



Champion Breweries Plc.

2019 ANNUAL REPORT

GREATER T H I N G S

CHAMP

MALTA

SINCE
1979

CHAMPION



Season's Greetings

SLEEPING UNDER



We Are **CHAMPION**

Champion Breweries Plc., incorporated on 31st of July, 1974 strive to maintain and sustain rigorous production standards through the deployment of cutting edge technology and the application of human capital.

Since the launch of our brands in 1976, we have been guided by the sterling values of safety, quality, discipline, people development and team spirit to deliver to

our consumers premium quality brands for responsible enjoyment.

While ownership structure has changed over the years, Champion Breweries Plc is today under the technical supervision of its controlling shareholders, a global beverage giant Heineken NV, and this has put the Company in a stead to even surpass every previous achievements on sales, consumer satisfaction and community engagement..



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Corporate Information

DIRECTORS:

1.	Dr. Elijah Akpan	-	Chairman
2.	Mr. Patrick A. Ejidoh (resigned 5/1/20)	-	Managing Director
3.	Mr. Georgios Polygmenakos (appointed 6/1/20)	-	Managing Director
4.	Mr. Samson Aigbedo	-	Director
5.	Mr. Olufunminiyi Alabi	-	Director
6.	Mr. M. J. A. Gabriels (Dutch) (resigned 31/12/19)	-	Director
7.	Mr. Frederik Williem Kurt (Dutch) (appointed 01/01/20)	-	Director
8.	Mrs. Afolake Lawal	-	Director
9.	Mr. Samuel O. Onukwue	-	Director
10.	Mr. Thompson S. B. Owoka	-	Director
11.	Alhaji Shuaibu A. Ottan	-	Director
12.	Mr. Hendrik van Rooijen (Dutch) (resigned 31/12/19)	-	Director
13.	Mr. Kevin Albert Santry (British) (appointed 01/01/20)	-	Director
14.	Mrs. Helen A Umanah	-	Director

COMPANY SECRETARY/LEGAL ADVISER:

Chief Tosan Atle Aiboni

REGISTRARS:

Africa Prudential Registrars Plc
220B, Ikorodu Road,
Palmgrove Lagos,
Nigeria
Tel: 07080606400
info@africaprudentialregistrars.com

REGISTERED OFFICE:

Industrial Layout,
Aka Offot, P.M.B. 1106,
Uyo,
Akwa Ibom State,
Nigeria.
Tel: 08072290942, 08072290943
info@championbreweries.com
www.championbreweries.com

INDEPENDENT AUDITORS:

KPMG Professional Services
KPMG TOWER
Bishop Aboyade Cole Street,
Victoria Island,
Lagos
Tel: (01)2701079; 2799880
www.kpmg.com/ng

REGISTERED NUMBER:RC:

13388

BANKERS:

First Bank Nigeria Limited
Access Bank Plc
First City Monument Bank Plc
Guaranty Trust Bank Plc
Stanbic IBTC Bank
United Bank for Africa Plc
Zenith Bank Plc



Company Profile

Champion Breweries Plc the “Company”, was incorporated as a private limited liability Company in Cross-River State in the year 1974 with the name South East Breweries Limited. This was changed to Cross River Breweries Limited and thereafter to Champion Breweries Limited.

The Company became a public limited liability company and was known as “Champion Breweries Plc” on the 1st of September 1992 and was listed on the Nigerian Stock Exchange on September 1, 1993.

In December 1976, “Champion Lager beer” was officially commissioned and successfully launched into the market. Production capacity was increased from 150,000 to 500,000 hectoliters which led to the official commissioning of the second production line in December 1979.

With high quality and good market performance, Champion Lager Beer and Champ Malta won several awards which was not limited to the Silver Medal at an international contest in Paris, International Medal for Quality at the 16th World Selection for Beers and non-alcoholic beverages in Luxemburg, Pearl highest Share Price Appreciation in the Nigerian Stock market in 2002, NIS Silver Award in 2005 and NIS Gold Award in 2006 and such other awards won till date.

The Company embarked on a third expansion plan which gulped substantial resources and could not be recouped by the business. The non-completion of the expansion projects with lack of working capital and inadequate maintenance of the Plants, forced the Company to close its doors for business for 11 years from 1990.

The re-activated Brewery was officially commissioned in October 2001. In addition, the Company successfully held an Extra-Ordinary General Meeting

of its Shareholders during which Approval was given for the authorized Share Capital of the Company to be increased from N 26 million to N 450 million.

In January 2011, Heineken acquired an indirect interest in the Company through its acquisition of Messrs. Montgomery Ventures Incorporated (MVI) of Panama. On 28 December 2011, Consolidated Breweries acquired a 57% equity stake in Champion Breweries which was previously held by Montgomery Ventures Inc. (Panama). In December 2013, the Securities and Exchange Commission approved the sale of Consolidated Breweries holding in the Company to The Raysun Nigeria Limited “Raysun”, a wholly owned subsidiary of Heineken, via a Scheme of Arrangement. The sale was concluded in December 2013. As a result, Raysun now holds a 57% equity stake in the Company. Raysun was incorporated in February 2010 as a holding company for Heineken's Nigerian entities.

With the drive to re-capitalize the Company as well as pay-off her debts, the shareholders approved an increase in the Company's authorized share capital to N 4.5 Billion in 2014. This provided the opportunity to embark on a Rights Issue for all shareholders and commence the process of a Private Placement for some identified shareholders (The Raysun Nigeria Limited and Akwa Ibom Investment Corporation) in 2014. The successful conclusion of the Rights Issue led to the Company raising the sum of Thirteen Billion, Seven Hundred Million Naira (N13,700,000,000.00) to pay her pending debts.

Champion Breweries has consistently operated with a blend of local content and international best practices and standards. This has resulted in the Company achieving an operational profit in her 2014

results. The Company has become debt-free, attractive to credit and positioned for sustainable growth forthwith.

In 2018, the Company embarked on a Capital Reduction scheme leading to the balance of 8.57 Billion in the Company's





Company Profile

Accumulated Loss account being transferred to the Company's Share Premium Account as at December 31, 2018. This has paved the path of Company into achieving profitability within a short while.

Champion Breweries Plc still maintains its high-quality

Champion Lager Beer brand (with her rebranded Bottle and Labels) and remains a pride to the people of Akwa Ibom and neighboring states within the South-South region of Nigeria. Champ Malta was also re-introduced into the market in 2015 to increase the Company's brand portfolio and overall volumes.





Financial Highlights

FOR THE YEAR ENDED 31ST DECEMBER 2019

Revenue

€ 6.92bn

2019	€6.92bn
2018	€4.76bn

Other Comprehensive (Loss) Income; Net of Tax

(€72.2m)

2019	(€72.2m)
2018	€98.8m

Operating Profit/ (Loss)

€241.5m

2019	€241.5m
2018	(€223.8m)

Total comprehensive income/(loss) for the year

€96.3m

2019	€96.3m
2018	(€165m)

Profit / (Loss) Before Tax

€206.7m

2019	€206.7m
2018	(€255.4m)

Share Price as at 31 December 2019

0.95

2019	0.95
2018	1.99

Income Tax

(€38.07m)

2019	(€38.07m)
2018	(€8.4m)

Number of shares issued

7.83bn

2019	7.83bn
2018	7.83bn

Profit (Loss)

€168.5m

2019	€168.5m
2018	(€263.8m)

Market capitalization

€7.4bn

2019	€7.4bn
2018	€15.6bn

Our performance in 2019 reflects the successful execution of our strategy, as well as the relevance of our unique diversified footprint and premium brand portfolio, led by Champion Beer



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of Champion Breweries PLC will be held by proxy on Friday, 3rd July 2020 at Industrial Layout, Aka Offot, Uyo, Akwa Ibom State, at 12.00 noon to:

ORDINARY BUSINESS

1. Lay before members, the audited financial statements for the year ended December 31, 2019 and the Directors', Auditors' and Audit Committee's Reports thereon.
2. Elect/re-elect Directors as maybe applicable.
3. Authorize the Directors to fix the remuneration of the Auditors.
4. Elect/re-elect shareholders' representatives on the Audit Committee.

B SPECIAL BUSINESS

5. To approve the remuneration of Directors
6. To consider and if thought fit, pass the following resolution as an ordinary resolution of the Company;
That a general mandate be and is hereby given to the Company to enter into recurrent transactions with related parties for the Company's day-to-day operations, including the procurement of goods and services, on normal commercial terms."

NOTE:

1. PROXIES

Due to the Covid-19 pandemic and the attendant directives issued by relevant authorities on physical distancing and a limit on the maximum number of persons at a gathering (not more than 20 persons), Shareholders' attendance at this Annual General Meeting (AGM) shall be by Proxy only in accordance with the Corporate Affairs Commission's "Guidelines on Holding of Annual General Meetings (AGM) of Public Companies Using Proxies".

A Shareholder entitled to attend and vote at the Meeting can appoint a proxy to attend and vote in his/her/its stead. The proxy needs not be a shareholder. Consequently, Members are required to appoint a proxy of their choice from the following proxies to represent them at the Meeting: (a) Dr. Elijah Akpan (Chairman); (b) Mr.

Georgios Polymenakos (Managing Director/CEO); Mrs. Helen Umanah (Non-Executive Director).

A form for proxy is supplied with the notices circulated to members and if it is to be valid for the purpose of the meeting, it must be duly completed, stamped and deposited at the office of the Registrars to Champion Breweries Plc, Africa Prudential Registrars Plc, 220 B, Ikorodu Road, Palmgrove, Lagos or sent by e-mail to exc@afriacaprudential.com not less than 48 hours before the time of the meeting. The Company shall bear the cost of the stamp duty payable on this Proxy Form.2.

2. APPOINTMENT OF MEMBERS OF THE AUDIT COMMITTEE

Any member of the Company may nominate a Shareholder as a member of the Audit Committee of the Company by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

3. CLOSURE OF REGISTER

The Register of Members shall be closed from Monday, June 22nd to Friday 26th 2020 for the purpose of updating the Register.

4. RIGHT TO ASK QUESTIONS

In line with Rule 19.12, The Rule Book of The Exchange, 2015, Part 11, Issuers' Rules. Shareholders of the Company have the right to ask questions not only at the Annual General Meeting but also in writing prior to the meeting. Written questions must be submitted to the Company Secretary, at least 48 hours days before the Annual General Meeting at Industrial Layout, Aka Offot, Uyo, Akwa Ibom State, Nigeria or by email at info@championbreweries.com or info@victoriachmabers.com.ng

5. ELECTRONIC VERSION OF THE ANNUAL REPORT AND ACCOUNTS

Electronic versions of the 2019 Annual Report and Accounts are available online for viewing and download via the Company's website, www.championbreweries.com and that of the Registrar, www.afriacaprudential.com

6. LIVE STREAMING OF THE AGM

The AGM will be streamed live online. This will enable Shareholders and other relevant Stakeholders who will not be attending the meeting physically to also be part of the proceedings. The link for the live streaming will be made available on the Company's website: www.championbreweries.com and by the Registrar, in due course.

Dated 5th June 2020.

By Order of the Board

Chief Tosan Atle Aiboni

Company Secretary/Legal Adviser
FRC No: FRC/2014/NBA/00000006228
Registered Office:
Industrial Layout,
Aka Offot, Uyo, Akwa Ibom State.





Dr. Elijah Akpan
Chairman



Chairman's Statement

Distinguished shareholders, members of the Board of Directors, invited guests, ladies and gentlemen. It is with gratitude to God Almighty that I welcome you to the 44th Annual General Meeting of our Company, Champion Breweries Plc.

I am pleased to you that our dear Company has maintained momentum in the drive towards long term growth.

Let me now review major developments in the environment under which we operated.

The Business Environment in 2019

2019 witness a successful Presidential and National Assembly elections and swearing in of President Muhammadu Buhari GCFR in May 2019. The uncertainties and anxiety experienced due to the date shifts for the respective elections by the Independent National Electoral Commission and its impact to the economy and investors were indeed significant. However, the Government continued to do its best in restoring the confidence of a securing sovereignty and peaceful control of restive situations and protests with the strive to stabilize the economy.

The Nigerian economy growth was estimated at 2.3% in 2019, marginally higher than 1.9% in 2018. Growth was mainly in transport, an improved oil sector, and information and communications technology. Agriculture was hurt by sporadic flooding and by conflicts between herdsman and local farmers. Manufacturing continued to suffer

from a lack of financing. Final household consumption was the key driver of growth in 2019, reinforcing its 1.1% contribution to real GDP growth in 2018.

Our focus in breaking into new bounds within the South- South region was not easily achieved due to the harsh environment saddled with the uncertainty of being safe. We continued to invest on returned packaging materials, machineries and equipment in our brewery in order to increase our production and sales of our own brand portfolios within our market strength.

This increase in volume and production of our Champion Lager Beer brand and Champ Malta brands has made us remain tall in the market in the Akwa Ibom State axis amidst our competitors. We will not shy away from the fact that increased stiff competitors and huge cost in production and operations has remained a major challenge in the attainment of our sustainable goal.

Our investment in power generation by way of utilization of gas has begun to pay-off as significant savings have resulted as well as improved efficiency in our mode of operation in recent times.

The Board remained resolute in working with Management on strategies to grow the business and would lean on the shareholders' continuous support towards the capitalization of the Company for time to time.

Operating Results and Performance

The Company's results were positively impacted with the increase in production of sales of her brand portfolio in the reporting year. Revenue

grew from N4.8Billion to 6.9 Billion, operating profit changed it's narrative from a negative positive of 223 Million in 2018 to the positive position of 241 Million and the comprehensive profit was 96 million as against a loss of 165 Million in the previous year.

Board Matters

The Board has continued to work together in ensuring compliance with the provisions of good Corporate Governance and such related statutory provisions.

There has been changes in the composition of the Board following the resignation of Messrs. Hendrik van Rooijen and Marinus J. A. Gabriels which were duly accepted. They were replaced with the appointments of Messrs. Kevin Albert Santry and Frederik Williem Kurt respectively.

Kelvin Santry is the Regional Legal Counsel Africa Middle East to Heineken Group. He has provided Legal Support to various operating companies of Heineken globally. He joined the Heineken Group in 2008. Frederik Kurt alias 'Rick Linck' has had a successful career in Marketing and Leadership which has spanned for over 29 years. He joined the Heineken Group in 1995 and is currently the Managing Director Export Africa, Middle East and Central Asia.

We are confident that the inclusion of this Duo into the Board will increase the Board strength in achieving practical implementation of the decision going forward.

The Board uses this medium once again to thank Messrs. Hendrik van Rooijen and Marinus J. A. Gabriels for their contribution and immense support to the Company and wished him well in his future endeavors.

Also we announce to you that Mr. Patrick Ejidoh has retired as the Managing Director of the Company after three years at the helm of affairs of the Company and after a career spanning over 32 years. He has been duly replaced by Mr. Georgios I.



Chairman's Statement

Polymenakos effective January 6, 2020. He has over 20 years of management experience in FMCGs mostly in the Coca-Cola system, holding positions of Commercial Manager, General Manager and Managing Director. He is familiar with the Nigerian terrain since he was the MD of NBC for the last three years

Please join us in thanking Mr. Ejidoh for his contribution in the leadership of the Company under his stead whilst welcoming Mr. Polymenakos. The Board is rest assured that these changes will only lead the Company towards its aimed profitability and growth within a short while.

The Directors retiring by rotation in accordance with the Company's Articles of Association and Section 259 of the Companies and Allied Matters Act Cap C 20 Laws of the Federation of Nigeria 2004 are Mrs. Afolake Lawal, Mr. Samuel O. Onukwue and Mr. Thompson S. B. Owoka who being eligible, have offered ourselves for re-election.

Management Agreement

As you are aware, the Management Agreement between the Company and Raysun Nigeria Limited expired in December 31, 2018. Whilst short term renewals by way of Addendums to the Agreement were duly executed by both Parties, the Board duly engaged the services of Messrs. Bakertily in October 2019 to undergo a forensic audit of the performance of the said Agreement during its duration.

It is expected that findings from the exercise will suffice as key learnings for the Board to strategize with on the management and growth path of the Company in a sustainable manner.

Future Outlook

The COVID-19 pandemic has had far-reaching consequences beyond the spread of the disease and efforts to quarantine it. There have been widespread reports of supply shortages of pharmaceuticals and manufactured goods due to factory disruption in China, with many areas

seeing panic buying and consequent shortages of food and other essential grocery items. The restrictions on public gathering would remain a threat to our consumer market during the year.

We remain hopeful that efforts put in by the World Health Organization (WHO) and various Governments would lead to the management of the pandemic within a short while. We shall remain grateful to all our health and frontline workers for their priceless sacrifice in the fight towards saving human history from the pandemic.

However, being optimistic of a more secured and better economically stabled Country, we are convinced that the incoming year would more productive and beneficial to us all. We are approaching the tail-end of the negative results suffered by the Company over the years. This would certainly lead to larger returns shortly in a more stable terrain.

With the new leadership, we expect a rejuvenated workforce to assist in improving efficiency in our operations thereby reducing operating cost and increase in profitability.

The existing and new-tapped into territories would be more activated with our brands and unused production capacity in the brewery will be utilized to meet the growing demand and increase our market share.

I am happy to report that the Company is now on the path of profitability as demonstrated in these results. The Board will commence work on the establishment of Dividend Policy with an expectation of implementation within the soonest practicable time.

Conclusion

Highly esteemed Shareholders, the Directors remains thankful for your confidence, trust and unflinching support to the Board, Management and employees of the Company. We remain confident that your patience in your Investment will undoubtedly be positively rewarded in the nearest future.

The Board also expresses her appreciation to The Raysun Nigeria Limited, for the deployment of managerial services, improved technology, marketing standards and best practices in which the Company operates presently. We also thank our host Government, Akwa Ibom State, for the provision of a business-conducive environment to operate. We remain grateful to you, our esteemed shareholders and other stakeholders for being there.

Thank you and God Bless.

Dr. Elijah Akpan
CHAIRMAN



Directors' Report

For the year ended 31 December 2019

The Directors are pleased to present the annual report of Champion Breweries Plc ("the Company"), together with the independent auditor's report for the year ended 31 December 2019.

Legal Form and Principal Activity

The Company was incorporated in Nigeria as a limited liability company on 31 July 1974 and was later converted to a public limited liability company on 1 September 1992. The Company's principal activities continue to be brewing and packaging of Champion Lager Beer and Champ Malta as well as the provision of contract brewing services to Nigerian Breweries Plc, a related party within the Heineken group.

Operating Results

In 2019, the results of the Company, were favourably impacted by increased sales volume during the period. A summary of the Company's operating results is shown below:

	<u>2019</u> <u>N'000</u>	<u>2018</u> <u>N'000</u>
Revenue	6,927,177	4,763,757
Operating profit/(loss)	241,480	(223,784)
Profit/(loss) before tax	206,578	(255,433)
Income tax expense	(38,070)	(8,374)
Profit/(loss) after income tax	168,508	(263,807)
Other comprehensive (loss)/income, net of tax	(72,244)	98,759
Total comprehensive profit/(loss)	<u>96,264</u>	<u>(165,048)</u>

Dividend

The Directors did not recommend any dividend during the year (2018: Nil).

Board of Directors

The Directors are responsible for oversight of the business, long-term strategy and objectives, and oversight of the Company's risks. The Directors are also responsible for evaluating and directing the implementation of the Company's controls and procedures including, in particular, maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets.

Directors and their Interests

The names of directors who held office during the year as well as their interest in the issued shares of the Company as recorded in the Register of Members and/or notified by the Directors in compliance with Section 275 of the Companies and Allied Matters Act of Nigeria, Cap C.20, Laws of Federation of Nigeria, 2004 were as follows:

	<u>2019</u>	<u>2018</u>
	<u>Number of Ordinary Shares</u>	
Dr. Elijah Akpan (Chairman)**	-	-
Mr. Patrick Ejidoh (Managing Director)*	-	-
Mr. Marinus Gabriels (Dutch)**	-	-
Mr. Thompson Owoka**	500,000	500,000
Alhaji Shuaibu Ottan**	-	-



Directors' Report
For the year ended 31 December 2019

Mr. Olufunminiyi Alabi**	-	-
Mr. Hendrik van Rooijen (Dutch)**	-	-
Mrs. Afolake Lawal**	-	-
Mr. Samuel Onukwue**	-	-
Mr. Samson Aigbedo**	-	-
Mrs. Helen Umanah**	8110	8110
	<u>8110</u>	<u>8110</u>

*Executive Director

** Non-executive Director

In accordance with Section 277 of the Companies and Allied Matters Act Cap C.20 Laws of the Federation of Nigeria, 2004, none of the Directors notified the Company of any declarable interest in any contract in which the Company was involved during the year under review (2018: Nil).

Analysis of Shareholding

As at prior and current reporting dates, the Company's ordinary shares were held as follows:

Shareholders as at 31 December 2019

	<u>%</u>	<u>Ordinary shares Number '000</u>	<u>Share capital N '000</u>
The Raysun Nigeria Limited	60.4	4,729,434	2,364,717
Assets Management Nominee	12.3	961,863	480,932
Akwa Ibom Investment Corporation	10.0	786,225	393,112
Other shareholders.	17.3	1,351,974	675,987
	<u>100.0</u>	<u>7,829,496</u>	<u>3,914,748</u>

Shareholders as at 31 December 2018

	<u>%</u>	<u>Ordinary shares Number '000</u>	<u>Share capital N '000</u>
The Raysun Nigeria Limited	60.4	4,729,434	2,364,717
Assets Management Nominee	12.3	961,863	480,932
Akwa Ibom Investment Corporation	10.0	786,225	393,112
Other shareholders	17.3	1,351,974	675,986
	<u>100.0</u>	<u>7,829,496</u>	<u>3,914,748</u>

During the year, the Nigerian Stock Exchange (NSE) granted the Company additional two (2) years grace period to comply with the 20% free float requirements of the Exchange. This extension was subject to the Company holding a "facts behind the figures" session to brief the market of its plans to cure its free float deficiency; and submitting quarterly compliance reports to the Exchange. In order to comply with these conditions, the Board of Directors have initiated necessary steps as at reporting date to ensure that these conditions are met, and more importantly, that the free float deficiency is cured.

Property, Plant and Equipment

Information relating to movement in property, plant and equipment during the year is disclosed in Note 13 to the financial statements.



Donations and sponsorship

The Company gave donations and provided sponsorship during the year as follows:

	<u>2019</u>	<u>2018</u>
	<u>₦ '000</u>	<u>₦ '000</u>
Sponsorships of sports and tournaments	1,700	1,500
Sponsorships of carnivals and festivals	1,700	-
Scholarships to indigenes of host community	1,200	1,875
Grant to Awa Iman Youth Association for water solar project	1,000	-
Grants to labour unions and trade associations	700	-
Grants to UNIBEN and UNN alumni associations	500	-
Other donations individually below ₦200,000	1,080	-
	<u><u>7,880</u></u>	<u><u>3,375</u></u>

In accordance with Section 38(2) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Company did not make any donation or give gifts to any political party, political association or for any political purpose during the year (2018: Nil).

Business Review and Future

The Company intends to continue the fulfilment of its objectives as indicated in its Memorandum and Articles of Association.

Corporate Governance

The Directors are committed to ensuring that best practices in corporate governance are adopted in all areas of the Company's business. The Company's policies on corporate governance are continually reviewed with focus on high ethical standards of transparency, integrity, accountability and honesty. The Board continues to formulate policies aimed at creating a well-positioned Company that is keen on constantly harmonizing the interests of various stakeholders to the business.

In October 2019, the firm of Baker Tilly was contracted by the Board of directors to perform a full scale forensic audit covering the Company for the period of the Management Agreement between the Company and Raysun Nigeria Limited; a related party in order to determine the extent of implementation and adherence to the terms of the Management Agreement.

As at the reporting date, the review was still ongoing and yet to be completed. The Directors are of the view that the outcome of the forensic audit will be a tool for the Board to strategize on the management and growth path of the Company in a sustainable manner.

Code of Business Conduct

The Company has in place a Code of Business Conduct ('the Code') which provides guidance to all its users on the importance of high ethical values in sustainable business growth. The Code is subscribed to by all members of the Board of Directors and all employees of the Company.

Distribution of Company's Products

The Company's products are sold by distributors within the country. The list containing names of such distributors is available at the Commercial Department of the Company.



Employment and Employees

(a) Employment of physically-challenged persons

It is the policy of the Company that there should be no discrimination in considering applications for employment, including those from physically-challenged persons. All employees whether or not physically-challenged are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. There was no physically-challenged person in employment as at reporting date (2018: Nil).

(b) Employee training and consultation:

The Company is committed to keeping employees fully informed as far as possible regarding the Company's performance and seeking employees' views when necessary.

In-house and external training and development programs are organized for employees to meet the Company's growth strategy.

The Company continues to place premium on its Human Capital Development arising from the fact that this would ensure improved efficiency of the business and maintain strategic advantage over competition.

(c) Health, safety at work and welfare of employees

The Company maintains a clinic within the brewery which provide medical services to employees. Severe medical conditions are referred to designated hospitals whose services are retained by the Company through its health management organization. Such hospitals are located in areas within the convenient reach of employees.

The Company ensures that safety standards, procedures and regulations are in place in all locations of the Company through clear policies and employees are well informed about compliance with and development of safety regulations.

The Company has a canteen where employees are served good and nutritious meals on a daily basis.

Independent Auditors

KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as independent auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C.20, Laws of Federation of Nigeria, 2004 therefore, the independent auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

By Order of the Board

Chief Tosan Atle Aiboni

Company Secretary
FRC/2014/NBA/00000006228
18 February 2020





Board of Directors



**FROM LEFT
TO RIGHT:**

Mr. Frederik Williem Kurt
Director

Dr. Elijah W. Akpan
Chairman

Mr. Kevin Albert Santry
Director

Alhaji Shuaibu A. Ottan
Director

Mrs Helen A. Umanah
Director

Mr. Olufunminiyi Alabi
Director





**FROM LEFT
TO RIGHT:**

Mr. Georgios Polygmenakos
Managing Director

Mrs. Afolake Lawal
Director

Mr. Tosan Atle Aiboni
Secretary



Mr Samuel O. Onukwue
Director

Mr. Thompson S. B. Owoka
Director

Mr. Samson E. Aigbedo
Director





Board of Director's Profile

Dr. Elijah W. Akpan

is the Chairman of Champion Breweries Plc. He holds a Pharm. D (Doctor of Pharmacy) degree from the University of Southern California (1993). He joined the Board of Champion Breweries in October 2015 sequel to his appointment as Chairman of Akwa Ibom Investment Corporation.

Dr. Akpan is In-charge of all Investments and Businesses wholly or partially owned by the Akwa Ibom State Government. He currently serves on several Boards representing the interest of Akwa Ibom State Government..

He is a member/fellow of numerous professional and chartered bodies as well as a recipient of various Honours.

He joined the Board on 22nd October 2015.



Mr. Georgios Polygmenakos

is the Managing director of Champion Breweries. He carries 22 years of experience in FMCGs mostly in Coca-Cola system but also in Snacks & Confectionery and Premium Spirits.

He started his carrier sales and marketing and for the last 10 years he held GM/MD positions in Russia and Nigeria. In Nigeria he was MD of NBC. He has BSc in Business Administration and MBA from University of Wales.

He joined the company on January 6, 2020.



Mrs. Afolake Lawal

is a Non-Executive Director of Champion Breweries Plc. She was awarded with a degree of Bachelor of Law with Honours, upper second class from Anglia Ruskin University, Cambridge U.K., She also holds a Master of Science degree in Corporate Governance and Finance from the Liverpool John Moores University, Liverpool U.K. and a Master's degree in International Law and Diplomacy from the University of Lagos.

An Alumnus of Obafemi Awolowo University with B.A. (Hons) in English, She is a member of the Nigerian Bar Association and the Institute of Directors, a fellow of the Institute of Capital Market Registrars, a Certified Pension Practitioner, Women Corporate Directors (Nigeria Chapter) and an associate member of the National Institute of Marketing of Nigeria (NIMN).

She is a member of numerous Boards in various companies and is the founder and Managing Partner of Imperial Law Office.

She Joined the Board of Champion Breweries Plc in October 2018.



Mr. Olufunmiyi Alabi

is a Non- Executive Director of Champion Breweries Plc. He possesses a Bachelor's degree in Food Technology from the University of Ibadan (1981).

Mr. Alabi has over 32 years' experience in Human Resource Management, mostly in multinational companies. He commenced his Human Resources career in 1982 at the Industrial Training Fund as Training Development Officer, further worked in various capacities at FrieslandCampina WAMCO Nigeria Plc and retired from Nigerian Breweries Plc.

He joined the Board of Champion Breweries Plc in 2016.





Mr. Thompson S. B. Owoka

Mr. Thompson S. B. Owoka is a Non-Executive Director of Champion Breweries Plc. He holds a Higher National Diploma in Accountancy from Yaba College of Technology, Lagos (1986) and is a Fellow of the Institute of Chartered Accountant of Nigeria (ACA 1989 and FCA 1999).

Mr. Owoka retired as a Public Affairs Manager of Nigerian Breweries in 2015. He was the Acting Managing Director of Champion Breweries and Executive Director of Sona Breweries and currently seats on numerous Boards which includes SuperBru Ltd, Jos International Breweries and West African Glass Industries Plc, Covenant University e.t.c.

He joined the Board of Champion Breweries Plc in 2000.



Mr. Kevin Albert Santry

is a Non-Executive Director of Champion Breweries Plc.

He is currently the Regional Legal Counsel Africa Middle East to Heineken Group. He has provided Legal Support to various operating companies of Heineken globally and joined the Heineken Group in 2008.

His appointment as a Director is effective January 1, 2020.



Alhaji Shuaibu A. Ottan

is an Independent Non-Executive Director of Champion Breweries Plc. He holds a Bachelors degree in Economics from Ahmadu Bello University, Zaria (1980). His work experiences include Commercial Officer, Kwara Ministry of Commerce and Industry and the Nigerian Industrial Development Bank Limited (now Bank of Industry) where he worked for 31 years before his retirement in June 2013 as Head of Southern Operations of the Bank's SME Directorate. Alhaji Ottan is currently engaged in the provision of business development and consulting services in the areas of Project Management, Fund Sourcing, Insolvency and Manpower Development as the Chief Executive Officer of First Fiducia Projects Limited. He also chairs the Board of Directors of Powersave Engineering Company Limited and Shaybis Nigeria Limited which are notable players in power conservation and renewable energy businesses in Nigeria.

He joined the Board of Champion Breweries Plc on 14 February 1998.



Mr. Samson E. Aigbedo

is a Non-Executive Director of Champion Breweries Plc. He holds a Bachelors degree in Biochemistry from the University of Ilorin, Nigeria (1981). He joined Heineken in 1982 in the Technological and Production Department, where he held several roles with increasing responsibility within the supply chain division until his retirement in 2019.

He joined the Board of Champion Breweries Plc in December 2015.





Mr. Samuel O. Onukwue

is a Non-Executive Director of Champion Breweries Plc. He holds a Higher National Diploma in Accountancy from Yaba College of Technology, Lagos (1984), an MBA in Banking and Finance from the University of Lagos (1994) and an MSc in Corporate Governance from Leeds Metropolitan University, UK (2007). He is also a Fellow of the Institute of Chartered Accountant of Nigeria (2000).

Mr. Onukwue has extensive work experience in banking and financial services sectors where he served at senior and executive management positions. He is currently the Managing Director of Mega Equities Limited, a dealing member of the Nigerian Stock Exchange and serves on Boards of some listed and private companies. He is also the current Treasurer of Association of Stockbroking Houses of Nigeria.

He joined the Board of Champion Breweries Plc in 2012.



Mrs. Helen A. Umanah

is a Non-Executive Director of Champion Breweries. She has performed various roles in the Petroleum industry and diplomatic community within Nigeria and abroad. She was a shareholder member of the Audit Committee of Champion Breweries till May 2015.

Mrs. Umanah joined the Board of Champion Breweries Plc in December 2015 duly representing minority shareholders.



Mr. Frederik Williem Kurt

is a Non-Executive Director of Champion Breweries Plc. He possess a Master's Degree Business in Economics (Major in Marketing) from the Erasmus University, Rotterdam, Netherlands.

Mr. Kurt has had a successful career in Marketing and Leadership which has spanned for over 29 years. He joined the Heineken Group in 1995 and is currently the Managing Director Export Africa, Middle East and Central Asia.

His appointment as a Director of the Company is effective January 1, 2020.



Chief Tosan Atle Aiboni

was appointed as Company Secretary/ Legal Adviser on 13 June 2013. He was called to the Nigerian Bar in 2002.

He worked in the Public sector as Senior Legal Officer (National Commission for Museums & Monuments). He later moved into private practice as a Partner of a private legal firm (Victoria Chambers). He also worked at the legacy Consolidated Breweries Plc as the Legal Manager, appointed as the Company Secretary/Legal Adviser of Benue Bottling Company Limited and became the Legal Manager – Operations of Nigerian Breweries Plc (sequel to the merger between Consolidated Breweries Plc and Nigerian Breweries Plc in 2015).

Chief Tosan Aiboni has gone back into private practice and rejoined Victoria Chambers as the current Managing Partner.





Corporate Governance Report

Champion Breweries Plc adopts a responsible attitude towards corporate governance. The Board is in compliance with the Code of Corporate Governance for Public Companies in Nigeria ("the Code") release by the Securities & Exchange Commission in 2011. The Board endeavors to ensure that the Company is in compliance with the provisions of the Code or disclose our inability to comply. The Board convened the minimum required number of meetings as provided by the Code.

The Board of Directors

The Board comprises of Nine Non-Executive Directors, One Independent Non-Executive Director and One Executive Director. The Directors held four Board meetings in the year under review. Details of the meetings are as follows:

- February 27 2019
- May 9 2019
- October 10 2019
- December 12 2019

The record of attendance of members at the meetings is set out below:

Name	No. of Meetings Held	No. of Meetings Attended
Dr. Elijah W. Akpan	4	4
Mr. Patrick A. Ejidoh	4	4
Mr. Georgios Polygmenakos**	-	-
Mr. Samson Aigbedo	4	4
Mr. Olufunminiyi Alabi	4	4
Mr. Marinus J. A. Gabriels	4	4
Mr. Frederik Williem Kurt**	-	-
Mrs. Afolake Lawal	4	4
Mr. Samuel O. Onukwue	4	4
Mr. Thompson S. B. Owoka	4	4
Alhaji Shuaibu A. Ottan	4	4
Mr. Hendrik van Rooijen***	4	4
Mr. Kevin Albert Santry**	-	-
Mrs. Helen Umanah	4	4

* During his/her tenure as a member of the Board

** Before he/she become a member of the Board

*** Represented by his/her Alternate

Board Committees:

- Governance/Remuneration Committee:** The Committee comprises of five Non-Executive Directors. The Governance/Remuneration Committee held three meetings in the year under review. Details of the meetings are as follows:

- February 27 2019
- October 10 2019
- December 12 2019

The record of attendance of members at the meeting is set out below:

a)	Alhaji Shuaibu A. Ottan	3	3
b)	Mr. Olufunminiyi Alabi	3	3
c)	Mr. Samson Aigbedo	3	3
d)	Mr. Hendrik van Rooijen	3	3
e)	Mr. Samuel O. Onukwue	3	3
f)	Mr. Thompson S. B. Owoka	3	3

- Risk Management Committee:** The Committee comprises of five Non-Executive Directors and one Executive Director. The Risk Management Committee held three meetings in the year under review. Details of the meetings are as follows:

- February 27 2019
- October 10 2019
- December 12 2019

The record of attendance of members at the meeting is set out below:

Name	No. of Meetings Held	No. of Meetings Attended
a)	Mr. Samuel O. Onukwue	3
b)	Mr. Patrick A. Ejidoh	3
c)	Mr. Marinus J. A. Gabriels	3
d)	Alhaji Shuaibu A. Ottan	3
e)	Mrs. Helen Umanah	3
f)	Mrs Afolake Lawal	2*

* During his/her tenure as a member of the Committee



REGULATIONS FOR DEALING IN SHARES

Champion Breweries Plc has in place Regulations to guide the Board and other employees when effecting transactions in the Company's shares. The Company's Regulations for Dealing in Shares and other Securities provide amongst others, the periods when transactions are not allowed to be effected on the Company's shares as well as disclosure requirements upon effecting such transactions. All concerned are obliged to observe the provisions of the Regulations when dealing in the Company's shares.

COMPLAINT MANAGEMENT POLICY

In compliance with the requirements of the Securities & Exchange Commission's Rules Relating to the Complaints Management Framework of the Nigerian Capital Market issued on 16th February, 2015 and The Nigerian Stock Exchange Directive issued on 22nd April, 2015 to all listed Companies, the Company has put in place a Complaints Management Framework Policy.

INCORPORATION AND SHARE CAPITAL HISTORY

Champion Breweries was incorporated as a limited liability company on 31 July 1974 with a share capital of N=1,900,000 and was converted to a public limited liability company on 01 May 1992. The Company currently has an authorized share capital of N=4,500,000,000 comprising 9,000,000,000 ordinary shares of 50 kobo each, and an issued and fully paid shares amounts to N3,914,748,000 comprising 7,829,496,464 ordinary shares of 50 kobo each. The changes in the share capital of Champion Breweries since inception are summarized below:

Year	Authorized (N=)		Issued & Fully Paid-up (N=)		Consideration
	Increase	Cumulative	Increase	Cumulative	
1974	0	1,900,000	1,900,000	1,900,000	Cash
1976	550,000	2,450,000	220,007	2,120,007	Cash
1977	0	2,450,000	269,993	2,390,000	Cash
1978	4,050,000	6,500,000	2,392,344	4,782,344	Cash
1979	0	6,500,000	1,476,150	6,258,494	Cash
1981	8,500,000	15,000,000	13,129,247	19,387,741	Cash
1983	11,000,000	26,000,000	0	19,387,741	Cash
2001	424,000,000	450,000,000	0	19,387,741	Cash
2003	1,550,000,000	2,000,000,000	430,612,259	450,000,000	Cash
2014	2,500,000,000	4,500,000,000	3,150,000,000	3,600,000,000	Cash

As at 31 December 2019, the 7,829,496,464 ordinary shares of 50 kobo each in the issued share capital of Champion Breweries were beneficially held as follows:

S/N	NAME	HOLDING N000	%
1	RAYSUN NIGERIA LIMITED	4,729,434,301	60.41
2	ASSET MANAGEMENT NOMINEE A/C "Y"	961,863,600	12.29
3	AKWA IBOM STATE GOVERNMENT	786,224,765	10.04
4	Others Shareholders	1,351,973,798	17.26

5. DISCLOSURE OF INTEREST

The interests of the Directors of Champion Breweries in the issued share capital of the Company as at 31, December 2019 were as follows:

Name	2019	2018
Dr. Elijah W. Akpan	-	-
Mr. Patrick A. Ejidoh (<i>resigned 5/1/20</i>)	-	-
Mr. Georgios Polygmenakos (<i>appointed 6/1/20</i>)	-	-
Mr. Samson Aigbedo	-	-
Mr. Olufunminiyi Alabi	-	-
Mr. Marinus J. A. Gabriels (<i>resigned 31/12/19</i>)	-	-
Mr. Frederik Williem Kurt (<i>appointed 1/1/20</i>)	-	-
Mrs. Afolake Lawal **	-	-
Mr. Samuel O. Onukwue	-	-
Mr. Thompson S. B. Owoka	500,000	500,000
Alhaji Shuaibu A. Ottan	-	-
Mr. Hendrik van Rooijen (<i>resigned 31/12/19</i>)	-	-
Mr. Kevin Albert Santry (<i>appointed 1/1/20</i>)	-	-
Mrs. Helen Umanah	8,110	8,110

* During his/her tenure as a member of the Board ** After he/she become a member of the Board



Statement of Directors' Responsibilities

In relation to the financial statements for the year ended 31 December 2019

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of Federation of Nigeria, 2004 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

Signed on behalf of the Board of Directors by:

Dr. Elijah Akpan (Chairman)
FRC/2017/IODN/00000016127
18 February 2020

Georgios Polymenakos (Managing Director)
18 February 2020





Audit Committee's Report

For the year ended 31 December 2019

To the members of Champion Breweries Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004 ("the Act"), we, the members of the Audit Committee of Champion Breweries Plc, having carried out our statutory functions under the Act, hereby report that:

- (a) The scope and planning of internal audit for the year ended 31 December 2019 are satisfactory. The internal audit programmes reinforce the Company's internal control system;
- (b) The scope and planning of statutory independent audit for the year ended 31 December 2019 are satisfactory;
- (c) Having reviewed the independent auditors' management letter on accounting procedures and internal controls, we are satisfied with management's responses thereon;
- (d) The accounting and reporting policies for the year ended 31 December 2019 are in accordance with applicable regulatory requirements.

The independent auditors confirmed that the scope of their work was not restricted in any way.

Mr. Samuel Onukwue

FRC/2013/ICAN/00000018133

Dated this 18 February 2020

Members of the Audit Committee

Mr. Samuel Onukwue

Mr. Thompson Owoka

Mr. Godwin Anono

Mr. Olayemi Olatunde

Chairman/Director

Member/Director

Member/Shareholder

Member/Shareholder

Independent Auditor's Report

To the Shareholders of Champion Breweries Plc



KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234(1) 271 8955
234(1) 271 8599
Internet www.kpmg.com/ng

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Champion Breweries Plc (the Company), which comprise the statement of financial position as at 31 December, 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 28 to 66.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Key Audit Matters

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

a. Recognition of deferred tax assets

Refer to accounting estimates and judgment (Note 2(b)), accounting policy on deferred tax (Note 3k(ii)) and movement in deferred tax balances (Note 10(e)) on Pages 43 and 52 respectively of the financial statements

The key audit matter	How the matter was addressed in our audit
<p>The Company has recognized a deferred tax asset for deductible temporary differences and unused tax credits that it believes are recoverable.</p>	<p>Our audit procedures in this area included amongst others:</p>
<p>The recoverability of recognized deferred tax assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses.</p>	<ul style="list-style-type: none">- We assessed the components that gave rise to the deferred tax asset to determine whether they were valid in line with the requirements of the accounting standards and tax laws
<p>We have determined this to be a key matter, due to inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</p>	<ul style="list-style-type: none">- We obtained and evaluated the Company's plans for profitability and realization of the deferred tax asset, including reviewing the profit forecasts and the underlying data used in preparing the forecasts.- We challenged the key assumptions in the forecast by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions based on our knowledge of the industry and our understanding obtained during our audit.- We checked that relevant disclosures relating to significant judgments and estimates made, were in line with the requirements of the relevant accounting standards.

Other Information

The Directors are responsible for the other information. The other information comprises the corporate information, directors' report, statement of directors' responsibilities and other national disclosures, but does not include the financial statements and our audit 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.



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 IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with the Audit 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 also provide Audit 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.

From the matters communicated with Board of Directors and Audit 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 about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

Goodluck C. Obi, FCA
FRC/2012/ICAN/00000000442
For: KPMG Professional Services
Chartered Accountants
4 March 2020
Lagos, Nigeria





Statement of Financial Position

As at 31 December

	Notes	2019 N '000	2018 N '000
Assets			
Property, plant and equipment	13	7,742,400	7,533,632
Deferred tax assets	10(e)	901,470	898,809
Non-current assets		8,643,870	8,432,441
Inventories	14	702,810	739,277
Trade and other receivables	15(a)	885,989	1,090,183
Tax assets	10(c)	43,242	26,251
Prepayments	16	3,520	12,979
Cash and cash equivalents	17	701,952	185,879
Current assets		2,337,513	2,054,569
Total assets		10,981,383	10,487,010
Equity			
Share capital	18	3,914,748	3,914,748
Share premium	19(a)	519,100	519,100
Other reserve	20	3,701,612	3,701,612
Accumulated loss		(103,664)	(199,928)
Total equity		8,031,796	7,935,532
Liabilities			
Employee benefits	21(a)	385,131	245,987
Non-current liabilities		385,131	245,987
Trade and other payables	22(a)	2,058,712	1,799,747
Provisions	23	505,744	505,744
Current liabilities		2,564,456	2,305,491
Total liabilities		2,949,587	2,551,478
Total equity and liabilities		10,981,383	10,487,010

These financial statements were approved by the Board of Directors on 13 February 2020 and signed on its behalf by:

Dr. Elijah Akpan (Chairman)
FRC/2017/IODN/00000016127
18 February 2020

Georgios Polymenakos (Managing Director) *
18 February 2020

Additionally certified by:

Adesina Liasu (Chief Finance Officer)
FRC/2015/ICAN/00000013237
18 February 2020

The notes on pages 33 to 66 are integral parts of these financial statements.

* The Financial Reporting Council (FRC) granted a waiver to the Managing Director to sign the financial statements without indicating any FRC registration number. His FRC number will be obtained in due course.



Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 N '000	2018 N '000
Revenue	6	6,927,177	4,763,757
Cost of sales	9(d)	(4,994,797)	(3,572,665)
Gross profit		1,932,380	1,191,092
Other income	7	56,256	48,684
Selling and distribution expenses	9(d)	(777,504)	(529,076)
Administrative expenses	9(d)	(942,787)	(961,789)
Operating profit/(loss) before credit impairment charges		268,345	(251,089)
Impairment (loss)/gain on trade receivables	25(a)	(26,865)	27,305
Operating profit/(loss)		241,480	(223,784)
Finance income	8	-	14,193
Net finance income		-	14,193
Profit/(loss) before minimum tax		241,480	(209,591)
Minimum tax	11	(34,902)	(45,842)
Profit/(loss) before tax	9(a)	206,578	(255,433)
Income tax expense	10(a)	(38,070)	(8,374)
Profit/(loss) for the year		168,508	(263,807)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit liability, net of tax	21(c)	(72,244)	98,759
Other comprehensive (loss)/income, net of tax		(72,244)	98,759
Total comprehensive income/(loss)		96,264	(165,048)
Earnings per share			
Basic and diluted earnings per share (kobo)	12	2	(3)

The notes on pages 33 to 66 are integral parts of these financial statements.



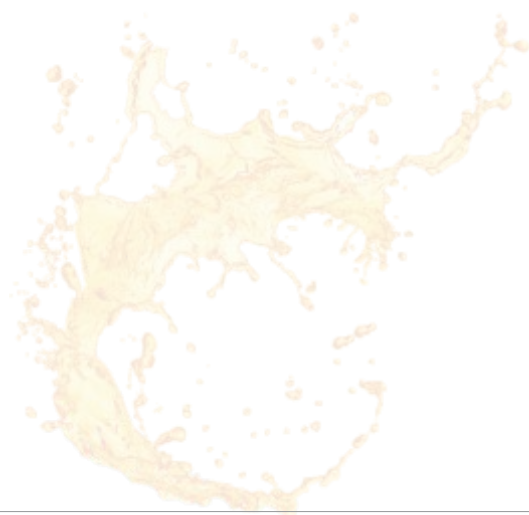
Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital	Share premium	Accumulated loss	Other reserve	Total equity
	M '000	M '000	M '000	M '000	M '000
1 January 2018	3,914,748	9,093,779	(8,609,559)	3,701,612	8,100,580
Capital re-structuring*	-	(8,574,679)	8,574,679	-	-
Total comprehensive income					
Loss for the year	-	-	(263,807)	-	(263,807)
Other comprehensive income	-	-	98,759	-	98,759
Total comprehensive income	-	-	(165,048)	-	(165,048)
31 December 2018	3,914,748	519,100	(199,928)	3,701,612	7,935,532
Total comprehensive income					
Profit for the year	-	-	168,508	-	168,508
Other comprehensive loss	-	-	(72,244)	-	(72,244)
Total comprehensive income	-	-	96,264	-	96,264
31 December 2019	3,914,748	519,100	(103,664)	3,701,612	8,031,796

* See Note 19

The notes on pages 33 to 66 are integral parts of these financial statements.





Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 M '000	2018 M '000
Cash flows from operating activities			
Profit/(loss) for the year		168,508	(263,807)
Adjustments for:			
Finance income	8	-	(14,193)
Tertiary education tax	10(c)	18,059	8,374
Nigeria Police Trust Fund levy	10(c)	9	-
Deferred tax	10(a)	31,336	-
Minimum tax	11	34,902	45,842
Defined benefit obligation charge	21(a)(i)	54,130	73,614
Long service award charge	21(a)(ii)	12,497	5,151
Depreciation of property, plant and equipment	13	912,823	710,705
Write-off of property, plant and equipment		-	19,436
Gain on sale of property, plant and equipment		(637)	-
		<u>1,231,627</u>	<u>585,122</u>
Changes in:			
Inventories		36,467	(146,510)
Trade and other receivables	15(b)	179,806	107,792
Prepayments		9,459	(3,371)
Trade and other payables	22(b)	476,578	790,464
Cash generated from operating activities		<u>1,933,937</u>	<u>1,333,497</u>
Value added tax paid		(252,515)	(148,385)
Defined benefit obligation paid	21(a)(i)	(22,522)	(10,968)
Long service awards paid	21(a)(ii)	(11,202)	(2,404)
Tax paid	10(c)	(10,671)	(29,286)
Net cash generated from operating activities		<u>1,637,027</u>	<u>1,142,454</u>
Cash flows from investing activities			
Interest received	8	-	14,193
Proceeds from sale of property, plant and equipment		637	-
Acquisition of property, plant and equipment	13	(1,121,591)	(1,282,049)
Net cash utilised in investing activities		<u>(1,120,954)</u>	<u>(1,267,856)</u>
Cash flows from financing activities			
Net cash generated from financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		516,073	(125,402)
Cash and cash equivalents at 1 January		185,879	311,281
Cash and cash equivalents at 31 December		<u>701,952</u>	<u>185,879</u>

The notes on pages 33 to 66 are integral parts of these financial statements.



Notes to the Financial Statements

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1 Reporting entity

Champion Breweries Plc ('the Company') was incorporated in Nigeria as a limited liability company on 31 July 1974 and was later converted to a public limited liability Company on 1 September 1992. The address of the Company's registered office is Industrial Layout, Aka Uffot, Uyo, Akwa Ibom State, Nigeria.

The Company is involved in the brewing and marketing of Champion Lager Beer and Champ Malta. The Company also provides contract brewing and packaging services to Nigerian Breweries Plc, a related party within the Heineken group.

2 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were authorised for issue by the Board of Directors on 13 February 2020.

(a) Functional and presentation currency

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

(b) Use of judgement and estimates

In the preparation of these financial statements, management has made estimates and assumptions that affect the application of the Company's accounting policy and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 23 - Measurement and disclosures of provisions:

- Likelihood and magnitude of an outflow of resources, and
- Extent of disclosures made on provisions.

Note 3(f) - Application of an appropriate Expected Credit Loss (ECL) methodology

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 21 - Measurement of employee benefits: key actuarial assumptions.

Note 25 - measurement of ECL allowance for trade receivables: key assumptions in determining the weighted average loss rate.

Note 10(e) - Recognition of deferred tax assets: availability of sufficient future taxable profit against which unutilised tax losses and unutilised capital allowance can be used.

Note 23 - Recognition and measurement of provisions:

- Key assumptions about the likelihood and magnitude of an outflow of resources, and
- Extent of disclosures made on provisions and contingencies.

- Note 11 - Uncertainty over income tax and deferred taxes: transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(c) Measurement of fair values

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair values is included in the Note 25 - Financial instruments - Fair values and financial risk management

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following.

<u>Item</u>	<u>Basis of measurement</u>
Non-derivative financial instrument at FVTPL	Fair value
Employee benefits	Present value of defined benefit obligations
Inventories	Lower of cost and net realizable value

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated:

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Naira at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Naira at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Naira at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

(b) Financial instruments**(i) Recognition and initial measurement**

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.



- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and Subsequent measurement

All financial assets and liabilities are initially recognized at fair value, which is usually the transaction price including, where appropriate, transaction costs, with the exception of trade receivables without a significant financing component, which are measured at their transaction price, determined in accordance with the Company's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification as follows:

- Financial assets measured at fair value through profit or loss (FVTPL)

Non-equity financial assets are classified at fair value through profit or loss if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realizes them through sale. Such assets are re-measured to fair value at the end of each reporting period. Gains and losses arising from re-measurement are taken to profit or loss, as are transaction costs.

- Financial assets measured at FVOCI

Non-equity financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realizes some through sale and some by holding them to maturity. They are recognized initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period they are re-measured to fair value, with the cumulative gain or loss recognized in other comprehensive income and in the fair value reserve, except for the recognition in profit and loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gain and losses. When these assets are derecognized, the cumulative gain or loss is reclassified from equity to profit or loss.

- Financial assets measured at amortized cost (AC)

Financial assets are held at amortized cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.

These assets are measured at amortized cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortized cost (i.e. gross carrying amount less loss allowance). Interest income is included in finance income.

Financial assets – Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:



Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets – Subsequent measurement; gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c) Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment**(i) Recognition and measurement**

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If significant part of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The cost of routine maintenance of property, plant and equipment is recognised in profit or loss when incurred.

(iii) Derecognition

The carrying amount of disposed items of property, plant and equipment are derecognised. Any gain or loss on sale of an item of property, plant and equipment is recognised in profit or loss.

(iv) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values on a straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Capital work-in-progress is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives of property plant and equipment for current and comparative periods are as shown below:

Leasehold land	99 years
Buildings	15 to 40 years
Plant and machinery	5 to 30 years
Furniture and fittings:	3 to 5 years
Motor vehicles:	
- Cars and trucks	5 years
- Forklifts	5 years
Returnable packaging materials:	
- Bottles	5 years
- Crates	8 years



(c) Measurement of fair values

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

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory includes expenditure incurred in acquiring the inventory, production or conversion costs incurred in bringing them to their existing location and condition. Cost incurred on each product is based on:

Raw and packaging materials - weighted average including transportation costs

Work-in-process - weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Engineering spares - purchase cost on a weighted average cost basis, including transportation and clearing costs

(f) Impairment

(i) Non-derivative financial assets

Financial instrument

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs. The ECLs for trade and other receivables 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 current as well as the forecast direction of conditions at the reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company has identified the change in annual GDP to be the most relevant factor and accordingly adjusts the historical loss rates if a significant change in GDP is expected within the next 12 months.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.



Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

(ii) Defined contribution plans

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as personnel expense in the periods during which services are rendered by employees.

Under this scheme, employees contribute 8% of their basic salary, transport and housing allowances to a fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances to the fund.



Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Defined benefit plans

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed annually by Alexander Forbes Consulting Actuaries Nigeria Limited (FRC/2016/NAS/00000013781) using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits (Long service awards)

The Company's net obligation in respect of long-term employee benefits 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. Remeasurements are recognised in profit or loss in the period in which they arise.

(v) Termination benefit

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

(h) Provisions and contingent liabilities

Provisions

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

In determining the amount of provisions to be recognised, the Company takes into account the impact of exposures and whether additional fines and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing provisions; such changes to provisions will impact profit or loss in the period that such determination is made.

Contingent liabilities

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligations is neither a provision nor a contingent liability and no disclosure is made.

(i) Revenue

The Company principally generates revenue from the sale and delivery of its product as well as from contract brewing and packaging services. Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a goods or services to a customer.

Nature and timing of satisfaction of performance obligation, including significant payment terms
Customer gain control of goods when the goods have been delivered and accepted at their premises or when the goods are picked up by the customer. Invoices are generated at that point in time. Invoices are usually payable within 30 days. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenue recognition under IFRS 15

(a) Product Sales

The sale and delivery of products are identified as one performance obligation and are not separately identifiable. Revenue from product sales is recognised when the goods are delivered and have been accepted by customers at their premises or when the goods are picked up by the customer.

(b) Contract brewing and packaging

The brewing and packaging of products are identified as one performance obligation and are not separately identifiable. The Company recognises revenue when the customer takes possession of the goods. This usually occurs when the customer picks it up from the Company's premises and signs the waybill.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

(j) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

**(k) Income tax**

Income tax expense comprises current tax (Company Income Tax, Tertiary Education Tax and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unutilised tax losses, unutilised 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 used. Future taxable profits are determined based on business plans.

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 realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Company:

(a) has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(l) Minimum tax

The Company is subject to the Finance Act of 2020 which amends the Company Income Tax Act (CITA). Total amount of tax payable under the Finance Act is determined based on the higher of two components; Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined based on of 0.5% of qualifying Company's turnover less franked investment income). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The liability is recognised under trade and other payables in the statement of financial position.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as Minimum tax.

(m) Earnings per share

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

(n) Leases

The Company has adopted IFRS 16 using the modified retrospective approach. The application of IFRS 16 however, did not have any effect on amounts and disclosures reported in these financial statements.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.



At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.



Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including its generator equipment rental, and property rental for key management personnel. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company is not a lessor in any lease arrangement.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

An arrangement conveyed the right to use the asset if one of the following was met:

- * the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- * the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- * facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Based on this assessment, the Company's leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(o) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in items on the statement of financial position that have not resulted in actual cash flows are eliminated. Interest received is included in investing activities.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for monitoring, allocating resources and assessing performance of the operating segments and has been identified as the Board of Directors of Champion Breweries Plc.

4 Standards and interpretations

(i) Standards issued but not yet effective.

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2020 and early application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

These include the following standards and interpretations that are applicable to the business of the Company but are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8).

(ii) Standards and interpretations effective during the year.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Those applicable to the Company include:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

5 Changes in significant accounting policies

Except as noted below, the Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The Company has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of 1 January 2019. These standards do not have a material effect on the Company's financial statements.

(a) IFRS 16 Leases

The Company has adopted IFRS 16, "Leases" as issued by the IASB in July 2014 with a date of transition of 1 January 2019, which resulted in changes in accounting policies.

The Company adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is to be recognised in retained earnings at 1 January 2019. However, the adoption of the standard did not have any effect on the Company's financial statements and as such, retained earnings at 1 January 2019 was not adjusted in these financial statements.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Company is only a lessee as at the reporting date. As a lessee, the Company leases property for its key management personnel (KMP) and a gas generator equipment to power the brewery. The Company previously classified its leases as operating leases based on its assessment that the lease do not transfer significantly all of the risks and rewards incidental to ownership of the underlying assets to the Company. Under IFRS 16, the Company should recognise right-of-use assets and lease liabilities. However, the Company used a practical expedient when applying IFRS 16 to its leases. In particular, the Company did not recognise right-of-use asset and liability for the generator lease and property rental for KMP as the leases terms ends within 12 months of the date of initial application.

For the leases that were classified as finance lease under IAS 17, the carrying amount of the right of use asset and the lease liability at 1 January 2019 is determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(b) IFRIC 23 Uncertainty over income tax treatment

The Company has adopted IFRIC 23 for the first time in current year. The amendment clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments.

The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

6 Revenue	2019	2018
	N'000	N'000
Sale of goods	5,107,138	3,061,405
Contract brewing and packaging	1,820,039	1,702,352
	6,927,177	4,763,757
7 Other income	2019	2018
	N'000	N'000
Sale of scrap materials	8,445	4,543
Sale of by-products	46,300	34,964
Sale of packaging materials	874	9,177
Gain on sale of property, plant and equipment	637	-
	56,256	48,684

8 Finance income

Finance income represents interest income on bank deposits. The Company earned no interest on bank deposits during the year (2018: ~~N~~14.1 million).

9 Profit before tax

(a) Profit before tax is stated after charging the following amounts:

	2019	2018
	N'000	N'000
Depreciation of property, plant and equipment (Note 13)	912,823	710,705
Write off of property, plant and equipment	-	19,436
Personnel expenses (Note (9b))	875,968	999,787
Auditor's remuneration	18,542	16,125
Management fees (Note 24(a))	140,690	115,048
Directors' remuneration (Note 9(c))	50,867	53,010
Gain on sale of property, plant and equipment	637	-

(b) Personnel expenses

(i) Personnel expenses comprise:

	2019	2018
	N'000	N'000
Salaries and wages	617,344	663,376
Pension	28,163	28,116
Defined benefit obligation charge (Note 21(a)(i))	54,130	73,614
Long service awards charge (Note 21(a)(ii))	12,497	5,151
Other personnel related expenses	127,880	91,569
Medical fees	35,954	50,632
	875,968	912,458



Notes to the Financial Statements

(ii) The number of full time employees as at 31 December was as follows:

	<u>2019</u>	<u>2018</u>
	Number	Number
Production	90	77
Logistics	13	16
Sales and Marketing	39	31
Administration	21	19
	<u>163</u>	<u>143</u>

(iii) Employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

	<u>2019</u>	<u>2018</u>
	Number	Number
Below ₦1,200,000	25	26
₦ 1,200,001 – ₦ 1,400,000	9	20
₦ 1,400,001 – ₦ 1,600,000	19	25
₦ 1,600,001 – ₦ 1,800,000	22	26
₦ 1,800,001 – ₦ 2,000,000	24	14
₦ 2,000,001 – ₦ 2,500,000	37	12
₦ 2,500,001 – ₦ 3,000,000	9	8
₦ 3,000,001 – ₦ 3,500,000	6	4
₦ 3,500,001 – ₦ 4,000,000	3	-
₦ 4,000,001 – ₦ 4,500,000	4	6
₦ 4,500,001 – ₦ 5,000,000	2	-
Above ₦5,000,000	3	2
	<u>163</u>	<u>143</u>

(c) Directors remuneration

Directors' remuneration was as follows:

	<u>2019</u>	<u>2018</u>
	₦'000	₦'000
Directors' fees	7,965	6,585
Other remuneration	42,902	46,425
	<u>50,867</u>	<u>53,010</u>

Further analysed as follows:

	<u>2019</u>	<u>2018</u>
	₦'000	₦'000
Remuneration of non-executive directors	7,965	6,585
Remuneration of executive director	42,902	46,425
	<u>50,867</u>	<u>53,010</u>

The Directors' remuneration shown above includes amount paid or payable to:

	<u>2019</u>	<u>2018</u>
	₦'000	₦'000
Chairman	800	700
Highest paid director	<u>42,902</u>	<u>46,425</u>



Other directors received emoluments (excluding pension contributions) within the following ranges:

	2019	2018
	Number	Number
0 - ₦100,000	2	2
₦100,001 - ₦200,000	2	2
₦200,001 and above	5	5
	<u>9</u>	<u>9</u>

(d) Analysis of expenses by nature

	2019	2018
	₦'000	₦'000
Raw materials and consumables	1,697,674	1,161,290
Advertising and promotion	256,510	164,882
Depreciation of property, plant and equipment	912,823	710,705
Personnel expenses (Note 9(b))	875,968	912,458
Outsourced staff	219,956	87,329
Utilities	716,019	783,137
Short term leases	41,955	3,499
Repairs and maintenance	676,359	372,394
Management fee (Note 24(a))	140,690	115,048
Audit fee	18,542	16,125
Professional services	22,024	61,943
IT infrastructure	64,306	71,962
Transportation and accommodation	148,918	78,662
Excise duties	701,534	311,350
Security	23,477	26,501
Meetings and conferences	25,482	15,950
Insurance	12,526	17,312
PPE Write-off	-	19,436
Cleaning	14,318	26,430
Catering	86,068	65,890
Other expenses	59,939	41,227
Total cost of sales, marketing, distribution and administrative expenses	<u>6,715,088</u>	<u>5,063,530</u>
These expenses are further analysed as follows:		
Cost of sales	4,994,797	3,572,665
Selling and distribution expenses	777,504	529,076
Administrative expenses	942,787	961,789
	<u>6,715,088</u>	<u>5,063,530</u>

10 Taxation

(a) Income tax recognised.

Amounts recognised in profit or loss:

Current tax expense:

	2019	2018
	₦'000	₦'000
Tertiary education tax	18,059	8,374
Nigeria Police Trust Fund Levy (NPTF)	9	-
Withholding tax credit notes previously written off now recovered	(11,334)	-
	<u>6,734</u>	<u>8,374</u>

Deferred tax expenses:

- Origination and reversal of temporary differences	31,336	-
	<u>38,070</u>	<u>8,374</u>
- Amount recognised in other comprehensive income	<u>(33,997)</u>	<u>46,475</u>

(b) Reconciliation of effective tax rate

		<u>2019</u>		<u>2018</u>
	%	N'000	%	N'000
Profit/(Loss) before tax		206,578		(255,433)
Tax using domestic tax rate	30.0	61,973	30.0	(76,630)
Effect of tertiary education tax	2.0	4,132	(3.3)	8,374
Effect of NPTF Levy	0.0	6	-	-
Tax effect of:				
- tax incentives	(4.9)	(10,152)	3.4	(8,561)
- non-deductible expenses	6.9	14,181	(2.6)	6,658
- WHT credit notes recovered	(5.5)	(11,334)	-	-
Utilisation of previously unrecognised tax losses	(8.7)	(18,013)	-	-
Movement in recognised deductible temporary differences	(1.3)	(2,723)	(19.3)	49,359
Current year temporary differences for which no deferred tax has been recognised		-	(7.1)	18,013
Impact of transition adjustment		-	(4.4)	11,161
	<u>18.4</u>	<u>38,070</u>	<u>(3.3)</u>	<u>8,374</u>

(c) Movement in current tax assets

	<u>2019</u>	<u>2018</u>
	N'000	N'000
Balance beginning of the year	(10,909)	10,003
Tertiary Education Tax for the year	18,059	8,374
Nigeria Police Trust Fund levy for the year	9	-
Payment during the year	(10,671)	(29,286)
	<u>(3,512)</u>	<u>(10,909)</u>
Excess on withholding tax credit note utilized (Note 10(d))	<u>(39,730)</u>	<u>(15,342)</u>
Balance end of the year	<u>(43,242)</u>	<u>(26,251)</u>

(d) Movement in excess withholding tax credit notes

	<u>2019</u>	<u>2018</u>
	N'000	N'000
Balance beginning of the year	15,342	13,701
WHT credit notes received during the year	58,686	63,164
Withholding tax credit notes previously written off now recovered (Note 10(a))	11,334	-
WHT credit notes utilized during the year	(45,632)	(61,523)
Balance end of the year*	<u>39,730</u>	<u>15,342</u>

* This represents withholding tax credit notes submitted to the Federal Inland Revenue Service but yet to be utilised.

(e) Movement in deferred tax balances

	Balance as at 31 December				
	Net balance at 1 January	Recognised in profit or loss	Recognised in comprehensive income other	Deferred tax assets	Deferred tax liabilities
	€'000	€'000	€'000	€'000	€'000
2019					
Property, plant and equipment	441,481	282,732	-	2,392,375	(1,668,162)
Employee benefits	57,791	31,454	33,997	123,242	-
Trade and other receivables	42,994	11,021	-	54,015	-
Unutilised tax losses	356,543	(356,543)	-	-	-
Tax assets (liabilities)	898,809	(31,336)	33,997	2,569,632	(1,668,162)

	Balance as at 31 December				
	Net balance at 1 January	Recognised in profit or loss	Recognised in comprehensive income other	Deferred tax assets	Deferred tax liabilities
	€'000	€'000	€'000	€'000	€'000
2018					
Property, plant and equipment	441,481	-	-	2,166,304	(1,724,823)
Employee benefits	104,266	-	(46,475)	57,791	-
Trade and other receivables	42,994	-	-	42,994	-
Unutilised tax losses	356,543	-	-	356,543	-
Tax assets (liabilities)	945,284	-	(46,475)	2,623,632	(1,724,823)

(f) Unrecognised deferred tax asset

In prior year, the Company had unrecognised deferred tax asset of approximately €18.01 million arising mainly from unutilised tax deductible capital allowances on property, plant and equipment and unutilised tax losses. The deferred tax asset was not recognised in the financial statements due to the uncertainties relating to the amount and timing of future taxable profits. However, based on favourable reassessment of projected future taxable profits, all deferred taxes have been recognized in current year. The Company will continue to assess the recoverability of its deferred tax assets, and to ensure that only amount considered recoverable are recognised in the books and presented in the statement of financial position.



11 Minimum tax

Minimum tax in current year has been computed based on 0.5% of turnover in line with the finance act of 2020 and this amounts to ₦34.9 million. Minimum tax in prior year was computed based on the Company Income Tax Act (CITA) and this amounted to ₦46 million. See Note 22(a).

Uncertainty over income tax treatment

The Company computed minimum tax in current year based on the assumption that the new finance act will be applied retrospectively to the financial year ended 31 December 2019. If the law is applied prospectively, then additional minimum tax expenses may be incurred. This amount has not been recognised in these financial statements because the Company believes that the tax ruling on the applicability of the law would be favourable.

12 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on the profit of ₦169 million (2018: Loss of ₦264 million), attributable to ordinary shareholders and weighted average number of ordinary shares outstanding of 7,829,496,464 units (2018: 7,829,496,464) calculated as follows:

	<u>2019</u>	<u>2018</u>
	<u>₦'000</u>	<u>₦'000</u>
Profit/(loss) for the year	<u>168,508</u>	<u>(263,807)</u>
Weighted average number of ordinary shares		
in thousands of shares		
Issued ordinary shares at 1 January	<u>7,829,496</u>	<u>7,829,496</u>
Weighted average number of ordinary shares at 31 December	<u>7,829,496</u>	<u>7,829,496</u>
Basic and diluted earnings per share (kobo)	2	(3)

There were no potential dilutive ordinary shares during the year.

13 Property, plant and equipment

	Land N'000	Buildings N'000	Plant and Machinery N'000	Furniture and Fittings N'000	Motor vehicles N'000	Returnable Packaging N'000	Capital Work in Progress N'000	Total N'000
Cost								
1 January 2018	1,223,210	2,523,534	6,390,517	314,158	409,728	890,472	100,121	11,851,740
Reclassification	-	(12,996)	-	-	-	3,355	(3,355)	(12,996)
Additions	-	4,924	285,379	24,254	203,047	702,364	75,077	1,295,045
Write-off	-	-	(8,454)	-	-	(102,574)	-	(111,028)
31 December 2018	1,223,210	2,528,458	6,654,446	338,412	612,775	1,493,617	171,843	13,022,761
1 January 2019	1,223,210	2,528,458	6,654,446	338,412	612,775	1,493,617	171,843	13,022,761
Additions	-	43,269	241,614	44,993	-	791,715	-	1,121,591
Transfers	-	40,427	96,766	-	34,650	-	(171,843)	-
Disposals	-	-	-	(899)	(2,124)	-	-	(3,023)
31 December 2019	1,223,210	2,612,154	6,992,826	382,506	645,301	2,285,332	-	14,141,329
Accumulated Depreciation								
1 January 2018	269,110	755,892	3,091,697	246,617	302,137	204,563	-	4,870,016
Depreciation for the year	-	120,679	321,880	43,871	37,092	187,183	-	710,705
Write off	-	-	-	-	-	(91,592)	-	(91,592)
31 December 2018	269,110	876,571	3,413,577	290,488	339,229	300,154	-	5,489,129
1 January 2019	269,110	876,571	3,413,577	290,488	339,229	300,154	-	5,489,129
Depreciation for the year	-	121,231	384,886	27,549	84,805	294,352	-	912,823
Disposals	-	-	-	(899)	(2,124)	-	-	(3,023)
31 December 2019	269,110	997,802	3,798,463	317,138	421,910	594,506	-	6,398,929
Carrying amounts								
1 January 2018	954,100	1,767,642	3,298,820	67,541	107,591	685,909	100,121	6,981,724
31 December 2018	954,100	1,651,887	3,240,869	47,924	273,546	1,193,463	171,843	7,533,632
31 December 2019	954,100	1,614,352	3,194,363	65,368	223,391	1,690,826	-	7,742,400

(a) The Company had no authorised or contractual capital commitments as at the reporting date (2018: Nil).

(b) No borrowing costs were capitalised during the year (2018: Nil)

(c) None of the Company's assets are held as security pledge as at year end (2018: Nil)

**14 Inventories**

	<u>2019</u>	<u>2018</u>
	<u>€'000</u>	<u>€'000</u>
Raw materials	65,040	92,441
Finished products	81,990	69,714
Work-in-progress	80,725	46,187
Packaging materials	56,504	106,537
Engineering spares	418,551	424,398
	<u><u>702,810</u></u>	<u><u>739,277</u></u>

The amount of inventories recognised in cost of sales during the year was €1.69 billion (2018: €1.16 billion).

15 Trade and other receivables

(a) Trade and other receivables comprise:

	<u>2019</u>	<u>2018</u>
	<u>€'000</u>	<u>€'000</u>
Trade receivables	77,146	284,425
Withholding tax receivables	4,636	58,385
Amounts due from related parties (Note(24(a)))	784,801	741,443
Other receivables	19,406	5,930
	<u><u>885,989</u></u>	<u><u>1,090,183</u></u>

The Company's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 25.

(b) Reconciliation of changes in trade and other receivables included in the statement of cash flows

	<u>2019</u>	<u>2018</u>
	<u>€'000</u>	<u>€'000</u>
Changes in trade and other receivables in the statement of financial position	204,194	158,014
Changes in excess on withholding tax credit note utilized	(24,388)	(15,342)
Adjustment on initial application of IFRS 9, net of tax	-	(34,880)
Changes in trade and other receivables per statement of cash flows	<u><u>179,806</u></u>	<u><u>107,792</u></u>

16 Prepayments

Prepayments comprises:

	<u>2019</u>	<u>2018</u>
	<u>€'000</u>	<u>€'000</u>
Prepaid rent	2,380	2,558
Prepaid insurance	1,140	10,421
	<u><u>3,520</u></u>	<u><u>12,979</u></u>

17 Cash and cash equivalent

	<u>2019</u>	<u>2018</u>
	<u>€'000</u>	<u>€'000</u>
Cash in bank	701,952	185,879
	<u><u>701,952</u></u>	<u><u>185,879</u></u>

18 Share capital

	<u>2019</u> <u>N'000</u>	<u>2018</u> <u>N'000</u>
Authorised share capital		
(9,000,000,000 ordinary shares of 50k each (2018: 9,000,000,000 ordinary shares of 50k each))	<u>4,500,000</u>	<u>4,500,000</u>
Allotted, called-up and fully paid		
The movement in share capital during the year was as follows:		
Number of ordinary shares of 50k each in thousands of shares	<u>2019</u>	<u>2018</u>
1 January	<u>7,829,496</u>	<u>7,829,496</u>
31 December	<u>7,829,496</u>	<u>7,829,496</u>
Ordinary shares of 50k each	<u>2019</u> <u>N'000</u>	<u>2018</u> <u>N'000</u>
1 January	<u>3,914,748</u>	<u>3,914,748</u>
31 December	<u>3,914,748</u>	<u>3,914,748</u>

As at year end, the Company was not able to increase its free float (2018: increase from 17.2% to 17.3%). However, Raysun Nigeria Limited has accepted to sell some of its shares in the Company to minority shareholders through the Nigerian Stock Exchange (NSE) to gradually comply with the 20% free float requirement of the NSE. The Directors are also committed to achieving full compliance.

19 Share premium

(a) The movement in share premium reserve was as follows:

	<u>2019</u> <u>N'000</u>	<u>2018</u> <u>N'000</u>
Balance as at 1 January	519,100	9,093,779
Capital reorganization (Note 19(b))	-	(8,574,679)
Balance as at 31 December	<u>519,100</u>	<u>519,100</u>

(b) In 2018, the company embarked on a capital re-structuring scheme. The shareholders through a special resolution approved for the balance of ₦8,574,679,000 in the Company's Accumulated Loss account as at December 31, 2017 to be transferred to the Company's Capital Reduction Account (CRA). Consequently, the share premium account was reduced by the ₦8,574,679,000 in the CRA by writing off the losses of the Company in the CRA. Subsequently, the Company obtained court approval on 23 October 2018, Corporate Affairs Commission (CAC) approval on 6 December 2018, and a letter of no objection from the Financial Reporting Council of Nigeria (FRCN) on 19 December 2018. The Securities and Exchange Commission (SEC) was also duly notified of the capital restructuring scheme.

Upon approval, the Company reduced its accumulated loss and share premium account by ₦8,574,679,000.

20 Other reserve

On 1 January 2011 (date of transition to IFRS), the Company applied optional exemptions of deemed cost for measurement of property, plant and equipment. Other reserve was created to recognise differences between the carrying amounts and fair value of property, plant and equipment on the date of transition to IFRS.

21 Employee benefits

The Company has both a gratuity scheme and long service award for its employees. The Company operates an unfunded defined benefit scheme for its employees which is detailed below:

Gratuity benefit	Years of service
(i) Senior/Management staff	
7 weeks basic salary for each completed year of service	5<10 years
7 weeks of total emolument (Basic salary + Transport allowance + Housing allowance + Meal allowance) for each completed year of service.	10 years and above
(ii) Junior staff	
5 weeks basic salary for each completed year of service	5<10 years
7 weeks of total emolument (Basic salary + Transport allowance + Housing allowance + Meal allowance) for each completed year of service.	10 years and above
Long service awards	
1 month basic salary, N100,000 in lieu of gift item, plaque and 15 crates of Company's products	10 years
1.5 months basic salary, N120,000 in lieu of gift item, plaque and 20 crates of Company's products	15 years
2 months basic salary, N150,000 in lieu of gift item, plaque and 25 crates of Company's products	20 years

(a) Long term employee benefit

	2019	2018
	N'000	N'000
Present value of:		
- Defined benefit obligation (Note 21(a)(i))	346,115	208,266
- Long service award (Note 21(a)(ii))	39,016	37,721
	385,131	245,987

(i) Movement in the present value of the defined benefit obligation

	2019	2018
	N'000	N'000
1 January	208,266	290,854
Included in profit or loss		
Current service cost	19,865	30,082
Interest cost	34,265	43,532
	54,130	73,614



Included in other comprehensive income

Remeasurement loss / (gain)

Actuarial loss / (gain) arising from changes in:

- Economic assumptions	59,866	(160,405)
- Data changes	(598)	(4,870)
- Grade changes	74	71
- New entrant	-	2,162
- Demographic experience	2,599	2,914
- Salary increase	44,300	14,894
	106,241	(145,234)

Other

Payments	(22,522)	(10,968)
31 December	346,115	208,266

(ii) Movement in the present value of long service awards

	<u>2019</u>	<u>2018</u>
	<u>N'000</u>	<u>N'000</u>
1 January	37,721	34,974
Included in profit or loss		
Current service cost	3,486	3,431
Interest cost	5,095	5,432
Remeasurement loss / (gain)		
Actuarial loss / (gain) arising from changes in:		
- Change in economic assumptions	4,806	(1,095)
- Benefit increase	202	5,294
- Benefit due	(424)	-
- Static Data	(162)	(2,521)
- Grade changes	(20)	-
- Salary increase	1,206	(300)
- Demographic assumptions	(1,692)	(5,090)
	<u>12,497</u>	<u>5,151</u>
Other		
Payments	(11,202)	(2,404)
31 December	39,016	37,721

(b) The expense is recognised in the following line items in the statement of profit or loss:

	Cost of sales		Administrative		Total	
	2019	2018	2019	2018	2019	2018
	N'000	N'000	N'000	N'000	N'000	N'000
Defined benefit obligation	28,148	38,279	25,982	35,335	54,130	73,614
Long service awards	6,498	2,679	5,999	2,472	12,497	5,151
Pension	14,645	14,620	13,518	13,496	28,163	28,116
	49,291	55,578	45,499	51,303	94,790	106,881

(c) Actuarial loss/(gain) recognised in other comprehensive income is analysed as follows:



	2019			2018		
	Before tax N'000	Tax N'000	After tax N'000	Before tax N'000	Tax N'000	After tax N'000
Defined benefit obligation	106,241	(33,997)	72,244	(145,234)	46,475	(98,759)
Actuarial loss/(gain)	106,241	(33,997)	72,244	(145,234)	46,475	(98,759)

Actuarial assumptions

Principal economic actuarial assumptions at the reporting date (expressed as weighted averages):

	2019	2018
Discount rate	13.3%	15.8%
Future salary increase rate	10.0%	10.0%
Average inflation rate	9.5%	13.9%

These assumptions depicts managements estimate of the likely future experience of the Company.

At 31 December 2019, the weighted-average duration of the defined benefit obligation was 8 years (2018: 7 years)

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates on A1949/52 tables published jointly by the Institute and Faculty of Actuaries in the UK.

It is assumed that all employees covered by the defined end of service benefit scheme would retire as follows:

- Junior staff- 55 years
- Senior staff- 60 years

(d) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions constant would have affected the defined benefit obligation by the amounts shown below.

		Defined benefit obligation N'000	Long service award N'000
Discount rate	+1%	26,148	1,462
	-1%	(29,659)	(1,576)
Future salary increase rate	+1%	(31,430)	-
	-1%	28,062	-
Mortality rate	+1%	(286)	65
	-1%	261	(57)
Gift Benefit	+1%	-	(1,515)
	-1%	-	1,431

Sensitivity to each actuarial assumption was determined while other assumptions were held constant. There has not been a change from the sensitivity approach adopted in prior years. Although the analysis does not take account of the full distribution of cash flows expected

under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

(e) Short term employee benefits

Balance on the pension payable account represents the amount due to the Pension Fund Administrators which was yet to be remitted as at the year end. The movement on this account during the year was as follows:

	<u>2019</u>	<u>2018</u>
	<u>₹'000</u>	<u>₹'000</u>
1 January	9,748	5,474
Charge for the year	28,163	28,116
Remittances	(33,096)	(23,842)
31 December (included in trade and other payables)	<u>4,815</u>	<u>9,748</u>

22 Trade and other payables

(a) Trade and other payables comprise:

	<u>2019</u>	<u>2018</u>
	<u>₹'000</u>	<u>₹'000</u>
Trade payables	796,288	851,911
Liabilities for Returnable packaging materials	273,811	244,078
Accrued expense	308,906	193,998
Non-CIT liabilities	129,676	89,480
Minimum tax liabilities (Note 11)	34,902	45,842
Amounts due to related parties (Note 24(a))	515,129	374,438
	<u>2,058,712</u>	<u>1,799,747</u>

(b) Reconciliation of changes in trade and other payables included in the statement of cash flows

	<u>2019</u>	<u>2018</u>
	<u>₹'000</u>	<u>₹'000</u>
Movement in trade and other payables in the statement of financial position	258,965	687,921
Value added taxes paid	252,515	148,385
Minimum tax for the period	(34,902)	(45,842)
Changes in trade and other payables per statement of cash flows	<u>476,578</u>	<u>790,464</u>

23 Provisions

Provisions represent the Directors' best estimate of the amount of resources embodying economic benefits that may be required to settle regulatory-related exposures. Further disclosures are not provided in respect of these exposures because doing so may have unfavourable impacts on the Company's position.

There was no movement in the provisions during the year.

24 Related parties

(a) Parent company and other related entities

The Company's parent company is The Raysun Nigeria Limited which owns approximately 60% of the Company's share capital as at reporting date. Heineken N.V. is the ultimate parent company of Champion Breweries Plc.

The Company had transactions with its parent and other entities who are related to the Company by virtue of being members of the Heineken Group. The transaction value and amounts due from /(to) related parties by the nature of the transaction are shown below:

	Transaction value		Balance due from	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Amount due from related parties				
Contract Packaging:				
-Nigerian Breweries Plc	1,820,039	1,702,353	784,801	741,443
	1,820,039	1,702,353	784,801	741,443
	Transaction value		Balance due from	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Amount due to related parties				
Management fee:				
-The Raysun Nigeria Limited	140,690	115,048	(515,129)	(374,438)
Purchases:				
-Nigerian Breweries Plc	255,986	617,873	-	-
	396,676	732,921	(515,129)	(374,438)

Management fees relates to consideration paid to its parent company – Raysun Nigeria Limited for the provision of finance, marketing and general management services to the Company's operation. This fee is a 2% charge of the Company's gross revenue.

(b) Key management personnel

Key management are the directors of the Company. They have the authority and responsibility for planning, directing and controlling the activities of the entity. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	N'000	N'000
Short-term employee benefits	42,902	46,425
Post-employment benefits	-	-
	42,902	46,425

25 Financial instruments- financial risk management and fair values

Financial risk management

The following risk exposures are inherent in the Company's use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.



Risk management framework

The Company has a Risk Management Committee which is responsible for developing and monitoring the Company's risk management policies which are established to identify and analyse the risks faced by the Company, to set appropriate risk limit and controls, and 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.

The Risk Management Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and Risk Management Committee.

(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 related parties.

The carrying amount of financial assets represents maximum credit exposure of the Company.

	<u>2019</u> <u>€'000</u>	<u>2018</u> <u>€'000</u>
Trade and other receivables (Note 15)	885,989	1,090,183
Cash and cash equivalents (Note 17)	701,952	185,879
	<u><u>1,587,941</u></u>	<u><u>1,276,062</u></u>

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Credit sales limits are established for each customer and are reviewed regularly. The concentration of credit risk is limited due to the large and unrelated customer base. The company has pledged no trade receivables during the year.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

There has been no history of default in respect of amounts due from related companies as such amounts are always settled in full. Accordingly management considers the amount due from related parties as recoverable.

Expected credit loss assessment for individual customers

The Company uses an allowance matrix to measure the ECLs of trade receivables, which comprise a very large number of small balances. All trade receivables are measured at an amount equal to lifetime ECL.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers:

As at 31 December 2019	Weighted average loss rate	Gross carrying amount N'000	Loss allowance N'000	Credit Impaired
Current (not past due)	0.01%	44,366	3	No
0 - 30 days	0.00%	19,487	-	No
30 - 90 days	0.00%	3,706	-	No
91 - 180 days	18.28%	11,735	2,145	No
More than 180 days	100.00%	166,649	166,649	Yes
		<u>245,943</u>	<u>168,797</u>	
As at 31 December 2018	Weighted average loss rate	Gross carrying amount N'000	Loss allowance N'000	Credit Impaired
Current (not past due)	0.64%	245,088	1,571	No
0 - 30 days	5.12%	36,593	1,872	No
30 - 90 days	7.20%	-	-	No
91 - 180 days	21.23%	7,854	1,667	No
More than 180 days	100.00%	136,821	136,821	Yes
		<u>426,356</u>	<u>141,931</u>	

Loss rates are based on actual credit loss experience over the years. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the country's GDP to be the most relevant macro economic indicator when adjusting the historical loss rate based on expected changes in GDP within the next 12 months.

The increase in loss allowance is mainly attributable to the increase in the gross carrying amounts of trade receivables that are aged above 180 days. The methodology for the calculation of ECL is the same as described in the last annual financial statements.

Movement in allowance for doubtful debt

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	2019	2018
	N'000	N'000
Balance at 1 January	(141,932)	(169,237)
Amount written off	-	-
Net remeasurement of loss allowance	(26,865)	27,305
Balance at 31 December	<u>(168,797)</u>	<u>(141,932)</u>

Cash and cash equivalents

The Company held cash and cash equivalents of ₦702 million at 31 December 2019 (2018: ₦185.9 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks which are rated AA- to AA+, based on Standard & Poor's global ratings. The Company manages the risk associated with its cash and cash equivalents by selecting banks with strong financial position and history of good performance. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. These were measured at an amount equal to 12 months ECL.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has an appropriate liquidity risk management framework for addressing its short, medium and long term liquidity requirements and makes monthly cash flow projections which assists in monitoring cash flow requirements and optimising cash return on investments.

The following are the contractual maturities of financial liabilities:

	Carrying amount ₦'000	Contractual cash flows ₦'000	Less than 1 year ₦'000
2019			
Non-derivative financial liabilities			
Trade and other payables	1,894,134	1,894,134	1,894,134
	<u>1,894,134</u>	<u>1,894,134</u>	<u>1,894,134</u>
2018			
Non-derivative financial liabilities			
Trade and other payables	1,664,425	1,664,425	1,664,425
	<u>1,664,425</u>	<u>1,664,425</u>	<u>1,664,425</u>

Non-financial liabilities such as value added tax, withholding tax, pension and minimum tax have been excluded for the amounts indicated above.

It is not expected that the cash flows included in the maturity analysis could occur at significantly different amounts.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rate will effect 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 optimising the return. The Company manages market risk by keeping cost low through various cost optimisation programmes and also by regular monitoring of market developments. The Company is not exposed to foreign exchange risks, hence no sensitivity analysis is disclosed.

Capital management

The Company considers total equity as its capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure.

In addition, the Company ensures appropriate capital management by monitoring returns on capital and net debt to equity ratio.

The Company's return on capital as at the end of the reporting period was as follows:

	<u>2019</u>	<u>2018</u>
	<u>N'000</u>	<u>N'000</u>
Profit/(Loss)	168,508	(263,807)
Total equity	8,031,796	7,935,532
Return on capital	2%	(3%)

Furthermore, the Company's adjusted net debt to equity ratio at the end of the reporting period was as follows:

	<u>2019</u>	<u>2018</u>
	<u>N'000</u>	<u>N'000</u>
Total liabilities	2,949,587	2,551,478
Less: cash and cash equivalents	(701,952)	(185,879)
Net debt	<u>2,247,635</u>	<u>2,365,599</u>
Total equity	8,031,796	7,935,532
Adjusted net debt to equity ratio	1:3.6	1:3.4

Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 December 2019

Financial assets at amortised cost

	<u>Carrying amount</u>	<u>Fair value</u>
	<u>N'000</u>	<u>(Level 3)</u>
	<u>N'000</u>	<u>N'000</u>
Trade and other receivables	885,989	885,989
Cash and cash equivalents	701,952	701,952
	<u>1,587,941</u>	<u>1,587,941</u>

Other financial liabilities

Trade and other payables*	1,894,134	1,894,134
	<u>1,894,134</u>	<u>1,894,134</u>

31 December 2018

Financial assets at amortised cost

	<u>Carrying amount</u>	<u>Fair value</u>
	<u>N'000</u>	<u>(Level 3)</u>
	<u>N'000</u>	<u>N'000</u>
Trade and other receivables	1,090,183	1,090,183
Cash and cash equivalents	185,879	185,879
	<u>1,276,062</u>	<u>1,276,062</u>

Other financial liabilities

Trade and other payables*	1,664,425	1,664,425
	<u>1,664,425</u>	<u>1,664,425</u>

*Non-financial liabilities such as value added tax, withholding tax, pension and minimum tax have been excluded for the amounts indicated above.

26 Contingencies

(a) Pending litigation and claims

The Company is a defendant in various law-suits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation at year end amounted to N€626 million. (2018:N€816 million). In the opinion of the Directors and based on independent legal advice, the Company's liability is not likely to be significant, thus no provision has been made in these financial statements.

The Company is defending a claim brought against it by the state revenue authority in respect of tax audit liability for the period 2016 - 2018. If the defence against the claim is unsuccessful, then taxes, fines and penalties could amount to N€23 million, excluding liabilities already recorded. The directors believe that the defence against the claim will be successful.

(b) Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the financial position of the Company, have been taken into consideration in the preparation of these financial statements.

(c) Others

In October 2019, the firm of Baker Tilly was contracted by the Board of directors to perform a full scale forensic audit covering the period of the Management Agreement between the Company and Raysun Nigeria Limited; a related party in order to determine the extent of implementation and adherence to the terms of the Management Agreement.

As at the reporting date, the review was still ongoing and yet to be completed. The directors are of the view that the outcome of the forensic audit will not significantly impact these financial statements.

27 Leases

See accounting policy in Note 3(n). The Company is not a lessor in any lease arrangement.

Leases as lessee (IFRS 16)

The Company leases property for its key management personnel (KMP) and a gas generator equipment. These leases are short term and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below:

I. Amount recognised in profit or loss	N'000
2019 - Leases under IFRS 16	
Expenses relating to short-term leases (Note 9(d))	41,955
2018 - Operating leases under IAS 17	
Lease expense (Note 9(d))	3,499
II. Amount recognised in statement of cashflows	
	2019
	N'000
Total cash outflow for leases	35,065

III. Extension options

The generator lease is a new lease that contains a monthly extension option exercisable by the Company at the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessor. The Company assessed at lease commencement date that it is not reasonably certain to exercise the extension option. The Company reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control.

28 Segment reporting

Nigeria is the Company's primary geographical segment as the Company's revenue is entirely earned from sales of similar product in Nigeria. The Company has two business operating segments namely: sale of goods and contract brewing and packaging.

These operating segments have been combined as a single reportable segment as a result of the following instance:

- The aggregated information communicated to the chief operating decision makers (board of directors) provides information that allows them evaluate the business and the environment in which it operates;
- they have similar economic characteristics; and
- they are similar in each of the following respects:
 - i. the nature of the products and services,
 - ii. the nature of the production processes,
 - iii. the type or class of customer for their products and services,

Accordingly, no business or geographical segment information is reported.

29 Subsequent events

There are no events which could have had a material effect on financial position of the Company as at 31 December 2019 and its financial performance for the year then ended that have not been adequately provided for or disclosed in these financial statements.



CHAMPION SAFETY



2019 Safety, Health & Environment week

Champion Breweries 2019 Safety, Health & Environment week themed: Heineken Life Saving Rules – make them personal was held from Monday April 29 to Friday May 3 2019. The weeklong event featured awareness walk, seminar and refresher courses for all employees to imbibe in staff the 12 Heineken Life Saving Rules. Resource persons were the safety manager; Mr. Augustine Osuagwu and Champion Breweries Employees.

The former Managing Director Mr. Patrick Ejidoh in his opening speech addressed the importance of every life to Champion Breweries.





CHAMPION IN THE COMMUNITY

Without people brands become meaningless, hence as a responsible corporate citizen we take steps every day to ensure sustainability. We impact our communities ensuring that they do not just enjoy our brands, but that their lives are better by associating with Champion Breweries.

Contrary to 2018 when we interacted largely with the generality of the masses, activities in 2019 centered around community leaders, and relations with other corporate organisations.



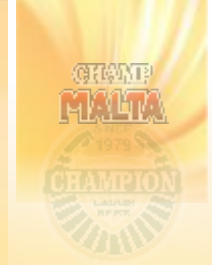


CUSTOMER ENGAGEMENT



On Friday 14 November, 2019 we celebrated our distinguished distributors. The event themed 'CHAMPIONS ARISE' took place at Watbridge Hotel & Suites, Uyo with the chairman of Champion Breweries; Dr. Elijah W. Akpan in full attendance. High point of the event was presentation of awards and gifts to deserving distributors in different categories.





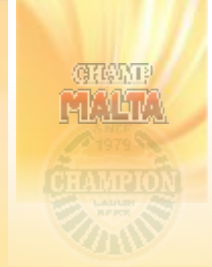
CUSTOMER ENGAGEMENT





CUSTOMER ENGAGEMENT





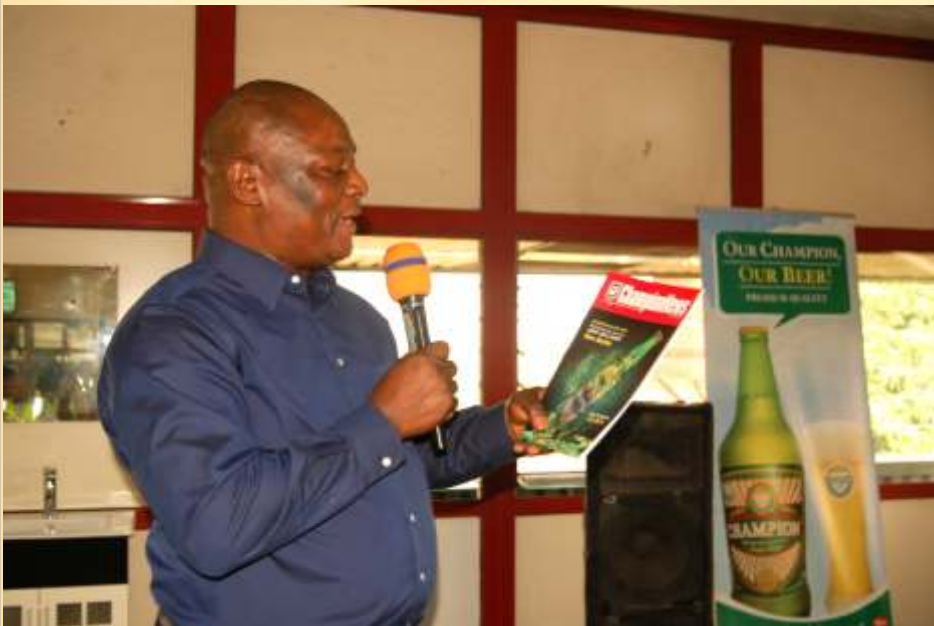
CUSTOMER ENGAGEMENT





EMPLOYEE ENGAGEMENT

In 2019, Champion Breweries Plc took a step further to engaging employees with the launch of CHAMPION NEWS; a bi-annual in-house magazine of the company. Champion News was launched by the former Managing Director; Mr. Patrick Ejidoh on 18th February 2019.





EMPLOYEE ENGAGEMENT



LONG SERVICE AWARD

In line with our tradition of rewarding loyalty, Champion Breweries organized a special recognition for employees who have served the company meritoriously for different number of years.

BIRTHDAYS

The former managing director; Mr. Patrick Ejidoh celebrated a landmark birthday- 60 years on 13th March 2019 and on hand to celebrate him were Martin Kochl and Rene Jansen.



CHAMPION BREWERIES FOOTBALL TEAM

Champion Football team was inaugurated on May 15th, 2019 by Mr. Patrick Ejidoh and their very first match was with Ibom Hotel football team on 29th July, 2019 at Uyo Township Stadium. The match which ended one goal apiece was graced by Champion Breweries Employees.



BAR MAN TRAINING

Champion Breweries Plc organized a 2-day Barmen Training Workshop from July to August 2019 in the company's premises. The training which was managed by the sales consultant; Mr. Andy Okwudu was to fine tune barmen skills and endear Champion brands to them.



CHAMPION HOSTS VISITORS

Mr. Martin Kochl; Supply Chain director of Nigerian Breweries paid a working visit along with Rene Jansen to Champion Breweries Plc. The visit which took place from 15th March, 2019 to 16th March, 2019 include inspection and commissioning of the CNG Plant and other facilities and was commemorated with tree planting at the CNG plant by Martin Kochl.





CHAMPION HOSTS VISITORS



Area Controller of Customs
Alh. Ahmed A. Adzarema
Visit of World Customs
College on 7th August,
2019.





Other National Disclosures



Value Added Statement

For the year ended 31 December 2019

	<u>2019</u>		<u>2018</u>	
	M'000	%	M'000	%
Revenue	6,927,177		4,763,757	
Locally procured materials and services	<u>(4,031,672)</u>		<u>(3,000,190)</u>	
	2,895,505		1,763,567	
Other income	56,256		48,684	
Value added	<u>2,951,761</u>	<u>100</u>	<u>1,812,251</u>	<u>100</u>

Distribution of Value Added

To Government

- Excise duties	701,534	24	311,350	18
- Minimum tax	34,902	1	45,842	3
- Taxation	38,070	1	8,374	-

To Employees:

Personnel expenses	875,968	30	912,458	50
Outsource staff	219,956	7	87,329	5

Retained in the Business:

To maintain and replace				
- property, plant and equipment	912,823	31	710,705	39
To augment/(deplete) reserves	168,508	6	(263,807)	(15)
Value added	<u>2,951,761</u>	<u>100</u>	<u>1,812,251</u>	<u>100</u>



Five Year Financial Summary

Statement of profit or loss and other comprehensive income

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
Revenue	6,927,177	4,763,757	4,777,313	3,864,943	3,501,845
Operating profit/(loss)	241,480	(223,784)	595,189	617,634	206,769
Profit/(loss) before taxation	241,480	(209,591)	648,242	681,284	248,443
Profit/(loss)	168,508	(263,807)	517,562	530,389	77,140
Total comprehensive income/(loss)	<u>96,264</u>	<u>(165,048)</u>	<u>464,600</u>	<u>549,223</u>	<u>94,625</u>

Statement of financial position

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
Property, plant and equipment	7,742,400	7,533,632	6,981,724	6,766,215	6,917,604
Trade and other receivables	-	-	-	42,043	42,043
Deferred tax assets	901,470	898,809	945,284	986,727	1,085,940
Net current (liabilities)/assets	(226,943)	(250,922)	534,280	(41,918)	(790,425)
Employee benefits	(385,131)	(245,987)	(325,828)	(82,207)	(133,525)
Net assets	<u>8,031,796</u>	<u>7,935,532</u>	<u>8,135,460</u>	<u>7,670,860</u>	<u>7,121,637</u>
Funds Employed					
Share capital	3,914,748	3,914,748	3,914,748	3,914,748	3,914,748
Share premium	519,100	519,100	9,093,779	9,093,779	9,093,779
Other reserve	3,701,612	3,701,612	3,701,612	3,701,612	3,701,612
Accumulated loss	(103,664)	(199,928)	(8,574,679)	(9,039,279)	(9,588,502)
Shareholders fund	<u>8,031,796</u>	<u>7,935,532</u>	<u>8,135,460</u>	<u>7,670,860</u>	<u>7,121,637</u>

E-SERVICE/DATA UPDATE FORM

KINDLY FILL AND RETURN FORM TO ANY OF OUR OFFICE ADDRESSES STATED BELOW | * = COMPULSORY FIELDS

1. *SURNAME/COMPANY NAME

2. *FIRST NAME 3. OTHER NAME

4. *GENDER M F 5. E-MAIL

6. ALTERNATE E-MAIL 7. *DATE OF BIRTH

8. *MOBILE (1) (2) DD MM YY YY

9. *ADDRESS

10. OLD ADDRESS(if any)

11. *NATIONALITY 12. *OCCUPATION

13. *NEXT OF KIN NAME MOBILE

14. *MOTHER'S MAIDEN NAME

15. BANK NAME 16. A/C NO.

17. A/C NAME 18. A/C OPENING DATE DD MM YY YY

19. BANK VERIFICATION NO. (BVN) 20. NAME OF STOCKBROKING FIRM

21. CSCS CLEARING HOUSE NO. (CHN) C

DECLARATION

"I hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details."

Signature:

Signature:

Joint/Company's Signatories

Company Seal(if applicable)

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Please tick against the company(ies) where you have shareholdings

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5. A & G INSURANCE PLC
6. A.R.M LIFE PLC
7. ADAMAWA STATE GOVERNMENT BOND
8. BECO PETROLEUM PRODUCTS PLC
9. BUA GROUP
10. BENUE STATE GOVERNMENT BOND
11. CAP PLC
12. CAPP AND D'ALBERTO PLC
13. CEMENT COY. OF NORTHERN NIG. PLC
14. CSCS PLC
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16. CWG PLC
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22. JAIZ BANK PLC
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28. OMOLUABI MORTGAGE BANK PLC
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33. RESORT SAVINGS & LOANS PLC
34. ROADS NIGERIA PLC
35. SCOA NIGERIA PLC
36. TRANSCORP HOTELS PLC
37. TRANSCORP PLC
38. TOWER BOND
39. THE LA CASERA CORPORATE BOND
40. UACN PLC
41. UNITED BANK FOR AFRICA PLC
42. UNITED CAPITAL PLC
43. UNITED CAPITAL BALANCED FUND
44. UNITED CAPITAL BOND FUND
45. UNITED CAPITAL EQUITY FUND
46. UNITED CAPITAL MONEY MARKET FUND
47. UNITED CAPITAL NIGERIAN EUROBOND FUND
48. UNITED CAPITAL WEALTH FOR WOMEN FUND
49. UNIC DIVERSIFIED HOLDINGS PLC
50. UNIC INSURANCE PLC
51. UAC PROPERTY DEVELOPMENT COMPANY PLC
52. UTC NIGERIA PLC
53. WEST AFRICAN GLASS IND PLC

OTHERS:

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos. Tel: 07080606400

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Please complete all section of this form to make it eligible for processing and return to the address below.

The Registrar

Africa Prudential Plc
220B, Ikorodu Road, Palmgrove, Lagos.

I/We hereby request that henceforth, all my/our Dividend Payment(s) due to me\us from my/our holdings in all the companies ticked at the right hand column be credited directly to my /our bank detailed below:

Bank Verification Number (BVN):

Bank Name:

Bank Account Number:

Account Opening Date: DD MM YYYY

SHAREHOLDER ACCOUNT INFORMATION

Gender: Male Female

Surname/Company's Name First Name Other Name

Address

City State Country

Previous Address (if any)

Clearing House Number (CHN) (if any) Name of Stockbroking Firm

Mobile Telephone 1 Mobile Telephone 2

E-mail Address

Signature: Signature: Company Seal (if applicable)

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E-SHARE REGISTRATION APPLICATION FORM

Dear Registrar,

Please take this as authority to activate my account(s) on your SharePortal where I will be able to view and manage my investment portfolio online with ease.

***= Compulsory fields**

1. *SURNAME/COMPANY NAME:

2. *FIRST NAME:

3. OTHER NAME:

4. *E-MAIL:

5. ALTERNATE E-MAIL:

6. *MOBILE NO.: 7. SEX: MALE FEMALE

8. ALTERNATE MOBILE NO.:

9. *POSTAL ADDRESS:

10. CSCS CLEARING HOUSE NO.:

11. NAME OF STOCKBROKER:

DECLARATION

"I hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details."

Signature:

Signature:

Joint/Company's Signatories

Company Seal(if applicable)

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