CHAMPION BREWERIES PLC

# Annual Report

# 31 December 2020

# Contents

# Corporate Information

**Date of Incorporation:** 31 July 1974

**Registration Number:** RC 13388

**Company's Website:** www.championbreweries.com

**Registered Office:** Industrial layout, Aka Offot, PMB 1106
Uyo
Akwa Ibom State
Nigeria

**Directors:**

| | |
|---|---|
| Dr. Elijah Akpan | – Chairman |
| Mr. Georgios Polymenakos (Greek) (Appointed 1 January 2020) | – Managing Director |
| Mr. Samson Aigbedo | |
| Mrs. Helen Umanah | |
| Mr. Thompson Owoka | |
| Alhaji Shuaibu Ottan | |
| Mr. Samuel Onukwue | |
| Mr. Olufunminiyi Alabi | |
| Mrs. Afolake Lawal | |
| Mr. Frederik Williem Kurt Linck (Dutch) (Appointed 1 January 2020) | |
| Mr. Kevin James Albert Santry (British) (Appointed 1 January 2020) | |

**Company Secretary:** Chief Tosan Atle Aiboni

**Independent Auditor:** KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island, Lagos
www.kpmg.com/ng

**Registrars:** African Prudential Registrars Plc
220B, Ikorodu Road
Palmgrove, Lagos
Nigeria
info@africaprudentialregistrars.com

**Bankers:** Access Bank Plc
First Bank of Nigeria Ltd
First City Monument Bank Plc
Guaranty Trust Bank Plc
Stanbic IBTC Bank
United Bank for Africa Plc
Zenith Bank Plc

# Directors' Report
***For the year ended 31 December 2020***

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 2020.

## 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 of the Netherlands, the ultimate parent. The immediate parent Company is The Raysun Nigeria Limited, a Company incorporated in Nigeria.

## Operating Results

In 2020, 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:

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Revenue | 7,051,806 | 6,927,177 |
| Operating profit | 461,358 | 241,480 |
| Profit before tax | 418,163 | 206,578 |
| Income tax expense | (259,370) | (38,070) |
| Profit after income tax | 158,793 | 168,508 |
| Other comprehensive income, net of tax | (147,595) | (72,244) |
| Total comprehensive income | 11,198 | 96,264 |

## Dividend

The Directors did not recommend any dividend during the year (2019: 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 301 of the Companies and Allied Matters Act, 2020 were as follows:

| | 2020 | 2019 |
|---|---|---|
| | Number of Ordinary Shares | |
| Dr. Elijah Akpan (Chairman)** | - | - |
| Mr. Georgios Polymenakos (Greek) (Managing Director)* | - | - |
| Mr. Thompson Owoka** | 500,000 | 500,000 |
| Alhaji Shuaibu Ottan** | 165,916 | 165,916 |
| Mrs. Helen Umanah** | 8110 | 8110 |

# Directors' Report

| | | |
|---|---|---|
| Mr. Olufunminiyi Alabi** | - | - |
| Mrs. Afolake Lawal** | - | - |
| Mr. Samuel Onukwue** | - | - |
| Mr. Samson Aigbedo** | - | - |
| Mr. Kevin James Albert Santry (British)** | - | - |
| Mr. Frederik Williem Kurt Linck (Dutch)** | - | - |

*Executive Director
** Non-executive Director

In accordance with Section 303 of the Companies and Allied Matters Act, 2020, 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 (2019: Nil).

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

| | % | Ordinary shares Number '000 | Share capital ₦ '000 |
|---|---|---|---|
| The Raysun Nigeria Limited | 60.4 | 4,729,308 | 2,364,654 |
| Assets Management Nominee A/C "Y" | 12.3 | 961,864 | 480,932 |
| Akwa Ibom Investment Corporation | 10.0 | 787,157 | 393,579 |
| Other shareholders. | 17.3 | 1,351,167 | 675,584 |
| | **100.0** | **7,829,496** | **3,914,748** |

In August 2019, 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.

The Raysun Nigeria Limited acquired additional shares thus increasing her shareholding to 84.71% in 2021. The Board of Directors will continue to engage the regulators to ensure compliance with the regulatory requirement.

**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.

# Directors' Report

### Donations and sponsorship

The Company gave donations and provided sponsorship as follows:

| | 2020 | 2019 |
|---|---|---|
| | ₦ '000 | ₦ '000 |
| Sponsorship of beauty pageant | 300 | - |
| Sponsorships of sports and tournaments | 200 | 1,700 |
| Sponsorships of carnivals and festivals | - | 1,700 |
| Scholarships to indigenes of host community | - | 1,200 |
| 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 | 50 | 1,080 |
| | **550** | **7,880** |

In accordance with Section 43(2) of the Companies and Allied Matters Act, 2020 ("CAMA"), the Company did not make any donation or give gifts to any political party, political association or for any political purpose during the year (2019: 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 of the Company for the period of the Management Agreement between the Company and The Raysun Nigeria Limited; a related party in order to determine the extent of implementation and adherence to the terms of the Management Agreement.

The review was completed in the current year and the Directors have since implemented some of the findings from the review.

### 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.

# Directors' Report

**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 (2019: 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 Auditor**

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 auditor to the Company. In accordance with Section 401 (2) of the Companies and Allied Matters Act, 2020 therefore, the independent auditor 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
25 February 2021

# Certification of the audited financial statements

***For the year ended 31 December 2020***

Further to the provisions of section 405 of the Companies and Allied Matters Act, 2020 (CAMA), we the Managing Director and Chief Finance Officer of Champion Breweries Plc ("the Company") respectively hereby certify as follows:

(a) We have reviewed the audited financial statements of the Company for the year ended 31 December, 2020.

(b) The audited financial statements represents the true and correct financial position of our Company as at the said date of 31st December, 2020

(c) That the audited financial statements does not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading

(d) That the audited financial statements fairly presents, in all material respects, the financial condition and results of operation of the company as of and for the year ended 31st December, 2020

(e) That we are responsible for establishing and maintaining internal controls and affirm that we have made an assessment of the Company's internal controls as at 31st December, 2020 and significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data have been disclosed to the Independent Auditor and the Audit Committee

**Signed:**

**Georgios Polymenakos (Managing Director)**

25 February 2021

**Nkechi Ojeyokan (Chief Finance Officer)**
FRC/2021/001/00000022533
25 February 2021

# Statement of Directors' Responsibilities

***In relation to the financial statements for the year ended 31 December 2020***

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 (CAMA), 2020 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 (CAMA), 2020 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)** | **Georgios Polymenakos (Managing Director)** |
| FRC/2017/IODN/00000016127 | |
| 25 February 2021 | 25 February 2021 |

# Audit Committee's Report

***For the year ended 31 December 2020***

**To the members of Champion Breweries Plc**

In accordance with the provisions of Section 404(7) of the Companies and Allied Matters Act, 2020 ("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 2020 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 2020 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 2020 are in accordance with International Financial Reporting Standards and 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 2021**

***Members of the Audit Committee***

| | |
|---|---|
| Mr. Samuel Onukwue | Chairman/Director |
| Mr. Thompson Owoka | Member/Director |
| Mr. Godwin Anono | Member/Shareholder |
| Mr. Olayemi Olatunde | Member/Shareholder |

**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 home.kpmg/ng

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Champion Breweries Plc

### 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, 2020;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2020, 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 (CAMA), 2020 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 International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (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. Recoverability of deferred tax assets**

Refer to accounting estimates and judgment (Note 2(b)), accounting policy on deferred taxation (Note 3k(ii)) and movement in deferred tax balances (Note 10(e)) on Pages 17, 27 and 35 respectively of the financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Company has recognized a deferred tax asset for deductible temporary differences and unused tax credits that it believes are recoverable. | Our audit procedures in this area included amongst others:<br><br>- we assessed the components that gave rise to the deferred tax asset to determine whether they were recognised and measured in accordance with the requirements of the accounting standards and tax laws. |

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| 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 unused tax credits.<br><br>We have determined this to be a key audit matter, due to inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences. | - we obtained and evaluated the Company's plans including reviewing the profit forecasts and the underlying data used in preparing the forecasts.<br><br>- 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 of the business obtained during the audit.<br><br>- 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, Audit committee's report and Other national disclosures which we obtained prior to the date of this auditors' report, but does not include the financial statements and our auditor's report thereon. Other information also includes Financial highlights, Chairman's statement, and Corporate governance report, together the "Outstanding reports", which are expected to be made available to us after that date.

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.

When we read the Outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

***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 (CAMA), 2020 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 the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the 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 5 of the Companies and Allied Matters Act (CAMA), 2020*

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books (and proper returns adequate for the purposes of our audit have been received).
iii. 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 and returns

Signed:

**Mohammed Adama**
FRC/2012/ICAN/ 00000000443
For: KPMG Professional Services
Chartered Accountants
5 March 2021
Lagos, Nigeria

## Statement of Financial Position
***As at 31 December***

| | Notes | 2020 | 2019 |
|---|---|---|---|
| | | ₦ '000 | ₦ '000 |
| **Assets** | | | |
| Property, plant and equipment | 13 | 8,798,638 | 7,742,400 |
| Deferred tax assets | 10(e) | 762,541 | 901,470 |
| **Non-current assets** | | **9,561,179** | **8,643,870** |
| Inventories | 14 | 725,449 | 702,810 |
| Trade and other receivables | 15(a) | 52,063 | 885,989 |
| Tax assets | 10(c) | - | 43,242 |
| Prepayments | 16 | 4,595 | 3,520 |
| Cash and cash equivalents | 17 | 1,025,231 | 701,952 |
| **Current assets** | | **1,807,338** | **2,337,513** |
| **Total assets** | | **11,368,517** | **10,981,383** |
| **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 | | (92,466) | (103,664) |
| **Total equity** | | **8,042,994** | **8,031,796** |
| **Liabilities** | | | |
| Employee benefits | 21(a) | 587,617 | 385,131 |
| Lease liabilities | 27 (ii) | 486,249 | - |
| **Non-current liabilities** | | **1,073,866** | **385,131** |
| Income tax liabilities | 10(c) | 21,658 | - |
| Lease liabilities | 27 (ii) | 71,182 | - |
| Trade and other payables | 22(a) | 1,897,562 | 2,058,712 |
| Provisions | 23 | 261,255 | 505,744 |
| **Current liabilities** | | **2,251,657** | **2,564,456** |
| **Total liabilities** | | **3,325,523** | **2,949,587** |
| **Total equity and liabilities** | | **11,368,517** | **10,981,383** |

These financial statements were approved by the Board of Directors on 25 February 2021 and signed on its behalf by:

___________________________________)

**Dr. Elijah Akpan (Chairman)**
FRC/2017/IODN/00000016127
25 February 2021

___________________________________)

**Georgios Polymenakos (Managing Director) ***

25 February 2021

Additionally certified by:

___________________________________)

**Nkechi Ojeyokan (Chief Finance Officer)**

FRC/2021/001/00000022533
25 February 2021

The accompanying notes are integral parts of these financial statements.

* The Financial Reporting Council (FRC) granted a waiver to the Managing Director to sign the company's audited financial statements for year ended 31 December 2020 while in the process of completing his registration with the FRC. He is expected to take the necessary steps to ensure full compliance with all the regulatory requirements of the FRC before signing the Company's annual report and financial statements for the year ended 31 December 2021.

# Statement of Profit or Loss and Other Comprehensive Income
***For the year ended 31 December***

| | Notes | 2020 | 2019 |
|---|---|---|---|
| | | **₦ '000** | **₦ '000** |
| Revenue | 6 | 7,051,806 | 6,927,177 |
| Cost of sales | 9(d) | (5,111,482) | (4,994,797) |
| **Gross profit** | | **1,940,324** | **1,932,380** |
| Other income | 7 | 101,193 | 56,256 |
| Selling and distribution expenses | 9(d) | (778,206) | (777,504) |
| Administrative expenses | 9(d) | (799,603) | (942,787) |
| Impairment loss on trade receivables | 25(a) | (2,350) | (26,865) |
| **Operating profit** | | **461,358** | **241,480** |
| Finance cost | 8 | (25,313) | - |
| **Net finance cost** | | **(25,313)** | **-** |
| **Profit before minimum tax** | | **436,045** | **241,480** |
| Minimum tax | 11 | (17,882) | (34,902) |
| **Profit after minimum tax and before income tax** | 9(a) | **418,163** | **206,578** |
| Income tax expense | 10(a) | (259,370) | (38,070) |
| **Profit for the year** | | **158,793** | **168,508** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement of defined benefit liability, net of tax | 21(c) | (147,595) | (72,244) |
| **Other comprehensive income, net of tax** | | **(147,595)** | **(72,244)** |
| **Total comprehensive income** | | **11,198** | **96,264** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (kobo) | 12 | 2 | 2 |

The accompanying notes are integral parts of these financial statements.

# Statement of Changes in Equity
***For the year ended 31 December 2020***

| | Share capital | Share premium | Accumulated loss | Other reserve | Total equity |
|---|---|---|---|---|---|
| | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 | ₦ '000 |
| **1 January 2019** | **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 income | - | - | (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** |
| **1 January 2020** | **3,914,748** | **519,100** | **(103,664)** | **3,701,612** | **8,031,796** |
| **Total comprehensive income** | | | | | |
| Profit for the year | - | - | 158,793 | - | 158,793 |
| Other comprehensive income | - | - | (147,595) | - | (147,595) |
| **Total comprehensive income** | **-** | **-** | **11,198** | **-** | **11,198** |
| **31 December 2020** | **3,914,748** | **519,100** | **(92,466)** | **3,701,612** | **8,042,994** |

The accompanying notes are integral parts of these financial statements.

## Statement of Cash Flows

***For the year ended 31 December***

| | Notes | 2020 | 2019 |
|---|---|---|---|
| | | ₦ '000 | ₦ '000 |
| **Cash flows from operating activities** | | | |
| Profit for the year | | 158,793 | 168,508 |
| *Adjustments for:* | | | |
| Finance cost | 8 | 25,313 | - |
| Company income tax | 10(c) | 27,762 | - |
| Tertiary education tax | 10(c) | 23,202 | 18,059 |
| Nigeria Police Trust Fund levy | 10(c) | 20 | 9 |
| Deferred tax | 10(a) | 208,386 | 31,336 |
| Minimum tax | 11 | 17,882 | 34,902 |
| Defined benefit obligation charge | 21(a)(i) | 77,715 | 54,130 |
| Long service award charge | 21(a)(ii) | 2,689 | 12,497 |
| Depreciation of property, plant and equipment | 13 | 1,047,423 | 912,823 |
| Write-off of property, plant and equipment | 9 | 81,242 | - |
| Gain on disposal of property, plant and equipment | | - | (637) |
| | | **1,670,427** | **1,231,627** |
| Changes in: | | | |
| Inventories | | (22,640) | 36,467 |
| Trade and other receivables | 15(b) | 868,843 | 179,806 |
| Prepayments | | (1,075) | 9,459 |
| Trade and other payables | 22(b) | (179,032) | 224,063 |
| Provisions | 23 | (244,489) | - |
| **Cash generated from operating activities** | | **2,092,034** | **1,681,422** |
| Defined benefit paid | 21(a)(i) | (91,900) | (22,522) |
| Long service awards paid | 21(a)(ii) | (3,069) | (11,202) |
| Income tax paid | 10(c) | (21,001) | (10,671) |
| **Net cash generated from operating activities** | | **1,976,064** | **1,637,027** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | - | 637 |
| Acquisition of property, plant and equipment | 13(h) | (1,620,959) | (1,121,591) |
| **Net cash utilised in investing activities** | | **(1,620,959)** | **(1,120,954)** |
| **Cash flows from financing activities** | | | |
| Payment of lease liabilities | 27 (ii) | (31,826) | - |
| **Net cash utilised in financing activities** | | **(31,826)** | **-** |
| Net increase in cash and cash equivalents | | 323,279 | 516,073 |
| Cash and cash equivalents at 1 January | | 701,952 | 185,879 |
| Cash and cash equivalents at 31 December | 17 | **1,025,231** | **701,952** |

The accompanying notes are integral parts of these financial statements.

## Notes to the Financial Statements

# Notes to the Financial Statements

## 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 sister Company within the Heineken group of the Netherlands, the Ultimate parent Company of Champion Breweries Plc. The immediate parent Company is The Raysun Nigeria Limited, a subsidiary of 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 25 February 2021.

### (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 - Extent of disclosures made on provisions:
Note 3(f) - Application of an appropriate Expected Credit Loss (ECL) methodology
Note 27 – lease term: whether the Company is reasonably certain to exercise extension options.

*(ii) Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties at 31 December 2020 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 credits can be used.
Note 23 - Recognition and measurement of provisions: Key assumptions about the likelihood and magnitutde of an outflow of resources, and
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.

## Notes to the Financial Statements

### (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.

| Item | Basis of measurement |
|---|---|
| Employee benefits | Present value of defined benefit obligations |
| Inventories | Lower of cost and net realizable value |
| Provisions | Present value of the obligations |

## 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.

## Notes to the Financial Statements

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:

## Notes to the Financial Statements

- 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:*

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 paramount, 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.

## Notes to the Financial Statements

*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.

## Notes to the Financial Statements

### (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. Land and capital work-in-progress are 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 |

# Notes to the Financial Statements

**(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 cost including transportation costs |
| Finished products and Products-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 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.

# Notes to the Financial Statements

*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.

***(ii) Non-financial assets***

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss and are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes to the Financial Statements

## (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 personnel 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.

# Notes to the Financial Statements

**(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 good or service 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.

(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 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.

# Notes to the Financial Statements

## (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.

### *(i) 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.

### *(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax 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.

# Notes to the Financial Statements

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 amended 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**

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.

# Notes to the Financial Statements

**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 the statement of financial position.

# Notes to the Financial Statements

**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 property rental for a 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.

**(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.

– Onerous contracts: Cost of Fulfilling a Contract (Amendments to IAS 37) - Effective 1 January 2022
– Annual Improvements to IFRS Standards 2018–2020 - Effective 1 January 2022
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) - Effective 1 January 2022
– Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - Effective 1 January 2023

**(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 2020. 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:
- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)

## 5 Changes in significant accounting policies

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 above new amendments to IFRS Standards and Interpretations but these standards do not have a material effect on the Company’s financial statements.

# Notes to the Financial Statements

## 6 Revenue

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Sale of goods | 5,891,900 | 5,107,138 |
| Contract brewing and packaging | 1,159,906 | 1,820,039 |
| | **7,051,806** | **6,927,177** |

## 7 Other income

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Sale of scrap materials | 19,439 | 8,445 |
| Sale of by-products | 49,795 | 46,300 |
| Sale of packaging materials | 31,959 | 874 |
| Gain on disposal of property, plant and equipment | - | 637 |
| | **101,193** | **56,256** |

## 8 Finance cost

Finance cost comprises interest expense on lease liabilities amounting to ₦25.3 million (2019:Nil).

## 9 Profit before tax

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

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Depreciation of property, plant and equipment (Note 13) | 1,047,423 | 912,823 |
| Write off of property, plant and equipment | 81,242 | - |
| Personnel expenses (Note (9b)) | 1,047,506 | 875,968 |
| Auditor's remuneration | 19,540 | 18,542 |
| Management fees (Note 24(a)) | 168,579 | 140,690 |
| Directors' remuneration (Note 9(c)) | 40,831 | 50,867 |
| Gain on disposal of property, plant and equipment | - | 637 |

**(b) Personnel expenses**

**(i)** Personnel expenses comprise:

| | 2020 | 2019 |
|---|---|---|
| | **N'000** | **N'000** |
| Salaries and wages | 786,246 | 617,344 |
| Pension | 34,205 | 28,163 |
| Defined benefit obligation charge (Note 21(a)(i)) | 77,715 | 54,130 |
| Long service awards charge (Note 21(a)(ii)) | 2,689 | 12,497 |
| Other personnel related expenses | 97,494 | 127,880 |
| Medical fees | 49,157 | 35,954 |
| | **1,047,506** | **875,968** |

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

| | 2020 | 2019 |
|---|---|---|
| | **Number** | **Number** |
| Production | 79 | 90 |
| Logistics | 11 | 13 |
| Sales and Marketing | 34 | 39 |
| Administration | 18 | 21 |
| | **142** | **163** |

# Notes to the Financial Statements

**(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:

| | 2020 Number | 2019 Number |
|---|---|---|
| Below ₦1,200,000 | - | 25 |
| ₦ 1,200,001 – ₦ 1,400,000 | 1 | 9 |
| ₦ 1,400,001 – ₦ 1,600,000 | 4 | 19 |
| ₦ 1,600,001 – ₦ 1,800,000 | 5 | 22 |
| ₦ 1,800,001 – ₦ 2,000,000 | 9 | 24 |
| ₦ 2,000,001 – ₦ 2,500,000 | 46 | 37 |
| ₦ 2,500,001 – ₦ 3,000,000 | 22 | 9 |
| ₦ 3,000,001 – ₦ 3,500,000 | 14 | 6 |
| ₦ 3,500,001 – ₦ 4,000,000 | 15 | 3 |
| ₦ 4,000,001 – ₦ 4,500,000 | 4 | 4 |
| ₦ 4,500,001– ₦ 5,000,000 | 7 | 2 |
| Above ₦5,000,000 | 15 | 3 |
| | **142** | **163** |

**(c) Directors remuneration**

Directors' remuneration was as follows:

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Directors' fees | 21,681 | 7,965 |
| Other remuneration | 19,150 | 42,902 |
| | **40,831** | **50,867** |

Further analysed as follows:

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Remuneration of non-executive directors | 21,681 | 7,965 |
| Remuneration of executive directors | 19,150 | 42,902 |
| | **40,831** | **50,867** |

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

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Chairman | 3,510 | 800 |
| Highest paid director | 12,000 | 42,902 |

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

| | 2020 Number | 2019 Number |
|---|---|---|
| 0 - ₦100,000 | - | 2 |
| ₦100,001 - ₦200,000 | - | 2 |
| ₦200,001 - ₦1,000,000 | - | 5 |
| ₦1,000,001 - ₦2,000,000 | 7 | - |
| ₦2,000,001 - ₦5,000,000 | 2 | - |
| | 9 | 9 |

## Notes to the Financial Statements

| **9 (d) Analysis of expenses by nature** | **2020** | **2019** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Raw materials and consumables | 1,886,654 | 1,697,674 |
| Advertising and promotion | 106,934 | 256,510 |
| Depreciation of property, plant and equipment | 1,047,423 | 912,823 |
| Personnel expenses (Note 9(b)) | 1,047,506 | 875,968 |
| Outsourced staff | 273,797 | 219,956 |
| Utilities | 605,864 | 677,707 |
| Short term leases (Note 27 (iii)) | 3,138 | 41,955 |
| Repairs and maintenance | 493,109 | 676,359 |
| Management fee (Note 24(a)) | 168,579 | 140,690 |
| Audit fee | 19,540 | 18,542 |
| Professional services | 27,817 | 22,024 |
| Security and IT infrastructure | 97,352 | 87,783 |
| Transportation and accommodation | 100,148 | 148,918 |
| Excise duties | 749,580 | 701,534 |
| Gifts and jubilation | 15,483 | 100 |
| Meetings and conferences | 29,012 | 25,482 |
| Insurance, rates and licenses | 48,155 | 51,322 |
| Write off of property, plant and equipment | 81,242 | - |
| Cleaning, catering and other administrative expenses | 92,477 | 105,611 |
| Subscriptions and publications | 24,632 | 27,129 |
| Reversal of provisions* | (244,489) | - |
| Other expenses | 15,338 | 27,001 |
| Total cost of sales, marketing, distribution and administrative expenses | **6,689,291** | **6,715,088** |
| These expenses are further analysed as follows: | | |
| Cost of sales | 5,111,482 | 4,994,797 |
| Selling and distribution expenses | 778,206 | 777,504 |
| Administrative expenses | 799,603 | 942,787 |
| | **6,689,291** | **6,715,088** |

* Amount represents the net impact of reversal of provisions no longer required based on assessment performed by the Directors and using information currently available to them. See Note 23.

### 10 Taxation

**(a) Income tax recognised.**

| Amounts recognised in profit or loss: | **2020** | **2019** |
|---|---|---|
| **Current tax expense:** | **₦'000** | **₦'000** |
| Company income tax | - | - |
| Tertiary education tax | 23,202 | 18,059 |
| Nigeria Police Trust Fund Levy (NPTF) | 20 | 9 |
| Under provision for current tax in the prior years | 27,762 | - |
| Withholding tax credit notes previously written off now recovered | - | (11,334) |
| | 50,984 | 6,734 |
| **Deferred tax expenses:** | | |
| - Origination and reversal of temporary differences | 208,386 | 31,336 |
| | **259,370** | **38,070** |
| - Amount recognised in other comprehensive income | **(69,456)** | **(33,997)** |

# Notes to the Financial Statements

## (b) Reconciliation of effective tax rate

| | % | 2020 ₦'000 | % | 2019 ₦'000 |
|---|---|---|---|---|
| **Profit/(Loss) before tax** | | **418,163** | | **206,578** |
| Tax using statutory tax rate | 30.0 | 125,449 | 30.0 | 61,973 |
| Effect of tertiary education tax | 2.0 | 8,363 | 2.0 | 4,132 |
| Effect of NPTF Levy | 0.0 | 13 | 0.0 | 6 |
| Tax effect of: | | | | |
| - tax incentives | (0.3) | (1,265) | (4.9) | (10,152) |
| - non-deductible expenses | 1.7 | 7,068 | 6.9 | 14,181 |
| - non-taxable income | (18.7) | (78,236) | - | - |
| - Impact of 2% on depreciation | 2.8 | 11,899 | - | - |
| - Under provision for current tax in the prior years | 6.6 | 27,762 | - | - |
| - Change in estimate relating to prior years | 37.9 | 158,317 | - | - |
| - 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) |
| | 62.0 | **259,370** | 18.4 | **38,070** |

## (c) Movement in current tax (assets) / liabilities

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Balance beginning of the year | (3,512) | (10,909) |
| Company Income Tax for the year | - | - |
| Tertiary Education Tax for the year | 23,202 | 18,059 |
| Nigeria Police Trust Fund levy for the year | 20 | 9 |
| Under provision for current tax in the prior years | 27,762 | - |
| Payment during the year | (21,001) | (10,671) |
| | **26,471** | **(3,512)** |
| Withholding tax credit notes carried forward (Note 10(d)) | **(4,813)** | **(39,730)** |
| Balance end of the year | **21,658** | **(43,242)** |

## (d) Movement in withholding tax credit notes

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Balance beginning of the year | 39,730 | 15,342 |
| WHT credit notes received during the year | - | 58,686 |
| Withholding tax credit notes previously written off now recovered (Note 10(a)) | - | 11,334 |
| WHT credit notes utilized during the year | (34,917) | (45,632) |
| Balance end of the year* | **4,813** | **39,730** |

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

## Notes to the Financial Statements

### (e) Movement in deferred tax balances

| 2020 | Net balance at 1 January | Recognised in profit or loss | Recognised in other comprehensive income | Balance as at 31 December: Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Property, plant and equipment | 724,213 | (204,476) | - | 519,737 | 2,104,649 | (1,584,912) |
| Employee benefits | 123,242 | (4,661) | 69,456 | 188,037 | 188,037 | - |
| Trade and other receivables | 54,015 | 752 | - | 54,767 | 54,767 | - |
| **Tax assets (liabilities)** | **901,470** | **(208,385)** | **69,456** | **762,541** | **2,347,453** | **(1,584,912)** |

| 2019 | Net balance at 1 January | Recognised in profit or loss | Recognised in other comprehensive income | Balance as at 31 December: Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Property, plant and equipment | 441,481 | 282,732 | - | 724,213 | 2,392,375 | (1,668,162) |
| Employee benefits | 57,791 | 31,454 | 33,997 | 123,242 | 123,242 | - |
| Trade and other receivables | 42,994 | 11,021 | - | 54,015 | 54,015 | - |
| Unutilised tax losses | 356,543 | (356,543) | - | - | - | - |
| **Tax assets (liabilities)** | **898,809** | **(31,336)** | **33,997** | **901,470** | **2,569,632** | **(1,668,162)** |

# Notes to the Financial Statements

## 11 Minimum tax

Minimum tax in current year has been computed based on 0.25% of turnover in line with the finance act of 2020 and this amounts to ₦17.9 million (2019: ₦34.9 million).

## 12 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on the profit of ₦159 million (2019: profit of N169 million), attributable to ordinary shareholders and weighted average number of ordinary shares outstanding of 7,829,496,464 units (2019: 7,829,496,464) calculated as follows:

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Profit/(loss) for the year | 158,793 | 168,508 |
| **Weighted average number of ordinary shares** | | |
| *in thousands of shares* | | |
| Issued ordinary shares at 1 January | 7,829,496 | 7,829,496 |
| Weighted average number of ordinary shares at 31 December | 7,829,496 | 7,829,496 |
| **Basic and diluted earnings per share (kobo)** | **2** | **2** |

There were no potential dilutive ordinary shares during the year.

## Notes to the Financial Statements

### 13 Property, plant and equipment

(a)

| | Land | Buildings | Right-of-use assets | Plant and Machinery | Furniture and Fittings | Motor vehicles | Returnable Packaging | Capital Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| **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** |
| **1 January 2020** | 1,223,210 | 2,612,154 | - | 6,992,826 | 382,506 | 645,301 | 2,285,332 | - | 14,141,329 |
| Additions | - | 5,863 | 574,897 | 119,566 | 81,269 | 216,720 | 738,525 | 448,063 | 2,184,903 |
| Transfers | - | - | - | (77,388) | - | - | | 77,388 | - |
| Write off | - | (8,910) | - | (1,182,771) | (1,915) | (173,940) | - | - | (1,367,536) |
| **31 December 2020** | **1,223,210** | **2,609,107** | **574,897** | **5,852,233** | **461,860** | **688,081** | **3,023,857** | **525,451** | **14,958,696** |
| **Accumulated Depreciation** | | | | | | | | | |
| **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 |
| Write off | - | - | - | - | (899) | (2,124) | - | - | (3,023) |
| **31 December 2019** | **269,110** | **997,802** | **-** | **3,798,463** | **317,138** | **421,910** | **594,506** | **-** | **6,398,929** |
| **1 January 2020** | 269,110 | 997,802 | - | 3,798,463 | 317,138 | 421,910 | 594,506 | - | 6,398,929 |
| Depreciation for the year | - | 122,864 | 18,424 | 331,317 | 36,272 | 104,498 | 434,048 | - | 1,047,423 |
| Write off | - | (4,606) | - | (1,119,292) | (1,580) | (160,816) | - | - | (1,286,294) |
| **31 December 2020** | **269,110** | **1,116,060** | **18,424** | **3,010,487** | **351,830** | **365,592** | **1,028,554** | **-** | **6,160,058** |
| **Carrying amounts** | | | | | | | | | |
| **1 January 2019** | **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** |
| **31 December 2020** | **954,100** | **1,493,047** | **556,473** | **2,841,746** | **110,030** | **322,489** | **1,995,303** | **525,451** | **8,798,638** |

**(b)** The Company had no authorised or contractual capital commitments as at the reporting date (2019: Nil).

**(c)** No borrowing costs were capitalised during the year (2019:Nil)

**(d)** None of the Company's assets are held as security pledge as at year end (2019:Nil)

**(e)** Property, plant and equipment includes right-of-use assets and depreciation of ₦574.9 million and ₦18.4 million respectively (2019: Nil) related to leased gas generating plant, warehouse and residence for key management personnel that do not meet the definition of investment property (see Note 27(i)).

**(f)** Transfer of ₦77 million represent movement of plant and machinery to capital work in progress due to reassessment of the asset's availability for use.

**(g)** During the year, management identified impairment indicators and carried out an impairment test on its assets. The Company's property, plant and equipment was determined to be one cash generating unit (CGU). The impairment test carried out indicated no impairment loss as the recoverable amount of the CGU was determined to be higher than it's carrying amount. The recoverable amount of the CGU was determined on a value-in-use basis. The key inputs and assumptions used in the value in use calculations for the CGU are as follows: Discount rate - 15.34%; Net cash flow - The net cash flow was based on 5-year forecast using 2020 as the base year; terminal growth rate - 4.1%. The discount rate was based on computed cost of equity using the Capital Asset Pricing Model (CAPM). The net cash flows were then discounted using this rate to estimate their present values inclusive of a terminal growth value discounted to its present value thereafter. The terminal growth rate was determined based on Nigeria's long-term growth forecast by the Economist Intelligence Unit. Revenue growth was projected taking into account the average growth levels experienced over the past four (4) years and the estimated sales volume and price growth for the next five years.

## Notes to the Financial Statements

**13** (h) Reconciliation of acquisition of property, plant and equipment included in the statement of cash flows

| | 2020 ₦ '000 | 2019 ₦ '000 |
|---|---|---|
| Acquisition of property, plant and equipment | 2,173,949 | 1,121,591 |
| Prepayment for right-of-use assets (Note 27(iv)) | 10,954 | - |
| Additions to property, plant and equipment (Note 13(a)) | 2,184,903 | 1,121,591 |
| Non-cash recognition of right-of-use assets (Note 27(ii)) | (563,944) | - |
| Acquisition of property, plant and equipment per statement of cash flows | **1,620,959** | **1,121,591** |

**14 Inventories**

| | 2020 ₦ '000 | 2019 ₦ '000 |
|---|---|---|
| Raw materials | 68,533 | 65,040 |
| Finished products | 27,150 | 81,990 |
| Products-in-process | 53,090 | 80,725 |
| Non-returnable packaging materials | 84,568 | 56,504 |
| Engineering spares | 492,108 | 418,551 |
| | **725,449** | **702,810** |

The amount of inventories recognised in cost of sales during the year was ₦3.46 billion (2019: ₦3.22 billion). Inventories amounting to ₦18.2 million were written off during the year (₦9.4 million).

**15 Trade and other receivables**

(a) Trade and other receivables comprise:

| | 2020 ₦ '000 | 2019 ₦ '000 |
|---|---|---|
| Trade receivables | 29,562 | 77,146 |
| Withholding tax receivables* | 6,074 | 4,636 |
| Amounts due from related parties (Note(24(a)) | - | 784,801 |
| Other receivables | 16,427 | 19,406 |
| | **52,063** | **885,989** |

*Withholding tax receivables supported by tax credit notes have been included in tax assets (see Note 10 (d))

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

| | 2020 ₦ '000 | 2019 ₦ '000 |
|---|---|---|
| Changes in trade and other receivables in the statement of financial position | 833,926 | 204,194 |
| Changes in withholding tax credit note utilized | 34,917 | (24,388) |
| Changes in trade and other receivables per statement of cash flows | **868,843** | **179,806** |

**16 Prepayments**

Prepayments comprises:

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Prepaid rent * | 2,273 | 2,380 |
| Prepaid insurance | 2,322 | 1,140 |
| | **4,595** | **3,520** |

# Notes to the Financial Statements

## 16 Prepayments (cont'd)

* Prepaid rent represent leases for which management elected not to recognise right-of-use assets and lease liabilities for as the leases are 1 year or below and management has assessed that it is not reasonably certain the tenor will be extended.

## 17 Cash and cash equivalent

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Cash in bank | 1,025,231 | 701,952 |
| | **1,025,231** | **701,952** |

## 18 Share capital

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Authorised share capital** | | |
| 9,000,000,000 ordinary shares of 50k each | 4,500,000 | 4,500,000 |

**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* | 2020 | 2019 |
|---|---|---|
| 1 January | 7,829,496 | 7,829,496 |
| 31 December | 7,829,496 | 7,829,496 |

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| *Ordinary shares of 50k each* | | |
| 1 January | 3,914,748 | 3,914,748 |
| 31 December | **3,914,748** | **3,914,748** |

In prior 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.

The Raysun Nigeria Limited acquired additional shares thus increasing her shareholding to 84.71% in 2021. The Board of Directors have indicated that they will continue to engage the Regulators to ensure compliance with regulatory requirements.

## 19 Share premium

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

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance as at 1 January | 519,100 | 519,100 |
| Balance as at 31 December | **519,100** | **519,100** |

# Notes to the Financial Statements

## 20 Other reserve

On 1 January 2011 (date of transition to IFRS), the Company appplied 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

| | **2020** | **2019** |
|---|---|---|
| Present value of: | **₦'000** | **₦'000** |
| - Defined benefit obligation (Note 21(a)(i)) | 548,981 | 346,115 |
| - Long service award (Note 21(a)(ii)) | 38,636 | 39,016 |
| | **587,617** | **385,131** |

# Notes to the Financial Statements

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

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| **1 January** | **346,115** | **208,266** |
| **Included in profit or loss** | | |
| Current service cost | 33,357 | 19,865 |
| Interest cost | 44,358 | 34,265 |
| | **77,715** | **54,130** |
| **Included in other comprehensive income** | | |
| Actuarial loss / (gain) arising from changes in: | | |
| - Financial assumptions | 131,922 | 59,866 |
| - Demographic assumptions | (618) | - |
| - Experience adjustments | 85,747 | 46,375 |
| | **217,051** | **106,241** |
| Payments | (91,900) | (22,522) |
| **31 December** | **548,981** | **346,115** |

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

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| **1 January** | 39,016 | 37,721 |
| **Included in profit or loss** | | |
| Current service cost | 1,456 | 3,486 |
| Interest cost | 1,514 | 5,095 |
| Actuarial loss / (gain) arising from changes in: | | |
| - Financial assumptions | 3,408 | 4,806 |
| - Demographic assumptions | 122 | - |
| - Experience adjustments | (3,811) | (890) |
| | 2,689 | 12,497 |
| Payments | (3,069) | (11,202) |
| **31 December** | **38,636** | **39,016** |

# Notes to the Financial Statements

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

| | Cost of sales | | Administrative | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Defined benefit obligation | 40,412 | 28,148 | 37,303 | 25,982 | 77,715 | 54,130 |
| Long service awards | 1,398 | 6,498 | 1,291 | 5,999 | 2,689 | 12,497 |
| Pension | 17,787 | 14,645 | 16,418 | 13,518 | 34,205 | 28,163 |
| | **59,597** | **49,291** | **55,012** | **45,499** | **114,609** | **94,790** |

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

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Before tax** | **Tax** | **After tax** | **Before tax** | **Tax** | **After tax** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Defined benefit obligation | 217,051 | (69,456) | 147,595 | 106,241 | (33,997) | 72,244 |
| **Actuarial loss** | **217,051** | **(69,456)** | **147,595** | **106,241** | **(33,997)** | **72,244** |

**Actuarial assumptions**

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

| | **2020** | **2019** |
|---|---|---|
| Discount rate | 7.5% | 13.3% |
| Future salary increase rate | 7.5% | 10.0% |

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

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 10 years (2019: 8 years)

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates on A1967/70 (2019: 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

# Notes to the Financial Statements

**(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 ₦'000 | Long service award ₦'000 |
|---|---|---|---|
| Discount rate | +1% | (48,413) | (1,785) |
| | -1% | 55,864 | 1,941 |
| Future salary increase rate | +1% | 56,925 | - |
| | -1% | (50,176) | - |
| Mortality rate | +1% | (65) | (61) |
| | -1% | 58 | 53 |
| Benefit escalatation rate | +1% | - | 1,826 |
| | -1% | - | (1,713) |

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. This is presented under trade and other payables (Note 22(a)). The movement on this account during the year was as follows:

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| 1 January | 4,815 | 9,748 |
| Charge for the year and staff deductions | 59,966 | 28,163 |
| Remittances | (55,692) | (33,096) |
| 31 December (included in trade and other payables) | **9,089** | **4,815** |

## 22 Trade and other payables

**(a)** Trade and other payables comprise:

| | 2020 ₦'000 | 2019 ₦'000 |
|---|---|---|
| Trade payables | 309,757 | 796,288 |
| Liabilities for Returnable packaging materials | 464,626 | 273,811 |
| Accrued expense | 318,132 | 308,906 |
| Non-income tax liabilities | 210,787 | 124,861 |
| Pension liabilities | 9,089 | 4,815 |
| Minimum tax liabilities (Note 11) | 17,882 | 34,902 |
| Amounts due to related parties (Note 24(a)) | 567,289 | 515,129 |
| | **1,897,562** | **2,058,712** |

# Notes to the Financial Statements

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

| | 2020 | 2019 |
|---|---|---|
| | **₦ '000** | **₦ '000** |
| Movement in trade and other payables in the statement of financial position | (161,150) | 258,965 |
| Minimum tax for the period | (17,882) | (34,902) |
| Changes in trade and other payables per statement of cash flows | **(179,032)** | **224,063** |

## 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.

| The movement in provisions during the year is as follows: | 2020 | 2019 |
|---|---|---|
| | **₦ '000** | **₦ '000** |
| Balance at 1 January | 505,744 | 505,744 |
| Provision no longer required (Note 9(d)) | (244,489) | - |
| Balance at 31 December | **261,255** | **505,744** |

Management expects the cash outflows relating to the provisions to occur within the next financial year based on expected timing of settlement of the related matters. Accordingly, the provision has not been discounted.

## 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 | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| **Amount due from related parties** | | | | |
| ***Contract brewing and packaging:*** | | | | |
| -Nigerian Breweries Plc | 1,159,906 | 1,820,039 | - | 784,801 |
| | **1,159,906** | **1,820,039** | **-** | **784,801** |

| | Transaction value | | Balance due to | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| **Amount due to related parties** | | | | |
| ***Management fee:*** | | | | |
| -The Raysun Nigeria Limited | 168,579 | 140,690 | 566,106 | 515,129 |
| ***Purchases:*** | | | | |
| -Nigerian Breweries Plc | 1,338,312 | 846,621 | 1,183 | - |
| | **1,506,891** | **987,311** | **567,289** | **515,129** |

Management fees relates to consideration paid to its parent company – The 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.

# Notes to the Financial Statements

**(b) Key management personnel**

Key management personnel 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 personnel for employee services is shown below:

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Short-term employee benefits | 19,150 | 42,902 |
| | **19,150** | **42,902** |

**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.

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Trade and other receivables (Note 15) | 52,063 | 885,989 |
| Cash and cash equivalents (Note 17) | 1,025,231 | 701,952 |
| | **1,077,294** | **1,587,941** |

# Notes to the Financial Statements

### 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 reviews amounts due in respect of other receivables on a periodic basis taking into consideration factors such as continued employment relationships. All employee advances are recovered through payroll deductions and there has been no history of default. Accordingly management considers employee advances 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 meaured 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 2020** | **Weighted average loss rate** | **Gross carrying amount ₦'000** | **Loss allowance ₦'000** | **Credit Impaired** |
|---|---|---|---|---|
| Current (not past due) | 0.34% | 20,673 | 70 | No |
| 0 - 30 days | 3.64% | 2,214 | 81 | No |
| 30 - 90 days | 0.22% | 4,472 | 10 | No |
| 91 - 180 days | 20.50% | 8,080 | 1,657 | No |
| More than 180 days | 100.00% | 169,330 | 169,330 | Yes |
| | | **204,769** | **171,147** | |

| **As at 31 December 2019** | **Weighted average loss rate** | **Gross carrying amount ₦'000** | **Loss allowance ₦'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 |
| | | **245,943** | **168,797** | |

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The Company's exposure to credit risk on its financial assets at the reporting date are concentrated in a geographical region; Southern Nigeria.

## Notes to the Financial Statements

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 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.

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| **Balance at 1 January** | (168,797) | (141,932) |
| Net remeasurement of loss allowance | (2,350) | (26,865) |
| **Balance at 31 December** | **(171,147)** | **(168,797)** |

*Cash and cash equivalents*

The Company held cash and cash equivalents of ₦1 billion at 31 December 2020 (2019: ₦ 70 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks. 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 meaured 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.

# Notes to the Financial Statements

The following are the remaining contractual maturities of financial liabilities at the reporting date:

| | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | Less than 1 year | 1-5 years | More than 5 years |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **31 December 2020** | | | | | |
| **Non-derivative financial** | | | | | |
| Lease liabilities | 557,431 | (1,081,923) | (79,023) | (323,307) | (679,594) |
| Trade and other payables | 1,659,804 | (1,659,804) | (1,659,804) | - | - |
| | **2,217,235** | **(2,741,727)** | **(1,738,827)** | **(323,307)** | **(679,594)** |
| **31 December 2019** | | | | | |
| **Non-derivative financial** | | | | | |
| Trade and other payables | 1,894,134 | (1,894,134) | (1,894,134) | - | - |
| | **1,894,134** | **(1,894,134)** | **(1,894,134)** | **-** | **-** |

Non-financial liabilities such as non-income tax liabilities and pension liabilities 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 and interest rate risks, hence no sensitivity analysis are 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:

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Profit/(Loss) | 158,793 | 168,508 |
| Total equity | 8,042,994 | 8,031,796 |
| **Return on capital** | **2%** | **2%** |

# Notes to the Financial Statements

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

| | 2020 | 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Total liabilities | 3,325,523 | 2,949,587 |
| Less: cash and cash equivalents | (1,025,231) | (701,952) |
| Net debt | **2,300,292** | **2,247,635** |
| **Total equity** | 8,042,994 | 8,031,796 |
| **Adjusted net debt to equity ratio** | **1 : 3.5** | **1 : 3.6** |

**Accounting classification and fair values**

The following table shows the carrying amounts, classification and fair values of financial assets and financial liabilities. It does not include the fair value of the financial assets and financial liabilites where the carrying amount are approximations of their fair values.

| **31 December 2020** | **Carrying amount** | **Fair value (Level 3)** |
|---|---|---|
| | **₦'000** | **₦'000** |
| ***Financial assets at amortised cost*** | | |
| Trade and other receivables | 52,063 | - |
| Cash and cash equivalents | 1,025,231 | - |
| | **1,077,294** | **-** |
| ***Financial liabilities at amortised cost*** | | |
| Lease liabilities | 557,431 | 563,774 |
| Trade and other payables* | 1,659,804 | - |
| | **2,217,235** | **563,774** |

| **31 December 2019** | **Carrying amount** | **Fair value (Level 3)** |
|---|---|---|
| | **₦'000** | **₦'000** |
| ***Financial assets at amortised cost*** | | |
| Trade and other receivables | 885,989 | - |
| Cash and cash equivalents | 701,952 | - |
| | **1,587,941** | **-** |
| ***Financial liabilities at amortised cost*** | | |
| Trade and other payables* | 1,894,134 | - |
| | **1,894,134** | **-** |

*Non-financial liabilities such as non-income tax liabilities and pension liabilities have been excluded from the amounts indicated above.

Trade and other receivables, cash and cash equivalents, and trade and other payables are the Company's short term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values due to the immaterial impact of discounting.

The fair value of the lease liabilities has been determined using the discounted cash flow approach. The discount rates used ranges between 11.76% and 12.1%. There has been no reclassification between fair value levels during the current and preceding years.

# Notes to the Financial Statements

## 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 ₦796.1 million (2019:₦626 million). In the opinion of the Directors, the Company's liability is not likely to be material but the eventual amount cannot be determined with sufficient reliability as at the year end, thus no provision has been made in these financial statements.

### (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.

## 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 a gas generator equipment, a depot and properties for its key management personnel (KMP).

*A. Gas generator equipment*

The gas generator was first leased in prior year with an initial a one year contract with automatically undefined renewable minimum periods of one month at any instance upon the continuance of demand for power from the Company after the initial contract term. Managment assessed that it was not reasonably certain to exercise the renewal option having considered all relevant facts and circumstances that could have created an economic incentive for management to exercise, or not to exercise, the option. Based on this and other considerations, management assessed the lease as short term and elected not to recognise right-of-use assets and lease liabilities for the lease in prior year.

In the current year, the contract was renewed and management has re-assessed that the Company will continue to demand for power from the lessor for the foreseeable future, and as such have recognised right-of-use assets and lease liabilities with respect to the asset.

*B. Leased buildings*

The Company entered into a two-year lease of a warehouse in current year, with an additional two-year renewal option. Also, the Company leased properties for its key management personnel in 2020. Management elected not to recognise right-of-use assets and lease liabilities for leases 1 year or below for which it is not reasonably certain the tenor will be extended. These have been classified as prepayments in the statement of financial position.

## Notes to the Financial Statements

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

### *i. Right-of-use assets*

Right-of-use assets related to properties that do not meet the definition of investment property are presented as part of property, plant and equipment. (see Note 13(e)).

| 31 December 2020 | Buildings | Plant and Machinery | Total |
|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** |
| Balance as at 1 January* | - | - | - |
| Additions to right-of-use assets | 16,524 | 558,373 | 574,897 |
| Depreciation charge for the year | (2,360) | (16,064) | (18,424) |
| Balance as at 31 December | **14,164** | **542,309** | **556,473** |

* No right-of-use assets were recognised in prior year.

### *ii. Lease liabilities*

Lease liabilities relate to the present value of future lease payment on the Company's rented gas generator and properties. The movement in the lease liability during the year is as follows:

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Balance as at 1 January | - | - |
| New leases | 563,944 | - |
| Interest on lease liabilities (Note 8) | 25,313 | - |
| Payment of lease liabilities | (31,826) | - |
| Balance as at 31 December | **557,431** | **-** |
| Analysed as: | | |
| Current | 71,182 | - |
| Non-current | 486,249 | - |
| Balance as at 31 December | **557,431** | **-** |

### *iii. Amount recognised in profit or loss*

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Interest on lease liabilities (Note 27(ii)) | 25,313 | - |
| Expenses relating to short-term leases (Note 9(d)) | 3,138 | 41,955 |
| | **28,451** | **41,955** |

### *iv. Amount recognised in statement of cashflows*

| | 2020 | 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Payment of lease liabilities (Note 27(ii)) | 31,826 | - |
| Prepayment for right-of-use assets (Note 13(h)) | 10,954 | - |
| Payment for short term leases | 3,030 | 35,065 |
| **Total cash outflow for leases** | **45,810** | **35,065** |

# Notes to the Financial Statements

### *v. Extension options*

The generator and building leases contain extension options exercisable by the Company at the end of the non-cancellable contract periods. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. 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 terms of the production and distribution process

Accordingly, no business or geographical segment information is reported.

## 29 Subsequent events

On 7 January 2021, the parent Company, The Raysun Nigeria Limited acquired additional 1,903,609,538 ordinary shares of the Company at N2.6 per share.

There are no events which could have had a material effect on the financial position of the Company as at 31 December 2020 and its financial performance for the year then ended that have not been adequately provided for or disclosed in these financial statements.

# Other National Disclosures

# Value Added Statement
**For the year ended 31 December**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **₦'000** | **%** | **₦'000** | **%** |
| Revenue | 7,051,806 | | 6,927,177 | |
| Locally procured materials and services | (3,598,648) | | (4,031,672) | |
| | 3,453,158 | | 2,895,505 | |
| Other income | 101,193 | | 56,256 | |
| **Value added** | **3,554,351** | **100** | **2,951,761** | **100** |

| | | | | |
|---|---|---|---|---|
| **Distribution of Value Added** | | | | |
| **To Government** | | | | |
| - Excise duties | 749,580 | 21 | 701,534 | 24 |
| - Minimum tax | 17,882 | 1 | 34,902 | 1 |
| - Taxation | 259,370 | 7 | 38,070 | 1 |
| **To Employees:** | | | | |
| Personnel expenses | 1,047,506 | 29 | 875,968 | 30 |
| Outsource staff | 273,797 | 8 | 219,956 | 7 |
| **Retained in the Business:** | | | | |
| To maintain and replace | | | | |
| - property, plant and equipment | 1,047,423 | 30 | 912,823 | 31 |
| To augment reserves | 158,793 | 4 | 168,508 | 6 |
| **Value added** | **3,554,351** | **100** | **2,951,761** | **100** |

# Five Year Financial Summary

### Statement of profit or loss and other comprehensive income

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | **₦'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Revenue | 7,051,806 | 6,927,177 | 4,763,757 | 4,777,313 | 3,864,943 |
| Operating profit/(loss) | 461,358 | 241,480 | (223,784) | 595,189 | 617,634 |
| Profit/(loss) before taxation | 436,045 | 241,480 | (209,591) | 648,242 | 681,284 |
| Profit/(loss) | 158,793 | 168,508 | (263,807) | 517,562 | 530,389 |
| Total comprehensive income/(loss) | 11,198 | 96,264 | (165,048) | 464,600 | 549,223 |

### Statement of financial position

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | **₦'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Property, plant and equipment | 8,798,638 | 7,742,400 | 7,533,632 | 6,981,724 | 6,766,215 |
| Deferred tax assets | 762,541 | 901,470 | 898,809 | 945,284 | 986,727 |
| Net current (liabilities)/assets | (444,319) | (226,943) | (250,922) | 534,280 | 125 |
| Lease liabilities | (486,249) | - | - | - | - |
| Employee benefits | (587,617) | (385,131) | (245,987) | (325,828) | (82,207) |
| **Net assets** | **8,042,994** | **8,031,796** | **7,935,532** | **8,135,460** | **7,670,860** |
| **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 | 519,100 | 9,093,779 | 9,093,779 |
| Other reserve | 3,701,612 | 3,701,612 | 3,701,612 | 3,701,612 | 3,701,612 |
| Accumulated profit/(loss) | (92,466) | (103,664) | (199,928) | (8,574,679) | (9,039,279) |
| **Shareholders fund** | **8,042,994** | **8,031,796** | **7,935,532** | **8,135,460** | **7,670,860** |