,070 | 7,025,177 |
| Trade and other payables | 26 | 28,764,131 | 27,718,935 |
| **Total current liabilities** | | **64,981,930** | **57,295,213** |
| **Total liabilities** | | **95,725,075** | **92,037,609** |
| **Total equity and liabilities** | | **134,801,291** | **127,728,532** |

The Board of Directors approved the financial statements set out on pages 55 to 94 on 29th March 2019 and were signed on its behalf by:

Chairman of the Board
Lieven van der Borght

Vice Chairman of the Board
Merid Demissie

The notes set out on pages 59 to 94 are an integral part of these financial statements.

## BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | Share capital Rwf '000 | Share premium Rwf '000 | Other reserves Rwf '000 | Retained earnings Rwf '000 | Total equity Rwf '000 |
|---|---|---|---|---|---|---|
| **1 January 2018** | | **5,142,850** | **84,857** | **2,071,990** | **28,391,226** | **35,690,923** |
| Profit after tax | | - | - | - | 7,242,431 | 7,242,431 |
| Dividends paid in the year | 21 | - | - | - | (3,857,138) | (3,857,138) |
| Long term incentive plan | 21 | | | | - | - |
| **Balance at 31 December 2018** | | **5,142,850** | **84,857** | **2,071,990** | **31,776,519** | **39,076,216** |
| | | | | | | |
| **1st January 2017** | | **5,142,850** | **84,857** | **2,071,990** | **24,338,553** | **31,638,250** |
| Profit after tax | | - | - | - | 5,078,741 | 5,078,741 |
| Dividends paid in the year | | - | - | - | (1,028,570) | (1,028,570) |
| Total transactions with owners | | **-** | - | - | 2,502 | **2,502** |
| **Balance at 31 December 2017** | | **5,142,850** | **84,857** | **2,071,990** | **28,391,226** | **35,690,923** |

The notes on pages 59 to 94 are an integral part of these financial statements.

## BRASSERIES ET LIMONADERIES DU RWANDA (BRALIRWA) PLC
## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 Rwf'000 | 2017 Rwf'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 10,346,166 | 7,709,373 |
| Adjustments for: | | | |
| Impairment of related party loan | 10 | 301,000 | 2,362,921 |
| Interest expense | 12 | 6,274,363 | 5,088,984 |
| Foreign exchange difference on loans | 23 | 697,589 | 716,805 |
| Depreciation | 14 | 12,382,584 | 13,473,337 |
| Amortization of intangible assets | 15 | 120,038 | 128,630 |
| Loss / (Gain) on sale of property, plant, and equipment | 9 | 175,157 | (94,897) |
| Other non cash items in Equity | 21 | - | 2,502 |
| **Cash from operations before changes in working capital** | | **30,296,897** | **29,387,655** |
| | | | |
| **Changes in working capital** | | | |
| Changes in trade and other receivables | 19 | (901,041) | (584,564) |
| Changes in related party balances | 30 (d) | (6,344,038) | (3,974,175) |
| Changes in inventories | 18 | 488,375 | 1,652,147 |
| Changes in trade and other payables | 26 | 1,045,196 | (7,140,208) |
| | | | |
| **Cash generated from operating activities** | | **24,585,389** | **19,340,855** |
| | | | |
| Income tax paid | 13 (b) | (3,822,962) | (24,920) |
| | | | |
| **Net cash flow from operating activities** | | **20,762,427** | **19,315,935** |
| | | | |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of property, plant, and equipment | | - | 120,123 |
| Purchase of property, plant and equipment | 14 | (14,487,785) | (11,262,445) |
| Purchase of intangible assets | 15 | (892,313) | (5,503) |
| | | | |
| **Net cash used in investing activities** | | **(15,380,098)** | **(11,147,825)** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds of loans and borrowings | 23 | - | - |
| Repayment of loans and borrowings | 23 | (3,120,616) | (1,476,186) |
| Dividends paid | 21 | (3,857,138) | (1,028,570) |
| Interest expense | 12 | (6,274,363) | (5,088,984) |
| **Net cash flows used in financing activities** | | **(13,252,117)** | **(7,593,740)** |
| | | | |
| **Net increase in cash and cash equivalents** | | **(7,869,788)** | **574,370** |
| Cash and cash equivalents at 1 January | | (12,121,859) | (12,696,229) |
| **Cash and cash equivalents as at 31 December** | **20** | **(19,991,647)** | **(12,121,859)** |

The notes on pages 55 to 94 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. Reporting entity

Brasseries et Limonaderies du Rwanda (Bralirwa) Public Listed Company (PLC) is incorporated in Rwanda under the Law No. 17/2018 of 13 April 2018 governing companies as modified to date and is domiciled in Rwanda. The address of its registered office is:
Kicukiro
P.O. Box 131
Kigali, Rwanda

The principal activities of the Company are the marketing, brewing and selling of beer and non-alcoholic beverages.

Its parent and ultimate holding company is Heineken N.V. based in the Netherlands.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRICs)

## 2.1 Amendments to IFRS that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

***IFRS 9 Financial Instruments***

IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. The standard replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. Bralirwa PLC has implemented IFRS 9 per 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative financial information is not restated. Any impact of IFRS 9 as of 1 January 2018 is recognized directly in equity.

Bralirwa PLC has reviewed the impact of this new standard and has concluded that the impact is limited:

- With regard to the revised classification and measurement principles, IFRS 9 contains three classification categories: 'measured at amortized cost', 'fair value through other comprehensive income' (FVOCI) and 'fair value through profit and loss' (FVPL). The standard eliminates the existing IAS 39 categories: 'loans and receivables', 'held to maturity' and 'available-for-sale'. For Bralirwa PLC this new classification only means that the assets currently classified as available-for-sale will be measured at FVOCI which constitutes no significant change, except for the accounting for cumulative gains or losses when equity securities measured at FVOCI are disposed of. These cumulative gains or losses are not recognized in the income statement upon disposal but kept in the fair value reserve. Bralirwa PLC has no investments classified as held to maturity and the other categories involve no change in measurement for Bralirwa PLC.
- IFRS 9 affected the classification and measurement of financial assets held as at 1 January 2018 as follows:

| Asset description | IAS 39 classification and measurement method | IFRS 9 classification / measurement method |
|---|---|---|
| Receivable from related party (Non-current asset) | Measured at FVPL | Measured at FVPL |
| Receivable from related party (current asset) | Measured at amortised cost | Measured at amortised cost |
| Trade receivables | Measured at amortised cost | Measured at amortised cost |
| Other receivables | Measured at FVPL | Measured at FVPL |
| Bank and cash balances | Measured at amortised cost | Measured at amortised cost |

- With regard to the impact of the expected loss model on trade receivables and both advances and loans to customers; Bralirwa PLC concluded that the impact is immaterial. The impact on Bralirwa PLC's future income statement is also expected to be immaterial as the standard requires provisions to be recorded earlier and the initial impact of this timing difference is recorded in equity upon implementation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2. Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) (Continued)

### 2.1 Amendments to IFRS that are mandatorily effective for the current year (Continued)

**IFRS 15 Revenue from Contracts with Customers**

Bralirwa PLC adopted IFRS 15 'Revenue from Contracts with Customers' per 1 January 2018. Bralirwa PLC concluded that IFRS 15 did not impact the timing of revenue recognition. However, the amount of recognized revenue is impacted by payments to customers and excise taxes as explained below. Bralirwa PLC has evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on Bralirwa PLC's revenue recognition. The practical expedients have therefore not been applied.

IFRS 15 has also changed the accounting for excise tax. Based on IAS 18 different policies were applied by peers in Bralirwa PLC's industry. Some companies included all excises in revenue, some recorded excise only for specific countries and some excluded all excise from revenue. The clarifications to IFRS 15 describe that an 'all or nothing' approach is no longer possible and an assessment of the excise tax needs to be performed.

Excise taxes are very common in the beverage industry. In Rwanda excise taxes are effectively a production tax as excise becomes payable when goods are moved from bonded warehouses and are not based on the sales value. Excise tax is borne by Bralirwa collected on behalf of the tax authority and consequently excluded from revenue. As such the adoption of IFRS has no impact on revenue for Bralirwa.

The IFRS 15 changes have no impact on operating profit, net profit and EPS.

### 2.2. New and revised IFRSs and interpretations in issue but not yet effective

The Company has not applied the following new and revised IFRSs and interpretations that have been issued but are not yet effective:
IFRS 16 Leases[1]

The Company plans to apply the above IFRS's initially on the respective effective dates

**IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and leasees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low values assets.

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2. Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) (Continued)

### 2.2 New and revised IFRSs and interpretations in issue but not yet effective (Continued)

**IFRS 16 Leases (Continued)**

The right–of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principle and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lease accounting, IFRS 16 subsequently carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Company had no non-cancellable operating lease commitments, IAS 17 does not require the recognition of any right –of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. A preliminary assessment indicates that these arrangements will meet the definition of lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In cases where the Company is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Company's financial statements.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation addresses foreign currency transactions or parts of transactions. The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company financial statements.

**IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 2. Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) (Continued)

## 2.2 New and revised IFRSs and interpretations in issue but not yet effective (Continued)

**Annual Improvements to IFRS Standards 2015-2017 Cycle**

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company financial statements.

**Early adoption of standards**

No standards have been early adopted.

## 3. Summary of significant accounting policies

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

**a) Statement of compliance**
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) and in the manner required by the Law No. 17/2018 of 13 April 2018 governing companies.

**b) Basis of measurement**
The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

**c) Functional and presentation currency**
These financial statements are presented in Rwanda Francs (Rwf), which is the Company's functional currency. All financial information presented in Rwanda Francs has been rounded to the nearest thousand.

**d) Foreign currency transactions**
Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss arising on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost remain translated into the functional currency at historical exchange rates.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

### e) Property, plant and equipment

***Recognition and measurement***
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost comprises expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of that asset.

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalized as part of the equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

***Depreciation***
Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Land is not depreciated. Depreciation on other property, plant, and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets under construction are not depreciated.

The estimated useful lives are as follows:

- Buildings 15-40 years
- Plant and equipment 15-25 years
- Motor vehicles 5-8 years
- Furniture and fittings 5-15 years
- Commercial assets 5-10 years
- Returnable packaging* 5-7 years

*Returnable packaging includes glass bottles and crates.

The depreciation methods, residual values, as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

***Subsequent costs***
The cost of replacing a component of an item of property, plant, and equipment is recognized in the carrying amount of the item or recognized as a separate asset, as appropriate, if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant, and equipment are recognized in profit or loss when incurred.

***Gains and losses on disposal***
Net gains on sale of items of property, plant, and equipment are presented in profit or loss as other income. Net gains and losses are recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the property, plant, and equipment.

***Work in progress***
Property, plant and equipment under work in progress is measured at cost. Work in progress is not depreciated. When an asset is ready for use it is transferred out of work in progress into the respective category.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

## 2.2 New and revised IFRSs and interpretations in issue but not yet effective (Continued)

**e) Intangible assets (Computer software)**

The costs incurred to acquire and bring to use specific computer software licenses are capitalized. Capitalized computer software licenses are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is based on the cost of the asset less its residual value. Amortization is recognized in profit or loss on a straight line basis over the expected useful lives, from the date it is available for use. The estimated useful life for the current and comparative years is 3 years.

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

Costs associated with maintaining software are recognised as an expense as incurred.

Intangible assets are derecognised when no future economic benefits are expected from use.

**f) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Costs include an appropriate share of direct production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Spare parts are valued at the lower of cost and net realisable value. Value reductions and usage of parts are charged to profit or loss.

**g) Investments in joint ventures**

Joint ventures are those entities over whose activities Bralirwa PLC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in Joint Ventures are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The financial statements include Bralirwa PLC share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of Bralirwa PLC, from the date the joint control commences until the date the joint control ceases.

When Bralirwa PLC share of losses exceeds the carrying amount of the Joint Venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Bralirwa PLC has an obligation or has made a payment on behalf of the Joint Venture.

**h) Investments in associates**

The Company's investment in associates are accounted for using equity method of accounting. Investments in associates are those entities in which Bralirwa has significant influences, but no control or joint control, over the financial and operating policies. Investment in associates are recognised initially at cost.

**i) Impairment**

***(i) Financial assets***

See note 3(s) on impairment of financial assets.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets and 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.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods 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.

**j) Employee benefits**

***(i) Defined contribution plans***

A defined contribution plan is a pension plan 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.

The Company and all its employees contribute to the Rwanda Social Security Board, which is a statutory defined contribution scheme. The Company also operates a separate defined contribution retirement benefit scheme for its eligible employees. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

***(ii) Other long-term employee benefits***

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

***(iii) Short-term employment 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 benefits 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 3. Summary of significant accounting policies (Continued)

**k) Employee benefits (Continued)**

***(iv) Termination benefits***

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognized as an expense when the company is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

***(v) Share-based payment transactions***

The grant date fair value of the share rights granted is recognized as personnel expenses with a corresponding increase in equity. The costs of the share plan for senior management members are spread evenly over the performance period for market conditions and are adjusted to reflect the actual number of share rights that will vest (for internal conditions). The fair value (for market conditions) is measured at grant date using the Monte Carlo model taking into account the terms and conditions of the plan.

On each reporting date, Bralirwa PLC revises its estimates of the number of share plan rights that are expected to vest, only for the 75% internal performance conditions of the share plan of the senior management members. It recognizes the impact of the revision of original estimates, if any in profit or loss with a corresponding adjustment to equity. The fair value is measured on grant date.

***l) Revenue***

The majority of Bralirwa's revenue is generated by the sale and delivery of products to customers. The product portfolio of Bralirwa mainly consists of beers and soft drinks. Products are mostly own-produced finished goods from Bralirwa's brewing and bottling activities, but also contain purchased goods for resale from Bralirwa's wholesale activities. Bralirwa's customer group can be split between on-trade customers like bars and restaurants and off-trade customers like retailers and wholesalers.

Revenue is recognised when control over products has transferred and Bralirwa fulfilled its performance obligation to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from Bralirwa's premises. Revenue recognised is based on the price specified in the contract, net of returns, discounts, sales taxes and excise taxes collected on behalf of third parties. Other revenues include transport income (being the amount we charge at cost to customers for delivery of product), release of deposit liability (if any) and gains on disposal of property plant and equipment (if any).

***m) 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 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 recognized as finance cost.

***n) Operational lease payments***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

***o) Finance income and finance cost***

Finance income comprises of interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 3. Summary of significant accounting policies (Continued)

**k) Employee benefits (Continued)**

***p) Income tax***

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized 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 enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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.

***q) Earnings per share***

The Company presents basic 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.

The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources.

r) **Dividends**

Dividends declared after the reporting period but before the financial statements are authorized for issue, are not recognized as a liability at the end of the reporting period because no obligation exists at that time.

Dividends recognized as distributions to owners and related amounts per share are presented in the notes to financial statements.

**s) Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

**s) Financial instruments (Continued)**

***Classification of financial assets***

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables and held-to-maturity receivables are recognized on the day they are transferred to the Company and carried at amortized cost using the effective interest method.

***(i) Amortised cost and effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Company recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (note 12).

***(ii) Financial assets at FVTPL***

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 3. Summary of significant accounting policies (Continued)

**s) Financial instruments (Continued)**

***Classification of financial assets (Continued)***

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes impairment losses included under 'results from operating activities' line item (note 10). Fair value is determined using the Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

▪▪ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

▪▪ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
▪▪ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***Foreign exchange gains and losses***
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;
▪ for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'net finance costs' line item (note 12); and
▪ for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'net finance costs' line item (note 12).

***Impairment of financial assets***
The Company recognises a loss allowance for expected credit losses on trade receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

***i) Significant increase in credit risk***
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports and financial analysts, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

**s) Financial instruments (Continued)**

***Impairment of financial assets (Continued)***

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

***(ii) Definition of default***
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
▪ information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

***(iii) Credit impaired financial assets***
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or;
(e) the disappearance of an active market for that financial asset because of financial difficulties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

**s) Financial instruments (Continued)**

***Impairment of financial assets (Continued)***

***(iv) Write off policy***
The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

***(v) Measurement and recognition of expected credit losses***
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

***Derecognition of financial assets***
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**
Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

**Financial liabilities**
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 3. Summary of significant accounting policies (Continued)

**s) Financial instruments (Continued)**

**Derecognition of financial assets**

***Financial liabilities at FVTPL***
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.
A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net finance costs' line item (note 12) in profit or loss.

***Financial liabilities measured subsequently at amortised cost***
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

***Foreign exchange gains and losses***
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'net finance costs' line item in profit or loss (note 12) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

***Derecognition of financial liabilities***
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 4. Use of estimates and judgement

In the process of applying the accounting policies, the Company has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key areas of judgement, key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period in applying the entity's accounting policies are dealt with below:

***Intangible assets and tangible assets***
Critical estimates are made by the management in determining the useful life for intangible and tangible assets.

***Contingent liabilities***
Management evaluates the status of any exposures to contingent liabilities on a regular basis to assess the probability of the Company incurring related liabilities. Provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

***Impairment of loans and receivables***
See note 3 (j) on impairment of financial assets.

***Deposit liability for returnable packaging***
The deposit liability for returnable packaging is an estimate of the value of returnable packaging in the market and the value owed to customers for deposits made for the returnable packaging. To estimate the value of the liability, judgement and estimates are made in relation to, the number of containers; bottles and crates in circulation, the average useful lives of the bottles and crates and the average circulation time for the containers in the market. Once the number of containers in the market has been estimated, this is multiplied by the price of the containers and the liability at period end is determined. The price of the containers is the amount that the Company would refund customers if they returned the containers for cash.

The circulation time is the total time it takes for a bottle to leave the entities premises and return back. This is measured by including the date of dispatch on the bottle and checking this date upon return of the empty bottle from the market.

## 5. Financial risk management objectives and policies

**Overview**
The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

This note presents information about the Company's exposure to financial risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**(a) Credit risk**
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other receivables.

***Trade and other receivables***
The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

In most cases sales are made subject to the customer making a prepayment to secure the products. However some customers are allowed to purchase on credit. To mitigate the credit exposure, customers are also required to pay a deposit for the returnable containers and crates.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5. Financial risk management objectives and policies (Continued)

**(a) Credit risk (Continued)**

The Company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

| | Note | External credit rating | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | |
| Receivable from related parties (Non-current) | 30 (d) | N/A | Doubtful | Lifetime ECL (not credit impaired) | 4,642,181 | 301,000 | 4,341,181 |
| Receivable from related parties (Current) | 30 (d) | N/A | Performing | Lifetime ECL (not credit impaired) | 781,222 | - | 781,222 |
| Trade and other receivables | 19 | N/A | (i) | Lifetime ECL (simplified approach) | 1,849,851 | 273,489 | 1,576,362 |
| Bank and cash balances | 20 | N/A | Performing | Lifetime ECL (simplified approach) | 8,785,307 | - | 8,785,307 |
| **31 December 2017** | | | | | | | |
| Receivable from related parties (Non-current) | 30 (d) | N/A | Doubtful | Lifetime ECL (not credit impaired) | 5,760,464 | 2,362,921 | 3,397,543 |
| Receivable from related parties (Current) | 30 (d) | N/A | Performing | Lifetime ECL (not credit impaired) | 814,929 | - | 814,929 |
| Trade and other receivables | 19 | N/A | (i) | Lifetime ECL (simplified approach) | 2,799,337 | 367,308 | 2,432,029 |
| Bank and cash balances | 20 | N/A | Performing | Lifetime ECL (simplified approach) | 7,308,626 | - | 7,308,626 |

(i) For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

**Exposure to credit risk**
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 5. Financial risk management objectives and policies (Continued)

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Bank and cash balances (Note 20) | 8,785,307 | 7,308,626 |
| Trade receivables (Note 19) | 1,576,362 | 2,432,029 |
| Other receivables (Note 19) | 8,185,852 | 6,522,963 |
| Equity investment (Note 16) | 9,224 | 9,224 |
| Receivables from related companies (Note 30 (d)) | 781,222 | 814,929 |
| | **19,337,967** | **17,087,771** |

The ageing of trade receivables at the reporting date was:

| 2018 | Gross<br>Rwf '000 | Impaired<br>Rwf '000 | Net<br>Rwf '000 |
|---|---|---|---|
| Current | | | |
| 0 – 30 days | 1,576,362 | - | 1,576,362 |
| 31 – 120 days | - | - | - |
| 120 days and above | 273,489 | (273,489) | - |
| **Trade receivables (Note 19)** | **1,849,851** | **(273,489)** | **1,576,362** |

| 2017 | Gross<br>Rwf '000 | Impaired<br>Rwf '000 | Net<br>Rwf '000 |
|---|---|---|---|
| Current | | | |
| 0 – 30 days | 2,432,029 | - | 2,432,029 |
| 31 – 120 days | - | - | - |
| 120 days and above | 367,308 | (367,308) | - |
| **Trade receivables (Note 19)** | **2,799,337** | **(367,308)** | **2,432,029** |

The ageing of receivables from related companies at the reporting date was:

| 2018 | Gross<br>Rwf '000 | Impaired<br>Rwf '000 | Net<br>Rwf '000 |
|---|---|---|---|
| Current | | | |
| 0 – 30 days | - | - | - |
| 31 – 120 days | 548,060 | - | 548,060 |
| 120 days and above | 233,162 | - | 233,162 |
| **Receivables from related companies (Note 30 (d))** | **781,222** | - | **781,222** |

| 2017 | Gross<br>Rwf '000 | Impaired<br>Rwf '000 | Net<br>Rwf '000 |
|---|---|---|---|
| Current | | | |
| 0 – 30 days | - | - | - |
| 31 – 120 days | 814,929 | - | 814,929 |
| 120 days and above | - | - | - |
| **Receivables from related companies (Note 30 (d))** | **814,929** | **-** | **814,929** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5. Financial risk management objectives and policies (Continued)

**(a) Credit risk (Continued)**

The ageing of other receivables at the reporting date was:

| 2018 | Gross Rwf '000 | Impaired Rwf '000 | Net Rwf '000 |
|---|---|---|---|
| Current | | | |
| 0 – 30 days | 8,185,852 | - | 8,185,852 |
| 31 – 120 days | - | - | - |
| 120 days and above | 31,999 | (31,999) | - |
| **Other receivables (Note 19)** | **8,217,851** | **(31,999)** | **8,185,852** |

| 2017 | Gross Rwf '000 | Impaired Rwf '000 | Net Rwf '000 |
|---|---|---|---|
| Current | | | |
| 0 – 30 days | 6,522,963 | - | 6,522,963 |
| 31 – 120 days | - | - | - |
| 120 days and above | 61,620 | (61,620) | - |
| **Other receivables (Note 19)** | **6,584,583** | **(61,620)** | **6,522,963** |

For all categories of receivables, the amounts over 120 days are past their contractual due dates. Those that are past due and not impaired relate to customers who are actively trading with the Company and settling their balance a bit late.

The movement in the allowance for impairment in respect of receivables and prepayments during the year was as follows:

| | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| Balance at 1 January | 428,928 | 869,799 |
| Movement in provision during the year | (123,440) | (440,871) |
| **Balance at 31st December** | **305,488** | **428,928** |

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due.

Cash flow forecasting is performed on a monthly basis to monitor rolling forecasts of the Company liquidity requirements to ensure it has sufficient cash to meet its contractual obligations. Such forecasting takes into consideration the Company's working capital requirements, covenant compliance and compliance with internal ratio targets at reporting date.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the company has in place unsecured banking facilities with various commercial banks with a limit of Rwf 44.5 billion (2017: Rwf 34.2 billion) and are repayable on demand. The banking facilities limits comprise of bank overdraft Rwf 44.5 billion. See note 28 for utilisation of these facilities.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5. Financial risk management objectives and policies (Continued)

**(b) Liquidity risk (Continued)**

| | Carrying amount Rwf '000 | 6 months or less Rwf '000 | 6-12 months Rwf '000 | More than 12 months Rwf '000 |
|---|---|---|---|---|
| **2018** | | | | |
| **Assets** | | | | |
| Receivables from related parties | 781,222 | 548,060 | 233,162 | - |
| Trade and other receivables | 9,762,214 | 9,762,214 | - | - |
| Bank and cash balances | 8,785,307 | 8,785,307 | - | - |
| **Total financial assets** | **19,328,743** | **19,095,581** | **233,162** | **-** |
| | | | | |
| **Liabilities** | | | | |
| Loans and borrowings | 27,694,654 | 5,548,775 | - | 22,145,879 |
| Bank overdraft | 28,776,954 | 28,776,954 | - | - |
| Trade payables | 28,764,131 | 28,764,131 | - | - |
| Payable to related companies | 1,892,070 | 1,892,070 | - | - |
| **Total financial liabilities** | **87,127,809** | **64,981,930** | **-** | **22,145,879** |
| **Net Liquidity Gap** | **(67,799,066)** | **(45,886,349)** | **233,162** | **(22,145,879)** |
| | | | | |
| **2017** | | | | |
| **Assets** | | | | |
| Receivables from related parties | 814,929 | 814,929 | - | - |
| Trade and other receivables | 8,954,992 | 8,954,992 | - | |
| Bank and cash balances | 7,308,626 | 7,308,626 | - | - |
| **Total financial assets** | **17,078,547** | **17,078,547** | **-** | **-** |
| | | | | |
| **Liabilities** | | | | |
| Loans and borrowings | 30,117,681 | 453,858 | 2,666,758 | 26,997,065 |
| Bank overdraft | 19,430,485 | 19,430,485 | - | - |
| Trade payables | 27,718,935 | 27,718,935 | - | - |
| Payable to related companies | 7,025,177 | 7,025,177 | - | - |
| **Total financial liabilities** | **84,292,278** | **54,628,455** | **2,666,758** | **26,997,065** |
| **Net Liquidity Gap** | **(67,213,731)** | **(37,549,908)** | **(2,666,758)** | **(26,997,065)** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5. Financial risk management objectives and policies (Continued)

**(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

***(i) Foreign currency risk***
Foreign currency exposure arises mainly from purchase transactions that are denominated in a currency other than the functional currency (Rwanda Franc). The currencies in which these transactions are primarily denominated are U.S. Dollars (USD) and Euro (EUR).

The currency fluctuation for the USD and EUR within the Rwanda market is closely monitored by the government through the National Bank of Rwanda and is therefore considered fairly stable within plus minus 10% range.

The table below summarises the Company's exposure to foreign currency risks:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Euro Rwf '000 | US$ Rwf '000 | Euro Rwf '000 | US$ Rwf '000 |
| Bank and cash balances | 5,093,608 | 3,816,597 | 3,565,721 | 1,994,132 |
| Related party balances | 5,028 | (469,922) | (5,410,762) | (103,787) |
| Trade and other payables | (746,254) | (1,513,140) | (507,384) | (4,725,061) |
| **Net exposure** | **4,352,382** | **1,833,535** | **(2,352,425)** | **(2,834,716)** |

The following exchange rates were applied during the year:

| Currency | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| EUR | 1,016.98 | 950.13 | 1,014.80 | 1,015.50 |
| USD | 861.32 | 839.95 | 887.80 | 835.36 |

*Sensitivity analysis on foreign currency rates*
A 10 percent movement of the Rwandan Franc against the following currencies at 31 December 2018 would have increased/(decreased) the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant and ignores any impact of forecasted sales and purchases

| | Income statement | |
|---|---|---|
| Effect | 2018 Rwf '000 | 2017 Rwf '000 |
| EUR | | |
| +10% Rwf Movement | (435,238) | 235,243 |
| -10% Rwf Movement | 435,238 | (235,243) |
| USD | | |
| +10% Rwf Movement | (183,354) | 283,472 |
| -10% Rwf Movement | 183,354 | (283,472) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 5. Financial risk management objectives and policies (Continued)

**(c) Market risk (Continued)**

***(i) Interest rate risk***
The Company has loans and borrowings that have fixed interest rates.

The table below summarises the interest rate profile of the Company's interest bearing financial assets and liabilities which are carried at amortised cost:

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Loans and borrowings | 27,694,654 | 30,117,681 |
| **Variable rate instruments** | | |
| Bank overdrafts | 28,776,954 | 19,430,485 |

***Fair value sensitivity analysis for fixed rate instruments***
The Company does not account for any fixed rate financial asset and liabilities at fair value through profit and loss. Therefore a change in interest rate at the reporting date would not affect profit and loss.

***Interest rate sensitivity for variable rate instruments***
The following sensitivity analysis shows how the interest rate would change due to a 5% change in the interest rate. A 5% increase/ decrease in interest rates in the bank overdraft would have reduced or increased the pre-tax profit by Rwf 1,438,847,700 ( 2017: Rwf 971,524,250)

**(d) Categories of financial instruments**
Except for equity investments of Rwf 9,224,000, all the company's financial instrument are carried at amortised cost.

**(e) Fair value**
The carrying value of the assets and liabilities approximate their fair values.

## 6. Capital management

Capital is herein defined as equity attributable to shareholders of the Company. The policy of the Board of Directors is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

***Gearing ratio***

The gearing ratio at the end of the reporting period was as follows:

| Year ended 31 December | 2018<br>Rwf' 000 | 2017<br>Rwf' 000 |
|---|---|---|
| Loans and borrowings | 56,471,608 | 49,548,166 |
| Bank and cash balances | (8,785,307) | (7,308,626) |
| **Net debt** | **47,686,301** | **42,239,540** |
| **Equity** | **39,076,216** | **35,690,923** |
| **Gearing (Net debt/Equity)** | **122%** | **118%** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 6. Capital management (Continued)

Management is aware of the gearing ratio level which is caused by heavy investments made during the five year investment program concluded in 2016. Measures have been put in place in order to mitigate the risk which include:

- Cost saving initiatives;
- New projects to be financed by internally generated funds;
- Increase of prices on certain brands to increase revenue;
- Strict cash management; and
- Repayment of IFC.

## 7. Segment reporting

The Company distinguishes the reportable segments by product for beer and soft drink as described below, which are the Company's strategic business units. The strategic business units offer different products and are managed separately because they require different technology and located at different sites. For each of the strategic business units, the Company's Managing Director reviews internal management reports on at least a quarterly basis. The Company has multiple distributor models to deliver goods to end customers. The Company does not rely on any major customers, neither does it generate revenue in excess of 10 percent of the Company's revenue from a single customer.

The following summary describes the operations in each of the Company's reportable segments:

**Business segments**

The two main business segments are:
- *Beer:* Includes purchasing, manufacturing, sale, and distribution of beer products; and
- *Soft drinks:* Includes purchasing, manufacturing, sale and distribution of soft drinks.

| Year ended 31 December 2018 | Beer Rwf '000' | Soft Drink Rwf '000' | Total Rwf '000' |
|---|---|---|---|
| **Revenue** | **73,629,311** | **25,324,452** | **98,953,763** |
| Operating Profit | 15,067,363 | 3,373,689 | **18,441,052** |
| Net Finance Cost | (5,486,804) | (2,608,082) | **(8,094,886)** |
| Depreciation and amortisation | (9,302,926) | (3,199,697) | **(12,502,623)** |
| Profit before income tax | 8,007,693 | 2,338,473 | **10,346,166** |
| Income tax expense | (2,309,421) | (794,314) | **(3,103,735)** |
| **Profit for the year** | **5,698,272** | **1,544,159** | **7,242,431** |

| Year ended 31 December 2017 | Beer Rwf '000' | Soft Drink Rwf '000' | Total Rwf '000' |
|---|---|---|---|
| **Revenue** | **63,498,844** | **22,855,090** | **86,353,934** |
| Operating Profit | 11,488,538 | 3,217,900 | **14,706,438** |
| Net Finance Cost | (4,827,975) | (2,169,090) | **(6,997,065)** |
| Depreciation and amortisation | (9,302,274) | (4,299,692) | **(13,601,966)** |
| Profit before income tax | 6,660,519 | 1,048,854 | **7,709,373** |
| Income tax expenses | (1,594,891) | (1,035,741) | **(2,630,632)** |
| **Profit for the year** | **5,065,628** | **13,113** | **5,078,741** |

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current year (2017: nil)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 7. Segment reporting (Continued)

The segment assets and liabilities at 31 December 2018 and capital expenditure for the period then ended are as follows:

| Year ended 31 December 2018 | Beer Rwf '000' | Soft Drink Rwf '000' | Total Rwf '000' |
|---|---|---|---|
| Assets | 98,188,675 | 33,771,528 | **131,960,203** |
| Liabilities | 62,732,022 | 24,395,787 | **87,127,809** |
| **Capital Expenditure:** | | | |
| (i) Additions to property, plant and equipment | 10,780,041 | 3,707,744 | **14,487,785** |
| (iI) Additions to intangible assets | 663,950 | 228,363 | **892,313** |

| Year ended 31 December 2017 | Beer Rwf '000' | Soft Drink Rwf '000' | Total Rwf '000' |
|---|---|---|---|
| Assets | 87,246,706 | 39,211,900 | **126,458,606** |
| Liabilities | 58,155,185 | 26,137,093 | **84,292,278** |
| **Capital Expenditure:** | | | |
| (i) Additions to property, plant and equipment | 7,770,220 | 3,492,225 | **11,262,445** |
| (iI) Additions to intangible assets | 3,796 | 1,706 | **5,502** |

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred tax.

Segment liabilities comprise operating liabilities. They exclude tax and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment.

## 8. Revenue

| | 2018 Rwf '000' | 2017 Rwf '000' |
|---|---|---|
| Net turnover | | |
| - Beer | 73,629,311 | 63,498,844 |
| - Soft drinks | 25,324,452 | 22,855,090 |
| | **98,953,763** | **86,353,934** |

## 9. Other income

| | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| Transport income less distribution expenses | 148,416 | 1,129,715 |
| Miscellaneous income | 166,696 | 499,070 |
| Release of deposit liability | - | 3,564,733 |
| Net gain on sale of property. plant and equipment | - | 94,897 |
| | **315,112** | **5,288,415** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 10. Results from operating activities

The following items have been charged in arriving at the profit before income tax:

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Depreciation on property. plant and equipment (Note 14) | 12,382,584 | 13,473,337 |
| Amortization and intangible assets (Note 15) | 120,038 | 128,630 |
| Repairs and maintenance of property, plant & equipment | 898,318 | 768,967 |
| Raw materials and consumables | 29,545,294 | 25,702,383 |
| Personnel expenses (see Note 11) | 13,965,504 | 13,244,617 |
| Auditors and consultancy remuneration | 106,090 | 62,010 |
| Impairment of related party loan | 301,000 | 2,362,921 |
| Net loss on sale and property, plant and equipment | 175,157 | - |

Directors remuneration:

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Non-Executive Directors | - | 49,671 |
| Executive Director | - | - |
| | **-** | **49,671** |

## 11. Personnel costs

The following items are included within staff costs:

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Salaries and wages | 9,926,876 | 9,528,252 |
| Contributions to defined contribution scheme | 212,400 | 202,935 |
| Contributions to National Social Security Board (RSSB) | 1,182,044 | 1,082,020 |
| Share based payments | 29,338 | 30,380 |
| Other staff costs | 2,614,846 | 2,401,030 |
| | **13,965,504** | **13,244,617** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 12. Net finance costs

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Net finance costs:** | | |
| Foreign exchange (loss) | (1,820,523) | (1,908,081) |
| Interest expense | (6,274,363) | (5,088,984) |
| | **(8,094,886)** | **(6,997,065)** |

## 13. Income tax expense

### a. Income tax

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Current tax expense | 2,251,800 | 2,467,752 |
| Tax penalties from uncertain tax position | - | - |
| | **2,251,800** | **2,467,752** |
| **Deferred income tax** | | |
| Deferred tax charged - (note 25) | 1,208,375 | 250,650 |
| Prior year (over)/under provision - (note 25) | (356,440) | (87,770) |
| **Deferred income tax charged to profit and loss** | **851,935** | **162,880** |
| **Income tax expense** | **3,103,735** | **2,630,632** |

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

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Profit before income tax | 10,346,166 | 7,709,373 |
| Tax calculated at the statutory income tax rate of 30% | 3,103,850 | 2,312,812 |
| Expense not deductible for tax purposes | 356,325 | 405,590 |
| Prior year (over)/under provision | (356,440) | (87,770) |
| **Income tax expense** | **3,103,735** | **2,630,632** |

### b. Tax recoverable

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **At January 1** | **1,269,926** | **3,712,758** |
| Income tax charge for the year | (2,251,800) | (2,467,752) |
| Tax paid during the year | 3,822,962 | 24,920 |
| **As at December 31** | **2,841,088** | **1,269,926** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 14. Property plant and equipment

| | Land and Buildings Rwf '000' | Plant and Equipment Rwf '000' | Furniture & Fittings Rwf '000' | Commercial Assets Rwf '000' | Motor Vehicles Rwf '000' | Work in progress Rwf '000' | Returnable packaging Rwf '000' | Total Rwf '000' |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **As at 1 January 2017** | **8,013,171** | **68,236,948** | **6,082,950** | **9,977,932** | **7,489,245** | **4,859,945** | **38,258,224** | **142,918,415** |
| Additions | 106,956 | (76,881) | 286,289 | 98,359 | 265,006 | 8,288,009 | 2,294,707 | 11,262,445 |
| Transfers | 130,738 | 3,086,143 | 257,903 | 10,449 | - | (6,747,047) | 3,261,814 | - |
| Disposals | - | (602,972) | (712,439) | - | (503,933) | - | - | (1,819,344) |
| **As at 31 December 2017** | **8,250,865** | **70,643,238** | **5,914,703** | **10,086,740** | **7,250,318** | **6,400,907** | **43,814,745** | **152,361,516** |
| **Balance at 1 January 2018** | **8,250,865** | **70,643,238** | **5,914,703** | **10,086,740** | **7,250,318** | **6,400,907** | **43,814,745** | **152,361,516** |
| Additions | 24,773 | 225,242 | 267,286 | 11,292 | 591,107 | 11,050,220 | 2,317,865 | 14,487,785 |
| Transfers | 609,180 | 9,906,771 | 82,679 | - | - | (15,150,088) | 4,551,458 | - |
| Disposals | | (119,101) | | (116,948) | (225,109) | - | - | (461,158) |
| **As at 31 December 2018** | **8,884,818** | **80,656,150** | **6,264,668** | **9,981,084** | **7,616,316** | **2,301,039** | **50,684,068** | **166,388,143** |
| **Depreciation** | | | | | | | | |
| **As at 1 January 2017** | **2,161,738** | **17,677,819** | **4,619,016** | **5,876,627** | **4,668,031** | **-** | **19,914,477** | **54,917,708** |
| Charge for the year | 267,706 | 4,380,877 | 602,827 | 1,185,042 | 982,740 | - | 6,054,145 | 13,473,337 |
| Disposals | - | (602,972) | (712,439) | - | (478,707) | - | - | (1,794,118) |
| **As at 31 December 2017** | **2,429,444** | **21,455,724** | **4,509,404** | **7,061,669** | **5,172,064** | **-** | **25,968,622** | **66,596,927** |
| **Balance at 1 January 2018** | **2,429,444** | **21,455,724** | **4,509,404** | **7,061,669** | **5,172,064** | **-** | **25,968,622** | **66,596,927** |
| Charge for the year | 284,682 | 4,582,829 | 703,812 | 1,119,082 | 963,673 | - | 4,728,506 | 12,382,584 |
| Disposals | | (24,829) | | (44,782) | (216,390) | - | - | (286,001) |
| **As at 31 December 2018** | **2,714,126** | **26,013,724** | **5,213,216** | **8,135,969** | **5,919,347** | **-** | **30,697,128** | **78,693,510** |
| **Net book value as at 31 December 2018** | **6,170,692** | **54,642,426** | **1,051,453** | **1,845,115** | **1,696,969** | **2,301,039** | **19,986,940** | **87,694,633** |
| **Net Book Value as at 31 December 2017** | **5,821,421** | **49,187,514** | **1,405,299** | **3,025,071** | **2,078,254** | **6,400,907** | **17,846,123** | **85,764,589** |

Commercial assets are items (usually branded) with significant individual value that are expected to be used for more than 1 year such as draught beer installations, outlet visibility materials, merchandise refrigerators and other vending equipment.

The credit in additions for Plant and Equipment in current year relates to a credit note received for prior year additions, thus reducing the cost of plant and equipment.

Fully depreciated assets at an original cost of Rwf 22,246,329,563 (2017: Rwf 22,109,855,677) are still in use.

There are no assets pledged as collateral for liabilities (2017: Rwf 0).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 15. Intangible assets - Computer Software

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 393,892 | 1,104,540 |
| Additions | 892,313 | 5,503 |
| Disposals | (243,087) | (716,151) |
| **Balance at 31 December** | **1,043,118** | **393,892** |
| **Amortization and impairment loss** | | |
| Balance at 1 January | 262,779 | 850,300 |
| Amortization for the year | 120,038 | 128,630 |
| Disposals | (243,087) | (716,151) |
| **Balance at 31 December** | **139,730** | **262,779** |
| **Net book value at end of year** | **903,388** | **131,113** |

## 16. Equity Investments

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Development Bank of Rwanda | 9,224 | 9,224 |
| Cogelgaz | 179,861 | 179,861 |
| | **189,085** | **189,085** |
| Less: Impairment allowance (Cogelgaz) | (179,861) | (179,861) |
| | **9,224** | **9,224** |

The above investment in associate is carried at cost less impairment as the Directors cannot reliably determine the fair value due to the absence of a ready market for the shares:

- Development Bank of Rwanda is incorporated in Rwanda as a private limited liability company and is domiciled in Rwanda.
- Cogelgaz is incorporated in Rwanda as a private limited liability company, and is domiciled in Rwanda. The company was founded for the exploitation of methane gas from Lake Kivu. An initial investment of Rwf 109,200,000 was made in 2001 and successively increased in 2003 and 2004. The investment has been fully impaired as the company has ceased operations.

## 17. Investment in Joint Venture

The Joint Venture (Bramin Ltd) is between Bralirwa PLC (with 50%) and Minimex Ltd. The company is incorporated and engaged in commercial farming in Rwanda and was established to produce seed and commodity maize. Bramin's year end is 31 December.

During the year ended 31 December 2018, the joint venture made a net loss of Rwf 934,571,000 (2017: Rwf 669,803,000). Bralirwa's share of the loss was Rwf 467,286,000 (2017: Rwf 334,901,000).

The share of loss exceeds the carrying amount of the investment in the Joint Venture which was determined using the equity method. Recognition of the prior years' losses resulted in the carrying amount being reduced to nil. Further recognition of the losses was discontinued.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 17. Investment in joint venture (Continued)

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Percentage ownership interest** | **50%** | **50%** |
| Non-current asset | 2,411,914 | 2,259,485 |
| Current asset | 911,487 | 598,689 |
| Non-current liabilities | (4,000,000) | (4,000,000) |
| Current Liabilities | (3,433,750) | (2,033,952) |
| **Net Liabilities (100%)** | **(4,110,349)** | **(3,175,778)** |
| **Bralirwa share of net liabilities 50%** | **(2,055,174)** | **(1,587,889)** |
| **Carrying amount of interest in joint venture** | **(2,055,174)** | **(1,587,889)** |
| Revenue | 327,550 | 478,549 |
| Expenses | (1,262,121) | (1,148,351) |
| **Loss for the year (100%)** | **(934,571)** | **(669,802)** |
| **Total Comprehensive loss 50%** | **(467,286)** | **(334,901)** |

## 18. Inventories

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Raw materials | 7,723,403 | 7,309,867 |
| Work in progress | 1,386,669 | 1,088,858 |
| Finished goods | 1,201,568 | 1,316,950 |
| Goods for resale | 208,976 | 1,386,558 |
| Non-returnable packaging | 1,978,204 | 1,616,323 |
| Spare parts | 6,203,924 | 7,179,411 |
| Other inventories | 1,253,779 | 1,172,631 |
| | **19,956,523** | **21,070,598** |
| Provision for spare parts | - | (625,700) |
| | **19,956,523** | **20,444,898** |

The cost in inventories recognized as an expense during the year in respect to continuing operations was included in the cost of sales, being Rwf 66,161 million (2017: Rwf 60,079 million).

## 19. Trade and other receivables

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Trade receivables | 1,576,362 | 2,432,029 |
| Less: Impairment losses | (273,489) | (367,308) |
| **Trade receivables – net** | **1,302,873** | **2,064,721** |
| Other receivables and prepayments- net | 8,185,852 | 6,522,963 |
| | **9,488,725** | **8,587,684** |
| The allowance at the end of the year is made up of: | | |
| Provision for trade receivables (note 5a) | 273,489 | 367,308 |
| Provision for other receivables (note 5a) | 31,999 | 61,620 |
| **At end of year** | **305,488** | **428,928** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 19. Trade and other receivables (Continued)

| Movement in provision | | |
|---|---|---|
| Opening balance | 428,928 | 869,799 |
| Movements in income statement | (123,440) | (440,871) |
| Closing balance | **305,488** | **428,928** |

## 20. Cash and cash equivalents

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Bank and cash balances | 8,785,307 | 7,308,626 |
| Bank overdraft (Note 23) | (28,776,954) | (19,430,485) |
| **Total Cash and Cash equivalents per cash flow statement** | **(19,991,647)** | **(12,121,859)** |

## 21. Capital and reserves

| | 2018 | 2017 |
|---|---|---|
| As at 1 January and 31 December | 1,028,570,000 | 1,028,570,000 |
| Authorized par value (Rwf) | 5 | 5 |
| **Ordinary share capital (Rwf)** | **5,142,850,000** | **5,142,850,000** |

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.

### Share premium

Included in the Company's equity balance is an amount of Rwf 84,856,750 (2017: Rwf 84,856,750) relating to share premium. This represents amounts paid by shareholders over and above the nominal per value of the shares for the years 1977, 1978 and 1979.

### Other reserves

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Fiscal reserve | 148,252 | 148,252 |
| Statutory reserve | 1,885,167 | 1,885,167 |
| Legal reserve | 38,571 | 38,571 |
| | **2,071,990** | **2,071,990** |

### Fiscal reserve

The fiscal reserve is based on Article 138 paragraph 3 of the Ministerial order of 1964 which required the company to maintain a special reserve of 20% of the profits for 1964. The reserve is not distributable to shareholders.

### Statutory reserve

The statutory reserve is a voluntary reserve created by the shareholders of the company and is distributable to shareholders.

The reserve includes revaluation of inventory done in 1994 after a strong depreciation of the Rwandese franc (Rwf -1,297,370 thousand) and Rwf 212,466 thousand being the outstanding balance of revaluation reserve for property, plant and equipment. The Company elected to apply the optional exemption to use this previous revaluation as deemed cost at 1 January 2009, the date of transition to IFRS.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 21. Capital and reserves (Continued)

### Legal reserve

The legal reserve is based on a Government decree of 12 February 1998 which required an appropriation of 5% of net income for the prior year until a maximum level of 10% of the issued share capital. The legal reserve is not distributable to shareholders.

### Dividends

After the respective reporting dates, the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

| For the year ended 31 December | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| Final dividend Rwf 5.5 per qualifying ordinary share (2017: Rwf 3.75) | 5,657,135 | 3,857,138 |

**Long term incentive plan**

| | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| **Long term incentive plan** | 2,502 | 2,502 |

## 22. Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of Rwf 5,657,135,000 (2017: Rwf 3,857,138,000) and on 1,028,570,000 ordinary shares of Rwf 5.00 each being the weighted average number of ordinary shares in issue.

| | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| a) Profit attributable to ordinary shareholders | | |
| Profit of the year - Rwf '000' | 7,242,431 | 5,078,741 |
| | | |
| b) Weighted average ordinary shares | | |
| Issued ordinary shares as at 1 January | 1,028,570,000 | 1,028,570,000 |
| Weighted average ordinary shares as at 31 December | 1,028,570,000 | 1,028,570,000 |
| **Earnings per share** | **7.04** | **4.94** |

## 23. Loans and borrowings

| | Original Amount | Date Borrowed | 2017 Interest rate | 2018 Rwf' 000 | 2017 Rwf' 000 |
|---|---|---|---|---|---|
| Banque Populaire du Rwanda (BPR) | 3,000,000 | 27-May-13 | 12.5% | - | 453,858 |
| Heineken International N.V. | 8,273,944 | 3-May-17 | 12.2% | 8,273,944 | 8,329,760 |
| International Finance Corporation | 20,697,572 | 8-Feb-16 | 3.8% | 19,420,710 | 21,334,063 |
| **Total** | | | | **27,694,654** | **30,117,681** |
| Bank overdraft | | | | 28,776,954 | 19,430,485 |
| **Total borrowings** | | | | **56,471,608** | **49,548,166** |
| Less current borrowings | | | | (34,325,729) | (22,551,101) |
| **Non-current borrowings** | | | | **22,145,879** | **26,997,065** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 23. Loans and borrowings (Continued)

The loan from related party Heineken International N.V. is Rwf denominated and has a fixed interest rate. The loan is unsecured.

The loan from International Finance Corporation was for USD 25,000,000 and is fully utilised. The loan is unsecured and was used for expanding and upgrading Bralirwa PLC's production capacity in prior years.

All other interest rates are fixed.

| Movement in non-current loans and borrowings | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| **Balance as at January 1** | **30,117,681** | **30,877,062** |
| Loans obtained | - | - |
| Loans repaid | (3,120,616) | (1,476,186) |
| Exchange differences | 697,589 | 716,805 |
| **Balance as at December 31** | **27,694,654** | **30,117,681** |

## 24. Share based payments

## Long Term Incentive Plan

Heineken N.V. (holding company) has a performance-based share plan (Long-Term Incentive Plan (LTIP)) for senior management. Under the LTIP, share rights are conditionally awarded to incumbents on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continuous service over a three year period.

The performance conditions for LTIP 2016-2018; 2017-2019 and LTIP 2018-2020 for senior management comprise solely of internal performance measures being Organic Gross Profit BEIA growth, Organic Operating Profit BEIA growth, Earnings per Share (EPS) BEIA growth, and Free Operating Cash Flow. At target performance, 100 per cent of the awarded share rights vest. At maximum performance 175 per cent of the shares will vest.

The performance period for the aforementioned plans are:

| LTIP | Performance period start | Performance period end |
|---|---|---|
| 2016-2018 | 01 Jan 2016 | 31 Dec 2018 |
| 2017-2019 | 01 Jan 2017 | 31 Dec 2019 |
| 2018-2020 | 01 Jan 2018 | 31 Dec 2020 |

The vesting date for senior management is 1 April 2019, 2020 and 2021 respectively.

The terms and conditions of the Heineken N.V. share rights granted to senior management is as follows:

| Grant date | Number | Share price | Contractual life of rights |
|---|---|---|---|
| 2016 | 1,971 | 78.77 | 3 Years |
| 2017 | 241 | 86.93 | 3 Years |
| 2018 | - | 77.20 | 3 Years |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 24. Share based payments (Continued)

The number and weighted average share price per share is as follows

| 2018 | Weighted average Share price | Number of shares |
|---|---|---|
| Outstanding at 1st January | 69.54 | 4,219 |
| Granted during the year | 79.66 | - |
| **Outstanding at end of year** | **77.20** | **4,219** |

The number and weighted average share price per share is as follows: (Continued)

| 2017 | Weighted average Share price | Number of shares |
|---|---|---|
| Outstanding at 1st January | 60.40 | 3,978 |
| Granted during the year | 71.26 | 241 |
| **Outstanding at end of year** | **69.54** | **4,219** |

The expense recognized in profit and loss of the year was Rwf 29,338,000 (2017: Rwf 30,380,000).

### 25. Deferred income tax liability

Deferred income tax liability is calculated using the enacted income tax rate of 30% (2017: 30%).

Deferred income tax liabilities, deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income, and deferred income tax charge/(credit) in equity are attributable to the following items:

| Year ended 31 December | 2018 Rwf '000 | 2017 Rwf '000 |
|---|---|---|
| Property. plant and equipment | 9,840,924 | 8,988,989 |
| Provisions | (1,243,658) | (1,243,658) |
| **Net deferred income tax liability** | **8,597,266** | **7,745,331** |

Movement in deferred tax on temporary differences during the year:

| 2018 | At 1 January Rwf '000 | (Over)/Under Provision Rwf '000 | Recognised in profit or loss Rwf '000 | At 31 December Rwf '000 |
|---|---|---|---|---|
| Property. plant and equipment | 8,988,989 | (356,440) | 1,208,375 | **9,840,924** |
| Provisions | (1,243,658) | - | - | **(1,243,658)** |
| **Net deferred income tax liability** | **7,745,331** | **(356,440)** | **1,208,375** | **8,597,266** |
| | | | | |
| **2017** | | | | |
| Property. plant and equipment | 9,832,941 | 9,556 | (853,508) | **8,988,989** |
| Provisions | (786,178) | (99,047) | (358,433) | **(1,243,658)** |
| Tax losses | (1,464,312) | 1,721 | 1,462,591 | **-** |
| **Net deferred income tax liability** | **7,582,451** | **(87,770)** | **250,650** | **7,745,331** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 26. Trade and other payables

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Trade payables | 4,211,916 | 5,255,149 |
| Deposit on returnable containers | 15,436,634 | 13,101,391 |
| Other payables and accrued expenses | 9,115,581 | 9,362,395 |
| | **28,764,131** | **27,718,935** |

### 27. Capital commitments

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Contracted but not provided for | 527,650 | 144,127 |
| Authorized but not contracted for | 184,000 | 288,269 |
| **Total** | **711,650** | **432,396** |

### 28. Off balance sheet commitments

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Letters of credit | - | 665,370 |
| Undrawn committed bank facilities | 15,723,046 | 14,054,145 |

Committed bank facilities are lines of credit on which the bank is legally obliged to provide the facility under the terms and conditions of the agreement.

### 29. Leases

The Company leases a number of offices under operating leases in the ordinary course of business. There are no significant leasing arrangements. The leases run for a period of three years, with an option of renewal after that date.

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Less than one year | 260,279 | 374,806 |
| Between one and five years | - | - |
| | **260,279** | **374,806** |

During the year an amount of Rwf 429,108,071 was recognized as an expense in profit and loss in respect of operating lease and rent (2017: Rwf 454,465,589).

### 30. Related party transactions

The Company is controlled by Heineken International B.V. incorporated in the Netherlands. The ultimate parent of the Company is Heineken N.V., a group also incorporated in the Netherlands. There are other companies which are related to the Company through common shareholdings or common directorships.

The Company has transactions with its parent (Heineken International B.V.) and other related parties who are related to the Company only by virtue of being members of the Heineken Group. As such all other companies other than Heineken International B.V., are sister companies. The total amounts due to related parties by the nature of the transaction are shown below:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## 30. Related party transactions (Continued)

### a) Management fees and royalties paid to group companies

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **i) Management fees** | | |
| Heineken International B.V. | 429,574 | 330,168 |
| Heineken Supply Chain B.V. | 606,871 | 366,895 |
| **Total** | **1,036,445** | **697,063** |

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **ii) Royalties paid/payable** | | |
| Amstel Brouwerijen B.V. | 151,583 | 79,489 |
| Premium Beverages International B.V. | 1,323,966 | 1,030,332 |
| Heineken Brouwerijen B.V. | 42,500 | 25,647 |
| **Total** | **1,518,049** | **1,135,468** |

### b) Purchase and sale of goods and services

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Sales** | | |
| Bralima sarl | (1,004,114) | (30,384) |
| Brarudi SA | (211,598) | (45,936) |
| Brasserie Nationale d`Haiti S.A. | (1,893) | - |
| Heineken N.V. | (15,300) | - |
| Heineken Uganda Ltd | (11,087) | (17,490) |
| Sierra Leone Brewery Ltd | (18,756) | - |
| | **(1,262,748)** | **(93,810)** |
| **Purchases** | | |
| Al Ahram Beverages Company | - | 576,485 |
| Bralima sarl | 162,541 | - |
| Burundi Plastic Industries | 168,838 | 125,444 |
| Heineken Brouwerijen B.V. | 21,798 | |
| Heineken International B.V. | 1,183,774 | 924,728 |
| Heineken Supply Chain B.V. | 69,191 | 85,140 |
| Ibecor N.V. | 12,415,191 | 3,703,231 |
| Nigerian Breweries PLC | 211 | 598 |
| | **14,021,544** | **5,415,626** |
| **Total** | **12,758,796** | **5,321,816** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

## c) Key management compensation

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| Short-term employment benefits | 2,366,162 | 2,037,314 |
| Post-employment benefits | 123,401 | 92,655 |
| Other long term benefits | 172,585 | 168,449 |
| Share based payments | 29,338 | 30,380 |
| Termination benefits | 153,786 | 247,469 |
| | **2,845,272** | **2,576,267** |

Short-term employment benefits include the benefits for the Director(s) of the Company.

## d) Outstanding balances arising from sale and purchase of goods/services

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Payables to related parties** | | |
| Al Ahram Beverages Company | - | 579,271 |
| Amee Export - Heineken Brouwerijen B.V. | 105,421 | 300,877 |
| Amstel Brouwerijen B.V. | 45,213 | 38,438 |
| Bralima sarl | 103,293 | - |
| Brasserie Nationale d'Haiti S.A. | 3,291 | - |
| Burundi Plastic Industries | - | 125,633 |
| Heineken Brouwerijen B.V. | 90,739 | - |
| Heineken Enterprise & Others | - | 351 |
| Heineken International B.V. | 1,167,460 | 1,664,854 |
| Heineken Supply Chain B.V. | 4,230 | 85,551 |
| Ibecor N.V. | 40,477 | 3,726,790 |
| Nigerian Breweries PLC | 214 | 598 |
| Premium Beverages International B.V. | 320,007 | 502,814 |
| Sierra Leone Brewery Ltd | 11,725 | - |
| | **1,892,070** | **7,025,177** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### d) Outstanding balances arising from sale and purchase of goods/services (Continued)

| | 2018<br>Rwf '000 | 2017<br>Rwf '000 |
|---|---|---|
| **Current receivables from related parties** | | |
| Amee Export - Heineken Brouwerijen B.V. | 105,005 | - |
| Bralima sarl | 33,023 | 19,625 |
| BraMin Ltd | 233,162 | - |
| Brarudi SA | 387,162 | 661,045 |
| Brassivoire | 520 | - |
| Heineken Brouwerijen B.V. | - | 27,158 |
| Heineken Ethiopia | - | 3,732 |
| Heineken International B.V. | - | 74,081 |
| Heineken Uganda Ltd | 22,343 | - |
| Premium Beverages International B.V. | 7 | - |
| Sierra Leone Brewery Ltd | - | 28,110 |
| Tango SARL | - | 1,178 |
| | **781,222** | **814,929** |

| | | |
|---|---|---|
| **Non-current receivables from related parties** | | |
| BraMin Ltd | 1,336,079 | 1,637,079 |
| BraMin Ltd | 3,005,102 | 1,760,464 |
| | **4,341,181** | **3,397,543** |

The loan granted to BraMin Ltd (Joint Venture between Bralirwa PLC and Minimex Ltd) is carried at amortized cost. The loan which is interest free is discounted using the Company's weighted average cost of capital of 15%. Repayment of this loan is expected to commence in 2019. In 2018, the loan was impaired for Rwf 301,000,000

## 31. Contingencies – pending litigation and claims

There are certain other lawsuits and claims pending against the company in various courts of law which are being handled by the external legal counsel. The contingent liabilities in respect of pending litigation and claims amounted to Rwf 110 million (2017: Rwf 185 million) as at 31 December 2018. In the opinion of the directors and based on independent legal advice, the Company's liabilities are not likely to be material thus no provision has been made in these financial statements.

## 32. Events after the reporting period

Except for the proposed dividend, at the signing date of the financial statement, there were no other subsequent events that required adjustment or disclosure as required by IAS 10 "Event after reporting period".

## 33. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 29 March 2019.


# PART SEVEN

FIVE YEAR FINANCIAL SUMMARY
AND GLOSSARY

## FIVE YEAR FINANCIAL SUMMARY

| | 2018<br>Rwf millions | 2017<br>Rwf millions | 2016<br>Rwf millions | 2015<br>Rwf millions | 2014<br>Rwf millions |
|---|---|---|---|---|---|
| **Revenue** | **98,954** | **86,354** | **88,799** | **84,088** | **79,238** |
| Cost of sales | (66,161) | (60,079) | (63,123) | (57,912) | (52,287) |
| **Gross profit** | **32,793** | **26,275** | **25,676** | **26,176** | **26,951** |
| Other income | 315 | 5,288 | 1,534 | 3,305 | 1,965 |
| Other expenses | (14,667) | (16,857) | (15,081) | (16,446) | (11,995) |
| **Results from operating activities** | **18,441** | **14,706** | **12,129** | **13,035** | **16,921** |
| **Net Finance cost** | **(8,095)** | **(6,997)** | **(9,463)** | **(4,783)** | **(682)** |
| **Profit before income tax** | **10,346** | **7,709** | **2,666** | **8,252** | **16,239** |
| Income tax expense | (3,104) | (2,630) | (1,268) | (1,145) | (4,844) |
| **Total comprehensive income for the year** | **7,242** | **5,079** | **1,398** | **7,105** | **11,395** |
| | | | | | |
| **Employment of funds** | | | | | |
| Fixed assets | 87,695 | 85,765 | 88,001 | 84,753 | 66,418 |
| Intangible Assets | 903 | 131 | 254 | 217 | 0 |
| Investments | 9 | 9 | 9 | 9 | 9 |
| Long term debtors and prepayments | 4,341 | 3,398 | 4,000 | 4,000 | 3,766 |
| Net current (liabilities)/assets | 11,197 | 3,682 | (6,415) | (8,124) | (7,556) |
| Loan Capital/Finance Lease | (56,472) | (49,548) | (46,629) | (39,065) | (20,887) |
| Deferred Income & Taxation | (8,597) | (7,745) | (7,582) | (6,407) | (5,757) |
| **Total net assets** | **39,076** | **35,691** | **31,638** | **35,383** | **35,992** |
| | | | | | |
| **Funds employed** | | | | | |
| Share capital | 5,143 | 5,143 | 5,143 | 5,143 | 5,143 |
| Share Premium | 85 | 85 | 85 | 85 | 85 |
| Other reserves | 2,072 | 2,072 | 2,072 | 2,072 | 2,072 |
| Retained earnings | 31,777 | 28,391 | 24,339 | 28,083 | 28,692 |
| **Shareholders' Funds** | **39,076** | **35,691** | **31,638** | **35,383** | **35,992** |
| | | | | | |
| **Statistics** | | | | | |
| Share price at year end (Rwf) | 150 | 150 | 140 | 174 | 380 |
| Market capitalization in (Rwf millions) | 154,286 | 154,286 | 144,000 | 178,971 | 390,857 |
| Basic and diluted earnings per share (Rwf)* | 7.04 | 4.94 | 1.36 | 6.91 | 11.08 |
| Dividend per share (Rwf) | 5.50 | 3.75 | 1.00 | 5.00 | 7.50 |
| Dividend Cover (times) | 1.28 | 1.32 | 1.36 | 1.38 | 1.48 |
| Net worth per share (Rwf) | 37.99 | 34.70 | 30.76 | 34.40 | 34.99 |
| Debt/Equity ratio | 1.45 | 1.39 | 1.47 | 1.11 | 0.58 |

# GLOSSARY

**Other information**

**Revenue**
Net realized sales proceeds after deduction of excise duties.

**EBIT**
Earnings before interest and taxes and net finance expenses.

**EBITDA**
Earnings before interest and taxes and net finance expenses before depreciation and amortization.

**Total and total comprehensive income for the year**
Net profit

**Net profit**
Profit and total comprehensive income for the year (profit attributable to equity holders of the Company).

**Free operating cash flow**
This represents the total of cash flow from operating activities, cash flow from operational investing activities and cash flow from financing activities.

**Earnings per share**
Net profit divided by the weighted average number of shares – basic – during the year.

**Net Assets**
Non-current assets plus net working capital.

**Net Working Capital**
Current assets minus current liabilities.

**Cash and Cash Equivalents**
Bank and cash balances plus bank overdrafts.

**Net debt**
Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.

**Net debt/EBITDA ratio**
The ratio is based on a twelve month rolling calculation for EBITDA.

**Gearing**
Net debt/total equity.

**Dividend payout**
Proposed dividend as percentage of net profit.

**Cash conversion ratio**
Free operating cash flow/Net profit before deduction of non-controlling interests.

# PROXY FORM

The undersigned ..............................................................................................................................
acting in my capacity of Shareholder of Brasseries et Limonaderies du Rwanda (Bralirwa) PLC with registered Office at Kigali, Rwanda (further "the Company"), or at ..................................................................................

do hereby nominate and appoint .............................................................................................................,

as my lawful attorney, to attend on my behalf the annual general meeting of shareholders of "the Company" to be held on 22 May 2019 at Kigali, Radisson Blu Hotel, according to the following agenda:

1. Consideration of the annual report;
2. Receiving the auditor's report;
3. Consideration and approval of the financial statements;
4. Appropriation of profit and total comprehensive income for the year;
5. Discharge of the Directors and Auditors for the financial year 2018;
6. Appointment of Directors;
7. Appointment of Independent Auditors;

and to execute the right of vote on my behalf in all matters included into the agenda of the meeting at the above-mentioned date or any other date on the same agenda, hereby ratifying and confirming all that attorney may do in my name.

Given at .............................., the ................... 2019


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## E-DIVIDEND FORM

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CDSC REGISTRARS RWANDA LTD.
Centenary House, 4th Floor, Avenue de la Paix.
P. O. Box 5904 Kigali, Rwanda,
Tel: +250 784 110636/+250 786 419333/+254 722 807371
e-mail HYPERLINK: registrarsrw@cdsckenya.com

### Only clearing banks are acceptable

I/We hereby request that form now on, all dividend warrant(s) due to me/us from my/our holding(s) in **BRALIRWA PLC,** be paid directly to my/our Bank named below.

Shareholder's Full Name:

*Surname first*

Shareholder's Address:

Shareholder's E-mail:

Shareholder's GSM Number:

Single Shareholder's Signature: ____________________

Joint Shareholders' / Company Signatures:

(1) ____________________

(2) ____________________

Company Seal: ____________________

Name of Bank:

Branch Address of Bank:

Bank Account No.

Bank Sort Code:

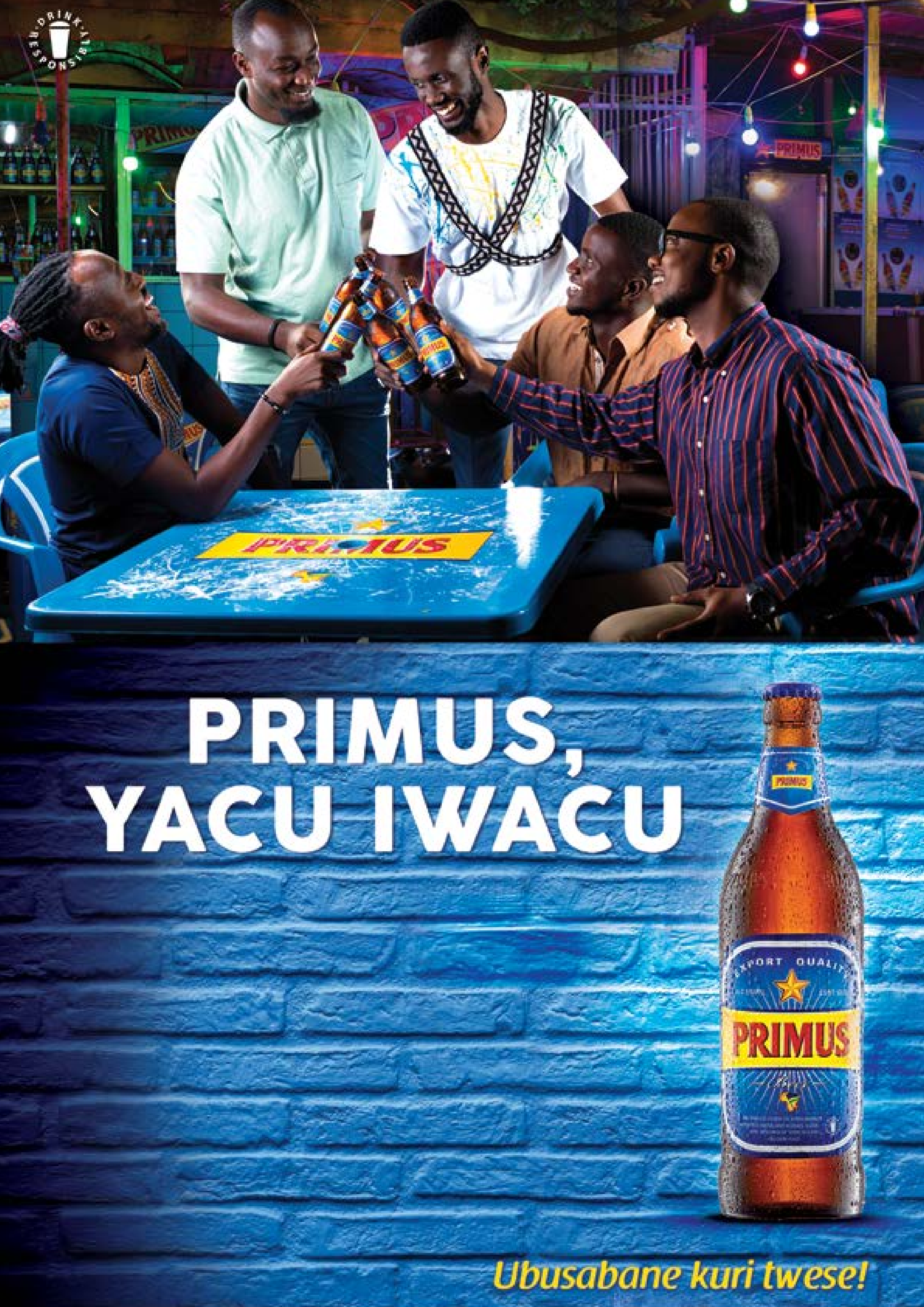
Bank Authorised Signatures & Stamp:

(1) ____________________

*Please include page No.*

(2) ____________________

*Please include page No.*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