Guinness Nigeria Plc

Financial Statements - 30 June 2019

Together with Directors' and Independent Auditor's Report

Contents

Financial Highlights

	2019	2018	Change
	₦'000	₦'000	%
Results			
Revenue	131,498,373	142,975,792	(8%)
Operating profit	8,966,036	13,386,248	(33%)
Profit for the year	5,483,732	6,717,605	(18%)
Total comprehensive income for the year	5,485,822	6,685,021	(18%)
Restructuring cost/(credit)	323,214	(13,458)	2502%
Declared dividend	4,030,563	963,768	318%
Proposed dividend	3,329,382	4,030,563	(17%)
Total equity	89,060,462	87,588,174	2%
Data per 50 kobo share (in kobo)			
Basic and diluted earnings per share	250	330	(24%)
Declared dividend	184	64	188%
Net assets	4,066	3,999	2%
Stock exchange quotation at financial year end	4,765	9,775	(51%)

Board of Directors and Corporate Information

Directors

B. A. Savage	– Chairman
R. J. O'Keeffe (Irish)	– Vice-Chairman
B. Magunda (Ugandan) (Appointed with effect from 1 July 2018)	– Managing Director/Chief Executive Officer (CEO)
B. J. Rewane	– Non-Executive Director
Z. Abdurrahman (Mrs.)	– Independent Non-Executive Director
S.T. Dogonyaro OON	– Independent Non-Executive Director
F. N. O. Edozien (Ms.)	– Independent Non-Executive Director
O. O. Johnson (Dr.)	– Independent Non-Executive Director
L. Breen (British	– Non-Executive Director
M.D. Sandys (British)	– Non-Executive Director
S.W. Njoroge (Kenyan)	– Executive Director
O.M. Ayeni (Mrs.) (Appointed with effect from 1 September 2018)	– Independent Non-Executive Director
P. Gallagher (Irish) (Resigned with effect from 29 January 2019)	– Non-Executive Director
F. Ajogwu SAN (Prof.) (Appointed with effect from 1 November 2018)	– Independent Non-Executive Director
J.O. Irukwu SAN (Retired with effect from 28 August 2018)	– Non-Executive Director

Company Secretary
Rotimi Odusola
24, Oba Akran Avenue
P.M.B. 21071 Ikeja
Tel: (01) 2709100

Independent Auditor
PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers
Plot 5B, Water Corporation Road
Victoria Island Lagos
www.pwc.com/ng/en

Bankers
Access Bank Plc
Citibank Nigeria Limited
First Bank of Nigeria Limited
First City Monument Bank Plc
Guaranty Trust Bank Plc
Stanbic IBTC Bank Plc
Standard Chartered Bank Nigeria Limited
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc

Registered Office
The Ikeja Brewery
Oba Akran Avenue
P.M.B. 21071
Ikeja, Lagos

Registrars and Transfer Office
Veritas Registrars Limited
Plot 89A Ajose Adeogun Street
Victoria Island, Lagos
www.veritasregistrars.com

Head Office
24, Oba Akran Avenue
P.M.B. 21071 Ikeja
Tel: (01) 2709100
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www.guinness-nigeria.com

Registration No
RC 771

Board of Directors and Company Secretary

Mr. Babatunde Abayomi Savage

Non-Executive Director / Chairman

Mr. Babatunde Savage holds a Bachelor of Science degree from the University of Ibadan. He had his accountancy training with Coopers & Lybrand (now PricewaterhouseCoopers) from 1978 to 1983. Mr. Savage has attended various overseas management trainings including Cranfield School of Management and Harvard Business School. He is a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Taxation of Nigeria (CITN).

Mr. Savage joined the Board of Guinness Nigeria Plc (the Company) in 1996. He was the Company's Director of Finance and later Corporate Planning Director. He was appointed the Corporate Affairs Director in 1998 and the Deputy Managing Director in 2005.

Upon his retirement from the Company in June 2009, Mr. Savage was appointed Chairman of the Board of Directors of the Company with effect from 1st July 2009.

He is the Chairman of the Council of the International Chamber of Commerce (ICCN). He resides in Nigeria.

Mr. Rory John O'Keeffe

Non- Executive Director & Vice Chairman

Mr. John O'Keeffe has worked at Diageo for over 24 years. During his career with the Company, he has gained a wealth of experience across both emerging and developed markets namely Ireland, Jamaica, Sweden, Greece and Russia. Before his appointment as President, Diageo Africa, John was Managing Director for Guinness Nigeria Plc. Mr. O'Keeffe holds a Bachelor of Commerce (Hons) (Economics & Marketing) Degree from University College Cork, Ireland.

Mr. O'Keeffe was appointed to the Board on 1 July 2015 and elected as the Vice Chairman of the Board with effect from 19 September 2016. He is the Chairman of the Governance and Remunerations Committee of the Board. He resides in the Republic of Ireland.

Mr. Baker Magunda

Managing Director/Chief Executive Officer

Baker Magunda holds a Bachelor of Economics [Honours] from Makerere University Uganda. He has nearly twenty years' experience in the consumer goods and alcohol industry and has worked across Africa in Uganda and Kenya as well as Ethiopia and the Sudan. He joined Diageo in 1999 as Marketing Manager, Uganda Breweries Limited and has held several strategic leadership roles including Managing Director Uganda Breweries Limited, Managing Director Kenya Breweries Limited, and Managing Director Diageo Guinness Cameroon SA.

Baker was appointed Managing Director of Diageo owned Meta Abo Breweries in Ethiopia in February 2016, also accountable for Indian Ocean Markets (Seychelles, Reunion, Mauritius and Madagascar). Under his leadership Meta Abo witnessed the launch of the Guinness brand in the country and a strong innovation pipeline of brands brought to market.

His appointment as the Managing Director and Chief Executive Officer of Guinness Nigeria was with effect from 1st July 2018. He resides in Nigeria.

Mr. Bismarck Jemide Rewane

Non-Executive Director (NED)

Mr. Bismarck Rewane graduated from the University of Ibadan with a Bachelor's and Honours degree in Economics (1972). He worked at several blue-chip financial institutions within Nigeria and abroad holding general management and leadership positions.

Between 1981 and 1989, he was with International Merchant Bank Nigeria Limited and held positions as General Manager, Assistant General Manager. He was also with the First National Bank of Chicago, Barclays Bank of Nigeria and Barclays Bank International Plc, United Kingdom.

He is a Fellow of the Nigerian Institute of Bankers, and an Associate of the Institute of Bankers, England and Wales. Mr. Rewane has served on the Boards of several organisations, including Navgas (a Vitol Group subsidiary), NLNG Prize Award Foundation, Nigeria Economic Summit Group, UBA Custodian Limited, Virgin Nigeria Airways Limited, Fidelity Bank Plc, First City Monument Bank Plc and Top Feeds Nigeria Limited.

He is a renowned economist and commentator on Macro-economic and policy issues. He was recently appointed as the Chairman of the Presidential Technical Committee for the Implementation of the National Minimum Wage for the Federal Republic of Nigeria.

Bismarck Rewane joined the Board of Guinness Nigeria as a Non-Executive Director in 2008. He is the Chairman of the Finance and Risk Committee of the Board. He resides in Nigeria.

Mrs. Zainab Abdurrahman

Independent Non-Executive Director (INED)

Mrs. Zainab Abdurrahman holds an honours degree in Economics from the Ahmadu Bello University, Zaria specializing in Finance, Operations Research, Statistics, Project Evaluation, Accounting and Economic Analysis. She joined the Nigerian National Petroleum Corporation (NNPC) in 1979 where she held several increasing leadership responsibilities including Managing Director; Group General Manager of NNPC Retail Limited in charge of NNPC Petrol Stations – Land and Floating; General Manager, Investment Division; Manager Domestic Investment and Finance; and Head, Domestic and International Investments. She has won the Group Managing Directors Merit Award on three occasions and received letters of commendation for her work including commendation from the group board. She represented NNPC interests on the board of several oil service companies and international oil trading joint venture companies for several years.

Mrs. Abdurrahman is a member of the Finance and Risk committee of the Board and represents the Board on the Statutory Audit Committee.

She is currently the CEO of Zinley Energy Services and a Board member of some other companies. She continues to have keen interest in the Oil and Gas industry and the economy in general. She resides in Nigeria.

Ambassador Sunday Thomas Dogonyaro, OON
Independent Non-Executive Director (INED)
Amb. Dogonyaro had a brief stint in lecturing in his early career prior to joining government where he held several leadership positions in the Nigerian Foreign Service, among which are Minister/Head of Consular & Education at the Nigeria High Commission, London; Minister/Deputy Head of Mission at the Nigeria High Commission, Pretoria; Ambassador and Coordinator of Programmes at the New Partnership for Africa's Development (NEPAD) Secretariat, Midrand, South Africa; Ambassador/Head of Mission, Embassy of Nigeria in Sao Tome & Principe.

He is the Founder and Executive Director of African Policy Research (Katampe Hill) Institute, Abuja. He is a member of the National Institute (mni) and was conferred with the National Honour of the Officer of the Order of Niger (OON) in 2002.

Amb. Dogonyaro was appointed a Non-Executive Director with effect from 4th September 2014. He is the Vice Chairman of the Governance & Remunerations Committee of the Board. He resides in Nigeria.

Ms. Ngozi Edozien
Independent Non-Executive Director (INED)
Ms. Edozien has over 25 years' experience in finance/private equity, general management and strategy/business development functions with multinational companies in Europe, USA and Africa. She is an alumna of Harvard College and Harvard Business School, Harvard University.

She joined McKinsey & Company in 1992 and left 1999 as an Associate Principal in the Paris office with significant experience in strategy, operations, marketing and sales and post-merger integration. On leaving McKinsey & Company, she joined Pfizer Inc. as Vice President, Pfizer Global Pharmaceuticals (PGP) Strategic Planning and Business Development, a position she held until her appointment as the Regional Director, PGP East, Central and Anglophone West Africa in January 2005 a position she held till year end 2008. She served as Head of West Africa for Actis LLP from 2009 until 2014 prior to setting up her own principal investment firm. Invivo Partners Ltd. which focuses on early stage business in sectors ranging from consumer goods, to healthcare and technology. Ms. Edozien is also the founder and Managing Director of Physio Centers of Africa Ltd a business focused bringing world-class physiotherapy and rehabilitation services to Nigeria.

Ms. Edozien was appointed to the Board with effect from 26 November 2015 and is a member of the Finance and Risk Committee of the Board. She resides in Nigeria.

Dr. Omobola Johnson
Independent Non-Executive Director (INED)
An alumnus of the prestigious University of Manchester, University of London and Cranfield University, Dr. Johnson started her professional career in management consulting in the London Office of Arthur Andersen/Andersen Consulting (now known as Accenture) in 1985.

In 2005, Dr. Johnson was appointed as the Country Managing Director for Accenture. In March 2010, she sought early retirement from Accenture to enable her to pursue other interests.

She was appointed as a member of Nigeria's Presidential Advisory Council in 2010 providing support to the Acting President Goodluck Jonathan. In 2011, she was appointed as Nigeria's pioneer Minister of Communication Technology. During her four-year tenure at the Ministry, she oversaw the launch and execution of the National Broadband Plan and the pioneering involvement of government in a local VC fund and a network of start-up incubators. She served meritoriously in that capacity until May 2015.

In 2015 she joined TLCom Capital LLP, a technology venture capital fund, as a Senior Partner focussed on investment and value generation for technology companies in sub-Saharan Africa. She is a Fellow of the Aspen Global Leadership Network (AGLN) and serves on the boards of several blue-chip companies. Dr. Johnson brings to the Board over 30 years of experience from both the private and public sectors of the

She was appointed to the Board with effect from 29th January 2016. She is a member of the Finance & Risk Committee as well as the Governance and Remunerations Committee.

Mr. Leo Breen
Non-Executive Director (NED)
Mr. Leo Breen holds a Bachelor of Arts in Philosophy from Newcastle University and is a member of the Chartered Institute of Management Accountants. He has over 25 years of experience with the Diageo Group and has overseen Finance operations for Diageo businesses in over 40 countries across Europe, Asia and Africa. Leo was appointed Regional Finance Director for Diageo Africa in 2017 and is based out of London.

He was appointed to the Board as a Non-Executive Director with effect from 25 April 2017. He is a member of the Finance & Risk Committee of the Board and represents the Board on the Statutory Audit Committee.

Mr. Mark Sandys
Non-Executive Director (NED)
Mark Sandys obtained an MA in English & French from Balliol College, Oxford University in 1996. He is a highly experienced Senior Marketing Executive with over 2 decades of functional experience. He has worked for Diageo plc for over 22 years in different capacities including as Global Marketing Strategy & Innovation Director Baileys, Marketing& Innovation Director, Diageo Russia & Eastern Europe (based in Moscow); Category Director, Whisky & Reserve, Asia Pacific. He is currently the Global Head of Beer, Baileys & Smirnoff for Diageo Plc.

He was appointed to the Board as a Non-Executive Director with effect from 30 August 2017. He resides in Ireland.

Mr. Stanley Njoroge

Executive Director / Finance and Strategy Director

Mr. Stanley Wanyoike Njoroge is a Certified Public Accountant and a member of the Institute of Certified Accountants of Kenya (ICPAK).

He is an alumnus of both the University of Nairobi and Strathmore University in Nairobi Kenya. Stanley's initial experience was in tax advisory with Deloitte & Touche East Africa providing tax consultancy and managing tax clients in Kenya and Uganda.

He also led several tax training sessions across Africa including in Lagos. Stanley joined Diageo in 2008 as the Tax Manager in East Africa Breweries Limited (EABL) and expanded his experience within the wider Finance. Within Diageo, he has held several key finance leadership roles across Asia and Africa including Financial Controller of EABL, Finance Director of PT Gitaswara Indonesia and Finance Director of Meta Abo Brewery SC/Diageo Ethiopia.

Prior to joining Guinness Nigeria, he was the Diageo Global Audit and Risk Director, Africa and Europe, he was responsible for providing assurance to the audit committee of Diageo Plc's Board of Directors on the management of key risks across Diageo's businesses in Africa (Nigeria, East Africa, South Africa, Africa Regional Markets) and across Europe markets.

He was appointed an Executive Director of the Company with effect from 1 March 2018. He resides in Nigeria.

Mrs. 'Yemisi Ayeni

Independent Non-Executive Director (INED)

Mrs. 'Yemisi Ayeni is the immediate past Managing Director of Shell Nig. Closed Pension Fund Administrator Limited, a position she held for 10 years until her retirement in April 2015. She is a 1985 honors graduate of Accounting and Business Finance from the prestigious University of Manchester, UK: a 1989 Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales.

Mrs. Ayeni started her professional career with Price Waterhouse, London in 1985 where she spent 5 years working her way through a variety of increasingly senior Audit roles before moving to the Firm's Corporate Reconstruction and Insolvency team in 1990. She returned to Nigeria in 1991 as a Senior Manager in the Corporate Finance Team of Price Waterhouse, Lagos.

In 1994, Mrs. Ayeni joined Shell Nigeria and held a wide variety of roles during her 21 years with Shell. In November 2004, she was appointed Finance Director, Shell Nigeria Exploration & Production Company Ltd (SNEPCo), earning her the distinction of being the first Nigerian woman to be appointed to the Board of a Shell Company in Nigeria.

Until her retirement, Mrs. Ayeni was a Council Member of the Nigerian Stock Exchange and the Chair of the Exchange's Demutualization and Technical Committees: she was also the Vice Chair of the Pension Fund Operators' Association of Nigeria and the Chair of the Association's Institute Committee. She also previously served as Chairperson of LEAP Africa and as an Executive Council Member of Women in Management and Business (WIMBIZ).

Mrs. Ayeni is currently the Chairperson of NASCON Allied Industries Plc, a Non-Executive Director of Stanbic IBTC Pension Managers Ltd, a founding member of the Panel of Advisors for the Africa Initiative for Governance and the Chairperson of the Dr. Funmi Alakija Foundation.

She was appointed to the Board as a Non-Executive Director with effect from 1st September 2018. She resides in Nigeria.

Prof. Fabian Ajogwu, SAN

Independent Non-Executive Director (INED)

Prof. Fabian Ajogwu, a Senior Advocate of Nigeria, practices law at Kenna Partners; and is a Lagos Business School Professor of Corporate Governance. He is an Alumnus of the Said Business School of Oxford University, and an Alumnus of the Lagos Business School. He holds a Doctorate degree in Law from University of Aberdeen, Scotland; an MBA from the IESE Business School, Barcelona; and Law degrees from the University of Nigeria, and University of Lagos.

The Learned Senior Advocate has been Lead Counsel to the Federal Government of Nigeria in several cases of national importance. He is the Author of the books – 'Ship Acquisition & Finance: Law & Practice'; 'Corporate Governance & Group Dynamics'; 'Corporate Governance in Nigeria: Law and Practice'; 'Commercial Arbitration in Nigeria: Law and Practice'; 'Fair Hearing'; 'Mergers & Acquisition in Nigeria: Law and Practice'; 'Law & Society'; and co-authored "Oral & Written Advocacy: Law & Practice"; 'Petroleum Law & Sustainable Development'; and 'Collecting Art: A Handbook'.

Professor Ajogwu chaired the Nigerian Communications Commission Committee on Corporate Governance that produced the first NCC Code of Corporate Governance for the Telecommunication Sector in 2014. He serves on the Financial Reporting Council of Nigeria 2018 Technical Committee on the National Code of Corporate Governance, having assisted the Securities and Exchange Commission in drafting Nigeria's pioneer Code of Corporate Governance in 2003. He is a Fellow of the Society for Corporate Governance Nigeria; a Fellow of the Nigerian Institute of Chartered Arbitrators, Fellow of the African Leadership Initiative West Africa, Henry Crown Global Leadership of the Aspen Institute and a Fellow of the AIFA Reading Society. He serves on the board of the Lagos Court of Arbitration, the Governing Council of the Nigerian Institute of Chartered Arbitrators, and the Governing Council of the Pan-Atlantic University (Lagos Business School). He served as a member of the General Council of the Bar, and the Council of Legal Education (Nigerian Law School). Professor Ajogwu is a member of the London Court of International Arbitration, and a member of the Lagos Court of Arbitration, and is listed on its panel of neutrals. He is also a member of the International Council for Commercial Arbitration.

Professor Ajogwu chairs the boards of Novare Group's subsidiaries in Nigeria (owners of Novare malls), ARM Harith Infrastructure Investment Ltd (Nigeria's pioneer infrastructure fund), and NES Global amongst others. He is a Non-Executive Director of Stanbic IBTC Holdings Plc and has served as Honorary Counsel to the State of Israel in Nigeria, Venezuela and Republic of South Africa in Nigeria.

He was appointed to the Board as a Non-Executive Director with effect from 1st November 2018. He resides in Nigeria.

Rotimi Odusola
Company Secretary
Rotimi has over two decades of leadership experience in broad multi-functional roles spanning legal practice, corporate and regulatory affairs as well as commercial legal management.

He joined Guinness Nigeria as Legal Director in November 2014. Prior to that he was Senior Manager, Commercial Legal in MTN Nigeria Communications Limited ("MTN Nigeria"). At MTN, he was responsible for providing proactive legal advice and support to the various units of the multinational telecommunications business in Nigeria.

Prior to joining MTN Nigeria, Rotimi was Senior Associate at Aluko & Oyebode, one of Nigeria's leading commercial law firms, where he was responsible for full legal advisory services to major clients across various industries that included manufacturing, tobacco, agro-allied and food processing, oil and gas, telecommunications, aviation and banking.

He was appointed the Company Secretary of Guinness Nigeria with effect from 29th January 2016.

Directors' Report

For the year ended 30 June 2019

The Directors are pleased to present to members their report together with the financial statements of Guinness Nigeria Plc ("the Company") for the year ended 30 June 2019.

Legal Form and Principal Activities

Guinness Nigeria Plc, a public limited liability company quoted on the Nigerian Stock Exchange was incorporated 29 April 1950 as a trading company importing Guinness Stout from Dublin. The Company has since transformed into a manufacturing operation and its principal activities continue to be brewing, packaging, marketing and selling of Guinness Foreign Extra Stout, Guinness Extra Smooth, Malta Guinness, Guinness Gold Lager Harp Lager, Smirnoff Ice, Satzenbrau Lager, Dubic Malt, Snapp, Master's Choice, Orijin Spirit Mixed Drink, Orijin Bitters, Smirnoff Ice Double Black with Guarana, Guinness Africa Special, Orijin Zero and Orijin Herbal Gin among others.

Following the approval of the Board of Directors ("the Board"), Guinness Nigeria Plc acquired the rights to import, market, distribute and sell in Nigeria the International Premium Spirit brands of Diageo plc ("Diageo"), its parent company with effect from 1st January 2016. The Company now has exclusive distribution rights to Diageo's iconic brands in Nigeria including Baileys, Smirnoff, Gordons, Captain Morgan, Tanquaray, Ciroc and the Johnnie Walker range. Guinness Nigeria Plc installed Polyethylene terephthalate (PET) production lines and commenced production and sale of products in PET format in the 2018 financial year. The Company currently produces Malta Guinness, Orijin Zero and Dubic Malt in PET formats.

Guinness Nigeria Plc also acquired the right to manufacture locally some of the most successful mainstream spirits brands in Nigeria that are part of Diageo brands including Baileys Delight, Smirnoff Vodka and Gordons Gin. Our relationship with Diageo has also enabled us acquire the right to import, market, sell as well as the right to produce locally MrDowell's (formerly called McDowell's) and Royal Challenge whiskey in Nigeria. This exciting diverse portfolio of fantastic brands makes Guinness Nigeria Plc the only Total Beverage Alcohol (TBA) business in Nigeria with the experience and capacity to cater for the needs of all consumer segments while delivering great value to its shareholders.

Operating Results

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

	2019	2018
	₦'000	N'000
Revenue	131,498,373	142,975,792
Operating profit	8,966,036	13,386,248
Net finance costs	(1,862,406)	(3,443,084)
Profit before taxation	7,103,630	9,943,164
Tax expense	(1,619,898)	(3,225,559)
Profit for the year	5,483,732	6,717,605
Other comprehensive income/(loss) net of tax	2,090	(32,584)
Total comprehensive income for the year	5,485,822	6,685,021

Dividend

N3,329 million dividend has been recommended by the Board of Directors for approval at the forthcoming Annual General Meeting (2018: N4,031 million).

Board Changes

Since the last Annual General Meeting, Mr. Paul Gallagher resigned from the Board. On your behalf we wish to thank him for his contribution to the Company during his tenure. Prof. Fabian Ajogwu, SAN was appointed to the Board shortly after the last AGM as a Non-Executive Director, bringing with him a wealth of experience that compliments the strength of the Board.

In accordance with the Articles of Association of the Company and the provisions of the Companies and Allied Matters Act, Prof. Fabian Ajogwu, SAN is hereby presented for ratification of his appointment effective 1 November 2018.

The Directors to retire by rotation are Messrs. Babatunde Savage, Bismarck Rewane, Mark Sandys and Zainab Abdurrahman and, being eligible, hereby offer themselves for re-election.

Record of Directors' Attendance

The register showing directors' attendance at Board Meetings will be made available for inspection at the Annual General Meeting as required by Section 258(2) of the Companies and Allied Matters Act.

Directors and their Interests

The interests of Directors in the issued share capital of the Company during the financial year as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 275 of the Companies and Allied Matters Act and in compliance with the listing requirements of the Nigerian Stock Exchange are as follows:

	Role	As at 30 June 2019 Number of shares	As at 30 June 2018 Number of shares
B.A. Savage	Chairman	650,000	650,000
R. J. O'Keeffe	Vice-Chairman	Nil	Nil
B. Magunda (Appointed with effect from 1 July 2018)	Managing Director/CEO	Nil	Nil
B. J. Rewane	Non-Executive Director	36,384	25,384
Z. Abdurrahman	Independent Non-Executive Director	Nil	Nil
Amb. S. T. Dogonyaro	Independent Non-Executive Director	Nil	Nil
O. O Johnson (Dr)	Independent Non-Executive Director	Nil	Nil
F. N. O. Edozien (Ms.)	Independent Non-Executive Director	Nil	Nil
Mr. Leo Breen	Non-Executive Director	Nil	Nil
Mr. Mark Sandys	Non-Executive Director	Nil	Nil
S.W. Njoroge	Finance & Strategy Director	Nil	Nil
O. M. Ayeni (Mrs.) (Appointed with effect from 1 September 2018)	Independent Non-Executive Director	Nil	Nil
F. Ajogwu (Prof.) (Appointed with effect from 1st November 2018)	Independent Non-Executive Director	Nil	Nil

Directors' Interest in Contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act of any declarable interest in contracts in which the Company is involved.

Shareholding and Substantial Shareholder

The issued and fully paid-up share capital of the Company is 2,190,382,819 ordinary shares of 50 kobo each (2018: 2,190,382,819 ordinary shares of 50 kobo each). The Register of Members shows that only one company, Guinness Overseas Limited (a subsidiary of Diageo plc) with 1,099,230,804 ordinary shares (2018: 1,099,230,804 ordinary shares) constituting 50.18% shareholding (2018: 50.18% shareholding) held more than 10% interest in the Company. Diageo plc also owns another shareholder of the Company, Atalantaf Limited with ordinary 171,712,564 shares (2018: 171,712,564 shares) constituting 7.84% (2018: 7.84%).

The total shareholding of Diageo plc in the Company as at 30th June 2019 year-end remains 58.02% (2018: 58.02%).

Corporate Governance

In Guinness Nigeria Plc, our actions and interactions with our consumers, customers, employees, government officials, suppliers, shareholders and other stakeholders reflect our values, beliefs and principles.

Our business is largely self-regulated and we pride ourselves as leading our peers in the industry and Nigeria in this regard. In addition to self-regulation at standards often above the minimum legal or regulatory requirements, we are committed to conducting business in line with best practice, in accordance with applicable laws and regulations in Nigeria, in line with the requirements of the Nigerian Stock Exchange as well as in compliance with the Code of Corporate Governance in Nigeria.

To further sustain our commitment to ethical business standards, values of integrity, honesty and fairness, as well as good corporate governance, Guinness Nigeria Plc signed up to the Convention on Business Integrity in September 2011. The Board and the Company also participated fully in and successfully completed all the requirements for certification on the Corporate Governance Rating System (CGRS) implemented by the Nigerian Stock Exchange.

The Company complied with other corporate governance requirements during the year under review as set out below:

- **Board of Directors**

  The Board is responsible for the oversight of the business, long-term strategy and objectives, and the oversight of the Company's risks while evaluating and directing implementation of Company controls and procedures including, in particular, maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. There are currently four (4) regularly scheduled Board meetings during each financial year, and the Board meets whenever required to ensure the discharge of its functions.

Composition of the Board of Directors and Procedure for Board Appointments

During the financial year 2019, the Board consisted of the Chairman, 11 Non-Executive Directors and 2 Executive Directors. At least Seven (7) of the Non-Executive Directors are independent of management of Guinness Nigeria Plc and its parent company Diageo plc, and are free from any constraints, which may materially affect the exercise of their judgement as directors of the Company. These Non-Executive Directors also meet all of the criteria set out in the Code of Corporate Governance 2018 for Independent Directors in a publicly quoted company and carry out their duties on the Board as such.

All Directors are selected on the basis of core competencies that strengthens the capacity of the Board including experience in marketing, general operations, strategy, law, corporate governance and compliance, business consulting, human resources, technology, media or public relations, finance or accounting, retail, consumer products, international business/markets, public affairs and government relations, logistics, product design, merchandising or experience as a Managing Director or Finance Director. In addition to having one or more of these core competencies, candidates for appointment as Directors are identified and considered on the basis of their knowledge, experience, integrity, diversity, leadership, reputation, and ability to understand the Company's business.

Separation of the Positions of Chairman and Managing Director

In accordance with good corporate governance practices, the positions of the Managing Director and that of the Chairman of the Board are occupied by different persons and the Managing Director is responsible for implementation of the Company's business strategy and the day-to-day management of the business.

Schedule of matters reserved for the Board

The following are the matters reserved for the Board of Directors of the Company:

i. Strategy and management
   - Input into the development of the long-term objectives and overall commercial strategy for the Company.
   - Oversight of the Company's operations.
   - Review of performance in the light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
   - Extension of the Company's activities into new business or geographic areas.
   - Any decision to cease to operate all or any material part of the Company's business.

ii. Structure and capital
   - Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans) and share buy backs.
   - Major changes to the Company's corporate structure.
   - Changes to the Company's management and control structure.
   - Any changes to the Company's listing or its status as a publicly listed company.

iii. Financial reporting and controls
   - Approval of preliminary announcements of interim and final results.
   - Approval of the annual report and accounts, including the corporate governance statement.
   - Approval of the dividend policy.
   - Declaration of the interim dividend and recommendation of the final dividend.
   - Approval of any significant changes in accounting policies or practices.
   - Approval of treasury policies including foreign currency exposure.

iv. Internal controls

   Ensuring maintenance of a sound system of internal control and risk management including:
   - receiving reports from the Finance and Risk Committee and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives;
   - undertaking an annual assessment of these processes through the Finance and Risk Committee; and
   - approving an appropriate statement for inclusion in the annual report.

v. Contracts
   - Major capital projects.
   - Contracts which are material strategically or by reason of size, entered into by the Company in the ordinary course of business, for example bank borrowings and acquisitions or disposals of fixed assets of amounts above the threshold reserved for executive directors under the Schedule of Limits and Authorities.
   - Contracts of the Company (or any subsidiary) not in the ordinary course of business, for example loans and repayments; foreign currency transactions and; major acquisitions or disposals of amounts above the thresholds reserved for Executive directors under the Schedule of Limits and Authorities.
   - Major investments including the acquisition or disposal of interests of more than five (5) percent in the voting shares of any company or the making of any takeover offer.

vi. Communication
   - Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
   - Approval of all circulars and listing particulars (approval of routine documents such as periodic circulars about scrip dividend procedures or exercise of conversion rights could be delegated to a committee).
   - Approval of press releases concerning matters decided by the Board.

vii. Board membership and other appointments
- Changes to the structure, size and composition of the Board, following recommendations from the Governance and Remuneration Committee.
- Ensuring adequate succession planning for the Board and senior management following recommendations from the Governance and Remuneration Committee.
- Appointments to the Board, following recommendations by the Governance and Remuneration Committee.
- Approval of appointment of the Chairman of the Board following recommendations by the Governance and Remuneration Committee.
- Appointment of Non-Executive Directors including independent directors following recommendations by the Governance and Remuneration Committee.
- Membership and Chairmanship of Board Committees.
- Continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the Annual General Meeting and otherwise as appropriate.
- Continuation in office of Non-Executive Directors at any time.
- Appointment or removal of the company secretary following recommendations by the Governance and Remuneration Committee.
- Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Finance and Risk Committee.

viii. Remuneration
- Approval of the remuneration policy for the Directors, company secretary and other senior executives following recommendations by the Governance and Remuneration Committee.
- Approval of the remuneration of the Non-Executive Directors, subject to the Articles of Association and shareholder approval as appropriate following recommendations by the Governance and Remuneration Committee.
- The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval following recommendations by the Governance and Remuneration Committee.

ix. Delegation of authority
- The division of responsibilities between the Chairman and the Chief Executive Officer, which should be in writing.
- Approval of terms of reference of Board Committees.
- Receiving reports from Board Committees on their activities.

x. Corporate governance matters
- Undertaking a formal and rigorous review of its own performance, that of its Committees and individual Directors.
- Determining the independence of Directors.
- Considering the balance of interests between shareholders, employees, customers and the community.
- Review of the Company's overall corporate governance arrangements.
- Receiving reports on the views of the Company's shareholders.

Induction and Training

The Company has in place a formal induction program for newly appointed Directors. As part of this induction, each new Director is provided with core materials and asked to complete a series of introductory meetings to become knowledgeable about the Company's business and familiar with the senior management team. Newly appointed Directors are also conducted round the production facilities of the Company to gain first-hand knowledge of the production process and the emphasis placed on health and safety by the Company.

The Governance and Remuneration Committee is in charge of evolving a continuing education programme to ensure existing Directors stay current with the Company's business and objectives as well as relevant industry information and other external factors such as corporate governance requirements and best practices. As part of the programme, Directors are encouraged to periodically attend appropriate continuing education seminars or programmes which would be beneficial to the company and the Directors' service on the Board.

Performance Evaluation Process

The Governance and Remuneration Committee oversees a formal evaluation process to assess the composition and performance of the Board, each Committee, and each individual Director on an annual basis. The assessment is conducted to ensure the Board, Committees, and individual members are effective and productive and to identify opportunities for improvement.

As part of the process, each member completes a detailed and thorough questionnaire and each member also participates in an oral interview/conversation session as a follow up to the completion of the questionnaires. The results are aggregated and summarized for discussion purposes however; individual responses are not attributed to any member and are kept confidential to ensure honest and candid feedback is received. The Governance and Remuneration Committee reports annually to the full Board with result of the evaluation exercise. Directors will not be nominated for re-election unless it is affirmatively determined that the director is substantially contributing to the overall effectiveness of the Board.

A summary of the Board Performance Evaluation in the 2019 financial year is that the Board is that the activities of the Board and the Company align with established corporate governance best practice and that the Board has put in place structures, processes and procedures that would ensure sustenance of best corporate governance practices.

Attendance at Board Meetings

The Board held four (4) meetings during the 2019 financial year. The following table shows the membership and attendance of Directors at Board meetings during the 2019 financial year:

	Directors	9/28/2018	10/24/2018	1/29/2019	4/24/2019	Total number of meetings attended
1	B. A. Savage	P	P	P	P	4
2	R. J. O'Keeffe	P	P	P	P	4
3	B. Magunda	P	P	P	P	4
4	J. O. Irukwu	P	LTB	LTB	LTB	1
5	B. J. Rewane	P	P	P	P	4
6	Z. Abdurrahman	P	P	P	P	4
7	S. T. Dogonyaro	P	P	P	P	4
8	F. N. O Edozien (Ms.)	P	P	P	P	4
9	O. O. Johnson (Dr)	P	P	P	AWA	3
10	L. Breen	P	P	P	P	4
11	M. D.Sandys	P	P	P	P	4
12	S. W. Njoroge	P	P	P	P	4
13	O.M Ayeni (Mrs.)	NYA	P	P	P	3
14	P. Gallagher	NYA	NYA	P	LTB	1
15	F. Ajogwu, SAN (Prof.)	NYA	NYA	P	P	2

** P – Present
NYA – Not yet Appointed
LTB – Left the Board
AWA – Absent with Apology

Board Committees

The Company undertook an evaluation of its Board Committees, their constitution, functions and composition in 2019 in the light of the new Code of Corporate Governance 2018. As at the date of this report, the Company has in place, the following Board Committees:

Governance and Remuneration Committee

Among other responsibilities, the Governance and Remuneration Committee is charged with instituting a transparent procedure for the appointment of new Directors to the Board and making recommendations to the Board regarding the tenures and re-appointment of Non-Executive Directors on the Board. The Committee provides a written report highlighting its deliberations and recommendations to the Board on a quarterly basis.

The Committee comprised of the following members during the financial year:

R. J. O'Keeffe	- Chairman
S.T. Dogonyaro	- Committee Vice Chairman
B. Magunda	- Member (Appointed with effect from 1 September 2018)
O. O. Johnson (Dr.)	- Member (Appointed with effect from 1 September 2018)

The Committee met four (4) times during the year. The following table shows the attendance of the members of the Committee at the meetings:

	Directors	8/27/2018	10/23/2018	1/25/2019	4/24/2019	Total number of meetings attended
1	R. J. O'Keeffe	P	P	P	P	4
2	S.T. Dogonyaro	P	P	P	P	4
3	B. Magunda	P	P	P	P	4
4	O. O. Johnson (Dr)	P	P	P	P	4

** P – Present

Finance and Risk Committee

The Finance and Risk Committee is responsible for monitoring the integrity of the financial statements of the Company and reviewing the effectiveness of the Company's internal control and risk management system, among others. The Committee comprises five (5) non-executive Directors selected to provide a wide range of financial, commercial and international experience. Members of the Committee who served during the year are:

J. O. Irukwu, SAN	- Former Chairman	(Retired with effect from 28 August 2018)
B. J. Rewane	- Member/Chairman	(Appointed Chairman with effect from 1 September 2018)
F. N. O. Edozien	- Member	
O. O. Johnson	- Member	
L. Breen	- Member	
Z. Abdurrahman	- Member	

The Committee met four (4) times during the year. The following table shows the attendance of the members of the Committee at the meetings:

Directors	8/24/2018	10/19/2018	1/25/2019	4/24/2019	Total number of meetings
1 J.O. Irukwu	P	LTC	LTC	LTC	1
2 B.J. Rewane	P	P	P	P	4
3 F. N. O Edozien	P	P	AWA	P	3
4 O. O. Johnson (Dr)	P	P	P	P	4
5 L. Breen	AWA	P	P	P	3
6 Z. Abdurrahman	NYA	P	P	P	3

** P – Present
AWA – Absent with Apology
LTC – Left the Committee
NYA - Not yet Appointed

Each of the Committee's meetings was attended by the Finance and Strategy Director, the Financial Controller, the Head, Controls, Compliance and Ethics, the Legal Director and the Head of Corporate Security and Brand Protection; and each provided updates and assurances to the committee on the adequacy of the actions being taken to mitigate any risks identified in the areas of the business they are responsible for. The engagement partner of the external auditors, PwC was also present with other key members of his team. Other senior management members were invited to brief the Committee on agenda items related to their areas of responsibilities.

During the year, the Committee reviewed the Company's quarterly financial reports, the annual report and accounts and the management letter before recommending their approval to the Board. The Committee also reviewed the critical accounting policies, judgements and estimates applied in the preparation of the financial statements.

Similarly, the Committee reviewed reports on significant tax risks, management of the risk of fraud, risks relating to the general or regional elections held during the financial year, other current and emerging risk issues affecting the Company's operations, as well as the related controls and assurance processes designed to manage and mitigate such risks. This is in addition to receiving regular updates on the Company's controls and governance environment.

The Committee reviews the plans of both the internal and external auditors and approves the plans at the beginning of the financial year.

The Board was kept updated and informed at its regular quarterly meetings of the activities of the Finance and Risk Committee through the minutes of the Committee and verbal updates provided to the Board by the Chairman of the Committee which is included as a regular item on the agenda of Board meetings.

Statutory Audit Committee

The Company has a Statutory Audit Committee set up in accordance with the provisions of the Companies and Allied Matters Act. It comprises of a mixture of non-executive Directors and shareholders elected at the Annual General meeting. It evaluates annually, the independence and performance of external auditors, receives the interim and final audit presentation from the external auditors and also reviews with management and the external auditors the annual audited financial statements before its submission to the Board. During the year, the Committee reviewed and approved the audit plan and scope of the external auditors for the financial year and reviewed quarterly and half yearly financial results before presentation to the Board. The Committee also makes recommendations to the Board on the appointment and remuneration of external auditors and received reports from management on the accounting system and internal controls framework of the Company. The members of the Statutory Audit Committee during the 2019 financial year are as follows:

N. Okwuadigbo	- Chairman/Shareholder
G.O. Ibhade	- Shareholder
M.O. Igbrude	- Shareholder
Z. Abdurrahman	- Independent Non-Executive Director
L. Breen	- Non-executive director
O. M. Ayeni	- Independent Non-Executive Director(Appointed with effect from 1 September 2018)
O.O. Johnson	- Independent Non-Executive Director (left the Committee with effect from 1st Sept. 2018)

The Committee met four (4) times during the year. The following table shows the attendance of the members of the Committee at the meetings:

	8/20/2018	10/19/2018	1/25/2019	4/23/2019	Total number of meetings attended
1 N. Okwuadigbo	P	P	AWA	P	3
2 M. O. Igbrude	P	P	P	P	4
3 G. O. Ibhade	P	P	P	P	4
4 L. Breen	AWA	P	P	P	3
5 Z. Abdurrahman	P	P	P	P	4
6 O.M. Ayeni	NYA	P	P	P	3
7 O.O. Johnson	P	LTC	LTC	LTC	1

** P – Present
AWA – Absent with Apology
LTC – Left the Committee
NYA - Not yet Appointed

- **Code of Business Conduct and Code of Governance for Directors**

As a member of the society in which we operate, we are not just interested in being the best performing consumer products Company, we are equally committed to our ambition to become the most trusted and respected business in Nigeria.

The Company has a Code of Business Conduct (COBC) which is based on our purpose and values as an organisation. At the heart of our COBC is a culture of "Acting with Personal Integrity" at all times as we engage with internal and external stakeholders. The COBC is applicable to all employees, directors and business partners of the Company. Our COBC covers salient topics which include Health, Safety and Personal Security, Bribery and Corruption, Responsible Drinking, Money Laundering, Discrimination and Human Rights, Information Management and Security, Quality, Insider trading, Conflict of Interest, Competition and Anti-Trust, Data Privacy, Relationships with customers, suppliers and other business partners, External Communications and social media amongst others.

We apply the principles of fairness, integrity and transparency in all our business dealings as entrenched in our COBC and in line with international best practices. Training, awareness and communication programmes as well as compliance monitoring mechanisms are in place to ensure that all relevant stakeholders remain aware of and comply with the provisions of our COBC and policies.

During the year, like in the past, we sustained continuous engagements with our people (contractors and employees) in building understanding of our Code and Corporate Governance principles and to further embed our ethical standards in their daily activities. This way, we expect that they will choose to do the right thing every day and everywhere. Key policies covered in these engagements are Anti-Bribery and Corruption, Health and Safety, Competition and Anti-Trust, Responsible Drinking, Conflict of Interest Declaration and Data Privacy. Our employees and contractors also completed mandatory policy trainings rolled out by Diageo and signed up to our Annual Certificate of Compliance.

We have also established and seek to sustain a culture in which employees feel comfortable raising concerns about potential breaches of our COBC or policies. We expect anyone who comes across a breach to report it immediately, either through our confidential whistleblowing helpline SpeakUp, to their Line Manager, to a member of the Controls, Compliance & Ethics team, the Human Resources or Legal team. Our approach to breach management is embedded in the Diageo Breach Management Standard and our local Disciplinary Policy. All allegations are taken seriously and those that require action are investigated and addressed promptly. We monitor breaches to identify trends or common areas where further action may be required.

- **Statement of Company's Risk Management Policies and Practices**

The Board of Directors has the responsibility of ensuring the maintenance of a sound system of internal control and risk management which it does through its Finance and Risk Committee. In compliance with the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission and as may be revised from time to time, Management provided assurance to the Board during the financial year that the risk management control and compliance systems in Guinness Nigeria Plc are operating efficiently and effectively.

Guinness Nigeria Plc's approach to risk management is in line with Diageo's Global Risk Management Standard. On an annual basis, we undertake a holistic risk assessment to identify top internal and external existing or emerging risks which are thereafter ranked based on their likelihood of occurrence and their impact to the business. These risks are assigned to owners who are then tasked with ensuring that robust plans are in place to mitigate these risks. These risks and mitigation plans are reviewed on a bi-monthly basis at the Risk Management Committee (RMC) meeting which is chaired by the Managing Director and comprise the heads of functions and other extended leadership team members.

We have continued to sustain a strong control programme through our Controls Assurance and Risk Management (CARM) framework, which also ensures Guinness Nigeria Plc complies with the Sarbanes Oxley Act 2002. Embedding change is a top risk for Diageo hence changes in the organisation during the year were carefully managed to ensure our robust control environment and assurance programme is not impacted.

There remains a regular review and monitoring of the overall risk and control environment of the business by the Risk Management Committee and by the Finance and Risk Committee of the Board; and implementation of Crisis Management and Business Continuity Plans which are regularly tested for effectiveness.

- **Dealings in Securities Code**

In line with relevant legal and regulatory provisions, the Board approved a Dealings in Securities Code (DSC), which prescribes a code of behaviour by directors and senior employees, as well as those in possession of market sensitive information relating to the Company. Affected persons are prohibited from dealing in the Company's securities during closed periods and are mandated to obtain consent to deal from appropriate senior executives of the Company. The company secretary, who is the designated Code Manager tasked with ensuring adherence to the provisions of the DSC, regularly issues Closed Period Notifications to Directors, employees and other relevant persons under the DSC.

- **Sustainability Statement**

Guinness Nigeria Plc's sustainability strategy is fully aligned with Diageo's global strategy and is underpinned by 3 main pillars namely: Leadership in Alcohol in Society, Building Thriving Communities and Reducing our Environmental Impact in the communities where we live and work. Other areas of social and environmental impact are the Guinness Eye Hospitals, our Undergraduate Scholarship schemes and our flagship Water of Life initiative.

Our aim is to be recognised as the best performing, most trusted and respected consumer products company in Nigeria and we understand that to achieve this we need to deliver on our sustainable development commitments.

Details of our sustainability activities in the year ended 30 June 2019, are in a separate Sustainability Report that we publish annually.

HEALTH AND SAFETY

Guinness Nigeria Plc is committed to an occupational health and safety system that promotes a safe working environment for all employees, contractors, customers and visitors to our sites. At Guinness Nigeria Plc, occupational health and safety holds paramount importance among all operational activities. In 2007, Diageo launched its Zero Harm Strategy with the objective of ensuring that everyone working or visiting our sites go home safely every day, everywhere. This is in line with the Diageo purpose of celebrating life every day, everywhere.

Our aim as a Company is to create a proactive safety culture in which all our employees believe that all injuries and occupational illnesses are foreseeable and preventable and act in a manner that demonstrates their personal commitment to this belief. Valuing each other is one of Diageo values and this starts with every employee being passionate about keeping each other safe, obsessively committed to preventing every single injury and recognizing the benefits of safe behaviour and celebrating safety success.

In the 2019 financial year, the business recorded 1 Lost Time Accident in Demand and none in Supply as opposed to 3 LTA (three (3) third party contractor employees) in 2018. We recorded a total of 28 injuries in 2019 while in 2018 financial year, we recorded a total of 37 injuries. In the year under review, we recorded a total of 15 Road Traffic Accidents (RTA) in Demand against a total of 26 in 2018. This represents 42% reduction over 2018 financial year despite the increase of the field sales team. Road Traffic Accidents (RTA) are accidents that involve property damage to vehicles without bodily injuries.

In summary, we recorded an improvement on our safety performance in the 2019 financial year mainly in the area of third party contractor management. In addition, the organization re-strategized in driving greater rigor in the deployment of safety management strategies across all functions aimed at delivering our Zero Harm Safety agenda. These areas include confined space entry, emergency response, segregation/removal of forklift truck operation from production areas, contractor management, permit to work administration and above 95% completion of the severe and fatal incident prevention protocols. In spite of the challenges we had in F19, Guinness Nigeria Plc safety records has continually demonstrated a growing improvement in our safety culture collectively driven by both employees and contractors across our sites. The entire improvement story in safety is traceable to the commitment of the Company's leadership to the safety of lives and properties.

S/N	Type of incident	Number of incident in F19	Number of incident in F18	Comments
1	Occupational Illnesses	Nil	Nil	None for both years
2	First Aid Injuries/MTC in Supply	26	28	Marginal improvement vs F18. Driven largely by increased 3rd party engagement
3	First Aid Injuries/MTC in Demand	1	9	Over 90% improvement due to active engagement and installation of speed limiters on fleet
4	Lost Time Accident Supply	0	3	Great improvement. No LTA recorded in F19
5	Lost Time Accident Demand	1	-	One LTA recorded in demand.
6	Road Traffic Accident	15	26	Over 42% improvement in F19 vs F18
7	3rd Party Fatality	-	-	Sustained – No fatality recorded
8	Employees Fatality	-	-	Sustained – No fatality recorded

Company's Policies/Strategy for addressing & managing the impact of HIV/AIDS, Malaria and other serious diseases on the Company's employees and their families

Guinness Nigeria Plc is committed to protecting the health, safety and wellbeing of its employees in line with all relevant legislative requirements and best practice principles. In line with this, Guinness Nigeria Plc currently has two robust policies on this:

- Guinness Nigeria HIV/Aids Policy; and
- Guinness Nigeria Policy on Wellness.

Guinness Nigeria Plc HIV/Aids Policy:

We recognize that the potential social and economic consequences of HIV/AIDS in Nigeria and in Sub-Saharan Africa are enormous; however, there is hope, if the government and civil society collaborate and are mobilized to fight the spread of the disease together.

Guinness Nigeria Plc is determined to play its part with respect to this and the HIV/AIDS policy is a statement of our commitment to prevent the spread of HIV/AIDS in our workplaces and communities and to care for our employees and their dependents who suffer from its effects. The Policy follows guidelines from the Nigerian National Action Committee on AIDS (NACA) and forms part of the overall plan for the protection and enhancement of health of all our employees.

Some of the elements of the Policy include -

• Measures to prevent the spread of HIV/AIDS such as education and awareness campaigns.
• Strategies to reduce the impact of the epidemic in the workplace.
• Plans to protect employees and their families from HIV/AIDS and its effects.
• Confidentiality and non-discrimination towards employees with HIV/AIDS thereby promoting appropriate and effective ways of managing HIV/AIDS in the workplace.
• Promotion of a non-discriminatory working environment in which employees living with HIV/AIDS are able to speak about their HIV/AIDS status without fear of stigmatization or rejection.
• Management of HIV/AIDS via voluntary counselling and testing.

Guinness Nigeria Plc is an active participant in business coalitions and other fora (Nigeria Business Coalition Against Aids (NIBUCAA), National Action Committee on AIDS (NACA) and State Agency for the Control of Aids (SACA)) leading the national response to HIV/AIDS in Nigeria. Through our HIV/AIDS education and awareness programmes we encourage employees to adopt personal behavior, which minimizes the risks of their contracting HIV/AIDS. Through these and the development of our own workplace programmes, the Company sustains its advocacy role in promoting awareness and understanding of the disease of HIV/AIDS and its impact at global, national, community and workplace levels.

Guinness Nigeria Plc Wellness Policy:

Wellbeing is defined as positive state of being well, contented and healthy. A state of wellbeing therefore encompasses achieving, amongst other things, good work life balance, the management of stress at work and providing a work environment that is free from discrimination, bullying and harassment.

The policy aims to assist employees in maintaining a healthy level of wellbeing and outlines the support available to employees in achieving this. Some of the ways in which Guinness Nigeria Plc supports the principles of wellbeing include:
• Providing occupational health support services to enhance employee wellbeing.
• Providing training and support to line managers on good management practices encouraging a partnership approach between employees and line managers that fosters trust, openness and honesty and recognizes their joint responsibility to find workable solutions to problems at work.
• Undertaking regular review of policy practice, procedure and initiatives to ensure that they maximize employee wellbeing.

We encourage employees to live a healthy well balanced life and we have a number of programmes and facilities to assist employees to either evaluate their current level of wellbeing or to re-establish and maintain it and this is done via various channels including but not limited to: informal dialogue, occupational health information and advices, health screening for all employees (pre-employment health screening, post-employment risk assessment for all employees, once in 2 years comprehensive health screen etc.).

EMPLOYMENT AND EMPLOYEES

(a) Human Rights Policy:
Guinness Nigeria Plc prides itself in its commitment to human rights and is guided by the Global Human Rights & Anti-discrimination policy. In our workplaces and the communities in which we operate, we believe a serious commitment to respecting human rights is fundamental to our way of business.

(b) Equality and Diversity Policy:
Guinness Nigeria Plc is proud to be a multi-cultural community operating in an increasingly competitive and diverse business world. We value equality and diversity and are committed to creating a working environment where we:
• Treat all individuals fairly, with dignity and respect.
• Provide open opportunities to all.
• Provide a safe, supportive and welcoming environment for all employees and visitors.

The key elements of the Policy include –

Employment Equity and Equality: Guinness Nigeria Plc is committed to equal treatment of employees regardless of age, gender, race, ethnic origin, religion or belief, disability, marital status, pregnancy, sexual orientation, number of dependents, part-time or fixed-term status, creed, color, nationality, membership or non-membership of a trade union.

Diversity: We value diversity, recognizing that different people with different backgrounds and experiences can bring valuable insights that contribute to the business. In the 2019 financial year, the Company established an Employee Diversity Board charged with the task of embedding and institutionalising sustainable diversity policies and initiatives among all employees of the Company across the country.

Guinness Nigeria Spirited Women Network: As a Company operating in a traditionally male-dominated industry, the Company encourages initiatives that provide female employees with the opportunity to maximise their potentials and take full advantage of the opportunities offered by the Company in their careers. The Guinness Nigeria Spirited Women Network is a strong network of women across the organisation that provide support and mentorship to female employees and it is anchored by senior management employees and female members of the Board of Directors.

New Parental Leave Policy: Recently, the Company reviewed parental leave benefits that offers female employees 26 weeks (increased from 16 weeks) fully paid parental leave and male employees 4 weeks (increased from 5 days) paternity leave on full pay.

(c) Dissemination of Information
In order to maintain a shared perception of our goals, we are committed to communicating information to employees in as fast and effective a manner as possible. We consider this critical to the maintenance of team spirit and high employee morale.

We use both one-way and two-way modes of communication – leveraging digital means - an employee page on the company intranet – Yammer; as well as the traditional methods - circulars and newsletters. General employee town hall meetings are held quarterly at our various sites where all employees meet with management and get updates on the business/people related issues in an atmosphere of candid and open dialogue. In addition, a good communication link with the workforce is maintained through regular meetings between union representatives, employees and management. Engagement is viewed as an important driver of employee performance.

(d) Staff Diversity, Employee Development and Training Initiatives: At the end of the 2019 financial year, we had a staff strength of 822 (626 males and 196 females). We successfully increased the number of female employees by 22.5%; and 49% of our new hires in 2019 were females.

We have on-boarded our new joiners through the corporate induction programme and continue to build people manager capability by rolling out the Leadership training which focuses on leading high performing teams.

Our Learning and Development Policy aims to ensure that all employees are provided with the necessary support to enable them grow and deliver in their current and future roles. Learning and development opportunities within the Company focus on mandatory training, capability development and career development. Priority is given to learning and development opportunities that are a part of an individual's partnership commitment or development plan. In addition, there is also opportunity for full sponsorship of a course or professional programme for employees in line with their development plan.

Our people are encouraged and supported to be members of professional institutions. Our continued employee development initiatives saw us awarded the Association of Chartered Certified Accountants (ACCA) Approved Employer Gold Status in 2014.

ACQUISITION OF OWN SHARES

The Company did not purchase any of its own shares during the 2019 financial year (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment is given in Note 15 to these financial statements.

DISTRIBUTION

The Company's products are distributed through numerous distributors who are spread across the country. Our distributors are our strategic business partners who contribute immensely to the success of our business and also benefit mutually from their relationship with Guinness Nigeria Plc.

The Company also has distribution agreements with distributors who export its products to the United Kingdom, South Africa and the United States of America in addition to strategic alliances on distribution with other companies within the Diageo group in several African countries.

SUBSEQUENT EVENTS

There were no events after the statement of financial position date which could have had a material effect on the state of affairs of the Company as at this date or the financial results for the year ended 30 June 2019 which has not been adequately provided for.

ROYALTY AND TECHNICAL SERVICES AGREEMENTS

It has been the practice for the Company to maintain a close relationship with Diageo plc as technical partner and adviser. In this capacity, we receive technical and commercial support from certain members of the Diageo group under various Technical Services Agreements and Trademark and Quality Control Agreements.

INDEPENDENT AUDITOR

PricewaterhouseCoopers acted as the Company's independent auditor during the year under review. The independent auditors' report was signed by Mr. Osere Alakhume, a partner in the firm, with Institute of Chartered Accountants of Nigeria (ICAN) membership number ICAN 00000000647.

PricewaterhouseCoopers has indicated willingness to continue in office as auditor in accordance with Sec 357(2) of the Companies and Allied Matters Act 1990.

By Order of the Board

Mr. Baker Magunda
Managing Director
28 August 2019

Statement of Directors' Responsibilities

for the year ended 30 June 2019

The Companies and Allied Matters Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other regularities; and
c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and both the requirements of the Financial Reporting Council of Nigeria Act and the Companies and Allied Matters Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board of Directors by:

Babatunde A. Savage
FRC/2013/ICAN/00000003514
28 August 2019

Baker Magunda
FRC/2019/IODN/00000019411
28 August 2019

Report of the Statutory Audit Committee

for the year ended 30 June 2019

In compliance with Section 359(6) of the Companies and Allied Matters Act, we have:

(a) reviewed the scope and planning of the audit requirements;

(b) reviewed the external auditor's memorandum of recommendations on accounting policies and internal controls together with management responses; and

(c) ascertained that the accounting and reporting policies of the Company for the year ended 30 June 2019 are in accordance with legal requirements and agreed ethical practices.

In our opinion, the scope and planning of the audit for the year ended 30 June 2019 were adequate and the management's responses to the auditor's findings were satisfactory.

Mazi Nnamdi Okwuadigbo
FCA FRC/2012/ICAN/00000000225
Chairman
28 August 2019

Members of the Statutory Audit Committee

Mazi Nnamdi Okwuadigbo, FCA	- Shareholder/Chairman
Mr. G.O. Ibhade	- Shareholder
Mr. M.O. Igbrude	- Shareholder
Mrs. Z. Abdurrahman	- Director
Mrs. O.M. Ayeni	- Director (Joined the Committee with effect from 1st Sepember 2018)
Mr. Leo Breen	- Director
Dr. O.O. Johnson	- Director (left the Committee with effect from 1st Sepember 2018)

Independent auditor's report

To the Members of Guinness Nigeria Plc

Report on the audit of the financial statements

Our opinion

In our opinion, Guinness Nigeria Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Guinness Nigeria Plc's financial statements comprise:

- the statement of financial position as at 30 June 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on trade receivables (N2.58 billion) *(Refer to notes 4a, 7h(i), 19a and 28a(i) to the financial statements)* We focused on this area due to materiality of the impairment allowance on trade receivables balance as at 30 June 2019 and because the directors exercised significant judgement, using subjective assumptions, when determining the timing and amount of impairment allowance to recognise on trade receivables. The adoption of IFRS 9 'Financial Instruments' introduces a new, forward-looking expected credit loss (ECL) model for determining the impairment allowance on financial assets. The expected credit loss model requires significant judgment in measuring the ECL. The directors have adopted the simplified approach in assessing the impairment allowance for trade receivables. Areas where significant judgements were exercised by the directors include: • methodology used to determine the loss rates for the calculation of the lifetime expected credit losses; • estimating key behavioural parameters used within the expected credit loss models; • incorporating forward-looking information into the estimation of expected credit losses on trade receivables.	We adopted a combination of controls and substantive approach in assessing the impairment allowance recognised on trade receivables. Specifically, we performed the following procedures: • gained an understanding of the company's order to cash process, evaluated the design and tested the operating effectiveness of controls relating to customer credits, collectability of trade receivables and impairment allowance recognition; • ascertained appropriateness of the provision matrix of the simplified approach used to determine the lifetime ECL based on the requirements of IFRS 9; • tested the reasonableness of data inputs used in the expected credit loss models by comparing to the company's underlying records; • engaged the services of our actuarial team to: o review the methodology adopted by the directors in determining the loss rates used in estimating the expected credit losses; o perform a review of the models developed by the directors in estimating the key behavioural parameters used within the expected credit loss calculations; o assess the reasonableness of assumptions made by management with respect to how forward-looking information was incorporated into the expected credit loss estimation. • reviewed the IFRS 9 disclosures on impairment of trade receivables for reasonableness.

pwc

Other information

The directors are responsible for the other information. The other information comprises the Financial Highlights, Board of Directors and Corporate Information, Board of Directors and Company Secretary, Directors' Report, Statement of Directors' Responsibilities, Report of the Statutory Audit Committee, Value Added Statement, Five-Year Financial Summary and Shareholders' Information (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, and the other sections of the Guinness Nigeria Plc 2019 Annual Report, 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 and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 other sections of the Guinness Nigeria Plc 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 scepticism 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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, 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

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.

Osere Alakhume

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Osere Alakhume
FRC/2013/ICAN/00000000647

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0853930

29 August 2019

Statement of Financial Position

As at 30 June

	Notes	2019	2018
ASSETS		₦'000	N'000
Non-current assets			
Property, plant and equipment	15(a)	100,801,064	97,602,019
Intangible assets	16(a)	641,059	1,000,214
Prepayments	17	6,482	42,688
Total non-current assets		101,448,605	98,644,921
Current assets			
Inventories	18	25,180,431	19,032,362
Trade and other receivables	19(a)	26,018,700	23,890,304
Prepayments	17	396,357	875,597
Restricted cash	20(a)	2,991,973	3,360,720
Cash and cash equivalents	20(b)	4,756,561	7,451,064
Total current assets		59,344,022	54,610,047
Total assets		160,792,627	153,254,968
Equity			
Share capital	21(b)	1,095,191	1,095,191
Share premium		47,447,029	47,447,029
Retained earnings		40,518,242	39,045,954
Total equity		89,060,462	87,588,174
Liabilities			
Non-current liabilities			
Loans and borrowings	23(a)	8,104,582	8,116,367
Employee benefits	24	970,547	1,104,749
Deferred tax liabilities	26(a)	13,800,562	13,598,563
Total non-current liabilities		22,875,691	22,819,679
Current liabilities			
Bank overdrafts	20(b)	6,545,014	-
Current tax liabilities	13(d)	1,685,791	2,841,607
Dividend payable	22(b)	2,994,076	3,211,277
Loans and borrowings	23(a)	5,277,028	5,618,506
Contract liabilities	8(b)	433,457	-
Trade and other payables	27	31,921,108	31,175,725
Total current liabilities		48,856,474	42,847,115
Total liabilities		71,732,165	65,666,794
Total equity and liabilities		160,792,627	153,254,968

Approved by the Board of Directors on 28 August 2019 and signed on its behalf by:

Babatunde A. Savage (Chairman)
FRC/2013/ICAN/00000003514

Baker Magunda (Managing Director)
FRC/2019/IODN/00000019411

Stanley Njoroge (Finance & Strategy Director)
FRC/2018/ICAN/00000019000

The notes on pages 30 to 65 are integral parts of these financial statements

Income Statement

For the year ended 30 June

	Notes	2019	2018
		₦'000	N'000
Revenue	8(a)	131,498,373	142,975,792
Cost of sales		(91,369,145)	(94,350,387)
Gross profit		40,129,228	48,625,405
Other income	9(a)	781,477	668,363
Marketing and distribution expenses	9(b)	(21,751,127)	(26,012,074)
Net impairment losses on financial assets	28(a)	(335,866)	-
Administrative expenses		(9,857,676)	(9,895,446)
Operating profit		8,966,036	13,386,248
Finance income	10(a)	750,903	2,201,476
Finance costs	10(b)	(2,613,309)	(5,644,560)
Net finance costs		(1,862,406)	(3,443,084)
Profit before taxation	11	7,103,630	9,943,164
Tax expense	13(a)	(1,619,898)	(3,225,559)
Profit for the year		5,483,732	6,717,605
Earnings per share			
Basic and diluted earnings per share (kobo)	14(a)	250	330

The notes on pages 30 to 65 are integral parts of these financial statements

Statement of Comprehensive Income

For the year ended 30 June

	Note	2019	2018
		₦'000	N'000
Profit for the year		5,483,732	6,717,605
Other comprehensive income			
Items that will never be reclassified to the income statement			
Remeasurement gain/(loss) on defined benefit plan	24(a)	2,986	(46,548)
Tax (expense)/credit on other comprehensive loss	26(b)	(896)	13,964
Other comprehensive income/(loss) for the year, net of tax		2,090	(32,584)
Total comprehensive income for the year		5,485,822	6,685,021

The notes on pages 30 to 65 are integral parts of these financial statements

Statement of Changes in Equity

For the year ended 30 June

	Notes	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
		₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 July 2017		752,944	8,961,346	-	33,228,725	42,943,015
Total comprehensive income						
Profit for the year		-	-	-	6,717,605	6,717,605
Other comprehensive loss		-	-	-	(32,584)	(32,584)
Total comprehensive income for the year		-	-	-	6,685,021	6,685,021
Transaction with owners, recorded directly in equity						
Rights issue	21(d)	342,247	38,485,683	-	-	38,827,930
Dividends to equity holders	22(a)	-	-	-	(963,768)	(963,768)
Unclaimed dividends written back	22(d)	-	-	-	95,976	95,976
Share-based payment charge	25(c)	-	-	162,902	-	162,902
Share-based payment recharge	25(c)	-	-	(162,902)	-	(162,902)
Total transactions with owners		342,247	38,485,683	-	(867,792)	37,960,138
Balance at 30 June 2018		1,095,191	47,447,029	-	39,045,954	87,588,174
Balance at 1 July 2018		1,095,191	47,447,029	-	39,045,954	87,588,174
Effect of adoption of IFRS 9 (net of tax)	6(ii)	-	-	-	(128,961)	(128,961)
Balance at 1 July 2018-restated		1,095,191	47,447,029	-	38,916,993	87,459,213
Total comprehensive income						
Profit for the year		-	-	-	5,483,732	5,483,732
Other comprehensive income		-	-	-	2,090	2,090
Total comprehensive income for the year		-	-	-	5,485,822	5,485,822
Transaction with owners, recorded directly in equity						
Dividends to equity holders	22(b)	-	-	-	(4,030,304)	(4,030,304)
Unclaimed dividends written back	22(d)	-	-	-	145,731	145,731
Share-based payment charge	25(c)	-	-	95,658	-	95,658
Share-based payment recharge	25(c)	-	-	(95,658)	-	(95,658)
Total transactions with owners		-	-	-	(3,884,573)	(3,884,573)
Balance at 30 June 2019		1,095,191	47,447,029	-	40,518,242	89,060,462

The notes on pages 30 to 65 are integral parts of these financial statements

Statement of Cash Flows

For the year ended 30 June

	Note	2019	2018
		₦'000	N'000
Cash flows from operating activities			
Profit before taxation		7,103,630	9,943,164
Adjustments for:			
Depreciation	15(a)	9,734,548	8,874,523
Amortisation of intangible assets	16(a)	359,155	364,206
Share-based payments	25(c)	95,658	162,902
Finance income	10(a)	(750,903)	(2,201,476)
Finance costs	10(b)	2,613,309	5,644,560
Impairment of inventories	18	832,250	334,531
Write-off of property, plant and equipment	15(h)	119,885	108,136
Gain on disposal of property, plant and equipment	15(h)	(27,458)	(10,064)
Long service awards (gain)/loss	24(b)	(17,852)	141,645
		20,062,222	23,362,127
Changes in working capital:			
Inventories		(6,980,319)	3,727,606
Trade and other receivables	19(b)	(2,483,890)	(307,696)
Prepayments		515,446	435,479
Trade and other payables	27(b)	8,949,019	(11,805,751)
Cash generated from operating activities		20,062,478	15,411,765
Income tax paid	13(d)	(2,405,060)	(370,320)
Value added tax paid	27(b)	(3,994,384)	(4,242,832)
Gratuity paid	24(a)	(151,634)	(122,116)
Long service awards paid	24(b)	(105,358)	(86,708)
Net cash generated from operating activities		13,406,042	10,589,789
Cash flows from investing activities			
Finance income received	10(a)	712,226	1,305,692
Proceeds from disposal of property, plant and equipment	15(h)	57,258	25,946
Acquisition of property, plant and equipment	15(g)	(16,597,160)	(16,960,755)
Net cash used in investing activities		(15,827,676)	(15,629,117)
Cash flows from financing activities			
Proceeds from loans and borrowings	23(b)	27,620,115	62,207,195
Repayment of loans and borrowings	23(b)	(27,965,182)	(66,797,166)
Repayment of finance lease liabilities	23(b)	-	(2,039,168)
Finance costs paid	10(b)	(2,355,012)	(3,642,534)
Net cash proceeds from rights issue	21(d)	-	24,602,346
Dividends paid	22(b)	(4,030,304)	(963,768)
Net cash (used in)/generated from financing activities		(6,730,383)	13,366,905
Net (decrease)/increase in cash and cash equivalents		(9,152,017)	8,327,577
Effect of foreign exchange rate changes on cash and cash equivalents		(87,500)	66,733
Cash and cash equivalents at 1 July		7,451,064	(943,246)
Cash and cash equivalents at 30 June	20(b)	(1,788,453)	7,451,064

The notes on pages 30 to 65 are integral parts of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2019

1. Reporting entity

Guinness Nigeria Plc, ('the Company'), a public Company quoted on the Nigerian Stock Exchange, was incorporated in Nigeria on 29 April 1950, as a trading company importing Guinness Stout from Dublin. The Company has since transformed itself into a manufacturing operation and its principal activities continue to be brewing, packaging, marketing and selling of Guinness Foreign Extra Stout, Guinness Extra Smooth, Guinness African Special, Malta Guinness, Malta Guinness Herbs Lite, Harp Lager, Smirnoff Ice, Smirnoff Ice - Double Black, Satzenbrau Lager, Dubic Lager, Snapp, Orijin Ready-to-drink, Orijin Bitters, Orijin Zero non-alcoholic, Johnnie Walker, Smirnoff Vodka, Ciroc, Baileys, Captain Morgan, McDowell's No.1 Whisky, McDowell's VSOP Brandy, Royal Challenge, Gordon and other International Premium Brands (IPS) making it a total beverage alcohol (TBA) Company.

The address of the Company's registered office is at 24 Oba Akran Avenue, Ikeja, Lagos.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were authorised for issue by the Board of Directors on 28 August 2019, and will be submitted for adoption to the Annual General Meeting of Shareholders.

3. 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 unless otherwise stated.

4. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Assumptions and estimation uncertainties

Note 24 – measurement of defined benefit obligations: key actuarial assumptions
Note 25 – share-based payments
Note 28 – expected credit loss in line with IFRS 9 ' Financial Instruments '

(b) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the historical financial information:

Measurement of fair values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market 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. as 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 is 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 change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 25 – share based payments
Note 28 – financial risk management and financial instruments

Revenue recognition
Significant financing component

The Company has contracts with customers that requires advance payment to be made before sale of drinks can occur. The Company has considered whether the contract contains a financing component and whether that financing component is significant to the contract, including both of the following;

(a) The difference, if any, between the amount of promised consideration and cash selling price and;
(b) The combined effect of both the following:
- The expected length of time between when the Company transfers the product to their customers and when payment is received and;
- The prevailing interest rate in the relevant market.

The advance period is less than 12 months, usually within 30 days. As a result, the effect of discounting will not be material. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

5. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items which have been measured on an alternative basis on each reporting date.

Items	Measurement bases
Non-derivative financial instruments	Initially measured at fair values and subsequently measured at amortised cost.
Employee benefits	Present value of defined benefit obligation.
Share-based payment transactions	Grant date fair value of the equity instrument issued.

6. Changes in accounting policies and disclosures

This note explains the impact of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers (including the amendments to IFRS 15) on the Company's financial statements.

Impact on the financial statements

Guinness Nigeria Limited (or the "Company") has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings on 1 July 2018 in the statement of changes in equity. The comparative period notes disclosures repeat those disclosures made in the prior year. The Company has elected to adopt the simplified approach as a practical expedient for the calculation of expected credit loss on trade and other receivables on the adoption of IFRS 9.

The Company has adopted IFRS 15: Revenue from Contracts with Customers using the modified retrospective method, with the effect of applying this standard recognised at the date of initial application. Accordingly, the information presented for 2018 financial year has not been restated but is presented, as previously reported, under IAS 18 and related interpretations. The adjustments to the carrying amounts as a result of the adoption of IFRS 15 have no impact on the opening retained earnings as at 1 July 2018.
There was no impact on the statement of cash flows as a result of adopting the new standard.

The following tables summarise the impact, net of tax, of transition to IFRS 9 and IFRS 15 for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. There was no impact on the statement of cash flows as a result of adopting the new standards. The adjustments are explained in more detail by standard below:

	Note	Carrying amount as at 30 June 2018	Impact of IFRS 9	Impact of IFRS 15	As at 1 July 2018
		₦'000	₦'000	₦'000	₦'000
ASSETS					
Current assets					
Trade and other receivables	28(a)	19,324,934	(189,648)	-	19,135,286
EQUITY AND LIABILITIES					
Retained earnings		39,045,954	(128,961)	-	38,916,993
Deferred tax liabilities	26(b)	13,598,563	(60,687)	-	13,537,876

IFRS 9 Financial instruments – Impact of adoption

The new financial instruments standard, IFRS 9 replaces the provisions of IAS 39. The new standard presents a new model for classification and measurement of assets and liabilities, a new impairment model, which replaces the incurred credit loss approach with an expected credit loss approach, and new hedging requirements.

The adoption of IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the notes below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated but the impact of adoption has been adjusted through opening retained earnings for the current reporting period.

(i) ***Classification and measurement***

(a) ***Financial assets***

On 1 July 2018 (the date of initial application of IFRS 9), the Company's management assessed the classification of its financial assets which is driven by the cash flow characteristics of the instrument and the business model in which the asset is held.

The Company's financial assets in scope include trade and other receivables. The Company's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest.

Trade and other receivables that were previously classified as loans and receivables (L and R) are now classified as financial assets at amortised cost.

The changes in the classification and measurement requirements of IFRS 9 only resulted in a nomenclature change and as a result, this had no effect on the gross carrying amount of the financial assets and the opening retained earnings as at 1 July 2018.

(b) ***Financial liabilities***

The adoption of IFRS 9 requires that for financial liabilities that are measured under the fair value option, entities should recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The Company does not have any financial liabilities measured at fair value. Therefore, the adoption of IFRS 9 did not affect the measurement of its financial liabilities. Consequently, no retrospective adjustments have been made in relation to this change as at 1 January 2018.

On the date of initial application, 1 July 2018, the financial instruments of the Company were classified as follows:

	Classification and measurement category		Carrying amount	
	IAS 39	IFRS 9	IAS 39 ₦'000	IFRS 9 ₦'000
Financial assets:				
Trade and other receivables (Note 19(a))	*L and R	Amortised cost	19,324,934	19,324,934
Cash and cash equivalents	*L and R	Amortised cost	7,451,064	7,451,064
Restricted cash	*L and R	Amortised cost	3,360,720	3,360,720
Non-current financial liabilities:				
Loans and borrowings (Note 23(a))	Amortised cost	Amortised cost	13,734,873	13,734,873
Trade and other payables (Note 27(a))	Amortised cost	Amortised cost	30,006,405	30,006,405

*L and R- Loans and Receivables.

The new carrying amounts in the table above have been determined based on the measurement criteria specified in IFRS 9.

(ii) ***Impairment of financial assets***

Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 for each of these classes of assets. The following are the Company's financial assets that are subject to IFRS 9's new expected credit loss model:

a. Trade and other receivables
b. Cash and cash equivalents
c. Restricted cash

The impact of the change in impairment methodology on the Company's retained earnings as at 1 January 2018 is disclosed in the table below:

	Note	As at 1 July 2018 ₦'000
Closing retained earnings as at 30 June 2018 – IAS 39		39,045,954
Increase in provision for trade receivables		(189,648)
Deferred tax impact on IFRS 9 adjustment	26(b)	60,687
Effect of adoption of IFRS 9 (net of tax)		(128,961)
Opening retained earnings as at 1 July 2018 on adoption of IFRS 9		38,916,993

The impact of IFRS 9 on cash and cash equivalents and restricted cash is immaterial.

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The adoption of the new standard requires the Company to apply the five (5)-step model for recognizing revenue. The impact of adoption on the Company's opening retained earnings at the date of initial application (i.e. 1 July 2018) and other reclassification adjustments are described below.

(a) Product returns for a refund or credit note.

The Company allows customers to return products after delivery within a certain timeframe if unsatisfactory. IFRS requires the company to estimate expected returns which should not be recognized as revenue until the return period lapses.

When a customer exercises this right to return products, the company also has a right to recover the product from the customer and will recognise an asset - Right of recovery in trade and other receivables and a corresponding adjustment to Cost of sales.

To reflect the change in policy, a refund liability of N123.85 million (1 July 2018: Nil) has been recognized for the expected refunds to customers and a corresponding adjustment to revenue for the year ended 30 June 2019. A right of recovery asset of N78.03 million (1 July 2018: Nil) has also been recognized in other receivables for the products to be returned and a corresponding adjustment to Cost of sales for the year ended 30 June 2019.

The Company has assessed the impact of this adjustment as at 1 July 2018 to be immaterial, therefore no adjustments were made to the retained earnings.

(b) Recognition of contract liabilities

The Company introduced the presentation of liabilities in the statement of financial position to reflect the requirements of IFRS 15. Contract liabilities of ₦433.457 million have been reclassified from customer deposits as at 30 June 2019 which are advance payments received from customers.

7. Significant accounting policies

Except for the changes explained in Note 6, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was measured. Foreign currency translation differences are generally recognised in income statement. Non-monetary items that are measured based on historical cost in a foreign currency are not re-measured at every reporting date.

(b) Financial instruments

i. Non-derivative financial assets

Policy applicable from 1 July 2019

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

a. *Classification and measurement*

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss, which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

The business models applied to assess the classification of the financial assets held by the company are:

• Hold to collect: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flow represents solely payments of principal and interest. Assets held under this business model are measured at amortised cost.

• Fair value through other comprehensive income: Financial assets in this category are held to collect contractual cash flows and sell where ther are advantageous opportunities. The cash flows represents solely payment of principal and interest. These financial assets are measured at fair value through other comprehensive income.

• Fair value through profit or loss: This category is the residual category for financial assets that do not meet the criteria described abov Financial assets in this category are managed in order to realise the asset's fair value.

All the Company's financial assets as at 30 June 2019 satisfy the conditions for classification at amortised cost under IFRS 9. The financial assets are held to collect contractual cashflows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets).

The Company's financial assets include trade and other receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date.

b. *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

c. *Offsetting of financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Policy applicable until 30 June 2018

The Company initially recognises loans and 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.

The Company has the following non-derivative financial assets:

Loans and receivables

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

Loans and receivables with short-term maturities and no stated rates of interest are measured at original invoice amounts where the effect of discounting is not significant.

ii. Non-derivative financial liabilities

Policy applicable from 1 July 2019

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

a. *Classification and measurement*

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk, which is presented, in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company's financial liabilities include trade and other payables and interest bearing loans and borrowings.

b. *Derecognition*

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

c. *Offsetting of financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Policy applicable until 30 June 2018

All financial liabilities 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 liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, dividend payable, 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.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(c) Share capital

The Company has one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

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, measurement and derecognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in income statement.

The Company reviews the residual values and estimated useful life of its assets at least annually and adjustments are done to reflect significant changes.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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 in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	–	lease period
Buildings	–	60 years
Plant and machinery	–	2 to 40 years
Furniture and equipment	–	3 to 5 years
Motor vehicles	–	4 years
Returnable packaging materials	–	5 to 10 years

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(e) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. The Company's intangible assets with finite useful life comprises computer software, concession right and distribution right. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates, otherwise they are expensed.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost less its residual value. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and preceding years are as follows:

Computer software - SAP	–	11 years
Computer software - others	–	5 years
Concession right	–	10 years
Distribution right	–	5 years

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

An intangible asset is derecognised where it is certain that there would be no future flow of economic benefit to the Company as a result of holding such asset.

(f) 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 re-assessment 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.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon 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.

Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in income statement 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.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows:

Raw materials, non-returnable packaging materials and consumable spare parts	–	purchase cost on a weighted average basis including transportation and applicable clearing charges.
Finished products and products-in-process	–	average cost of direct materials and labour plus the appropriate amount attributable to production overheads based on normal production capacity.
Inventories-in-transit	–	purchase cost incurred to date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

(h) Impairment

i. Non-derivative financial assets

Policy applicable from 1 July 2019

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost or fair value through other comprehensive income under IFRS 9: Financial instruments. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied for trade receivables from related party and third party customers. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

Policy applicable until 30 June 2018

A financial asset not measured at fair value through the income statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include 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 or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement 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. Losses are recognised in income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

ii. Non-financial assets

The carrying amount 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.

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

iii. Write off policy

The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(i) Employee benefits

i. Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its management and non-management employees. Employee's contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the income statement. The Company contributes 10% and 12% for management and non-management employees respectively while employees contribute 8% of their insurable earnings (basic, housing and transport allowance).

ii. Gratuity

– *Defined benefit gratuity scheme*

Lump sum benefits payable upon retirement or resignation of employment are fully accrued over the service lives of management and non-management staff under the scheme. Employees under the defined benefit scheme are those who had served a minimum of 5 years on or before 31 December 2008 when the scheme was terminated. Independent actuarial valuations are performed periodically on a projected unit credit basis. Remeasurement gains/losses arising from valuations are charged in full to other comprehensive income. The Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

– *Defined contribution gratuity scheme*

The Company has a defined contribution gratuity scheme for management and non-management staff. Under this scheme, a specified amount is contributed by the Company to third party fund managers and recognised as an employee benefit expense to income statement over the service life of the employees.

iii. Other long-term employee benefits

The Company's other long-term employee benefits represents Long Service Awards payable upon completion of certain years in service and accrued over the service lives of the employees. Independent actuarial valuations are performed periodically on a projected unit credit basis. Remeasurement gains or losses and curtailment gains or losses arising from valuations are charged in full to income statement.

iv. Termination benefits

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 12 months of the end of the reporting period, then they are discounted.

v. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus 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.

vi. Share-based payment transactions

The fair value of equity settled share options and share grants is initially measured at grant date based on the binomial or Monte Carlo models and is charged in the income statement over the vesting period. For equity settled share-based payments, the credit is included in share-based payment reserve in equity whereas for cash settled share-based payments a liability is recognised in the statement of financial position, measured initially at the fair value of the liability.

For cash settled share options and share grants, the fair value of the liability is remeasured at the end of each reporting period until the liability is settled, and at the date of settlement, with any changes in the fair value recognised in the income statement. Cancellations of share options are treated as an acceleration of the vesting period and any outstanding charge is recognised in income statement immediately.

(j) 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.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

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 obligation is neither a provision nor a contingent liability and no disclosure is made.

(k) Revenue

Policy applicable from 1 July 2018

Revenue is measured at the fair value of the consideration received or receivable for goods or services, in the ordinary course of the Company's activities and it is stated net of value added tax (VAT), rebates and returns. A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The probability that a customer would make payment is ascertained based on management's evaluation. The Company is the principal in all of its revenue arrangement since it is the primary obligor in most of the revenue arrangements, has inventory risk and determines the pricing for the goods and services.

Sale of goods

Sale of goods arises from sale of drinks to third parties and related parties. Revenue from the sale of goods is recognised when the control of the goods are transferred to the buyer. This occurs when the goods leave the Company's premises or picked up by the customers. This is at a point in time. The customer obtains the right to return goods that are bad or damaged after they have been delivered.

Revenue from sale of drinks is recognised based on the price specified in the contract, net of the estimated rebates and returns. Rebates are estimated at the inception of the contract.

Returns on goods are estimated at the inception of the contract except where the timing between when the revenue is recognised and when the returns occur is considered immaterial. In these instances, the returns are accounted for when they occur.

Rendering of services

Revenue on delivery services are recognized when the goods have been shipped to the required location. Control passes to the customer over time as the goods are being transported but recognizes revenue at a point in time. This is because the company has assessed the impact of an overtime recognition to be immaterial since the delivery is short term in nature.

Disaggregation of revenue from contract with customers

The Company recognises revenue at a point in time in the following geographical regions.

	Nigeria	Export	Total
	₦'000	₦'000	₦'000
Revenue from contract with customers	124,990,479	6,507,894	131,498,373

Policy applicable until 30 June 2018

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, excise duties, sales returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and 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.

(l) Government grants

Government grants that compensate the Company for expenses incurred are recognised in the income statement as a reduction to cost of sales in the periods in which the expenses are recognised if the Company will comply with the condition attaching to them and it is probable that the grants will be received from the government.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues in income statement, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, interest expense on factoring of trade receivables recognised on financial assets, except finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets, are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported separately as either finance income and finance cost respectively.

(n) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in the income statement account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 is not recognised for the following temporary differences:

i. the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income statement.
ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.
iii. temporary differences arising on the initial recognition of goodwill.

(o) 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 earnings 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 earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

(p) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items are eliminated for the purpose of preparing the statement of cash flows. Dividends paid to ordinary shareholders are included in financing activities. Finance cost paid is also included in financing activities while finance income received is included in investing activities.

(q) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Guinness Leadership Team which comprises of the members of the Board of Directors and other Executive Officers.

Segment information is required to be presented in respect of the Company's business and geographical segment, where applicable. The Company's primary format for segment reporting is based on operating segments. The operating segments are determined by management based on the Company's internal reporting structure. Where applicable, segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(r) New standards and interpretations adopted

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these financial statements. Those which are relevant to the Company and have been applied in preparing these financial statements are as stated in Note 6.

(s) New standards and interpretations not yet adopted

The following new standards and amendments issued but not effective for the 30 June 2019 year end, are expected to have significant impacts on the Company's financial statements. The Directors are currently assessing their impact on the Company's financial statements.

IFRS 16 – Leases

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, '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'. Effective for annual periods beginning on or after 1 January 2019.

The Company will be implementing IFRS 16 which became effective on 1 January 2019 in its financial year 2020 financial statements. The Company has operating leases mainly relating to its offices, warehouses and trucks. Upon adoption of IFRS 16 the Company's financial statements in 2020 will have an estimated impact of N3,723 million based on existing contracts as at 30 June 2019. This will result in an increase in the Company's total assets with a corresponding liability to the value of N3,723 million.

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Directors have not early adopted this and are currently assessing impact on the Company's financial reporting.

(t) Service concession charges

Service concession charges represent fixed annual amounts payable to the grantor in respect of concession right to the concession asset. These amounts are charged to the income statement over the duration of the concession period, if immaterial.

8. Revenue

(a) Disaggregation of revenue from contract with customers

	2019	2018
	₦'000	₦'000
Nigeria	124,990,479	135,734,892
Export	6,507,894	7,240,900
	131,498,373	142,975,792

Nigeria is the Company's primary geographical segment as over 95% of the Company's revenue is earned from sales in Nigeria. All of the Company's revenue is derived from sale of similar products with similar risks and returns. Additionally, there is no identifiable component of the business with up to 10% of the total revenue for the year. Thus, further segment information has not been presented.

(b) Liabilities relating to contracts with customers

	2019	2018
	₦'000	₦'000
Contract liabilities	433,457	-

Contract liability with customers as at 30 June 2019 amounting to N433 million (2018: Nil) is included in current liability. Contract liabilities are presented as "trade and other payables"in 2018.

9. Other income and marketing and distribution expenses

(a) Other income comprises:

	2019	2018
	₦'000	₦'000
Operating lease income	477,960	421,529
Sale of by-products	276,059	236,770
Gain on disposal of property, plant and equipment	27,458	10,064
	781,477	668,363

(b) Marketing and distribution expenses

	2019	2018
	₦'000	₦'000
Marketing expenses	10,100,169	12,047,558
Distribution expenses	11,650,958	13,964,516
	21,751,127	26,012,074

10. Finance income and finance costs

(a) Finance income is as follows:

(i) Finance income per income statement

	2019	2018
	₦'000	₦'000
Interest income on bank deposits	258,985	296,072
Interest income on distributors' overdue debts and others	-	121,130
Total interest income arising from financial assets	258,985	417,202
Gain on re-measurement of foreign currency balances	491,918	1,784,274
	750,903	2,201,476

(ii) Finance income received in the statement of cash flows

	2019	2018
	₦'000	₦'000
Finance income per income statement	750,903	2,201,476
Unrealised exchange gain	(19,563)	(821,186)
Accrued finance income	(19,114)	(74,598)
	712,226	1,305,692

(b) Finance costs are as follows:

(i) Finance costs per income statement

	2019	2018
	₦'000	₦'000
Finance expense on loans and borrowings (Note 23(b))	1,715,282	1,906,761
Interest expense on overdraft	548,258	634,239
Unwinding of discount on employee benefits (Note 24(c))	143,628	145,595
Loss on re-measurement of foreign currency balances	206,141	2,957,965
	2,613,309	5,644,560

(ii) Finance costs paid in the statement of cash flows

	2019	2018
	N'000	N'000
Finance costs per income statement	2,613,309	5,644,560
Unwinding of discount on employee benefits (Note 24(c))	(143,628)	(145,595)
Unrealised foreign exchange loss	(114,669)	(1,856,431)
	2,355,012	3,642,534

11. Profit before taxation

(a) Profit before taxation is stated after charging:

	2019	2018
	N'000	N'000
Depreciation of property, plant and equipment (Note 15(a))	9,734,548	8,874,523
Write-off of property plant and equipment (Note 15(h))	119,885	108,136
Amortisation of intangible assets (Note 16(a))	359,155	364,206
Auditors' remuneration	38,000	35,000
Personnel expenses (Note12(a))	8,769,401	9,599,511
Directors' remuneration (Note 11(b))	488,929	962,571
Gain on disposal of property, plant and equipment (Note 15(h))	(27,458)	(10,064)
Lease rental expenses (Note 29(a))	1,117,875	1,159,067
Royalty and technical service fees (Note 31(bii))	3,657,383	503,859

(b) Directors' remuneration

Remuneration, excluding gratuity and pension contributions for Directors of the Company, who discharged their duties mainly in Nigeria, was as follows:

	2019	2018
	N'000	N'000
Fees paid to Non-executive Directors	89,940	70,621
Fees and remuneration paid to the Chairman of the Board	32,496	31,620
Remuneration paid to Executive Directors	366,493	860,330
	488,929	962,571

The remuneration (excluding gratuity and pension contributions) of the highest paid Director amounted to N193 million (2018: N461 million).

The table below shows the number of Directors of the Company (excluding the Chairman) whose remuneration excluding certain benefits, gratuity and pension contributions (in respect of services to the Company) fell within the bands shown below:

	2019	2018
	Number	Number
N2,000,001 - N20,000,000	8	6
N20,000,001 and above	2	3
	10	9

(c) Analysis of expenses by nature

	2019	2018
	N'000	N'000
Raw materials and consumables	62,893,478	71,639,030
Freight costs	11,584,335	12,077,526
Advertising and promotion	10,100,169	12,047,558
Personnel expenses (Note 12(a))	8,769,401	9,599,511
Depreciation (Note 15(a))	9,734,548	8,874,523
Amortisation (Note 16(a))	359,155	364,206
Lease rental expenses (Note 29(a))	1,117,875	1,159,067
Royalty and technical service fees (Note 31(bii))	3,657,383	503,859
Repairs and maintenance	4,522,905	4,505,010
Travel and entertainment	261,425	253,945
Professional costs	876,470	1,047,121
External labour costs	277,112	285,015
Facilities	4,239,543	3,495,365
IT Service costs	89,174	4,651
Impairment losss on trade and other receivables (Note 28(a))	335,866	403,441
Utilities	4,070,815	3,512,120
Others	424,160	485,958
Total cost of sales, marketing, distribution and administrative expenses	123,313,814	130,257,906

12. Personnel expenses

(a) Personnel expenses including the provision for gratuity liabilities and other long term employee benefits comprise:

	2019	2018
	₦'000	₦'000
Salaries, wages and allowances	7,582,952	8,568,103
Contributions to defined contribution plans	785,429	740,319
Share-based payments expense (Note 25(c))	95,658	162,902
Other long term employee benefits (credit)/expense (Note 24(b))	(17,852)	141,645
Termination cost/(credit) arising from restructuring	323,214	(13,458)
Total personnel expenses	8,769,401	9,599,511

(b) The average number of persons employed during the year are:

	2019	2018
	Number	Number
Operations and Technical	360	397
Sales	335	319
Marketing	27	25
Finance, IT and Human Resources	48	53
Legal and Corporate Affairs	10	10
	780	804

(c) The average number of employees of the Company during the year, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

		2019	2018
		Number	Number
₦100,000	– ₦500,000	14	27
₦500,001	– ₦1,000,000	12	25
₦1,000,001	– ₦1,500,000	4	19
₦1,500,001	– ₦2,000,000	8	20
₦2,000,001	– ₦2,500,000	20	19
₦2,500,001	– ₦3,000,000	60	52
₦3,000,001	– ₦3,500,000	77	24
₦3,500,001	– ₦4,000,000	13	27
₦4,000,001	– ₦4,500,000	18	49
₦4,500,001	– ₦5,000,000	59	53
₦5,000,001	– ₦5,500,000	35	32
₦5,500,001	– ₦6,000,000	28	15
₦6,000,001	– ₦6,500,000	13	15
₦6,500,001	– ₦7,000,000	11	20
₦7,000,001	– ₦7,500,000	10	42
₦7,500,001	– ₦8,000,000	29	37
₦8,000,001	– ₦8,500,000	39	41
₦8,500,001	– ₦9,000,000	32	27
₦9,000,001	– ₦9,500,000	24	21
₦9,500,001	– ₦10,000,000	28	16
₦10,000,001 and above		246	223
		780	804

13. Taxation

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

(a) Amounts recognised in income statement

	2019	2018
	₦'000	₦'000
Current tax expense:		
Income tax	1,357,465	1,739,102
Tertiary education tax	328,326	394,245
Prior years (over)/under-provision	(327,683)	986,000
	1,358,108	3,119,347
Deferred tax expense:		
Origination and reversal of temporary differences (Note 26(b))	261,790	106,212
Total tax expense	1,619,898	3,225,559

(b) Tax (expense)/credit recognised in other comprehensive income

	2019	2018
	₦'000	₦'000
Remeasurement of defined benefit liability (Note 26(b))	(896)	13,964

(c) Reconciliation of effective tax rate

	2019	2018
	₦'000	₦'000
Profit before taxation	7,103,630	9,943,164
Income tax using the statutory tax rate (30%)	2,131,089	2,982,949
Adjusted for:		
Impact of tertiary education tax	328,326	394,245
Effect of tax incentives and exempted income	(160,114)	(608,076)
Non-deductible	(351,720)	(529,559)
Adjustment for prior periods	(327,683)	986,000
Total income tax expense in income statement	1,619,898	3,225,559

(d) Movement in current tax liabilities

	2019	2018
	₦'000	₦'000
Balance at 1 July	2,841,607	150,756
Payments during the year	(2,405,060)	(370,320)
Charge for the year (Note (13(a))	1,358,108	3,119,347
Withholding tax credit notes utilised	(108,864)	(58,176)
Balance at 30 June	1,685,791	2,841,607

14. Earnings and declared dividend per share

(a) Basic and diluted earnings per share

	2019	2018
Profit attributable to ordinary shareholders (N'000)	5,483,732	6,717,605
Weighted average number of shareholders (thousands)	2,190,383	2,034,731
Basic and diluted earning per share (kobo)	250	330

There were no dilutive ordinary potential shares during the year.

(b) Declared dividend per share

Dividend declared per share of 184 kobo (2018: 64k) is based on total declared dividend of N4,030,563 (2018: N963,768) on 2,190,382,819 (2018: 1,505,888,188) ordinary shares of 50 kobo each, being the ordinary shares in issue at the date the dividend was declared.

15. Property, plant and equipment (PPE)

(a) The movement on PPE during the year was as follows:

	Leasehold land	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Returnable packaging materials	Capital work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
At 1 July 2017	828,428	20,496,698	98,312,625	1,423,542	7,455,577	33,720,497	1,444,799	163,682,166
Additions	-	-	2,770,509	-	2,079,592	3,369,505	11,056,408	19,276,014
Transfers	-	57,824	4,396,364	3,387	34,800	-	(4,492,375)	-
Disposals/write-offs	-	-	(274,952)	(2,126)	(58,451)	(133)	-	(335,662)
At 30 June 2018	828,428	20,554,522	105,204,546	1,424,803	9,511,518	37,089,869	8,008,832	182,622,518
At 1 July 2018	828,428	20,554,522	105,204,546	1,424,803	9,511,518	37,089,869	8,008,832	182,622,518
Additions	-	-	1,883,471	-	487,276	2,629,419	8,083,112	13,083,278
Transfers	-	-	10,109,843	-	(7,512)	(915)	(10,101,416)	-
Disposals/write-offs	-	-	(691,681)	(325,234)	(616,821)	-	-	(1,633,736)
At 30 June 2019	828,428	20,554,522	116,506,179	1,099,569	9,374,461	39,718,373	5,990,528	194,072,060
Depreciation and impairment								
At 1 July 2017	144,120	3,339,927	45,008,265	1,306,548	5,331,412	21,227,348	-	76,357,620
Charge for the year	-	211,845	4,120,781	31,074	1,156,718	3,354,105	-	8,874,523
Disposals/write-offs	-	-	(163,751)	(1,807)	(45,953)	(133)	-	(211,644)
At 30 June 2018	144,120	3,551,772	48,965,295	1,335,815	6,442,177	24,581,320	-	85,020,499
At 1 July 2018	144,120	3,551,772	48,965,295	1,335,815	6,442,177	24,581,320	-	85,020,499
Charge for the year	-	354,625	5,309,358	3,845	629,189	3,437,531	-	9,734,548
Disposals/write-offs	-	-	(581,080)	(317,335)	(585,636)	-	-	(1,484,051)
At 30 June 2019	144,120	3,906,397	53,693,573	1,022,325	6,485,730	28,018,851	-	93,270,996
Carrying amount								
At 30 June 2018	684,308	17,002,750	56,239,251	88,988	3,069,341	12,508,549	8,008,832	97,602,019
At 30 June 2019	684,308	16,648,125	62,812,606	77,244	2,888,731	11,699,522	5,990,528	100,801,064

(b) Included in property, plant and equipment are assets purchased under finance lease arrangements as follows:

	Motor vehicles	Plant and machinery	Total
	₦'000	₦'000	₦'000
Cost	298,743	13,439,914	13,738,658
Accumulated depreciation	(212,655)	(5,446,249)	(5,658,905)
Carrying amount	86,088	7,993,665	8,079,753

(c) Included in property, plant and equipment are plant and machinery and motor vehicles, which the Company has leased out to third parties under operating lease arrangements. The cost of these assets was N1,045 million (2018: N1,041 million) with corresponding accumulated depreciation charge of N309 million (2018: N93 million). Income realised from these assets is included in other income (Note 9(a)).

(d) Capital work-in-progress
Additions to capital work-in-progress during the year is analysed as follows:

	2019	2018
	₦'000	₦'000
Plant and machinery	8,083,112	10,900,072
Buildings	-	156,336
	8,083,112	11,056,408

(e) Included in property, plant and equipment are assets purchased during the year amounting to N829 million that had not been paid for, which are included in trade and other payables (2018: N4,343 million). This has been adjusted for in the statement of cashflows. Refer to Note 15(g).

(f) Capital expenditure commitments at the year end authorised by the Board of Directors comprise:

	2019	2018
	₦'000	₦'000
Contracted	2,213,118	3,832,886
Not contracted	470,038	676,553
	2,683,156	4,509,439

(g) Cash paid on acquisition of property, plant and equipment in the statement of cash flows.

	2019	2018
	₦'000	₦'000
Additions during the year (Note 15(a))	13,083,278	19,276,014
Payments on prior year accruals for additions	4,342,652	2,027,393
Accruals on current year acquisitions	(828,770)	(4,342,652)
	16,597,160	16,960,755

(h) PPE disposed/written off in the statement of cash flows

	2019	2018
	₦'000	₦'000
Cost of PPE disposed and written off	1,633,736	335,662
Accumulated depreciation on PPE disposed/written off	(1,484,051)	(211,644)
Carrying amount of PPE disposed/written off	149,685	124,018
Proceeds from disposal of property, plant and equipment	(57,258)	(25,946)
	92,427	98,072
Analysed as:		
Carrying amount of property, plant and equipment written off	119,885	108,136
Gain on disposal of property, plant and equipment	(27,458)	(10,064)
	92,427	98,072

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

16. Intangible assets

(a) The movement in intangible assets during the year was as follows:

	Distribution right	Concession right	Computer software	Total
	₦'000	₦'000	₦'000	₦'000
Cost				
Balance at 1 July 2017	995,250	485,611	2,306,756	3,787,617
Balance at 30 June 2018	995,250	485,611	2,306,756	3,787,617
Balance at 1 July 2018	995,250	485,611	2,306,756	3,787,617
Balance at 30 June 2019	995,250	485,611	2,306,756	3,787,617
Amortisation				
Balance at 1 July 2017	298,575	156,090	1,968,532	2,423,197
Charge for the year	199,050	41,624	123,532	364,206
Balance at 30 June 2018	497,625	197,714	2,092,064	2,787,403
Balance at 1 July 2018	497,625	197,714	2,092,064	2,787,403
Charge for the year	199,050	54,785	105,320	359,155
Balance at 30 June 2019	696,675	252,499	2,197,384	3,146,558
Carrying amount				
At 30 June 2018	497,625	287,897	214,692	1,000,214
At 30 June 2019	298,575	233,112	109,372	641,059

(b) Concession right

In 2014, the Company entered into a concession agreement ("the Agreement") with the Edo State Government ("the Grantor"). Under the terms of the agreement, the Company was granted the right to build, operate, maintain, repair, control and ensure public access to the Iyoha Road ("the Road") for a period of ten (10) years from 1 June 2015 after which control of the Road reverts to the Grantor. Based on the concession agreement, N233 million (2018: N288 million) which represents the carrying amount of the construction work on the Road as at 30 June 2019, has been recognised as an intangible asset. The intangible asset represents the Company's right over the Road for the concession period.

Under the Agreement, the Company has obligations to operate, maintain, repair, control, charge and collect tolls for its accounts only from the trucks utilising the Road for the Company's logistics operation, together with the payment of concession fee of five million Naira (₦5,000,000) per annum. At the end of the concession period, the toll road will become the property of the Grantor and the Company will have no further involvement in its operation or maintenance requirements.

The Agreement contains an option for renewal at the instance of both parties. Either party to the Agreement reserves the right to terminate the Agreement if the other party commits a material breach in respect of the performance of its material obligations or is in material breach of any warranty given by it under the Agreement.

(c) The amortisation charge of all intangible assets is included in administrative expenses.

(d) Acquisition of distribution rights to Diageo plc's international premium spirits brands (IPS) in Nigeria.

Guinness Nigeria purchased the distribution rights to Diageo plc's international premium spirits (IPS) brands in Nigeria with effect from 1 January 2016 and the rights is being amortized over a period of five (5) years which gives Guinness Nigeria plc the right to distribute and market the IPS brands in Nigeria. The related amortisation expense of N199 million (2018: N199 million) is recognized in administrative expenses in the year.

17 Prepayments

Prepayments comprise:

	2019	2018
	₦'000	₦'000
Prepaid rent	225,801	389,677
Other prepaid expenses	177,038	528,608
	402,839	918,285

Prepayments is analysed into:

	₦'000	₦'000
Non-current	6,482	42,688
Current	396,357	875,597
	402,839	918,285

Other prepaid expenses relate to housing and education subsidy and leave allowance, car-cash allowance and payment made in advance for purchase of raw materials.

18 Inventories

(a) Inventories comprise:

	2019	2018
	₦'000	₦'000
Finished products	9,626,135	5,940,813
Products in process	1,509,742	2,548,549
Raw materials and packaging materials	9,354,634	6,868,838
Engineering spares	1,814,121	3,054,298
Inventories in transit	2,875,799	619,864
	25,180,431	19,032,362

Inventory balances have been disclosed net of provision for impairment as at year end.

The value of raw and packaging materials, spare parts, changes in finished products and products in process recognised in cost of sales during the year amounted to N62,893 million (2018: N71,639 million).

During the year, impairment of inventories amounted to N832 million (2018: N335 million). This write - down is included in cost of sales and has been adjusted for in the statement of cash flows.

19 Trade and other receivables

(a) Trade and other receivables comprise:

	2019	2018
	₦'000	₦'000
Financial assets:		
Trade receivables	23,132,412	21,031,352
Impairment allowance (Note 28(a))	(2,580,731)	(2,420,611)
	20,551,681	18,610,741
Other receivables	294,705	327,204
Impairment allowance (Note 28(a))	(235,685)	(138,634)
Other receivables	59,020	188,570
Amounts due from related parties (Note 31(b))	698,689	525,623
Total financial assets	21,309,390	19,324,934
Non-financial assets:		
Other receivables- current	7,717,731	7,571,954
Impairment allowance	(3,008,421)	(3,006,584)
Total non-financial assets	4,709,310	4,565,370
Total trade and other receivables	26,018,700	23,890,304

Included in the other receivables non-financial asset balance consists of N5,043 million (2018: N4,026 million) gross balance relating to Export Expansion Grant (EEG) receivable with an associated impairment balance of N3,005 million at year end (2018: N2,993 million).

Following the revised guidelines on the Export Expansion Grant (EEG) scheme ("the scheme"), the Company recognised EEG receivable based on rates approved by the Nigerian Export Promotion Council ("NEPC"). Also, accrual was made using an expected rate for the period which approved rate was not yet obtained from NEPC. Impairment for the EEG receivable balance is made based on estimated recoverable amount.

Movement in impairment of other receivables is as follows:

	2019	2018
	₦'000	₦'000
Opening balance	(3,145,219)	(4,797,325)
Additions in the year	(2,243,034)	(1,032,241)
Release in the year	2,044,148	2,684,347
	(3,344,105)	(3,145,219)

(b) Changes in trade and other receivables in the statement of cash flows

	2019	2018
	₦'000	₦'000
Change in non-current other receivables	-	1,614
Change in current trade and other receivables	(2,128,397)	(923,796)
Unrealised exchange gain	19,563	760,966
Accrued finance income	19,114	74,598
Withholding tax credit notes applied on income tax settlement (Note 13(d))	(108,864)	(58,176)
Equity settled share based payment (Note 25)	(95,658)	(162,902)
Increase in impairment losses on transition to IFRS 9	(189,648)	-
	(2,483,890)	(307,696)

20 Cash and cash equivalents

(a) Restricted cash

	2019	2018
	₦'000	₦'000
Restricted cash	2,991,973	3,360,720

Restricted cash relates to unclaimed dividends amounting to N2,992 million (2018: N3,361 million) held in a separate interest bearing bank account in accordance with guidelines issued by the Securities and Exchange Commission (SEC). Under the SEC guidelines, these amounts are restricted from use by the Company.

(b) Cash and cash equivalents

	2019	2018
	₦'000	₦'000
Bank balances	4,727,627	7,422,130
Short-term deposits	28,934	28,934
Cash and cash equivalents	4,756,561	7,451,064
Bank overdrafts	(6,545,014)	-
Cash and cash equivalents in the statement of cash flows	(1,788,453)	7,451,064

Cash and cash equivalents have maturities of less than three months.

21 Share capital and reserves

(a) Authorised ordinary shares of 50k each
in thousands of shares

	2019	2018
At 30 June	2,500,000	2,500,000

(b) Issued and fully paid-up ordinary shares of 50k each
in thousands of shares

	2019	2018
At 30 June	2,190,383	2,190,383

Movement in issued and fully paid-up ordinary shares is as follows:		
Opening number of shares	2,190,383	1,505,888
Additions through rights issue	-	684,495
At 30 June	2,190,383	2,190,383

	2019	2018
Share capital	₦'000	₦'000
Share capital at 30 June	1,095,191	1,095,191
Movement in issued and fully paid-up ordinary share capital is as follows:		
Opening balance	1,095,191	752,944
Additions through rights issue (Note 21(d))	-	342,247
Closing balance	1,095,191	1,095,191

(c) Share premium

Share premium represents the consideration received in excess of the nominal value of ordinary shares of the Company.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(d) Rights issue

	2019	2018
	₦'000	₦'000
Cash received (424,178,375 shares @ N58)	-	24,602,346
Loan conversion to share (260,316,256 shares @ N58)	-	15,098,343
Total proceed	-	39,700,689
Rights issue expenses	-	(872,759)
Net transfer to share capital and share premium	-	38,827,930

	2019	2018
Net transfer to share capital and share premium is analysed below:	₦'000	₦'000
Share capital	-	342,247
Share premium	-	38,485,683
Closing balance	-	38,827,930

(e) Share based payment reserve

The share based payment reserve comprises the cumulative weighted average fair value of executive share option and executive share award plans granted by Diageo plc to Directors and employees of the Company which have not vested at year end.

22 Dividends

(a) Declared dividend

The following dividends were declared by the Company during the year:

	2019	2018
	₦'000	₦'000
184k (2018: 64k)	4,030,563	963,768

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

	2019	2018
	₦'000	₦'000
152k (2018: 184k)	3,329,382	4,030,563

(b) Dividend payable

	2019	2018
	₦'000	₦'000
At 1 July	3,211,277	3,482,928
Declared dividend (Note 22(a))	4,030,304	963,768
Unclaimed dividend transferred to retained earnings	(145,731)	(95,976)
Received from registrar	68,078	160,409
Payments during the year:		
Paid by the registrar	(29,548)	(198,084)
Restricted cash	(110,000)	(138,000)
Cash and cash equivalents	(4,030,304)	(963,768)
At 30 June	2,994,076	3,211,277

(c) As at 30 June 2019, a balance of N2.1 million (2018: N54 million payable to the Company's registrar) of the total dividend payable is held with the Company's registrar, Veritas Registrars Nigeria Limited. The balance of N2,992 million (2018: N3,361 million) represents unclaimed dividends of N2,994 million (2018: N3,211 million) which is held in separate interest yielding bank accounts in line with the Security and Exchange Commission (SEC) guidelines.

(d) During the year, unclaimed dividends amounting to N146 million (2018: N96 million) became statute barred and was transferred to retained earnings.

23 Loans and borrowings

(a) Loans and borrowings comprise:

	2019	2018
	₦'000	₦'000
Related party loans (Note 31(b))	8,295,285	8,161,915
Letters of credit loans (Note 23(d))	5,086,325	5,572,958
Total loans and borrowings	13,381,610	13,734,873

The total loans and borrowings is classified as follows:

	2019	2018
	₦'000	₦'000
Non-current liabilities		
Related party loans	8,104,582	8,116,367
Total non-current loans and borrowings	8,104,582	8,116,367
Current liabilities		
Related party loans	190,703	45,548
Letters of credit loans	5,086,325	5,572,958
Total current loans and borrowings	5,277,028	5,618,506
Total loans and borrowings	13,381,610	13,734,873

As at 30 June 2019, the Company had an oustanding related party loan (interest inclusive) of $23 million (2018: $22.6 million) included in loans and borrowing. The Naira equivalent is N8,295 million (2018: N8,161 million). The loan has a five year tenor from May 2016 to May 2021 at an interest rate of 3 months LIBOR plus 475 bps.

(b) Movement in loans and borrowings

	2019	2018
	₦'000	₦'000
At 1 July	13,734,873	34,385,039
Proceeds from loans and borrowings obtained during the year	27,620,115	62,207,195
Finance cost:		
- Interest expense	1,715,282	1,906,761
Exchange difference on foreign currency loan	(8,196)	1,077,316
Related party loan conversion to equity (Note 21(d))	-	(15,098,343)
Interest paid	(1,715,282)	(1,906,761)
Loans repaid during the year	(27,965,182)	(66,797,166)
Finance lease repaid during the year	-	(2,039,168)
At 30 June	13,381,610	13,734,873

(c) Net debt

	2019	2018
	N'000	N'000
Cash and cash equivalents (Note 20(b))	4,756,561	7,451,064
Bank overdraft (Note (20(b))	(6,545,014)	-
Loans and borrowings - current (23(a))	(5,277,028)	(5,618,506)
Loans and borrowings - non-current	(8,104,582)	(8,116,367)
	(15,170,063)	(6,283,809)

For more information about the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 28.

(d) Terms and conditions of the outstanding loans and borrowings except related party loans were as follows:

	Nominal interest rate	Year of maturity	Carrying amount 2019 ₦'000	Face value 2019 ₦'000	Carrying amount 2018 ₦'000	Face value 2018 ₦'000
Unsecured term loan 1	3-months LIBOR +4.25%	2019	2,559,363	2,559,363	743,773	743,773
Unsecured term loan 2	3-months LIBOR + 4%	2019	869,622	869,622	1,066,142	1,066,142
Unsecured term loan 3	3-months LIBOR +6%	2019	1,643,775	1,643,775	2,647,067	2,647,067
Unsecured term loan 4	3-months LIBOR +7%	2019	13,565	13,565	1,115,976	1,115,976
			5,086,325	5,086,325	5,572,958	5,572,958

24 Employee benefits

	2019	2018
	₦'000	₦'000
Present value of defined benefit obligation (Note 24(a))	216,169	329,990
Present value of long service awards (Note 24(b))	754,378	774,759
	970,547	1,104,749

(a) Movement in the present value of the defined benefit obligation (gratuity)

	2019	2018
	₦'000	₦'000
Defined benefit obligation at 1 July	329,990	354,117
Benefit paid by the plan	(151,634)	(122,116)
Interest expense on obligation	40,799	51,441
Actuarial (gains)/losses recognised in other comprehensive income:		
Remeasurements arising from changes in assumption	(6,731)	21,643
Remeasurements arising from experience adjustment	3,745	24,905
	(2,986)	46,548
Defined benefit obligation at 30 June	216,169	329,990

The defined benefit obligation (gratuity) was discontinued and frozen with effect from 31 December 2008. Consequently, no current service costs have been recognised in the year (2018: Nil). Interest cost on the plan amounted to N40.8 million in the current year (2018: N51 million).

(b) Movement in the present value of the long service award during year was as follows:

	2019 ₦'000	2018 ₦'000
Long service award at 1 July	774,759	625,668
Interest cost	102,829	94,154
Current service cost	90,797	73,853
Benefit paid by the plan	(105,358)	(86,708)
Actuarial (gains)/losses:		
Remeasurements arising from changes in assumption	(29,808)	75,557
Remeasurements arising from experience adjustment	(78,841)	(7,765)
Long service award at 30 June	754,378	774,759

Expense recognised in the income statement for long service award:

	2019 ₦'000	2018 ₦'000
Current service costs	90,797	73,853
Actuarial (gains)/losses:		
Remeasurements arising from changes in assumption	(29,808)	75,557
Remeasurements arising from experience adjustment	(78,841)	(7,765)
Net (credit)/expense excluding interest on obligation	(17,852)	141,645
Interest expense on obligation	102,829	94,154
	84,977	235,799

(c) Total expense recongnised in the income statement for defined benefit obligation (gratuity) and long service award includes:

	2019 ₦'000	2018 ₦'000
Current service costs	90,797	73,853
Actuarial (gains)/losses:		
Remeasurements arising from changes in assumption	(29,808)	75,557
Remeasurements arising from experience adjustment	(78,841)	(7,765)
	(17,852)	141,645
Interest expense on obligations:		
- defined benefit obligation (gratuity) (Note 24(a))	40,799	51,441
- long service award (Note 24(b))	102,829	94,154
	125,776	287,240

(d) Movement in the defined contribution gratuity plan during year was as follows:

	2019 ₦'000	2018 ₦'000
At 1 July	-	-
Charge for the year	362,143	343,377
Payments during the year	(362,143)	(343,377)
At 30 June	-	-

(e) Pension payable

The 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 in this account during the year is as follows:

	2019 ₦'000	2018 ₦'000
At 1 July	1,505	254
Charge for the year (employer contribution)	423,286	396,943
Payments during the year (employer contribution)	(424,515)	(395,692)
At 30 June	276	1,505

Pension payable is recognised as part of trade and other payables.

(f) Actuarial gains and losses recognised in other comprehensive income:

	2019 ₦'000	2018 ₦'000
Actuarial (gains)/losses recognised in other comprehensive income (Note 24(a)):		
Remeasurements arising from changes in assumption	(6,731)	(21,643)
Remeasurements arising from experience adjustment	3,745	(24,905)
Tax (expense)/credit (Note 26(b))	(896)	13,964
	(3,882)	(32,584)

(g) Actuarial assumptions

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

	2019	2018
Long term average discount rate (per annum)	14.75%	14%
Notional interest rate on accrued gratuity (per annum)	5%	5%
Average pay increase (per annum)	13%	13%
Average rate of inflation (per annum)	12%	12%
Average length of service for current employees (years)	7.77	6.43

These assumptions depict management's 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 published jointly by the Institute and Faculty of Actuaries in the United Kingdom (UK) as follows:

	2019	2018
Mortality in service	Number of deaths in year out of 10,000 lives	
Sample age		
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26
Withdrawal from service		
Age band	Rate	Rate
1 - 30	12.0%	12.0%
31 - 39	8.5%	8.5%
40 - 44	5.0%	5.0%
45 - 50	3.5%	3.5%
51 - 55	2.5%	2.5%

The estimated weighted average liability duration were 6.50 years (2018: 6.61 years) and 5.2 years (2018: 4.53 years) for the long service award and gratuity obligations respectively.

(h) 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 and long service awards by the amounts shown below.

		2019	2019	2019	2018	2018	2018
		Gratuity	Long service awards	Net periodic benefit cost	Gratuity	Long service awards	Net periodic benefit cost
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Discount rate	+1%	(8,422)	(36,785)	(2,731)	(11,223)	(39,458)	(2,194)
	-1%	9,059	40,382	2,861	12,105	43,245	2,297
Inflation rate	+1%	-	7,962	4,551	-	8,309	5,109
	-1%	-	(7,339)	(4,182)	-	(7,640)	(4,699)
Salary increase	+1%	-	36,101	10,357	-	38,626	10,657
	-1%	-	(33,548)	(9,560)	-	(35,812)	(9,818)
Mortality Experience	Age rated up by 1 year	193	(1,621)	(423)	234	(1,683)	(421)
	Age rated down by 1	(174)	1,448	377	(211)	1,503	376

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.

Risk exposure

Through its defined benefit obligation plans and long service awards, the Company is exposed to a number of risks, the most significant of which are detailed below:

i)	Liquidity risk	The plan liabilities are not funded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.
ii)	Inflation risk	This is the risk of an unexpected significant rise/fall of market interest rates. A rise leads to a fall in long term asset values and a rise in liability values.
iii)	Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.
iv)	Asset volatility	The plan liabilities are calculated using a discount rate set with reference to federal government bond yields.

Maturity profile for defined benefit obligation plans and long service awards

The expected maturity analysis of employee benefits is as follows:

	0 - 2 years ₦'000	2 - 4 years ₦'000	Over 4 years ₦'000	Total ₦'000
30 June 2019				
Defined benefit obligation	51,347	86,007	28,158	165,512
Long service awards	179,421	306,859	1,506,361	1,992,641
Total	230,768	392,866	1,534,519	2,158,153
30 June 2018				
Defined benefit obligation	110,792	84,886	80,027	275,705
Long service awards	228,859	251,830	1,471,163	1,951,852
Total	339,651	336,716	1,551,190	2,227,557

25. Share-based payments

(a) Diageo plc ("Diageo"), has a number of executive share option and executive share award plans for Directors and key management staff including Directors and employees of Guinness Nigeria Plc. A recharge arrangement exists between Diageo plc and Guinness Nigeria Plc whereby vested shares awards/share options delivered to employees by Diageo plc are recharged to Guinness Nigeria Plc. The recharge transaction is recognised as an intercompany liability with a corresponding adjustment in the share-based payment reserve for the capital contribution recognised in respect of the share-based payment. The recharge process accommodates adjustments to the cumulative value of share-based payment expense recharged by Diageo plc to the Company.

(b) The Company has a share appreciation rights scheme for senior management and other staff under which employees are granted the right to receive, at the date the right is exercised, cash equal to the appreciation in the Company's share price since the grant date. All the rights vest 3 years after the grant date. The rights have a contractual life of 10 years.

(c) The employee benefit expense recognised in respect of equity settled share-based payments is as follows:

	2019 ₦'000	2018 ₦'000
Equity-settled share based payment transactions		
Executive share option plans	9,290	13,824
Executive share award plans	86,368	149,078
Total expense recognised as employee costs	95,658	162,902

The principal executive share awards/options are as follows:

Diageo executive long term incentive plan (DELTIP)

Awards made to executives under the plan are in the form of shares and share options at the market value at the time of grant. Share awards vest/are released on the third anniversary of the grant date. Share options granted under this scheme may normally be exercised between three and ten years after the grant date. There are no performance conditions to be satisfied.

Performance share plan (PSP)

Under the PSP, share awards can take a number of different forms. No payment is made for awards. To date, participants have been granted conditional rights to receive shares. Awards normally vest after a three-year period, the 'performance cycle', subject to achievement of three equally weighted performance tests:

(i) a comparison of Diageo's three-year total shareholder return (TSR) with a peer group of 17 companies including Diageo plc. The vesting range is 25% if Diageo's TSR produces a median ranking compared with the TSR of the peer group companies, up to 100% if Diageo is ranked first, second or third in the peer group;

(ii) compound annual growth in organic net sales over three years; and

(iii) total organic operating margin improvement over three years.

Targets for net sales and operating margin are set annually by the Remuneration Committee. The vesting range is 25% for achieving minimum performance targets, up to 100% for achieving the maximum target level. Re-testing of the performance condition is not permitted. Dividends are accrued on awards and are given to participants to the extent that the awards actually vest at the end of the performance cycle. Dividends can be paid in the form of cash or shares.

The calculation of the fair value of each share option/award used the Monte Carlo pricing model and the following weighted average assumptions:

	2019	2018
Risk free interest rate		
Executive share options/awards	0.65%	0.76%
Expected life		
Executive share options/awards	36 months	36 months
Dividend yield		
Executive share options/awards	2.41%	2.56%
Weighted average share price		
Executive share options/awards	2,338p	2,077p
Weighted average fair value of awards granted in the year		
Executive share options/awards	1,144p	1,071p
Number of awards granted in the year		
Executive share options/awards	33,064	28,258

Transactions on share-based payment

During the year, there were no transactions on share appreciation rights. Transactions on the executive share options/awards were as follows:

	Number of awards/options in units	
	2019	2018
Outstanding at 1 July	246,007	227,552
Granted	33,064	28,258
Exercised/awarded	(6,337)	(9,803)
Forfeited/expired/transferred/cumulative	(212,792)	-
Outstanding at 30 June	59,942	246,007

Analysis below shows the terms and conditions for oustanding shares based payment as at 30 June 2019:

Category	Date awareded	Number of units	Vesting conditions	Vest date	Grand price ('=N=)/unit
Diageo executive long term incentive plan (DELTIP)	5 Sep 2016	7,077	3 years	5 Sep 2019	9,445
Diageo executive long term incentive plan (DELTIP)	4 Sep 2017	7,609	3 years	4 Sep 2020	12,941
Diageo executive long term incentive plan (DELTIP)	3 Sep 2018	19,173	3 years	3 Sep 2021	13,618
Performance share plan (PSP)	5 Sep 2016	6,763	3 years	5 Sep 2019	-
Performance share plan (PSP)	4 Sep 2017	3,148	3 years	4 Sep 2020	-
Performance share plan (PSP)	3 Sep 2018	13,891	3 years	3 Sep 2021	-

At 30 June 2019, 33,064 (2018: 28,258) executive share options/awards were exercisable at a weighted average exercise price of 2,338 pence (2018: 2,077 pence).

26. Deferred tax liabilities

(a) Recognised net deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net (liabilities)/assets	
	2019	2018	2019	2018	2019	2018
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	-	(16,586,171)	(16,151,210)	(16,586,171)	(16,151,210)
Employee benefits	310,575	331,425	-	-	310,575	331,425
Unrealised exchange difference	217,272	459,484	-	-	217,272	459,484
Inventories	1,312,134	980,451	-	-	1,312,134	980,451
Trade and other receivables	934,339	771,654	-	-	934,339	771,654
Other items	11,289	9,633	-	-	11,289	9,633
	2,785,609	2,552,647	(16,586,171)	(16,151,210)	(13,800,562)	(13,598,563)

(b) Movement in deferred tax liabilities during the year

	Balance as at 1 July 2018	Impact on IFRS 9 adoption	Balance as at 1 July 2018 (as restated)	Recognised in income statement	Recognised in other comprehensive income	Balance as at 30 June 2019	Balance as at 1 July 2017	Recognised in income statement	Recognised in other comprehensive income	Balance as at 30 June 2018
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	(16,151,210)	-	(16,151,210)	(434,961)	-	(16,586,171)	(15,533,056)	(618,154)	-	(16,151,210)
Employee benefits	331,425	-	331,425	(19,954)	(896)	310,575	293,935	23,526	13,964	331,425
Intangible assets	-	-	-	-	-	-	-	-	-	-
Unrealised exchange losses	459,484	-	459,484	(242,212)	-	217,272	162,834	296,650	-	459,484
Inventories	980,451	-	980,451	331,683	-	1,312,134	880,091	100,360	-	980,451
Trade and other receivables	771,654	60,687	832,341	101,998	-	934,339	737,992	33,662	-	771,654
Other items	9,633	-	9,633	1,656	-	11,289	(48,111)	57,744	-	9,633
	(13,598,563)	60,687	(13,537,876)	(261,790)	(896)	(13,800,562)	(13,506,315)	(106,212)	13,964	(13,598,563)

There are no unrecognised deferred tax assets and liabilities at the end of the current and preceding year.

27. Trade and other payables

(a) Trade and other payables comprise:

	2019	2018
	₦'000	₦'000
Financial liabilities:		
Trade payables	20,717,912	20,029,198
Other payables and accrued expenses	5,558,332	8,010,622
Amount due to related parties (Note 31(b(ii)))	3,425,671	1,966,585
Total financial liabilities	29,701,915	30,006,405
Non-financial liabilities:		
Refund liabilities	125,775	-
Other payables and accrued expenses	2,093,418	1,169,320
Total non-financial liabilities	2,219,193	1,169,320
Total trade and other payables	31,921,108	31,175,725

(b) Changes in trade and other payables in the statement of cash flows

	2019	2018
	₦'000	₦'000
Change in trade and other payables	745,383	(11,876,893)
Exchange difference on foreign currency payables	(106,473)	(1,856,431)
Value added tax paid during the year	3,994,384	4,242,832
Contract liabilities	433,457	-
Effect of net accruals for letters of credit loan	368,386	-
Effect of net accruals for property, plant and equipment	3,513,882	(2,315,259)
	8,949,019	(11,805,751)

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

28. Financial risk management and financial instruments

The Company has exposure to the following risks arising from 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. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Risk Management Committee 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 Company's Finance and Risk 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.

(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 the maximum credit exposure.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

	2019	2018
	₦'000	₦'000
Trade and other receivables	21,309,390	19,324,934
Cash and cash equivalents (Note 20(b))	4,756,561	7,451,064
	26,065,951	26,775,998

(i) ***Trade and other receivables***

Trade receivables

The Company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount of receivable from third-party customers for the sale of goods.

In determining the expected credit loss, the following parameters were used:

(a) Segmentation

For the purpose of ECL estimation, the trade receivables was segmented into two categories based on product type as they are deemed to have similar credit risk characteristics. The categories are Spirits and Beer.

(b) Exposure at default (EAD)

Exposure at default is the trade receivables balance as at the reporting date.

(c) Collection past due (CPD) days

The CPD days represents the weighted average number of days amounts due from a customer are settled. The CPD days reflect the number of days the company is expected to be exposed to credit risk on the customer. The expected credit loss on a customer increases exponentially as the CPD days increases.

(d) Loss rates

The loss rate is used as a proxy for the loss experience of the company. The loss rate is determined as a weighted average of losses experienced by the company over several years. was determined as the ratio of provisions made to the total trade debtor balances as at the beginning of a year (this was carried our for an historical period of four years). The loss rates derived for each historical period is then measured against the total debtor balance to derive the Weighted Average Loss Rate (WALR). The Company assessed the average time to payment on invoices by individual customers over the last three years.

(e) Average Time to Realisation (ATTR)

The Company assessed the average number of days taken to receive payment on invoices from the trade receivables. This has been considered based on the segments and assessed over an historical period of four years.

(f) Economic scenarios

The Company has considered 3 economic scenarios; best, optimistic and downturn. The Company assessed the probability of the optimistic case occurring as 20%. This also reflects the state of the Nigerian economy which is currently in recovery after the recession of 2015- 2016. This is deemed to be reasonable considering the downward trend in the ratio of provision to total debtors over the last four years. The Company has assigned a probability of 0% to the downturn scenario occurring as the Nigerian economy is currently in recovery and the residual probability of 80% is assigned to the best case scenario.

The maximum exposure to credit risk for trade receivables and related impairment allowances at the reporting date was:

	2019	2018
	₦'000	₦'000
Gross carrying amount	23,132,412	21,031,352
IFRS 9 Impairment allowance	(2,580,731)	(2,610,259)
Net carrying amount	20,551,681	18,421,093

Intercompany receivables

Intercompany receivables represent the amount of receivable from related party customers for the sale and purchases of goods, promotional support and other services. The expected credit loss rate for this receivable is determined using the simplified approach.

The simplified approach is based on an aging analysis conducted to determine the aging brackets of the outstanding balance as at the snapshot date. The receivables are then discounted using the expected time to payment experienced over the historical period. There was no material impact of implementation of IFRS 9 on intercompany receivables as at 1 July 2018 and 30 June 2019.

Reconciliation of impairment allowance on financial assets (trade and other receivables)

(1) Movements in the impairment allowance on trade receivables that are assessed for impairment are as follows:

	₦'000
At 1 July 2018 (IAS 39)	2,420,611
Amounts restated through opening retained earnings	189,648
Opening impairment allowance as at 1 July 2018 (IFRS 9)	2,610,259
Trade receivables written-off	(268,342)
Loss allowance recognised in profit or loss during the year	238,814
At 30 June 2019 (IFRS 9)	2,580,731

(2) Movements in the impairment allowance on other receivables that are assessed for impairment are as follows:

	₦'000
At 30 June 2018 (IAS 39)	138,634
Amounts restated through opening retained earnings	-
Opening impairment allowance as at 1 July 2018 (IFRS 9)	138,634
Loss allowance recognised in profit or loss during the year	97,051
At 30 June 2019 (IFRS 9)	235,685

(3) Movements in the impairment allowance on trade and other receivables that are assessed for impairment are as follows:

	₦'000
At 30 June 2018 (IAS 39)	2,559,245
Amounts restated through opening retained earnings	189,648
Opening impairment allowance as at 1 July 2018 (IFRS 9)	2,748,893
Trade receivables written-off	(268,342)
Increase in loss allowance recognised in profit or loss during the year	335,866
At 30 June 2019 (IFRS 9)	2,816,417

Trade and other receivables analysis

(1) **Specific impairment assessment:** The Company identifies customers for specific impairment based on available information that suggests a heightened risk of default on the Company's exposure to the customer. For such identified customers, the Company performs an assessment of the difference between the outstanding balance due from the customer and present value of expected recoveries from the customer.

(2) **Collective impairment assessment:** Where there is no specific evidence to suggest an heightened risk of default on the outstanding balance, the Company estimates the expected credit losses by evaluating the accounts receivable for expected lifetime credit losses. For this assessment the procedures documented in Note 28 (a(i)) above is adopted by management.

The table below shows an analysis of balances that have been subjected to both the specific and collective assessment.

	As at 30 June 2019			As at 1 July 2018		
	₦'000	₦'000	N'000	N'000	₦'000	₦'000
	Exposure	Impairment allowance	Net exposure	Exposure	Impairment allowance	Net exposure
Trade receivables:						
Specific assessment	1,969,102	(1,824,516)	144,586	1,850,114	(1,850,114)	-
Collective assessment	21,163,310	(756,215)	20,407,095	19,181,238	(760,145)	18,421,093
Total trade receivables	23,132,412	(2,580,731)	20,551,681	21,031,352	(2,610,259)	18,421,093
Other receivables:						
Specific assessment	294,705	(235,685)	59,020	327,204	(138,634)	188,570
Total other receivables	294,705	(235,685)	59,020	327,204	(138,634)	188,570
Intercompany receivables						
Specific assessment	698,689	-	698,689	525,623	-	525,623
Total trade and other receivables	24,125,806	(2,816,416)	21,309,390	21,884,179	(2,748,893)	19,135,286

The trade receivables analysis for specific assessment by expected recovery as at 30 June 2019 is shown below:

	Outstanding balance ₦'000	Expected recovery ₦'000	Impairment allowance ₦'000
No expected recovery	1,676,986	-	1,676,986
Less than 5% expected recovery	35,130	156	34,974
6% - 25% expected recovery	73,671	9,661	64,010
26% - 50% expected recovery	21,699	9,825	11,874
51% - 99% expected recovery	161,616	124,944	36,672
100% expected recovery	-	-	-
	1,969,102	144,586	1,824,516

The trade receivables analysis for specific assessment by expected recovery as at 1 July 2018 is shown below:

	Outstanding balance ₦'000	Expected recovery ₦'000	Impairment allowance ₦'000
No expected recovery	1,850,114	-	1,850,114
	1,850,114	-	1,850,114

The trade receivables analysis for collective assessment as at 30 June 2019 is shown below:

CPD days	0 - 30	31 - 60	61 - 90	91 - 180	181 - 360	Over 360	Total
Gross trade receivables (N'000)	17,400,176	1,587,424	979,659	658,454	17,181	520,416	21,163,310
Loss rate range:							
Spirits (%)	0.00 - 0.30	0.36 - 0.53	0.61 - 0.91	0.92 - 1.80	2.01 - 76.9	100	
Beer (%)	0.00 - 0.71	0.74 - 1.42	1.48 - 2.06	100	100	100	
Impairment allowance (N'000)	46,472	8,290	8,640	159,219	13,178	520,416	756,215

The trade receivables analysis for collective assessment as at 1 July 2018 is shown below:

CPD days	0 - 30	31 - 60	61 - 90	91 - 180	181 - 360	Over 360	Total
Gross trade receivables (N'000)	15,911,923	1,365,798	841,556	414,394	27,677	619,890	19,181,238
Loss rate range:							
Spirits (%)	0.00 - 0.30	0.36 - 0.53	0.61 - 0.91	0.92 - 1.80	2.01 - 97.1	100	
Beer (%)	0.00 - 0.71	0.74 - 1.42	1.48 - 2.06	100	100	100	
Impairment allowance (N'000)	59,230	7,211	7,467	39,474	26,871	619,892	760,145

The reconciliation of the gross carrying amount for trade receivables is as follows:	₦'000
Gross carrying amount as at 1 July 2018	21,031,352
Additions during the year	523,601,351
Receipts for the year	(521,500,291)
Gross carrying amount as at 30 June 2019	23,132,412

Sensitivity analysis

This table shows the sensitivity of the expected credit loss (ECL) to changes in loss rates.

	Effect on Expected Credit Loss
Increase/(decrease) in loss rates	
1%	21,576
(1%)	(21,727)

(ii) ***Cash and cash equivalents***

The Company held cash and cash equivalents of N4,757 million as at 30 June 2019 (2018: N7,451 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held by reputable financial institutions in Nigeria.

(iii) ***Restricted cash***

The Company held unclaimed dividends amounting to N2,992 million (2018: N3,361 million) in short-term deposit with reputable financial institutions in Nigeria. This represents the Company's maximum credit exposure on this asset.

Credit quality of cash and cash equivalents and restricted cash

	2019 ₦'000	2018 ₦'000
Credit ratings		
AA-	-	594,895
A+	-	9,706,217
A	6,084,526	-
B+	466,193	-
B	419,553	-
B-	352,247	-
BBB+	-	307,026
BBB	-	203,646
BBB-	426,015	-
Cash and cash equivalents	7,748,534	10,811,784

Bank overdrafts has been excluded from this rating.

Credit rating keys

- **A** - A financial institution of good financial condition and strong capacity to meet its obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in risk attributable to an exposure to this financial institution. However, financial condition and ability to meets its obligations as and when they fall due should remain largely unchanged.
- **AA** - A financial institution of very good financial condition and a strong capacity to meet its obligations as and when they fall due. However, financial condition and ability to meet obligations as and when they fall due should remain strong.
- **BBB** - A financial institution of satisfactory financial condition and adequate financial capacity to meet its obligations as and when they fall due. It may have one major weakness which, if addressed, should not impair its ability to meets obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in risk attributable to an exposure to this financial institution.
- **A + (plus) or – (minus)** may be added to a rating. A plus added to a rating indicates that the rating may be raised. A minus means that the rating may be lowered. When no plus or minus is added to the rating, this means that the rating is unlikely to change. A positive or negative added to a rating is therefore a reflection of the rating outlook.

The credit ratings were sourced from Fitch Ratings Inc.

All other financial assets are not rated.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the 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 credit terms with customers and payment terms to its vendors are favourable to the Company in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company had overdraft facilities with its banks as at 30 June 2019 N6,545 million (2018: Nil). The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Total contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
	N'000	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities						
30 June 2019						
Dividend payable	(2,994,076)	(2,994,076)	(2,994,076)	-	-	-
Trade and other payables	(29,701,915)	(29,701,915)	(29,701,915)	-	-	-
Bank overdraft	(6,545,014)	(6,545,014)	(6,545,014)	-	-	-
Loans and borrowings	(13,381,610)	(14,504,562)	(5,569,972)	(292,944)	(8,641,646)	-
	(52,622,615)	(53,745,567)	(44,810,977)	(292,944)	(8,641,646)	-
Non-derivative financial assets						
Cash and cash equivalents	4,756,561	4,756,561	4,756,561	-	-	-
Trade and other receivables	21,309,390	21,309,390	21,309,390	-	-	-
Restricted cash	2,991,973	2,991,973	2,991,973	-	-	-
	29,057,924	29,057,924	29,057,924	-	-	-
Liquidity gap	(23,564,691)	(24,687,643)	(15,753,053)	(292,944)	(8,641,646)	-
30 June 2018						
Non-derivative financial liabilities						
Dividend payable	(3,211,277)	(3,211,277)	(3,211,277)	-	-	-
Trade and other payables	(30,006,405)	(30,006,405)	(30,006,405)	-	-	-
Loans and borrowings	(13,734,873)	(14,368,583)	(5,825,013)	(312,996)	(674,191)	(7,556,383)
	(46,952,555)	(47,586,265)	(39,042,695)	(312,996)	(674,191)	(7,556,383)
Non-derivative financial assets						
Cash and cash equivalents	7,451,064	7,451,064	7,451,064	-	-	-
Trade and other receivables	22,857,255	22,857,255	22,158,307	698,948	-	-
Restricted cash	3,360,720	3,360,720	3,360,720	-	-	-
	33,669,039	33,669,039	32,970,091	698,948	-	-
Liquidity (gap)/excess	(13,283,516)	(13,917,226)	(6,072,604)	385,952	(674,191)	(7,556,383)

(c) Market risk

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

The Company manages market risks by keeping costs low through different cost optimization initiatives and productivity agenda. Furthermore market developments are monitored constantly through scenario planning and events assessed regularly with view to taking mitigating actions where necessary.

(i) Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the Naira. The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. Although the Company employs various measures including matching sales and purchase currencies to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis. The Company's exposure to foreign currency risk was as follows in notional terms:

	30 June 2019			30 June 2018		
	GBP (£)	Euro (€)	US$	GBP (£)	Euro (€)	US$
	000	000	000	000	000	000
Financial assets						
Cash and cash equivalents	1,967	1,338	5,936	441	1,253	2,215
Trade and other receivables	184	-	612	120	-	1,030
	2,151	1,338	6,548	561	1,253	3,245
Financial liabilities						
Trade and other payables	(1,059)	(2,630)	(14,182)	(786)	(2,798)	(7,560)
Related party loan	-	-	(22,478)	-	-	(22,478)
	(1,059)	(2,630)	(36,660)	(786)	(2,798)	(30,038)
Net gain/(exposure)	1,092	(1,292)	(30,112)	(225)	(1,545)	(26,793)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
	₦	₦	₦	₦
GBP (£) 1	468.19	485.99	457.91	476.63
Euro (€) 1	414.33	430.08	408.85	421.80
US ($) 1	362.94	359.99	360.56	361.08

Sensitivity analysis on foreign currency rates

A ten percent (10%) strengthening of the Naira, against the Euro, Dollar and GBP at 30 June would have increased/(decreased) equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	(Decrease)/increase in equity
	₦'000
30 June 2019	
GBP (£)	(49,986)
Euro (€)	52,814
US ($)	1,085,723
30 June 2018	
GBP (£)	10,731
Euro (€)	65,174
US ($)	967,450

A ten percent (10%) weakening of the Naira against the above currencies would have had the equal but opposite effect on the above currencies to the magnitude of the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2019	2018
	₦'000	₦'000
Fixed rate instruments		
Short-term bank deposits	3,020,907	3,389,654
Bank overdrafts	(6,545,014)	-
	(3,524,107)	3,389,654
Variable rate instruments		
Loans and borrowings	(13,381,610)	(13,734,873)

The Company does not account for any fixed rate financial assets and liabilities at fair value through income statement. Therefore a change in interest rates at the end of the reporting period would not affect income statement.

Sensitivity

The Company is exposed to cash flow interest rate risk on loans and borrowings. The table below shows the impact on the post-tax profit of the Company. There is no impact on equity.

	Impact on post-tax profit	
	2019	2018
	₦'000	₦'000
Interest rates – increase by 100 basis points	1,338,161	1,373,487
Interest rates – decrease by 100 basis points	(1,338,161)	(1,373,487)

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company considers total equity in the statement of financial position to be its capital.

The Company's management is committed to enhancing shareholder value in the long term, both by investing in the businesses and brands so as to improve the return on investment and by managing the capital structure. The Company manages its capital structure to achieve capital efficiency, maximise flexibility and give the appropriate level of access to debt markets at attractive cost levels.

The Company regularly assesses its debts and equity capital levels against its stated policy for capital structure. The Company's management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

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

	2019	2018
	₦'000	₦'000
Result from operating activities	8,966,036	13,386,248
Total shareholders' equity	89,060,462	87,588,174
Return on capital	10%	15%

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

	2019	2018
	₦'000	₦'000
Total liabilities	71,732,165	65,666,794
Cash and cash equivalents	(4,756,561)	(7,451,064)
Adjusted net debt	66,975,604	58,215,730
Total equity	89,060,462	87,588,174
Adjusted net debt to equity ratio:	0.75	0.66

There was no change in the Company's approach to capital management during the current and preceding year.

(e) Fair values - Financial instruments not measured at fair value

Fair values versus carrying amounts

The fair values of financial assets and liabilities which have been determined using level 2 hierarchy, together with the carrying amount shown in the statement of financial position, are as follows:

	2019		2018	
	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Liabilities measured at amortised cost				
Unsecured term loans	5,086,325	5,086,325	5,572,958	5,572,958
Related party loan	8,295,285	8,295,285	8,161,915	8,161,915
	13,381,610	13,381,610	13,734,873	13,734,873

The Company's financial instruments with the exception of non-current other receivables are short term financial instruments. Accordingly, management believes that their fair values are reasonable approximation of their carrying values.

The fair value of the financial instruments above have been determined using the discounted cash flows technique. The valuation model considers the present value of expected cash flows using market related yields as follows.

	2019	2018
Unsecured term loans	17%	17.51%
Related party loan	7%	7%

The future cash flows are based on contractual amounts and considers the probability of occurrence of the cash flows. There are no significant unobservable inputs. The fair values were determined on the same basis in prior year and there was no transfer between levels during the year.

29. Operating leases

(a) *Leases as lessee*

The Company leases a number of offices, warehouses, factory facilities and trucks for distribution of its products under operating leases. During the year, an amount of N1,118 million was recognised as an expense in income statement in respect of these leases (2018: N1,159 million). Lease rentals are paid upfront and included in prepayments and charged to the profit or loss over the life of the lease.

(b) *Leases as lessor*

The Company leases some of its plant and machinery and motor vehicles to third parties under operating lease arrangements. Income from these operating lease arrangements during the year was N478 million (2018: N423 million). At year end, minimum lease payments under operating lease rental commitments are receivable as follows:

	2019	2018
	₦'000	₦'000
Less than one year	846,902	817,551
Between one and two years	121,644	36,474
Between two and three years	350,346	2,970
	1,318,892	856,995

30 Contingencies

(a) *Guarantee and contingent liabilities*

Contingent liabilities at the reporting date arising in the ordinary course of business out of guarantees relating customs bond amounted to N2,900 million (2018: N2,900 million). In the opinion of the Directors, no material loss is expected to arise from these guarantees.

(b) *Pending litigations and claims*

The Company is subject to various claims and other liabilities arising in the normal course of business. The contingent liabilities in respect of pending litigation and other liabilities amounted to N603 million as at 30 June 2019 (2018: N1,774 million). In the opinion of the Directors, no material loss is expected to arise from these claims.

(c) *Financial commitments*

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

31 Related parties transactions and balances

(a) Parent and ultimate controlling entity

Related parties include the parent and ultimate controlling company, Diageo plc and other Diageo group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company are considered as related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

As at 30 June 2019, Guinness Overseas Limited and Atalantaf Limited owned 50.18% (2018: 50.18%) and 7.84% (2018: 7.84%) respectively of the issued share capital of the Company.

(b) Transactions with related parties

The Company has transactions with its parent and other related parties who are related by virtue of being members of the Diageo group. The total amounts due to related parties by nature of the transactions are shown below:

(i) Trademark and technology licences

Diageo Plc, through some of its members has given Guinness Nigeria Plc exclusive rights to the know-how, manufacturing, distribution and marketing of its international brands namely, Guinness Foreign Extra Stout, Guinness Extra Smooth, Guinness African Special, Malta Guinness, Malta Guinness Low Sugar, Harp Lager, Smirnoff Ice, Smirnoff Ice - Double Black, Satzenbrau Lager, Snapp, Orijin, Orijin Bitters, Orijin Zero non-alcoholic and Masters Choice. In consideration of this a royalty of 0.5% of net sales value and a technical service fee of 2% of net sales value are payable by Guinness Nigeria Plc to its related parties for Trademark and technology licences respectively. The royalty and technical service fees payable by Guinness Nigeria Plc under these agreements for the current financial year is N3,657 million (2018: N504 million).

(ii) Purchases, sales, promotional support, other services and dividend

	Transaction value		Balance due (to)/from	
	2019	2018	2019	2018
	₦'000	₦'000	₦'000	₦'000
Purchases, promotional support and other services				
Ultimate parent	(29,132)	(29,545)	-	(3,145)
Other related parties	(19,508,769)	(17,598,655)	(5,783,782)	(2,923,107)
Technical service fees and royalties				
Other related parties	(3,657,383)	(503,859)	2,358,111	959,667
Dividend payable				
Other related parties	(2,338,536)	(525,210)	-	-
	(25,533,820)	(18,657,269)	(3,425,671)	(1,966,585)
Sales and other services				
Ultimate parent	105,143	182,005	82,071	20,088
Other related parties	13,211,099	20,487,525	616,618	505,535
	13,316,242	20,669,530	698,689	525,623
Related party loan and finance costs	(133,370)	13,930,580	(8,295,285)	(8,161,915)

(c) Transactions with key management personnel

Key management personnel compensation:

In addition to their salaries, the Company also provides non-cash benefits to executive directors and executive officers and contributes to post-employment defined benefit and defined contribution plans on their behalf. In accordance with the terms of the plans, directors and executive officers retire at the age of 55 at which time they become entitled to receive post employment benefits.

Executive officers also participate in share-based payment plans (see Note 25) and the Company's long service awards benefit plan. Key management personnel compensation comprised:

	2019	2018
	₦'000	₦'000
Short-term employee benefits		
Salaries and wages	936,050	735,501
Share-based payments plan		
Diageo executive share options/awards	261,106	77,026
	1,197,156	812,527

32 Events after the reporting date

There are no significant subsequent events, which could have had a material effect on the financial statements of the Company as at 30 June 2019 that have not been adequately provided for or disclosed in the financial statements.

33 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Other Disclosures

Value Added Statement
For the year ended 30 June

	2019 ₦'000	%	2018 ₦'000	%
Revenue	131,498,373		142,975,792	
Bought-in materials and services				
- Local	(75,640,381)		(82,324,445)	
- Imported	(24,669,027)		(28,164,038)	
	31,188,965		32,487,309	
Other income	781,477		668,363	
Finance income	750,903		2,201,476	
Valued added	32,721,345	100	35,357,148	100
Distribution of Value Added:				
To Government:				
Taxation	1,619,898	5	3,225,559	9
To Employees:				
Salaries, wages and fringe benefits	8,878,050	27	9,599,511	27
To Providers of Finance:				
Finance costs	2,613,309	8	5,644,560	16
Retained in the Business:				
For replacement of property, plant and equipment	9,734,548	30	8,874,523	25
For replacement of intangible assets	359,155	1	364,206	1
Declared dividend	4,030,563	12	963,768	3
To augment reserve	5,485,822	17	6,685,021	19
	32,721,345	100	35,357,148	100

Five-Year Financial Summary

Income statement

	2019	2018	2017	2016	2015
	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	131,498,373	142,975,792	125,919,817	101,973,030	118,495,882
Operating profit	8,966,036	13,386,248	10,186,330	4,415,623	15,667,379
Profit/(loss) before taxation	7,103,630	9,943,164	2,662,081	(2,347,241)	10,795,102
Profit/(loss) for the year	5,483,732	6,717,605	1,923,720	(2,015,886)	7,794,899
Statement of comprehensive income					
Profit after taxation	5,483,732	6,717,605	1,923,720	(2,015,886)	7,794,899
Other comprehensive (loss)/income net of tax	2,090	(32,584)	(35,333)	172,539	32,115
Comprehensive income/(loss) for the year	5,485,822	6,685,021	1,888,387	(1,843,347)	7,827,014
Per 50k share data (in kobo)					
Basic earnings/(loss) per share	250	330	128	(134)	518
Declared dividend per share	184	64	50	320	320

Statement of financial position

	2019	2018	2017	2016	2015
	₦'000	₦'000	₦'000	₦'000	N'000
Employment of funds					
Property, plant and equipment	100,801,064	97,602,019	87,324,546	87,232,984	87,754,074
Intangible assets	641,059	1,000,214	1,364,420	1,708,807	942,887
Prepayments	6,482	42,688	120,813	180,818	13,283
Other receivables	-	-	1,614	-	24,876
Net current assets/(liabilities)	10,487,549	11,762,932	(6,492,839)	(19,239,787)	(12,588,832)
Loans and borrowings - non current	(8,104,582)	(8,116,367)	(24,889,439)	(14,034,546)	(12,250,754)
Employee benefits	(970,547)	(1,104,749)	(979,785)	(1,246,856)	(2,212,922)
Deferred tax liabilities	(13,800,562)	(13,598,563)	(13,506,315)	(12,940,815)	(13,341,236)
Net assets	89,060,463	87,588,174	42,943,015	41,660,605	48,341,376
Funds employed					
Share capital	1,095,191	1,095,191	752,944	752,944	752,944
Share premium	47,447,029	47,447,029	8,961,346	8,961,346	8,961,346
Share based payment reserve	-	-	-	-	18,582
Retained earnings	40,518,242	39,045,954	33,228,725	31,946,315	38,608,504
Shareholders' funds	89,060,462	87,588,174	42,943,015	41,660,605	48,341,376
Net assets per share (kobo)	4,066	3,999	2,852	2,767	3,210

Shareholders' Information

Share Capital History

The share capital history of the Company is as shown below. The issued and paid-up share capital of the Company as at 30 June 2019 is:

	AUTHORISED SHARE		ISSUED AND FULLY PAID		
DATE	**VALUE (N)**	**SHARES**	**VALUE (N)**	**SHARES**	**CONSIDERATION**
31/08/72	3,000,000	6,000,000	3,000,000	6,000,000	Conversion to Naira
14/12/72	5,000,000	10,000,000	5,000,000	10,000,000	Script Issue (2:3)
30/03/76	8,000,000	16,000,000	8,000,000	16,000,000	Script Issue (3:5)
5/11/76	10,000,000	20,000,000	10,000,000	20,000,000	Public Issue
11/3/77	15,000,000	30,000,000	15,000,000	30,000,000	Script Issue (1:2)
28/09/78	25,000,000	50,000,000	25,000,000	50,000,000	Script Issue (2:3)
21/02/80	37,500,000	75,000,000	37,500,000	75,000,000	Script Issue (1:2)
25/02/82	50,000,000	100,000,000	50,000,000	100,000,000	Script Issue (1:3)
15/03/84	75,000,000	150,000,000	75,000,000	150,000,000	Script Issue (1:2)
13/03/84	100,000,000	200,000,000	100,000,000	200,000,000	Script issue (1:3)
26/07/90	150,000,000	300,000,000	150,000,000	300,000,000	Script Issue (1:2)
18/07/90	200,000,000	400,000,000	180,000,000	360,000,000	Rights Issue(1:5)
29/09/95	350,000,000	700,000,000	270,000,000	540,000,000	Right Issue (1:2)
2/1/97	350,000,000	700,000,000	339,519,721	679,039,441	Conversion of ICLS to shares
19/06/97	400,000,000	800,000,000	350,519,721	679,039,441	Scrip Dividend to Shares
16/07/97	400,000,000	800,000,000	350,733,576	701,467,151	Scrip Dividend to Shares
13/07/98	400,000,000	800,000,000	353,982,125	707,964,249	Increase in authorised
20/11/02	1,000,000,000	2,000,000,000	353,982,125	707,964,249	share capital
20/11/03	1,000,000,000	2,000,000,000	89,970,207	1,179,940,415	Bonus issue (2:3)
16/11/06	1,000,000,000	2,000,000,000	737,462,759	1,474,925,519	Bonus issue (1:4)
10/7/08	1,250,000,000	2,500,000,000	737,462,759	1,474,925,519	Increase in authorised share capital
2/11/12	1,250,000,000	2,500,000,000	752,944,094	1,505,888,188	Scrip Dividend to Shares
9/22/17	1,250,000,000	2,500,000,000	1,095,191,410	2,190,382,819	Right Issue (5:11)

Substantial interest in shares

According to the register of members, the following persons held more than 5% of the issued share capital of the Company as at 30 June 2019.

Shareholders	**Number of Shares**	**Percentage**
Guinness Overseas Limited	1,099,230,804	50.18%
Atalantaf Limited	118,052,388	7.84%

Statistical analysis of shareholding

a) The shares of the Company are held in the ratio of 46% by Nigerians and 54% by offshore investors.
b) The Company's issued shares of 2,190,382,819 as at year end are held by shareholders as follows:

Statistical analysis of shareholding as at 30 June 2019

Range	**Total Holders**	**%**	**Units**	**%**
1 - 1,000	30,249	44%	11,828,547	1%
1,001 - 5,000	27,756	40%	70,981,175	3%
5,001 - 10,000	6,107	9%	44,134,262	2%
10,001 - 50,000	3,914	6%	74,813,632	3%
50,001 - 100,000	360	1%	25,061,781	1%
100,001 - 500,000	308	0%	62,154,421	3%
500,001 - 1,00,000	52	0%	36,882,014	2%
1,000,001 - 1,000,000,000	44	0%	1,864,526,987	85%
Grand Total	**68,790**	**100%**	**2,190,382,819**	**100%**