# Annual Report
# 31 December 2016

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# Corporate Information

| | |
|---|---|
| **Date of Incorporation:** | 31 July 1974 |
| **Registration Number:** | RC 13388 |
| **Company's Website** | www.championbreweries.com |
| **Registered Office:** | Aka Offot, PMB 1106<br>Uyo<br>Akwa Ibom State<br>Nigeria |
| **Directors:** | Dr. Elijah Akpan – Chairman<br>Mr. Patrick Ejidoh – Managing Director<br>Mr. Hendrik van Rooijen (Dutch)<br>Mr. Marinus Gabriels (Dutch)<br>Mr. Samson Aigbedo<br>Mrs. Helen Umanah<br>Mr. Thompson Owoka<br>Alhaji Shuaibu Ottan<br>Mr. Samuel Onukwue<br>Mr. Adegbemi Adeboye<br>Mr. Olufunminiyi Alabi |
| **Company Secretary:** | Mr. Tosan Atle Aiboni |
| **Independent Auditor:** | KPMG Professional Services<br>KPMG Tower<br>Bishop Aboyade Cole Street<br>Victoria Island, Lagos<br>www.kpmg.com/ng |
| **Registrars:** | African Prudential Registrars Plc<br>220B, Ikorodu Road<br>Palmgrove, Lagos<br>Nigeria<br>info@africaprudentialregistrars.com |

# Directors' Report

***For the year ended 31 December 2016***

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 2016.

**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 provision of contract brewing services to Nigerian Breweries Plc, a related party within the Heineken group.

**Operating Results**

The following is a summary of the Company's operating results:

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Revenue | 3,864,943 | 3,501,845 |
| Operating profit | 617,634 | 206,769 |
| Profit before tax | 637,300 | 210,179 |
| Income tax expense | (106,911) | (133,039) |
| Profit | 530,389 | 77,140 |
| Other comprehensive income, net of tax | 18,834 | 17,485 |
| Total comprehensive income | 549,223 | 94,625 |

**Dividend**

The Directors did not recommend any dividend during the year (2015: 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 reponsible for evaluating and directing the implementation of the Company's controls and procedures including, in particular, maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets.

**Directors and their Interests**

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

| | **2016** | **2015** |
|---|---|---|
| | Number of Ordinary Shares | |
| Dr. Elijah Akpan (Chairman)** | - | - |
| Mr. Sharm Kulkarni (Indian) (Managing Director- resigned 16 August 2016)* | - | - |
| Mr. Patrick Ejidoh (Managing Director- appointed 4 August 2016)* | - | - |
| Mr. Marinus Gabriels (Dutch)** | - | - |
| Mr. Adegbemi Adeboye (appointed 27 October 2016)** | - | - |
| Mr. Hendrik van Rooijen (Dutch)** | - | - |
| Mr. Thompson Owoka** | 500,000 | 500,000 |
| Alhaji Shuaibu Ottan** | - | - |
| Mr. Olufunminiyi Alabi (appointed 27 October 2016)** | - | - |
| Mr. Samuel Onukwue** | - | - |
| Mr. Samson Aigbedo** | | |
| Mrs Helen Umanah** | 8,110 | 8110 |

*Executive Director
** Non-executive Director

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, 2004, none of the Directors notified the Company of any declarable interest in any contract in which the Company was involved during the year under review (2015: Nil).

**Analysis of Shareholding**

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

| | **%** | **Ordinary shares of 50k each Number** | **Share capital ₦ '000** |
|---|---|---|---|
| The Raysun Nigeria Limited | 61 | 4,753,078 | 2,376,539 |
| Assets Management Nominee | 12 | 961,864 | 480,932 |
| Akwa Ibom State Government | 10 | 782,968 | 391,484 |
| Other shareholders. | 17 | 1,331,586 | 665,793 |
| | **100** | **7,829,496** | **3,914,748** |

In other to comply with the free float requirement of the Nigerian Stock Exchange, the Board of Directors have initiated necessary steps as at reporting date to ensure that a minimum of 20% of the Company's issued shares are held by public investors.

**Property, Plant and Equipment**

Information relating to movement in property, plant and equipment during the year is disclosed in Note 12 to the financial statements.

**Donations and sponsorship**

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

| | **2016** | **2015** |
|---|---|---|
| | **₦ '000** | **₦ '000** |
| Scholarship to indigenes of host community | 1,200 | 1,200 |
| Free eye screening for indigenes of host community | - | 720 |
| | **1,200** | **1,920** |

In accordance with Section 38(2) of the Companies and Allied Matters Act, 1994 the Company did not make any donation or give gifts to any political party, political association or for any political purpose during the year (2015: Nil).

**Business Review and Future Development**

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 harmonising the interests of various stakeholders to the business.

**Code of Business Conduct**

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

**Distribution of Company's Products**

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

**Employment and Employees**

***(a) Employment of physically-challenged persons***

It is the policy of the Company that there should be no discrimination in considering applications for employment, including those from physically-challenged persons. All employees whether or not physically-challenged are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. There were no physically-challenged person in employment as at reporting date (2015: 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 programmes are organised 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 organisation. Such hospitals are located in areas within convenient reach of employees.

Safety rules and tips are displayed throughout the Company's brewery and employees are required to fully comply with these rules.

## 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 auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the independent auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

**By Order of the Board**

**Mr. Tosan Atle Aiboni**

*Company Secretary*
FRC No: FRC/2014/NBA/00000006228
8 March 2017

# Statement of Directors' Responsibilities

***In relation to the financial statements for the year ended 31 December 2016***

The Directors accept responsibility for the preparation of the 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 of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act.

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

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

**Signed on behalf of the Board Of Directors by:**

**Dr. Elijah Akpan (Chairman)**
FRC/2017/IODN/00000016127
8 March 2017

**Patrick Ejidoh (Managing Director)**
FRC/2017/IMN/00000016109
8 March 2017

# Audit Committee's Report

***For the year ended 31 December 2016***

**To the members of Champion Breweries Plc**

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

(a) The scope and planning of internal audit for the year ended 31 December 2016 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 2016 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 2016 are in accordance with applicable regulatory requirements.

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

**Mr. Samuel Onukwue**
FRC/2013/CISN/0000000412

**Dated this 8 March 2017**

***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
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Internet www.kpmg.com/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 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 42.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

#### *Basis for Opinion*

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

#### *Key Audit Matters*

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

**a. Assessment of recoverability of deferred tax assets**

Refer to *Accounting estimates and judgment* (Note 2(b)), deferred *tax* (Note 3k(ii)) and *Taxation* (Note 9) on Pages 17, 22 to 23 and 28 to 29 respectively of the financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Company has a significant amount of deferred tax assets arising mainly from unrelieved tax losses and unutilised capital allowances.<br><br>The Company's determination of the recoverability of deferred tax asset involves significant judgment and high estimation uncertainty as management supports the recoverability of the deferred tax assets mainly with projections which contain assumptions and estimates of future taxable income. | 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 valid in line with the requirements of the accounting standards and tax laws.<br>- we further assessed the Directors' forecasts of future taxable profits by checking that the assumptions used in the Company's projection of taxable income were in line with the Company's historical performance, current business model and future plans. |

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Registered in Nigeria No BN 986925

Partners:
Abiola F. Bada, Adebisi O. Lamikanra, Adekunle A. Elebute, Adetola P. Adeyemi, Adewale K. Ajayi, Ajibola O. Olomola, Ayodele A. Soyinka, Ayodele H. Othihiwa, Ayobami L. Salami, Chibuzor N. Anyanechi, Goodluck C. Obi, Ibitomi M. Adepoju, Joseph O. Tegbe, Kabir O. Okunlola, Mohammed M. Adama, Oladapo R. Okubadejo, Oladimeji I. Salaudeen, Olanike I. James, Olumide O. Olayinka, Olusegun A. Sowande, Oluwafemi O. Awotoye, Oluwatoyin A. Gbagi, Oguntayo I. Ogungbenro, Victor U. Onyenkpa

Associate Partners:
Nneka C. Eluma, Temitope A. Onitiri

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b. **Provisions and accruals**
Refer to *accounting estimates and judgment* (Note 2(b)), accounting policy on Provision (Note 3(h)) and *Provisions* (Note 23) on Pages 17, 22 and 37 respectively of the financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Provisions and accruals require the Directors to make judgments and estimates in relation to relevant transactions. Judgment is also required to determine the extent of disclosure that would not have unfavourable impact on the Company's position on the subject matter of the provision.<br>Due to the magnitude of these provisions and accruals and the related estimation uncertainties, this is considered a matter of significance to the audit. | We performed the following procedures amongst others:<br>- we held meetings with the Company's directors and management to understand the nature of the provisions and accruals and reviewed relevant correspondences with third parties.<br>- we challenged the assumptions used in determining the provisions and accruals based on our knowledge of relevant legislation and past experience from similar arrangements.<br>- we also checked that the 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, Report of the Audit Committee and Other National Disclosures (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. It also includes financial and non-financial information such as Chairman's Statement, Financial Highlights, amongst others, included in the Annual Report (together "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 the Audit Committee.

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### *Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 Nigeria 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 has 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.

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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, related safeguards.

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 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004*

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

Signed:

Goodluck C. Obi, FCA
FRC/2012/ICAN/00000000442

For: KPMG Professional Services
Chartered Accountants
10 March 2017
Lagos, Nigeria

## Statement of Financial Position

***As at 31 December***

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Assets** | | **₦ '000** | **₦ '000** |
| Property, plant and equipment | 12 | 6,766,215 | 6,917,604 |
| Deferred tax assets | 9(d) | 986,727 | 1,085,940 |
| Trade and other receivables | 14, 29 | 42,043 | 40,050 |
| **Non-current assets** | | **7,794,985** | **8,043,594** |
| Inventories | 13 | 530,410 | 350,133 |
| Trade and other receivables | 14, 29 | 252,177 | 637,051 |
| Prepayments | 15 | 264,469 | 128,629 |
| Cash and cash equivalents | 16 | 1,119,199 | 1,169,753 |
| **Current assets** | | **2,166,255** | **2,285,566** |
| **Total assets** | | **9,961,240** | **10,329,160** |
| **Equity** | | | |
| Share capital | 18 | 3,914,748 | 3,914,748 |
| Share premium | 19 | 9,093,779 | 9,093,779 |
| Other reserve | 20 | 3,701,612 | 3,701,612 |
| Accumulated loss | | (9,039,279) | (9,588,502) |
| **Total equity** | | **7,670,860** | **7,121,637** |
| **Liabilities** | | | |
| Employee benefits | 21(a) | 82,207 | 133,525 |
| **Non-current liabilities** | | **82,207** | **133,525** |
| Tax liabilities | 9(c) | 16,561 | 16,779 |
| Trade and other payables | 22, 29 | 1,281,032 | 1,690,655 |
| Provisions | 23, 29 | 910,580 | 1,366,564 |
| **Current liabilities** | | **2,208,173** | **3,073,998** |
| **Total liabilities** | | **2,290,380** | **3,207,523** |
| **Total equity and liabilities** | | **9,961,240** | **10,329,160** |

These financial statements were approved by the Board of Directors on 16 February 2017 and signed on its behalf by:

______________________________)

**Dr. Elijah Akpan (Chairman)**
FRC/2017/IODN/00000016127
8 March 2017

______________________________)

**Patrick Ejidoh (Managing Director)**
FRC/2017/IMN/00000016109
8 March 2017

Additionally certified by:

______________________________)

**Adesina Liasu (Finance Manager)**
FRC/2015/ICAN/00000013237
8 March 2017

The notes on pages 16 to 42 are integral parts of these financial statements.

## Statement of Profit or Loss and Other Comprehensive Income

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

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | **₦ '000** | **₦ '000** |
| Revenue | 5 | 3,864,943 | 3,501,845 |
| Cost of sales | 8(d) | (2,797,890) | (2,502,147) |
| **Gross profit** | | **1,067,053** | **999,698** |
| Other income | 6 | 32,328 | 52,271 |
| Selling and distribution expenses | 8(d) | (321,590) | (255,913) |
| Administrative expenses | 8(d) | (160,157) | (589,287) |
| **Operating profit** | | **617,634** | **206,769** |
| Finance income | 7 | 63,650 | 41,674 |
| **Net finance income** | | **63,650** | **41,674** |
| **Profit before minimum tax** | | **681,284** | **248,443** |
| Minimum tax | 10 | (43,984) | (38,264) |
| **Profit before tax** | 8(a) | **637,300** | **210,179** |
| Income tax expense | 9(a) | (106,911) | (133,039) |
| **Profit** | | **530,389** | **77,140** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement of defined benefit liability, net of tax | 21(c) | 18,834 | 17,485 |
| **Other comprehensive income, net of tax** | | **18,834** | **17,485** |
| **Total comprehensive income** | | **549,223** | **94,625** |
| **Earnings per share** | | | |
| Basic and diluted earning per share (kobo) | 11 | 7 | 1 |

The notes on pages 16 to 42 are integral parts of these financial statements.

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

| | Share capital | Share premium | Accumulated loss | Other reserve | Total equity |
|---|---|---|---|---|---|
| | **₦ '000** | **₦ '000** | **₦ '000** | **₦ '000** | **₦ '000** |
| **1 January 2015** | **3,600,000** | **8,251,946** | **(9,683,127)** | **3,701,612** | **5,870,431** |
| **Total comprehensive income** | | | | | |
| Profit | - | - | 77,140 | - | **77,140** |
| Other comprehensive income | - | - | 17,485 | - | **17,485** |
| **Total comprehensive income** | **-** | **-** | **94,625** | **-** | **94,625** |
| **Transactions with owners of the Company** | | | | | |
| ***Contributions by owners*** | | | | | |
| Issuance of ordinary shares (Notes 17 and 18) | 314,748 | 841,833 | - | - | 1,156,581 |
| **Total contribution** | **314,748** | **841,833** | **-** | **-** | **1,156,581** |
| **31 December 2015** | **3,914,748** | **9,093,779** | **(9,588,502)** | **3,701,612** | **7,121,637** |
| **1 January 2016** | **3,914,748** | **9,093,779** | **(9,588,502)** | **3,701,612** | **7,121,637** |
| **Total comprehensive income** | | | | | |
| Profit | - | - | 530,389 | - | 530,389 |
| Other comprehensive income | - | - | 18,834 | - | 18,834 |
| **Total comprehensive income** | **-** | **-** | **549,223** | **-** | **549,223** |
| **31 December 2016** | **3,914,748** | **9,093,779** | **(9,039,279)** | **3,701,612** | **7,670,860** |

The notes on pages 16 to 42 are integral parts of these financial statements.

# Statement of Cash Flows

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

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | **₦ '000** | **₦ '000** |
| **Cash flows from operating activities** | | | |
| Profit | | 530,389 | 77,140 |
| *Adjustments for:* | | | |
| Finance income | 7 | (63,650) | (41,674) |
| Taxation | 9(a) | 106,911 | 133,039 |
| Defined benefit obligation charge | 21(a)(i) | 28,592 | 32,909 |
| Long service award credit | 21(a)(ii) | (11,085) | (2,787) |
| Depreciation of property, plant and equipment | 12 | 631,312 | 622,428 |
| Amortisation of intangible assets | | - | 6,878 |
| Gain on sale of property, plant and equipment | | (350) | (300) |
| Impairment of inventories | 13 | - | 51,396 |
| | | **1,222,119** | **879,029** |
| Changes in: | | | |
| Inventories* | | (177,627) | (47,243) |
| Trade and other receivables | | 382,881 | (99,649) |
| Prepayments | | (135,840) | (57,691) |
| Trade and other payables** | | (320,867) | (662,568) |
| Provisions | | (455,984) | 1,366,564 |
| **Cash generated from operating activities** | | **514,682** | **1,378,442** |
| Value added tax paid | | (88,756) | (61,137) |
| Defined benefit obligation paid | 21(a)(i) | (41,128) | (13,875) |
| Long service awards paid | 21(a)(ii) | - | (764) |
| Tax paid | 9(c) | (16,779) | (7,495) |
| Share issue cost paid | 19 | - | (7,988) |
| **Net cash generated from operating activities** | | **368,019** | **1,287,183** |
| **Cash flows from investing activities** | | | |
| Interest received | 7 | 63,650 | 41,674 |
| Proceeds from sale of property, plant and equipment | | 350 | 300 |
| Acquisition of property, plant and equipment | 12 | (482,573) | (695,701) |
| **Net cash utilised in investing activities** | | **(418,573)** | **(653,727)** |
| **Cash flows from financing activities** | | - | - |
| **Net cash generated from financing activities** | | **-** | **-** |
| Net (decrease)/increase in cash and cash equivalents | | (50,554) | 633,456 |
| Cash and cash equivalents at 1 January | | 1,169,753 | 536,297 |
| Cash and cash equivalents at 31 December | | **1,119,199** | **1,169,753** |

*The value of items of property, plant and equipment reclassified to inventory (engineering spares) of ₦2.7 million as indicated in Note 12 has been adjusted from "*changes in inventories*" as shown above.

** Value added tax paid has been adjusted from "*changes in trade and other payables*"

The notes on pages 16 to 42 are integral parts of these 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 related party within the Heineken group.

## 2 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were authorised for issue by the Board of Directors on 16 February 2017.

### (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 estimates and judgments

In the preparation of these financial statements, management has made judgments, 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.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following note:
Note 21- Measurement of employee benefits: key actuarial assumptions.
Note 23 and 26 - Recognition, measurement and disclosures of provisions and contingencies:
- Key assumptions about the likelihood and magnitutde of an outflow of resources, and
- Extent of disclosures made on provisions and contingencies.

Note 9(d) – recognition of deferred tax assets: availability of future taxable profit against which unutilised tax losses can be used.

### (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 categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

**(d) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for employee benefits which are measured at the present value of defined benefit 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 recognised in profit or loss.

**(b) Financial instruments**

**(i) Non-derivative financial assets- recognition and measurement**

The Company's non-derivative financial assets include trade and other receivables and cash and cash equivalents. The Company initially recognises trade and other receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

**Trade and other receivables**

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

***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

**(ii) Non-derivative financial liabilities- recognition and measurement**

All financial liabilities are recognised initially on trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company classifies non-derivative financial liabilities under "other financial liabilities" category. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities comprise of trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

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

**(c) Share capital and share premium**

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

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 is derecognised. Any gain or loss on sale of an item of property, plant and equipment is recognised in profit or loss.

**(iv) Depreciation**

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful lives of property plant and equipment for current and comparative periods are as shown below:

Leasehold land
Buildings
Plant and machinery
Furniture and fittings:
Motor vehicles:
- Cars and trucks
- Forklifts

Returnable packaging materials:
- Bottles
- Crates

**(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle.

The cost of manufactured inventories and work-in-progress includes an appropriate share of production overheads based on normal operating capacity

**(f) Impairment**

***(i) Non-derivative financial***

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of debtors or economic conditions that correlate with defaults.

*Financial assets measured at amortised cost*

The Company considers evidence of impairment for financial assets measured at amortised cost (trade and other receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against trade and other receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

**(g) Employee benefits**

***(i) Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(ii) Defined contribution plans**

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Under this scheme, employees contribute 8% of their basic salary, transport and housing allowances to a fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances to the fund.

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

**(iii) *Defined benefit plans***

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

The calculation of defined benefit obligations is performed annually by Alaxander 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 then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

***(v) Termination benefit***

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

**(h) Provisions and contingent liabilities**

***Provisions***

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

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

***Contingent liabilities***

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

**(i) Revenue**

Revenue from the sale of goods and rendering of services is measured at the fair value of the consideration received or receivable, net of value added tax, returns, trade discounts and volume rebates.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

**(j) Finance income and finance costs**

Finance income comprises interest income on bank deposits.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position. Interest income or expense is recognised using the effective interest method.

**(k) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to business combination, or items recognised directly in equity or in other comprehensive income.

***(i) Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset if, and only if the Company:

- 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.

***(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, based on the laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

**(l)** ***Minimum tax***

Minimum tax is calculated using the tax rate applicable based on certain parameters stipulated in the Nigerian tax law. Any amount by which this minimum amount payable exceeds company income tax is shown as minimum tax expenses and presented separately in profit or loss.

**(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**

**Determining whether an arrangement contains a lease**

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

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

***(i) Leased assets***

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

***(ii) Lease payments***

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

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

**(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 paid is included in financing activities while interest received is included in investing activities.

**4 Standards and interpretations**

**(i) New standards and interpretations not yet effective.**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and early adoption is permitted; however, the Company has not adopted the following new or amended applicable standards in preparing these financial statements:

- Amendments to IAS 7 *Disclosure Initiative* - (effective for periods beginning 1 January 2017 and early adoption is permitted). The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.
- Amendments to IAS 12 *Disclosure Initiative* - (effective for periods beginning 1 January 2017 and early adoption is permitted). The amendments provide additional guidance on the existence of differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

- IFRS 9- *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted). IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measuremen* t. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition of financial instruments from IAS 39.

- IFRS 15 *Revenue from Contracts with Customers*- (effective for periods beginning 1 January 2018 and early adoption is permitted). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

- IFRS 16 Lease - (effective for periods beginning 1 January 2019 and early adoption is permitted). IFRS 16-Lease replaces IAS 17 *Leases* , IFRIC 13 *Determining whether an Arrangement contains a Lease* , SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

  The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract i.e the customer ('lessee') and the supplier ('lessor'). IFRS B1616 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model.
  Applying that model, a lessee is required to recognise:
  (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value; and
  (b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.
  For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

**(ii) Standards and interpretations effective during the year.**

New IFRS Standards and amendments to existing standards that became effective for annual periods commencing on 1 January 2016 have been applied in preparing the financial statements and resulted in additional disclosures (where applicable) but had no significant impact on the amounts and disclosures on this financial statement.

## 5 Revenue

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Sale of goods | 2,001,204 | 1,228,834 |
| Contract brewing and packaging | 1,863,739 | 2,273,011 |
| | **3,864,943** | **3,501,845** |

## 6 Other income

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Sale of scrap materials | 17,914 | 27,615 |
| Sale of by products | 8,404 | 8,026 |
| Sale of packaging materials | 6,010 | 16,630 |
| | **32,328** | **52,271** |

## 7 Finance income

Finance income represents interest income on bank deposits. The Company earned interest on bank deposits at rates between 9% and 12% per annum.

## 8 Profit before tax

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Depreciation of property, plant and equipment (Note 12) | 631,312 | 622,428 |
| Amortisation of intangible asset | - | 6,878 |
| Personnel expenses (Note (8b)) | 871,123 | 794,984 |
| Auditor's remuneration | 10,454 | 9,504 |
| Management fees | 88,522 | 69,649 |
| Directors' remuneration (Note 8(c)) | 46,942 | 14,005 |
| Gain on sale of property, plant and equipment | (350) | (300) |

**(b) Personnel expenses**

**(i)** Personnel expenses comprise:

| | 2016 | 2014 |
|---|---|---|
| | **N'000** | **N'000** |
| Salaries and wages | 559,011 | 460,558 |
| Pension | 15,051 | 15,553 |
| Defined benefit obligation charge (Note 21(a)(i)) | 28,592 | 32,909 |
| Long service awards credit (Note 21(a)(ii)) | (11,085) | (2,787) |
| Other personnel related expenses | 185,484 | 288,751 |
| Restructuring cost* | 94,070 | - |
| | **871,123** | **794,984** |

*In furtherance of the Company's objectives for operational efficiency, a restructuring exercise was concluded during the year in which an amount of ₦94 million was paid to 39 employees as termination benefits.

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

| | 2016 Number | 2015 Number |
|---|---|---|
| Production | 81 | 106 |
| Logistics | 8 | 18 |
| Sales and Marketing | 14 | 20 |
| Administration | 23 | 27 |
| | **126** | **171** |

**(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:

| | 2016 Number | 2015 Number |
|---|---|---|
| Below ₦1,200,000 | - | - |
| ₦ 1,200,001 – ₦ 1,400,000 | 12 | 23 |
| ₦ 1,400,001 – ₦ 1,600,000 | 10 | 20 |
| ₦ 1,600,001 – ₦ 1,800,000 | 46 | 58 |
| ₦ 1,800,001 – ₦ 2,000,000 | 19 | 20 |
| ₦ 2,000,001 – ₦ 2,500,000 | 16 | 17 |
| ₦ 2,500,001 – ₦ 3,000,000 | 10 | 10 |
| ₦ 3,000,001 – ₦ 3,500,000 | 8 | 9 |
| ₦ 3,500,001 – ₦ 4,000,000 | 1 | 3 |
| ₦ 4,000,001 – ₦ 4,500,000 | - | 3 |
| ₦ 4,500,001– ₦ 5,000,000 | 1 | 1 |
| Above ₦5,000,000 | 3 | 7 |
| | **126** | **171** |

**(c) Directors remuneration**

Directors' remuneration was as follows:

| | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Directors' fees | 4,180 | 3,490 |
| Other remuneration | 42,762 | 13,280 |
| | **46,942** | **16,770** |

| Further analysed as follows: | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Remuneration of non-executive directors | 4,180 | 3,490 |
| Remuneration of executive directors | 42,762 | 13,280 |
| | **46,942** | **16,770** |

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

| | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Chairman | 600 | 200 |
| Highest paid director | 35,015 | 13,280 |

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

| | 2016 Number | 2015 Number |
|---|---|---|
| ₦100,000 and below | 1 | 4 |
| ₦100,001 - ₦200,000 | 2 | 1 |
| ₦200,001 and above | 5 | - |
| | 8 | 5 |

**(d) Analysis of expenses by nature**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Raw materials and consumables | 637,599 | 367,753 |
| Advertising and promotion | 118,469 | 131,412 |
| Depreciation of property, plant and equipment (Note 12) | 631,312 | 622,428 |
| Amortisation of intangible asset | - | 6,878 |
| Personnel costs (Note 8(b)) | 871,123 | 794,984 |
| Utilities | 569,271 | 608,968 |
| Repairs and maintenance | 412,217 | 473,988 |
| Management fee (Note 24(a)) | 88,522 | 69,649 |
| Lease rental | - | 10,000 |
| Audit fee | 10,454 | 9,504 |
| Professional services | 15,230 | 14,373 |
| Impairment loss reversal on trade receivables (Note 25(a)) | (1,281) | (27,567) |
| IT infrastructure | 81,267 | 57,522 |
| Transportation and accommodation | 78,685 | 32,487 |
| Excise duties | 106,716 | 85,359 |
| Security | 27,393 | 27,178 |
| Meetings and conferences | 26,284 | 23,216 |
| Insurance | 12,514 | 15,515 |
| Outsourced services | 29,128 | 12,617 |
| Reversal of provisions* | (455,984) | - |
| Other expenses | 20,718 | 11,083 |
| Total cost of sales, marketing, distribution and administrative expenses | **3,279,637** | **3,347,347** |

These expenses are further analysed as follows:

| | | |
|---|---|---|
| Cost of sales | 2,797,890 | 2,502,147 |
| Selling and distribution expenses | 321,590 | 255,913 |
| Administrative expenses | 160,157 | 589,287 |
| | **3,279,637** | **3,347,347** |

The total amount of non-audit fee paid to our auditors during the year was ₦8.5 million (2015: nil) with respect to other assurance services rendered to the Company.

* 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.

## 9 Taxation

**(a) Income tax recognised.**

| Amounts recognised in profit or loss: | 2016 | 2015 |
|---|---|---|
| **Current tax expense:** | ₦'000 | ₦'000 |
| Tertiary education tax | 16,561 | 16,779 |
| | 16,561 | 16,779 |
| **Deferred tax expenses:** | | |
| Origination and reversal of temporary differences | 90,350 | 116,260 |
| | **106,911** | **133,039** |
| Amount recognised in other comprehensive income | **8,863** | **7,494** |

### (b) Reconciliation of effective tax rate

| | | 2016 | | 2015 |
|---|---|---|---|---|
| | % | ₦'000 | % | ₦'000 |
| **Profit before tax** | | **637,300** | | **210,179** |
| Tax using domestic tax rate | 30.0 | 191,190 | 30.0 | 63,054 |
| Effect of tertiary education tax | 3.0 | 16,561 | 8.0 | 16,779 |
| Tax effect of: | | | | |
| - tax incentives | - | - | (6.0) | (12,663) |
| - non-deductable expenses | 0.1 | 795 | 1.6 | 3,420 |
| - tax-exempt income | (21.0) | (136,795) | - | - |
| Change in recognised deductible temporary differences | 6.0 | 35,159 | 30.0 | 62,449 |
| | 18 | **106,910** | 64 | **133,039** |

### (c) Movement in current tax liability

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance beginning of the year | 16,779 | 7,495 |
| Charge for the year | 16,561 | 16,779 |
| Payment during the year | (16,779) | (7,495) |
| Balance end of the year | **16,561** | **16,779** |

### (d) Deferred tax assets and liabilities

| **2016** | **Net balance at 1 January** | **Recognised in profit or loss** | **Recognised in other comprehensive income** | **Net balance at 31 December** |
|---|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Property, plant and equipment | 104,435 | 172,749 | - | 277,184 |
| Employee benefits | 40,926 | (5,757) | (8,863) | 26,306 |
| Trade and other receivables | 43,835 | (6,309) | - | 37,526 |
| Unutilised tax losses | 896,744 | (251,033) | - | 645,711 |
| Net | **1,085,940** | **(90,350)** | **(8,863)** | **986,727** |

| **2015** | **Net balance at 1 January** | **Recognised in profit or loss** | **Recognised in other comprehensive income** | **Net balance at 31 December** |
|---|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Property, plant and equipment | (30,097) | 134,532 | - | 104,435 |
| Employee benefits | 33,388 | 15,032 | (7,494) | 40,926 |
| Trade and other receivables | 43,835 | - | - | 43,835 |
| Unutilised tax losses | 1,162,568 | (265,824) | - | 896,744 |
| Net | **1,209,694** | **(116,260)** | **(7,494)** | **1,085,940** |

## 10 Minimum tax

Minimum tax has been computed based on 0.5% of net assets and 0.125% revenue in excess of ₦500,000 and this amounts to ₦43 million (2015: ₦38 million).

## 11 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on the profit of ₦530 million (2015: ₦77.1 million), attributable to ordinary shareholders and weighted average number of ordinary shares outstanding of 7,829,496,000 units (2015: 7,712,220,000) calculated as follows:

| *In thousands* | **2016** | **2015** |
|---|---|---|
| Profit (Naira) | 530,389 | 77,140 |
| **Weighted average number of ordinary shares** | | |
| Issued ordinary shares at 1 January | 7,829,496 | 3,116,566 |
| Effect of private placement during the year | - | 4,595,655 |
| Weighted average number of ordinary shares at 31 December | 7,829,496 | 7,712,221 |
| **Basic and diluted earnings per share (kobo)** | **7** | **1** |

There were no potential dilutive ordinary shares during the year.

## 12 Property, plant and equipment

| | Land & Buildings | Plant and Machinery | Furniture and Fittings | Motor vehicles | Returnable Packaging Materials | Capital Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| **Cost** | | | | | | | |
| **1 January 2015** | 3,628,433 | 5,512,463 | 217,712 | 279,705 | 82,513 | 129,217 | 9,850,043 |
| Additions | 78,608 | 292,893 | 28,008 | 43,915 | 173,958 | 78,319 | 695,701 |
| Reclassification | - | - | - | - | - | - | - |
| Transfers | - | 129,216 | - | - | - | (129,216) | - |
| Disposals | - | - | - | (2,233) | - | - | (2,233) |
| **31 December 2015** | **3,707,041** | **5,934,572** | **245,720** | **321,387** | **256,471** | **78,320** | **10,543,511** |
| **1 January 2016** | 3,707,041 | 5,934,572 | 245,720 | 321,387 | 256,471 | 78,320 | 10,543,511 |
| Additions | 20,954 | 138,166 | 46,872 | 60,638 | 212,336 | 3,607 | 482,573 |
| Reclassification to inventories | - | - | - | - | - | (2,650) | (2,650) |
| Transfers | - | 9,631 | (5) | - | - | (9,626) | - |
| Disposals | - | | - | (2,313) | - | - | (2,313) |
| **31 December 2016** | **3,727,995** | **6,082,369** | **292,587** | **379,712** | **468,807** | **69,651** | **11,021,121** |
| **Accumulated Depreciation** | | | | | | | |
| **1 January 2015** | 588,798 | 2,045,898 | 96,790 | 229,047 | 45,180 | - | 3,005,713 |
| Depreciation for the year | 145,562 | 356,898 | 65,151 | 31,082 | 23,735 | - | 622,428 |
| Disposals | - | - | - | (2,234) | - | - | (2,234) |
| **31 December 2015** | **734,360** | **2,402,796** | **161,941** | **257,895** | **68,915** | **-** | **3,625,907** |
| **1 January 2016** | 734,360 | 2,402,796 | 161,941 | 257,895 | 68,915 | | 3,625,907 |
| Depreciation for the year | 170,312 | 332,286 | 41,216 | 32,013 | 55,485 | - | 631,312 |
| Disposals | - | - | - | (2,313) | - | - | (2,313) |
| **31 December 2016** | **904,672** | **2,735,082** | **203,157** | **287,595** | **124,400** | **-** | **4,254,906** |
| **Carrying amounts** | | | | | | | |
| **1 January 2015** | **3,039,635** | **3,466,565** | **120,922** | **50,658** | **37,333** | **129,217** | **6,844,330** |
| **31 December 2015** | **2,972,681** | **3,531,776** | **83,779** | **63,492** | **187,556** | **78,320** | **6,917,604** |
| **31 December 2016** | **2,823,323** | **3,347,287** | **89,430** | **92,117** | **344,407** | **69,651** | **6,766,215** |

**(a)** The Company holds land under a finance lease arrangement. The maximum tenor of the lease arrangements is 99 years in line with the Land Use Act. The lease amounts were fully paid at the inception of the lease arrangements.

**(b)** The Company had no authorised or contractual capital commitments as at the reporting date (2015: Nil).

**(c)** No borrowing costs were capitalised during the year (2015:Nil)

## 13 Inventories

| | 2016 | 2015 |
|---|---|---|
| | **₦ '000** | **₦ '000** |
| Raw materials | 51,756 | 47,445 |
| Finished products | 28,946 | 3,406 |
| Work-in-progress | 38,079 | 40,684 |
| Packaging materials | 86,402 | 13,003 |
| Engineering spares | 285,887 | 233,644 |
| Consumables | 39,340 | 11,951 |
| | **530,410** | **350,133** |

The amount of inventories recognised in cost of sales during the year was ₦966 million (2015: ₦771 million). There was no impairment loss on inventory during the year (2015: ₦51.4 million).

## 14 Trade and other receivables

| | 2016 | 2015 |
|---|---|---|
| | **₦ '000** | **₦ '000** |
| Non-current: | | |
| Withholding tax receivables* | 42,043 | 40,050 |
| | **42,043** | **40,050** |
| Current: | | |
| Trade receivables | 133,398 | 87,363 |
| Withholding tax receivables | 63,649 | 30,390 |
| Amounts due from related parties (Note(24(a)) | 48,079 | 412,003 |
| Other receivables | 7,051 | 107,295 |
| | **252,177** | **637,051** |

*Non-current withholding tax receivables represents withholding tax certificates which are available for use in offsetting future income tax labilities, and have been classified as non-current assets to reflect expected period of their utilisation.

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

## 15 Prepayments

Prepayments represent advance payment to vendors for supply of spares and other consumables.

## 16 Cash and cash equivalent

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Cash in bank | 274,451 | 345,594 |
| Short term deposits | 844,748 | 824,159 |
| | **1,119,199** | **1,169,753** |

## 17 Deposit for shares

The movement on these account was as follows:

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| 1 January | - | 1,164,569 |
| Effect of ordinary share issuance during the year: | - | - |
| - par value of issued ordinary shares (Note 18 (a)) | - | (314,748) |
| - excess of issue price over par value (Note 19) | - | (849,821) |
| 31 December | **-** | **-** |

Further information relating to conversion of deposit of shares to ordinary share capital are disclosed in Notes 18 and 19 to the financial statement.

## 18 Share capital

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **(a) Authorised share capital** | | |
| (9,000,000,000 ordinary shares of 50k each (2015: 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:

| | 2016 | 2015 |
|---|---|---|
| *Number of ordinary shares of 50k each* | | |
| *In thousands* | | |
| 1 January | 7,829,496 | 7,200,000 |
| Additional shares issued (Note 18b) | - | 629,496 |
| 31 December | 7,829,496 | 7,829,496 |

| | 2016 | 2015 |
|---|---|---|
| *Ordinary shares of 50k each* | ₦'000 | ₦'000 |
| 1 January | 3,914,748 | 3,600,000 |
| Issue of ordinary shares through private placement (Note18(b)) | - | 314,748 |
| 31 December | **3,914,748** | **3,914,748** |

**(b) Conversion of deposit for shares to ordinary share capital**

In 2015, the Board of Directors approved the conversion of deposits made for shares by The Raysun Nigeria Limited amounting to ₦1.1 billion and Akwa Ibom State Government amounting to ₦52.9 million to share capital through private placement of ordinary shares. A total of 629,496,464 units of ordinary shares of 50 kobo each at ₦1.85 were issued to these shareholders.

## 19 Share premium

The movement in share premium reserve was as follows:

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance as at 1 January | 9,093,779 | 8,251,946 |
| Effect of private placement of ordinary shares (Note 17) | - | 849,821 |
| Share issue costs | - | (7,988) |
| Balance as at 31 December | **9,093,779** | **9,093,779** |

## 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

### (a) Long term employee benefit

| | 2016 | 2015 |
|---|---|---|
| Present value of: | **₦'000** | **₦'000** |
| - Defined benefit obligation (Note 21(a)(i)) | 48,920 | 89,153 |
| - Long service award (Note 21(a)(ii)) | 33,287 | 44,372 |
| | **82,207** | **133,525** |

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| **1 January** | 89,153 | 95,098 |
| **Included in profit or loss** | | |
| Current service cost | 8,018 | 12,065 |
| Past service cost | - | 15,810 |
| Settlement cost | 11,468 | - |
| Interest cost | 9,106 | 5,034 |
| | **28,592** | **32,909** |
| **Included in other comprehensive income** | | |
| Remeasurment gain | | |
| Actuarial gain arising from changes in: | | |
| - Economic assumptions | (32,450) | (32,227) |
| - Statistical data | 77 | 834 |
| - Salary increase | (739) | (4,694) |
| - Financial assumptions | 5,415 | 11,108 |
| | **(27,697)** | **(24,979)** |
| **Other** | | |
| Payments | (41,128) | (13,875) |
| **31 December** | **48,920** | **89,153** |

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| **1 January** | 44,372 | 47,923 |
| **Included in profit or loss** | | |
| Current service cost | 3,883 | 5,855 |
| Interest cost | 5,008 | 6,941 |
| Settlement cost | (10,315) | - |
| Remeasurment gain | | |
| Actuarial gain arising from: | | |
| - Change in economic assumptions | (11,897) | (13,965) |
| - Benefit increase | 2,734 | (233) |
| - Salary increase | 41 | (156) |
| - Demographic assumptions | (539) | (1,229) |
| | **(11,085)** | **(2,787)** |
| **Other** | | |
| Payments | - | (764) |
| **31 December** | **33,287** | **44,372** |

**(b)** The expense is recognised in the following line items in the statement of comprehensive

| | Cost of sales | | Administrative | | Total | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Defined benefit obligation | 22,874 | 26,327 | 5,718 | 6,582 | 28,592 | 32,909 |
| Long service awards | (8,868) | (2,230) | (2,217) | (557) | (11,085) | (2,787) |
| Pension | 12,041 | 12,442 | 3,010 | 3,111 | 15,051 | 15,553 |
| | **26,047** | **36,539** | **6,511** | **9,136** | **32,558** | **45,675** |

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

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Before tax** | **Tax** | **After tax** | **Before tax** | **Tax** | **After tax** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Defined benefit obligation | (27,697) | 8,863 | (18,834) | (24,979) | 7,494 | (17,485) |
| **Actuarial gain** | **(27,697)** | **8,863** | **(18,834)** | **(24,979)** | **7,494** | **(17,485)** |

**Actuarial assumptions**

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

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 16.4% | 11.0% |
| Future salary increase rate | 13.0% | 13.0% |
| Inflation rate | 12.5% | 9.0% |

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

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

It is assumed that all employees covered by the defined end of service benefit scheme would retire as follows:
-Junior staff- 55 years
-Senior staff- 60 years

### (d) Sensitivity analysis

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

| | | Defined benefit obligation ₦'000 | Long service award ₦'000 |
|---|---|---|---|
| Discount rate | +1% | 3,592 | 1,546 |
| | -1% | (4,061) | (1,701) |
| Future salary increase rate | +1% | (2,530) | (1,146) |
| | -1% | 2,312 | 1,048 |
| Mortality rate | +1% | (55) | 90 |
| | -1% | 50 | (80) |

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

### (e) Short term employee benefits

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

| | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| 1 January | - | - |
| Charge for the year | 15,051 | 15,553 |
| Payments | (13,391) | (15,553) |
| **31 December included in trade and other payables** | **1,660** | **-** |

## 22 Trade and other payables

| | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Trade payables | 723,443 | 303,499 |
| Accrued expense* | 399,417 | 302,444 |
| Amounts due to related parties (Note 24(a)) | 158,172 | 1,084,712 |
| | **1,281,032** | **1,690,655** |

* Liabilities due to the Nigerian tax authorities in respect of minimum tax disclosed in Note 10 above is included in accrued expenses.

## 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. The net movement in provisions during the year of ₦456 milllion is included in administrative expenses (Note 8(d)). Further disclosures are not provided in respect of these exposures because doing so may have unfavourable impacts on the Company's position.

## 24 Related parties

### (a) Parent company and other related entities

The Company's parent company is The Raysun Nigeria Limited which owns approximately 61% 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** | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| **Amount due from related parties** | | | | |
| ***Contract Packaging:*** | | | | |
| -Nigerian Breweries | 1,863,739 | 2,273,011 | 48,079 | 412,003 |
| | **1,863,739** | **2,273,011** | **48,079** | **412,003** |

| | **Transaction value** | | **Balance due to** | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| **Amount due to related parties** | | | | |
| ***Royalties and Technical Fees:*** | | | | |
| -Montgomery Ventures Incorporated* | - | - | - | (273,018) |
| ***Management fee:*** | | | | |
| -The Raysun Nigeria Limited | 88,522 | 69,649 | (158,172) | (69,649) |
| ***Purchases:*** | | | | |
| -Nigerian Breweries Plc | 617,873 | 625,003 | - | (398,045) |
| -The Raysun Nigeria Limited | - | - | - | (344,000) |
| | **706,395** | **694,652** | **(158,172)** | **(1,084,712)** |

*Royalties and technical fees relate to agreement between the Company and Montgomery Ventures Incorporated which was approved by the National Office for Technology Acquisition and Promotion.

**(b) Key management personnel**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Short-term employee benefits | 31,392 | 45,086 |
| Post-employment benefits | 11,370 | 17,046 |
| | **42,762** | **62,132** |

**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.

The Company mitigates its credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and history of strong financial performance.

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board of Directors considers that the Company is not exposed to significant concentration risk in relation to trade receivables. However, credit risk may arise in the event of non-performance of a counterparty. Credit limits are established for each customer and reviewed on quarterly basis. Customers that fail to meet the Company's benchmark of creditworthiness may transact with the Company only on a cash-and-carry basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables, which is a specific loss component that relates to individually significant exposures.

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross trade receivables | 250,666 | 205,912 |
| Impairment | (117,268) | (118,549) |
| | 133,398 | 87,363 |
| Amounts due from related parties | 48,079 | 412,003 |
| Other receivable | 7,051 | 177,735 |
| | **188,528** | **677,101** |

**Impairment losses**

As at the reporting date, the aging of trade receivables based on the most recent transaction date was:

| | Gross | Impairment | Gross | Impairment |
|---|---|---|---|---|
| | 2016 | 2016 | 2015 | 2015 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| 0 - 30 days | 133,398 | - | 87,363 | - |
| 30 - 90 days | - | - | - | - |
| 91 - 180 days | - | - | - | - |
| More than 180 days | 117,268 | (117,268) | 118,549 | (118,549) |
| | **250,666** | **(117,268)** | **205,912** | **(118,549)** |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| 1 January | (118,549) | (146,116) |
| Impairment loss reversal | 1,281 | 27,567 |
| 31 December | **(117,268)** | **(118,549)** |

The impairment loss as at reporting date relates to trade receivables which in the Company's assessment may not be recoverable mainly due to their economic circumstances. With respect to other receivables and amounts due from related parties, the Company believes that these unimpaired receivables are collectible based on historical payment behaviour and analyses of the underlying counter party's credit ratings.

Based on historical default rates, the Company believes that, apart from the above, no additional impairment allowance is required in respect of trade and other receivables. The impairment loss is included in administrative expenses.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has an appropriate liquidity risk management framework for addressing its short, medium and long term liquidity requirements and makes monthly cash flow projections which assists in monitoring cash flow requirements and optimising cash return on investments.

The following are the contractual maturities of financial liabilities:

| | Carrying amount | Contractual cash flows | Less than 6 months or less |
|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** |
| **2016** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade and other payables (Note 22) | 1,237,048 | 1,237,048 | 1,237,048 |
| | **1,237,048** | **1,237,048** | **1,237,048** |
| **2015** | | | |
| **Non-derivative financial liabilities** | | | |
| Trade and other payables (Note 22) | 1,652,391 | 1,652,391 | 1,652,391 |
| | **1,652,391** | **1,652,391** | **1,652,391** |

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

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

**(c) Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rate will effect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The Company manages market risk by keeping cost low through various cost optimisation programmes and also by regular monitoring of market developments.

The Company is not exposed to foreign exchange risks, hence no sensitivity analysis is disclosed.

**Capital management**

The Company considers total equity as its capital.

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

In order to maintain an appropriate capital structure, the Company increased its ordinary share capital in prior year to ₦3,915 million by converting deposit for shares into ordinary share capital through private placement. 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:

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Profit | 530,389 | 77,140 |
| Total equity | 7,670,860 | 7,121,637 |
| **Return on capital** | **7%** | **1%** |

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Total liabilities | 2,290,380 | 3,207,523 |
| Less: cash and cash equivalents | (1,119,199) | (1,169,753) |
| Net debt | **1,171,181** | **2,037,770** |
| **Total equity** | 7,670,860 | 7,121,637 |
| **Adjusted net debt to equity ratio** | **1:6.1** | **1:3.5** |

**Accounting classification and fair values**

The fair values of financial assets and liabilities are not significantly different to their carrying amounts on the statement of financial position.

## 26 Contingencies

### (a) Guarantees and contingencies

Contingent liabilities in respect of guarantees provided to the Nigerian Customs in respect of customs duty on behalf of the Company amounted to ₦100 million (2015: ₦100 million), which represents the Company's maximum liquidity exposure in this regard.

The Company is subject to ongoing statutory reviews by regulatory bodies. The reviews are yet to be completed as at reporting date and any liability that may arise cannot be determined with sufficient reliability. The Directors are of the opinion that the Company will not suffer any significant financial loss from these reviews.

### (b) 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 ₦830 million. (2015:₦482.7 million). In the opinion of the Directors and based on independent legal advice, the Company’s liability is not likely to be significant, thus no provision has been made in these financial statements.

### (c) 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 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. Additionally, none of the Company's customers accounts for more than ten percent of the Company's total revenue. Accordingly, no further business or geographical segment information is reported.

## 28 Subsequent events

There are no events which could have had a material effect on financial position of the Company as at 31 December 2016 and its financial performance for the year then ended that have not been adequately provided for or disclosed in these financial statements.

## 29 Reclassification of comparative information

Certain changes were made to the classification of line items on the statement of financial position. The changes were made in order to achieve fairer presentation and had no impact on total assets and total liabilities reported.

Further details are shown below:

| | | Amount reported in 2015 financial statement | Reclassification | Comparative Amount in 2016 financial statement |
|---|---|---|---|---|
| **Assets** | | **₦'000** | **₦'000** | **₦'000** |
| Trade and other receivables | (a) | - | 40,050 | 40,050 |
| **Impact on non-current assets** | | **-** | **40,050** | **40,050** |
| Trade and other receivables | (a) | 677,101 | (40,050) | 637,051 |
| **Impact on current assets** | | **677,101** | (40,050) | **637,051** |
| **Impact on total assets** | | **677,101** | **-** | **677,101** |
| **Equity and liabilities** | | | | |
| Trade and other payables | (b) | 3,057,219 | (1,366,564) | 1,690,655 |
| Provisions | (b) | - | 1,366,564 | 1,366,564 |
| **Impact on current liabilities** | | **3,057,219** | **-** | **3,057,219** |
| **Impact on total liabilities** | | **3,057,219** | **-** | **3,057,219** |

(a) Withholding tax assets (withholding tax credit notes) have been reclassified to reflect their period of expected utilisation.

(b) Provisions previously included in trade and other payables have been reclassifed for fairer presentation.

# Other National Disclosures

# Value Added Statement

**For the year ended 31 December**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **₦'000** | **%** | **₦'000** | **%** |
| Revenue | 3,864,943 | | 3,501,845 | |
| Locally procured materials and services | (1,606,836) | | (1,796,024) | |
| | 2,258,107 | | 1,705,821 | |
| Other income | 32,328 | | 52,271 | |
| **Value added** | **2,290,435** | **100** | **1,758,092** | **100** |
| | | | | |
| **Distribution of Value Added** | | | | |
| **To Government** | | | | |
| - Excise duties | 106,716 | 5 | 85,359 | 5 |
| - Minimum tax | 43,984 | 2 | 38,264 | 2 |
| - Taxation | 106,911 | 5 | 133,039 | 8 |
| **To Employees:** | | | | |
| Personnel expenses | 871,123 | 38 | 794,984 | 45 |
| **Retained in the Business:** | | | | |
| To maintain and replace | | | | |
| - property, plant and equipment | 631,312 | 27 | 622,428 | 35 |
| - intangible asset | - | - | 6,878 | 1 |
| To augment reserves | 530,389 | 23 | 77,140 | 4 |
| **Value added** | **2,290,435** | **100** | **1,758,092** | **100** |

# Financial Summaries

## Statement of profit or loss and other comprehensive income

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Revenue | 3,864,943 | 3,501,845 | 3,302,383 | 2,233,259 | 1,785,345 |
| Operating profit/(loss) | 617,634 | 206,769 | 25,511 | (543,902) | (1,222,013) |
| Profit/(loss) before taxation | 681,284 | 248,443 | (1,061,783) | (1,730,432) | (1,928,865) |
| Profit/(loss) | 530,389 | 77,140 | (754,523) | (1,178,025) | (1,336,690) |
| Total comprehensive income/(loss) | 549,223 | 94,625 | (793,945) | (1,178,386) | (1,337,505) |

## Statement of financial position

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Property, plant and equipment | 6,766,215 | 6,917,604 | 6,844,330 | 7,239,613 | 5,657,055 |
| Intangible asset | - | - | 6,878 | 11,741 | - |
| Trade and other receivables | 42,043 | 40,050 | - | - | - |
| Deferred tax assets | 986,727 | 1,085,940 | 1,202,200 | 873,948 | 321,386 |
| Net current liabilities | (41,918) | (788,432) | (2,039,956) | (12,670,861) | (9,345,446) |
| Employee benefits | (82,207) | (133,525) | (143,021) | (62,827) | (62,995) |
| **Net liabilities** | **7,670,860** | **7,121,637** | **5,870,431** | **(4,608,386)** | **(3,430,000)** |
| **Funds Employed** | | | | | |
| Share capital | 3,914,748 | 3,914,748 | 3,600,000 | 450,000 | 450,000 |
| Share premium | 9,093,779 | 9,093,779 | 8,251,946 | 129,184 | 129,184 |
| Other reserve | 3,701,612 | 3,701,612 | 3,701,612 | 3,701,612 | 3,701,612 |
| Accumulated loss | (9,039,279) | (9,588,502) | (9,683,127) | (8,889,182) | (7,710,796) |
| **Shareholders fund** | **7,670,860** | **7,121,637** | **5,870,431** | **(4,608,386)** | **(3,430,000)** |