

Champion Breweries Plc
Financial Statements for the year ended 31 December 2013
Together with Directors' and Independent Auditor's Reports

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Directors' Report

For the year ended 31 December 2013

The Directors present their report together with the Company's audited financial statements and independent auditor's report for the year ended 31 December 2013.

Operating Results

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

	<u>2013</u> <u>N'000</u>	<u>2012</u> <u>N'000</u>
Revenue	2,233,259	1,785,345
Loss from Operating Activities	(543,902)	(1,222,013)
Loss before taxation	(1,730,432)	(1,928,865)
Taxation	552,407	592,175
Loss for the year	(1,178,025)	(1,336,690)
Accumulated Loss	(8,889,182)	(7,710,796)

Directors and Their Interests

The names of Directors at the date of this report and those who have held office during the year under review as well as their interest in the shares of the Company as recorded in the Register kept in compliance with Section 275 of the Companies and Allied Matters Act Cap C 20 Laws of the Federation of Nigeria 2004 are as follows:

	<u>Number of Ordinary Shares</u>	
	<u>2013</u>	<u>2012</u>
Chief Senas J. Ukpanah, OFR (Chairman - Appointed on 13 June 2013)	1,000	1,000
Mr. Sharm Kulkarni	-	-
Mr. Boudewijn N. Haarsma	-	-
Mr. Hendrikus van Lokven	-	-
Mr. Zooullis Mina (represented by Mr. Asue Ighodalo as his alternate)	-	-
Mr. A.K Mirchandani (represented by Mr. Ashok Manghnani as his alternate)	-	-
Mr. Thompson S.B. Owoka	500,000	500,000
Alhaji Shuaibu A. Ottan	-	-
Dr. Emmanuel Nyong (not re-elected at 2012 AGM on 13 June 2013)	2,131,316	2,131,316
Mr. Samuel O. Onukwue	-	-

Other than as disclosed above, the Directors are not aware of any disclosable interests/transaction in the share capital of the Company as at 31 December 2013 or at the date of this report.

Property, plant and equipment

Movement in property, plant and equipment during the year is disclosed in Note 11. In the opinion of the Directors, the fair value of Company's assets are not lower than the value shown in the financial statements.

Business Review and Future Development

The Company intends to carry on fulfilling the objects as indicated in its Memorandum and Articles of Association.

Corporate Social Responsibility

The Company has adopted a comprehensive approach to corporate social responsibility based on the understanding that improved quality of life in the community where it operates would in turn impact positively on the Company's performance.

Corporate Governance

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

Contracts

No Director has notified the Company of any disclosable interest in the contracts awarded by or involving the Company as required under Section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004.

Distribution of Company's products

The Company's products are distributed by over 70 distributors in different parts of the country. The list of names of such distributors is available at the Commercial Department of the Company at Industrial Layout, Aka Offot, Uyo, Akwa Ibom State.

Employment and Employees

(a) Employment of physically challenged Persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers.

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

The Company maintained a well-equipped clinic (within the brewery), which provide medical services to all its employees. Cases of serious nature are referred to designated hospitals whose services are retained by the Company through its Health Management Organization. Such hospitals are located in areas within convenient reach of employees.

The Company being mindful of the scourge and impact of the HIV/AIDS epidemic on productivity has rolled-out a comprehensive HIV/AIDS programme for its employees during the year under review.

The Company has in collaboration with local NGOs also carried out HIV /AIDS awareness campaigns in the workplace as well as malaria prevention and management seminars for her employees.

The Company maintains a canteen where employees on duty are served free meals.

Safety regulations are in place in all locations of the Company and employees are well informed about compliance with such regulations.

The Company operates retirement benefit schemes for all qualified employees in accordance with the Pensions Reform Act 2004.

(c) Employee Consultation and Training

The Company is committed to keeping employees fully informed as far as possible regarding the Company's performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees.

Training is carried out at various levels through both in – house and external courses. Management, professional and technical expertise are the Company's major assets and investment in developing such skills continues.

The Company's expanding skills base has extended the range of training provided and broadened the opportunities for career development within the organization.

Independent Auditors

Messrs KPMG Professional Services served as the Independent Auditors during the year under review.

In accordance with Section 357(2) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, Messrs KPMG Professional Services have indicated their willingness to continue in office as Independent Auditors to the Company.

By Order of the Board



Mr. Tosan Atle Aiboni
Acting Company Secretary
FRC No: FRC/2014/NBA/00000006228
14-Feb-14

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2013

The directors accept responsibility for the preparation of the annual financial statements set out on pages 7 to 33 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Chief Senas J. Ukpanah, OFR (Chairman)
FRC No: FRC/2013/CIPMN/00000003208
14-Feb-14



Sharm Kulkarni (Managing Director)
FRC No: FRC/2013/IODN/00000002629
14-Feb-14

Audit Committee's Report
To the members of Champion Breweries Plc

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

- (a) The scope and planning of both the external and internal audit for the year ended 31 December 2013 are satisfactory. The internal audit programmes reinforce the Company's internal control system;
- (b) Having reviewed the independent auditors' memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management's responses thereon;
- (c) Ascertained that the accounting and reporting policies for the year ended December 31, 2013 are in accordance with legal requirements and agreed ethical practices.

The External Auditors confirmed, having received full cooperation from the Company's Management, that the scope of their work was not restricted in any way.



MR. KUFRE INYANGETE
Chairman of the Audit Committee
FRC/2013/CIBN/00000003941

Dated this 11th day of **February 2014**

Members of the Audit Committee

Mr. Kufre Inyangete	-	Chairman
Mr. Hendrikus G.J. van Lokven	-	Member
Mr. Samuel O. Onukwue	-	Member
Mrs. Helen Umanah	-	Member



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INDEPENDENT AUDITOR'S REPORT

To the Members of **Champion Breweries Plc**

Report on the Financial Statements

We have audited the accompanying financial statements of **Champion Breweries Plc** ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 33.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the

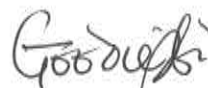
purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of **Champion Breweries Plc** ("the Company") as at 31 December 2013, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

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

Signed: 
Goodluck C. Obi, FCA
FRC/2012/ICAN/00000000442
For: KPMG Professional Services
Chartered Accountants
20 March 2014
Lagos, Nigeria



Statement of Financial Position

	Notes	31 December 2013 N '000	31 December 2012 N '000
Assets			
Property, plant and equipment	11	7,239,613	5,657,055
Intangible assets	12	11,741	-
Deferred tax assets	20	873,948	321,386
Non-current assets		8,125,302	5,978,441
Inventories	13	305,631	235,879
Trade and other receivables	14	531,441	305,479
Prepayments		56,197	252,704
Cash and cash equivalents	15	119,145	26,697
Current assets		1,012,414	820,759
Total assets		9,137,716	6,799,200
Equity			
Share capital	17	450,000	450,000
Share premium	18	129,184	129,184
Other reserves		3,701,612	3,701,612
Accumulated loss		(8,889,182)	(7,710,796)
Equity attributable to owners of the Company		(4,608,386)	(3,430,000)
Total equity		(4,608,386)	(3,430,000)
Liabilities			
Employee benefits	19	62,827	62,995
Non-current liabilities		62,827	62,995
Bank overdraft	15	-	32,341
Deposit for shares	16	1,164,569	1,164,569
Trade and other payables	21	12,518,706	8,969,295
Current liabilities		13,683,275	10,166,205
Total liabilities		13,746,102	10,229,200
Total equity and liabilities		9,137,716	6,799,200

These financial statements were approved by the Board of Directors (BOD) on 14 February 2014 and signed on behalf of the BOD by the directors listed below:


_____)

Chief Senas J. Ukpanah, OFR (Chairman)
FRC No: FRC/2013/CIPMN/00000003208


_____)

Sharm Kulkarni (Managing Director)
FRC No: FRC/2013/IODN/00000002629

Additionally certified by:


_____)

Tapash Ghosh (Financial Controller)

The notes on pages 12 to 33 are an integral part of these financial statements.

Statement of Comprehensive Income
For the year ended 31 December

	<u>Notes</u>	<u>2013</u> <u>N '000</u>	<u>2012</u> <u>N '000</u>
Revenue	5	2,233,259	1,785,345
Cost of Sales		(2,207,324)	(2,251,727)
Gross profit/(loss)		25,935	(466,382)
Other income	6	163,378	63,283
Selling and distribution expenses		(97,328)	(229,483)
Administrative expenses		(635,887)	(589,431)
Loss from operating activities		(543,902)	(1,222,013)
 Finance costs	7	(1,186,530)	(706,852)
Loss before taxation	8	(1,730,432)	(1,928,865)
 Taxation	9	552,407	592,175
Loss for the year		(1,178,025)	(1,336,690)
 Other comprehensive loss			
Items that will never be reclassified to profit or loss			
Actuarial loss	19 (d)	(516)	(1,164)
Tax on other comprehensive loss	19 (d)	155	349
Other comprehensive loss for the year, net of tax		(361)	(815)
Total comprehensive loss for the year		(1,178,386)	(1,337,505)
 Loss attributable to:			
Basic and diluted loss per share-Kobo	10	(131)	(149)

The notes on pages 12 to 33 are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital	Share premium	Accumulated loss	Other reserves	Total equity
	N '000	N '000	N '000	N '000	N '000
Balance as at 1 January 2012	450,000	129,184	(6,373,291)	3,701,612	(2,092,495)
Total comprehensive loss for the year					
Loss for the year	-	-	(1,336,690)	-	(1,336,690)
Other comprehensive loss	-	-	(815)	-	(815)
	-	-	(1,337,505)	-	(1,337,505)
Balance at 31 December 2012	450,000	129,184	(7,710,796)	3,701,612	(3,430,000)
Balance at 1 January 2013	450,000	129,184	(7,710,796)	3,701,612	(3,430,000)
Total comprehensive loss for the year					
Loss for the year	-	-	(1,178,025)	-	(1,178,025)
Other comprehensive loss	-	-	(361)	-	(361)
Total comprehensive loss for the year			(1,178,386)		(1,178,386)
Balance at 31 December 2013	450,000	129,184	(8,889,182)	3,701,612	(4,608,386)

The notes on pages 12 to 33 are an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December

	Notes	2013 N '000	2012 N '000
Cash flows from operating activities			
Loss for the year		(1,178,025)	(1,336,690)
Adjustments for:			
Finance cost	7	1,186,530	706,852
Taxation	9	(552,407)	(592,175)
Gratuity and long service awards charge	19(c)	4,403	29,738
Depreciation	11	696,737	782,130
Amortisation	12	2,851	-
Write-off of property, plant and equipment		-	8,790
Loss on sale of property, plant and equipment	8(a)	108,064	-
		268,153	(401,355)
Changes in:			
Inventories		(69,752)	85,469
Trade and other receivables		(225,962)	(68,552)
Prepayments		196,507	(246,326)
Trade and other payables*		922,846	892,525
Cash generated from operating activities		1,091,792	261,761
Gratuity paid	19(a)(i)	(5,087)	(6,464)
Long service awards paid	19(a)(ii)	-	(999)
VAT paid		(28,643)	(91,959)
Net cash from operating activities		1,058,062	162,339
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6,409	-
Acquisition of property, plant and equipment	11(e)	(925,090)	(85,104)
Acquisition of intangible asset	12	(14,592)	-
Net cash used in investing activities		(933,273)	(85,104)
Cash flows from financing activities			
Interest paid on bank overdrafts	7	-	(5,573)
Net cash used in financing activities		-	(5,573)
Net increase in cash and cash equivalents		124,789	71,662
Cash and cash equivalents at 1 January	15	(5,644)	(77,306)
Cash and cash equivalents at 31 December	15	119,145	(5,644)

The notes on pages 12 to 33 are an integral part of these financial statements.

* The effect of the following items have been excluded in deriving the change in trade and other payables.

- Value Added Tax (VAT) paid shown separately above
- accrued interest charge (note (7))
- Property plant and equipment acquired from related party (Note 11(e))

Notes to the financial statements

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1 Reporting entity

Champion Breweries Plc (the 'Company'), which is a company domiciled in Nigeria, was incorporated on 31 July 1974 and converted to a public limited company in 1983. The address of the Company's registered office is Industrial Layout, Aka Uffot, Uyo, Akwa Ibom State, Nigeria, from where brewing activities are carried out.

The Company is a subsidiary of The Raysun Nigeria Limited, the latter having a 57% interest in the equity of Champion Breweries Plc. Consolidated Breweries Plc who held 57% interest in Champion Breweries Plc transferred its shares to The Raysun Nigeria Limited within the year under review.

The principal activity of the Company is to carry on the business of brewing and marketing of Champion lager beer as well as contract brewing and packaging services.

2 Basis of preparation

(a) Statement of compliance

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 14 February 2014 and will be submitted to the shareholders for adoption on 16 May 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for defined benefit obligations which are based on actuarial valuation, inventory which are stated at the lower of cost and net realisable value and non-derivative financial instruments at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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:-

Note 19 – Measurement of defined benefit obligations

Note 20 – Deferred tax assets and liabilities

Note 23 – Financial risk management and financial instruments

Note 24 – Contingencies

(e) Going concern basis of accounting

At the 35th AGM of the Company, which held on 22 August 2011, the shareholders of the Company passed a resolution, authorising the Directors to undertake a capital raising and/or financial restructuring of the Company. Based on this resolution, the Board of Directors have designed and agreed on a financial restructuring plan for the Company. The turn around program for the Company, in which the capacity of the Company would be extended and used for contract brewing activities, is in the process of being implemented.

(f) Measurement of fair values

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the Company recognizes 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 value is included in Financial Risk Management and Financial Instruments (note 23).

3 Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates as of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits 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.

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.

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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 classifies non-derivative financial liabilities into the other financial liabilities category. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following other financial liabilities: loans and borrowings, bank overdrafts and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of Statement of Cash Flows.

(ii) Other Financial Liabilities

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.

(iii) Share capital

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. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Deposit for shares

The company received deposits for shares to be issued at a future date. At the time of receipt of these funds, and at every reporting period thereafter during which such funds are outstanding and not refunded or converted to shares, and while the company has the discretion to either issue shares or refund the money, it is classified as a financial liability measured at amortised cost. At such time as the company issues the shares, this is converted to equity.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use. Returnable bottles, crates and containers in circulation are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment losses.

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

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 net as profit or loss in the statement of comprehensive income.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and its cost can be reliably measured. The cost of ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. 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.

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

The estimated useful lives of all items of PPE were re-assessed during the year and have been applied prospectively as shown below:

	2013	2012
	Lease period	Lease period
Leasehold land		
Buildings	15 to 40 years	20 years
Plant & machinery	5 to 30 years	10 years
Furniture, fittings and equipments:	3 to 5 years	5 years
Motor vehicles:		
<i>Cars and trucks</i>	5 years	4 years
<i>Forklifts</i>	5 years	3 years
Returnable packaging materials:		
<i>Bottles</i>	5 years	5 years
<i>Crates</i>	8 years	8 years

The resultant change in depreciation charge for the current and future years is as analysed below:

	2013	2014	2015	2016	Later
	N'000	N'000	N'000	N'000	N'000
Administrative expenses	(16,721)	(4,155)	1,276	16,013	3,588
Total	(16,721)	(4,155)	1,276	16,013	3,588

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.

(d) 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 lives comprise acquired software. The estimated useful lives for the current and comparative years is 3 years.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Allowance is made for obsolete, slow-moving or defective items where appropriate.

(f) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

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

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

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.

(g) Employee benefits

(i) 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 or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

The Company and the employees contribute 7.5% each of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis.

(iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on Federal Government bonds, that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency (Naira) in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

Alexander Forbes Consulting Actuaries Nigeria Limited (FRC Registration number FRC/2012/0000000000504) was engaged as the independent actuary. The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in Other Comprehensive Income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The effect of any curtailment is recognised in full in profit or loss immediately the curtailment occurs. Although the scheme is not funded, the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

(iv) Other long-term employee benefits

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

The discount rate is the yield at the reporting date on Federal Government bonds, that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(v) Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(h) Provisions and contingent liabilities

Provisions

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

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 recognized 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 recognized 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.

(i) Revenue

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

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

(j) Finance income and finance costs

Finance income comprises interest income on bank deposits.

Finance costs comprise interest expense on borrowings, bank overdrafts and impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

(k) Tax

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

(i) Current tax

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.

(ii) Deferred tax

Deferred tax is recognised in profit or loss 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 realized simultaneously.

□

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized 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 profit or loss
- 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.

(iii) Tax exposures

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

(l) Earnings per share

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

(m) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(n) Leases

Determining whether an arrangement contains a lease

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

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

(i) Leased assets

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

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

(ii) Lease payments

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

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

(o) Statement of Cash Flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes and other non-cash items have been eliminated for the purpose of preparing the statement. Interest paid is included in financing activities.

(p) New standards and interpretations not yet adopted

IFRS 9 is the only new standard not yet adopted as it is effective for annual periods beginning on or after 1 January 2018 and the Company does not plan to adopt this standard early.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

(q) Changes in Accounting Policies

New IFRS standards and amendments to existing standards that became effective for annual periods commencing on or after 1 January 2013, that have been applied in preparing the financial statements are stated below:

(i) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1): As a result of the amendments to IAS 1, the Company has modified its presentation of items in Other Comprehensive Income (OCI) to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been represented accordingly (see Statement of Comprehensive Income for the year ended 31 December).

(ii) IFRS 13 – Fair Value Measurement: IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with the transitional provision of IFRS 13, the Company applied the new fair value measurement guidance prospectively.

4 Determination of fair values

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

(a) Trade and other receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(b) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

5 Revenue

	2013	2012
	N'000	N'000
Sale of goods	559,536	515,133
Contract brewing and packaging	1,673,723	1,270,212
	<u>2,233,259</u>	<u>1,785,345</u>

Nigeria is the Company's primary geographical segment as all of the Company's sales are made in Nigeria. Additionally, all of the Company's sales comprise of brewed products with similar risks and returns. Accordingly, no further business or geographical segment information is reported.

6 Other income

Other income represents amount realised from the sale of scraps, waste products and sales commissions.

7 Finance costs

	2013	2012
	N'000	N'000
Interest expense accrued on amounts due to related parties	1,186,530	701,279
Interest expense paid on overdrafts	-	5,573
Finance costs	1,186,530	706,852

8 Loss before Taxation

(a) Loss before taxation is stated after charging the following amounts which are analysed by nature:

	2013	2012
	N'000	N'000
Depreciation of property, plant and equipment (Note 11)	696,737	782,130
Amortisation	2,851	-
Personnel expenses (Note (b))	379,098	428,516
Auditors' remuneration	8,000	7,750
Directors' remuneration (Note (c))	9,542	3,290
Loss on disposal of property, plant and equipment	108,064	-

(b) Personnel expenses

i. Personnel expenses comprise of:

	2013	2012
	N'000	N'000
Salaries and wages	281,534	265,435
Pension costs	13,992	10,918
Gratuity (Note 19(a)(i))	(2,057)	20,216
Long service awards (Note 19(a)(ii))	6,460	9,522

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

	2013	2012
	Number	Number
Production	118	129
Logistics	16	15
Sales and Marketing	26	27
Administration	28	28
	188	199

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

	2013	2012
	Number	Number
₦ 400,001 – ₦ 600,000	1	15
₦ 600,001 – ₦ 800,000	4	47
₦ 800,001 – ₦ 1,000,000	24	49
₦ 1,000,001 – ₦ 1,200,000	52	48
₦ 1,200,001 – ₦ 1,400,000	40	15
₦ 1,400,001 – ₦ 1,600,000	28	9
₦ 1,600,001 – ₦ 1,800,000	16	4
₦ 1,800,001 – ₦ 2,000,000	8	4
₦ 2,000,001 – ₦ 2,500,000	3	3
₦ 2,500,001 – ₦ 3,000,000	6	4
₦ 3,000,001 – ₦ 3,500,000	2	-
₦ 3,500,001 – ₦ 4,000,000	2	-
₦ 4,000,001 – ₦ 4,500,000	-	-
₦ 4,500,001 – ₦ 5,000,000	-	-
₦ 5,000,000 – and above	2	1
	188	199

(c) Directors remuneration

Directors' remuneration paid was as follows:

	2013	2012
	N'000	N'000
Fees as directors	410	310
Other remuneration	9,132	2,980
	9,542	3,290

The directors' remuneration shown above includes:

	<u>2013</u> <u>N'000</u>	<u>2012</u> <u>N'000</u>
Chairman	60	110
Highest paid Director	<u>9,132</u>	<u>2,750</u>

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

	<u>2013</u> <u>Number</u>	<u>2012</u> <u>Number</u>
N60,000 and below	7	3
N60,001 and above	<u>-</u>	<u>5</u>
	<u>7</u>	<u>8</u>

9 Taxation

- a** The tax credit 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:

	<u>2013</u> <u>N'000</u>	<u>2012</u> <u>N'000</u>
Deferred tax credit		
Origination and reversal of temporary differences	552,407	592,175
Total deferred tax credit	<u>552,407</u>	<u>592,175</u>

The tax credit for the year excludes tax on the defined benefit plan actuarial loss recognised in other comprehensive income.

No provision was made for company income tax as the Company has un-utilised tax losses available to offset against future taxable income.

b Reconciliation of effective tax rate

	<u>2013</u> <u>N'000</u>	<u>2012</u> <u>N'000</u>
Loss for the year	(1,178,025)	(1,336,690)
Total deferred tax credit	<u>(552,407)</u>	<u>(592,175)</u>
Loss before tax	<u>(1,730,432)</u>	<u>(1,928,865)</u>
 Tax credit using the Company's domestic tax rate	 30 (519,130)	 30 (578,660)
Non-deductible expenses	(1) 7,333	(0) 2,373
Tax incentives	<u>2 (40,610)</u>	<u>1 (15,888)</u>
 Total deferred tax credit	 31 <u>(552,407)</u>	 31 <u>(592,175)</u>

10 Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended 31 December 2013 was based on the loss of N1,178 million (2012: N1,337 million), attributable to ordinary shareholders and the weighted average number of ordinary shares of 900,000,000, being the weighted average number of ordinary shares in issue during current and preceding year. There are no potential dilutive ordinary shares during the year, consequently, basic earnings per share equals diluted earnings per share.

Notes to the Financial Statements

11 Property, Plant and Equipment

The movement on these accounts during the current and preceding year was as follows:

	Land & buildings N'000	Plant and machinery N'000	Furniture and fittings N'000	Motor vehicles N'000	Returnable packaging materials N'000	Capital work in progress N'000	Total N'000
Cost							
Balance as at 1 January 2012	3,588,845	3,145,877	71,018	266,905	185,450	15,441	7,273,536
Additions	-	13,487	5,257	31,555	26,292	8,513	85,104
Write-off	-	-	-	-	(150,758)	(8,790)	(159,548)
Balance as at 31 December 2012	<u>3,588,845</u>	<u>3,159,364</u>	<u>76,275</u>	<u>298,460</u>	<u>60,984</u>	<u>15,164</u>	<u>7,199,092</u>
Balance at 1 January 2013	3,588,845	3,159,364	76,275	298,460	60,984	15,164	7,199,092
Additions (note (e))	427,159	1,597,984	133,124	4,395	251	230,855	2,393,768
Disposals	-	(172,913)	-	(14,025)	-	-	(186,938)
Balance as at 31 December 2013	<u>4,016,004</u>	<u>4,584,435</u>	<u>209,399</u>	<u>288,830</u>	<u>61,235</u>	<u>246,019</u>	<u>9,405,922</u>
Accumulated Depreciation							
Balance as at 1 January 2012	141,076	424,601	37,746	149,885	157,357	-	910,665
Depreciation for the year	140,006	572,297	13,276	44,694	11,857	-	782,130
Write-off	-	-	-	-	(150,758)	-	(150,758)
Balance as at 31 December 2012	<u>281,082</u>	<u>996,898</u>	<u>51,022</u>	<u>194,579</u>	<u>18,456</u>	<u>-</u>	<u>1,542,037</u>
Balance at 1 January 2013	281,082	996,898	51,022	194,579	18,456	-	1,542,037
Depreciation for the year	153,600	490,675	8,141	32,436	11,885	-	696,737
Disposals	-	(50,766)	-	(21,699)	-	-	(72,465)
Balance as at 31 December 2013	<u>434,682</u>	<u>1,436,807</u>	<u>59,163</u>	<u>205,316</u>	<u>30,341</u>	<u>-</u>	<u>2,166,309</u>
Carrying amounts							
At 1 January 2012	3,447,769	2,721,276	33,272	117,020	28,093	15,441	6,362,871
At 31 December 2012	3,307,763	2,162,466	25,253	103,881	42,528	15,164	5,657,055
At 31 December 2013	<u>3,581,322</u>	<u>3,147,628</u>	<u>150,236</u>	<u>83,514</u>	<u>30,894</u>	<u>246,019</u>	<u>7,239,613</u>

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

(b) No borrowing costs were capitalised during the year as none of the individual assets acquired through borrowings met the criteria for the capitalization of borrowing costs (2012: nil).

(c) Assets pledged as security

All the items of property plant and equipment were pledged as security for the amount due to related parties which creates a form of restriction on all items of property plant and equipment (2012: Nil).

(d) Capital commitments

The Company had no authorised or contractual capital commitments as at the reporting date.

(e) Analysis of Additions

	N'000
Additions during the year	2,393,768
Less transfers from related parties (e(i))	<u>(1,468,678)</u>
Additions per statement of cash flows	<u>925,090</u>

(i) Included in additions is the value of property, plant and equipment transferred to Champion Breweries Plc from Consolidated Breweries Plc amounting to N1,468,678,000 for which the equivalent amount due has been accounted as part of trade and other payables in the statement of financial position which has been adjusted for as a non-cash item in the statement of cash flows.

(f) Capital Work in Progress

Additions to Capital Work in Progress during the year relates to on-going construction of plant and machinery.

12 Intangible assets

The movement on these accounts during the year was as follows:

COST	N'000
Balance at 1 January 2013	-
Additions	14,592
Amortisation	<u>(2,851)</u>
Balance at 31 December 2013	<u>11,741</u>

The amortisation charge of all intangible assets is included in administrative expenses in the statement of comprehensive income.

13 Inventories

	2013	2012
	N '000	N '000
Raw materials	14,753	34,910
Finished products	3,811	13,431
Products-in-process	5,799	7,441
Packaging materials	18,391	15,101
Engineering spares	188,950	77,481
Other consumables	<u>73,927</u>	<u>87,515</u>
	<u>305,631</u>	<u>235,879</u>

The value of raw materials, non-returnable packaging materials, spare parts, changes in finished products and products in process recognised in cost of sales during the year amounted to N1,162 million (2012: N1,139 million).

14 Trade and Other Receivables

	2013	2012
	N '000	N '000
Trade receivables	22,270	16,021
Other receivables	152,635	142,143
Amounts due from related parties	<u>356,536</u>	<u>147,315</u>
	<u>531,441</u>	<u>305,479</u>

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in Note 23.

15 Cash and Cash Equivalents

	2013 N'000	2012 N'000
Cash and Bank balances	119,145	26,697
Cash and cash equivalents	119,145	26,697
Bank overdrafts used for cash management purposes	-	(32,341)
Cash and cash equivalents in the statement of cash flows	119,145	(5,644)

16 Deposit for shares

	2013 N'000	2012 N'000
The Raysun Nigeria Limited (2012: Consolidated Breweries Plc)	1,111,594	1,111,594
Akwa Ibom State Government	52,975	52,975
	1,164,569	1,164,569

The Company received deposits from Montgomery Ventures Incorporated and the Akwa Ibom State Government for shares to be issued at a future date. The deposits from Montgomery Ventures Incorporated were assigned to The Raysun Nigeria Limited by virtue of its acquisition of the Company in current year. The amounts are repayable on demand and have therefore been classified as a financial liability measured at amortised cost. The amount would be converted to equity when the Company issues the shares.

17 Share Capital

Share capital is analysed as follows:

	2013 N'000	2012 N'000
Authorised:		
4,000,000,000 ordinary shares of 50K each	2,000,000	2,000,000
Issued and allotted:		
900,000,000 ordinary shares of 50K each	450,000	450,000
All shares rank equally with regards to the Company's residual assets		

18 Share Premium

In 2003, the Company made a preferential allotment of 588,532,268 and a public issue of 272,692,250 ordinary shares of 50 kobo each at the price of 65 kobo per share which resulted in a share premium of N129,183,678.

19 Employee benefits

(a) Long term employee benefits

	2013 N'000	2012 N'000
Defined benefit end of service gratuity obligation (Note (i))	40,245	46,873
Long service award benefits (Note (ii))	22,582	16,122
Total long-term employee benefit liabilities	62,827	62,995

The Company's defined benefit end of service gratuity obligation represents the estimated amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. In determining the liability under the defined benefit scheme, consideration is given to future increases in salary rates and the Company's experience with staff turnover. The recognised liability is determined by an independent actuarial valuation using the projected unit credit method.

The Company also operates a long service awards scheme for all permanent employees to reward their meritorious service during employment. The Company's obligations in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value using the projected unit credit method.

	2013	2012
	N'000	N'000
(i) Movement in the present value of the defined benefit obligation		
Defined benefit obligation at January 1	46,873	31,957
Included in profit or loss		
Current service cost	4,752	15,598
Past service credit	(11,338)	-
Interest cost	4,529	4,618
	<u>(2,057)</u>	<u>20,216</u>
Included in OCI		
Actuarial loss arising from:		
- demographic assumptions	(3,213)	-
- financial assumptions	2,850	-
- experience adjustment	879	1,164
	<u>516</u>	<u>1,164</u>
Other		
Benefits paid by the plan	(5,087)	(6,464)
Defined benefit obligation as at 31 December	<u>40,245</u>	<u>46,873</u>
(ii) Movement in long service awards obligation		
	2013	2012
	N'000	N'000
Obligation at January 1	16,122	7,599
Included in profit or loss		
Current service cost	2,065	18,131
Actuarial loss /(gain)	2,213	(12,281)
Interest cost	2,182	3,672
	<u>6,460</u>	<u>9,522</u>
Other		
Payments	-	(999)
Obligation at December 31	<u>22,582</u>	<u>16,122</u>

(b) Short term employee benefits (Pension payable)

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

	2013	2012
	N'000	N'000
Obligation at January 1	-	-
Charge for the year	13,992	10,918
Payments	(11,959)	(10,918)
Obligation at December 31 included in trade and other payables	<u>2,033</u>	<u>-</u>

19 Employee benefits continued

(c) The expense is recognized in the following line items in the statement of comprehensive income:

	Cost of sales		Administrative		Total	
	2013	2012	2013	2012	2013	2012
	N'000	N'000	N'000	N'000	N'000	N'000
Defined benefit obligation	(1,646)	14,730	(411)	5,486	(2,057)	20,216
Long Service Awards	5,168	6,938	1,292	2,584	6,460	9,522
Per statement of cash flows	3,522	21,668	881	8,070	4,403	29,738
Pension	11,194	8,734	2,798	2,184	13,992	10,918
Total	14,716	30,403	3,679	10,253	18,395	40,656

(d) Actuarial gains and losses are recognised in other comprehensive income/retained earnings

	2013	2012
	N'000	N'000
Cumulative amount at 1st January	815	-
Loss recognised during the year	516	1,164
Tax	(155)	(349)
	1,176	815

Actuarial assumptions

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

	2013	2012
Long term average discount rate (p.a.)	13%	14%
Average pay increase (p.a.)	12%	12%
Average rate of inflation (p.a.)	10%	10%

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

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates published jointly by the Institute and Faculty of Actuaries in the UK as follows:

<u>Mortality in service</u>	2013	2012
Sample age	Number of deaths in year out of 10,000 lives	Number of deaths in year out of 10,000 lives
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Assumptions regarding future mortality rates are based on published statistics and mortality tables by Institute and Faculty of Actuaries in the UK.

It is assumed that all employees covered by the defined end of service benefit scheme would retire at age 55 (2012: 60).

20 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
Recognised deferred tax assets and liabilities	31 December '2013 N'000	31 December '2012 N'000	31 December '2013 N'000	31 December '2012 N'000	31 December '2013 N'000	31 December '2012 N'000
Property, plant and equipment	-	-	(230,680)	(579,666)	(230,680)	(579,666)
Employee benefits	18,848	18,898	-	-	18,848	18,898
Provisions for doubtful debts	48,564	48,564	-	-	48,564	48,564
Tax loss carry-forwards	1,037,216	833,590	-	-	1,037,216	833,590
Net tax assets/(liabilities)	1,104,628	901,052	(230,680)	(579,666)	873,948	321,386

Movement in temporary differences during the year:

	Property, plant and equipment N'000	Employee benefits N'000	Provisions for doubtful N'000	Tax loss carried forward N'000	Net N'000
Balance 31 December 2012	(579,666)	18,898	48,564	833,590	321,386
Recognised in profit and loss	348,986	(205)	-	203,626	552,407
Recognised in other comprehensive loss	-	155	-	-	155
Balance 31 December 2013	(230,680)	18,848	48,564	1,037,216	873,948

There are no assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment within the next financial year, which has not been considered in making this estimate.

21 Trade and other payables

	2013 N'000	2012 N'000
Trade payables	429,707	289,445
Other payables and accrued expense	1,543,812	1,480,215
Amounts due to related parties	#####	7,199,635
	12,518,706	8,969,295

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

Notes to the Financial Statements

22 Related parties

(a) Parent company and other related entities

As at year end, The Raysun Nigeria Limited, the holding company owned 57% of the issued share capital of Champion Breweries Plc as a result of the sale of Consolidated Breweries Plc's shares in Champion Breweries Plc to The Raysun Nigeria Limited.

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

	Transaction value		Balance due (to)/from	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Amount due from related parties				
Contract Packaging				
-Nigerian Breweries	1,673,723	1,270,212	355,609	126,166
Short term payables and other transactions				
-Superbrew	-	-	927	927
-Benue Brewery Ltd	-	(5,962)	-	5,962
-DIL/Maltex Ltd	-	13,728	-	14,260
	1,673,723	1,277,978	356,536	147,315
Amount due to related parties				
Royalties and Technical Fees				
-Montgomery Ventures Incorporated	-	(8,123)	(230,836)	(230,836)
Short term payables and other transactions				
-Consolidated Breweries Plc	6,964,030	(6,964,030)	-	(6,964,030)
-The Raysun Nigeria Limited	10,314,351	4,868,441	(10,314,351)	-
-Nigerian Breweries Plc	-	523,667	-	(4,769)
			(10,545,187)	(7,199,635)
Deposit for shares				
-Consolidated Breweries Plc	1,111,594	(1,111,594)	-	(1,111,594)
-Montgomery Ventures Incorporated	-	1,111,594	-	-
-The Raysun Nigeria Limited	(1,111,594)	-	(1,111,594)	-
-Akwa Ibom State Government	-	-	(52,975)	(52,975)
			(1,164,569)	(1,164,569)

Notes to the Financial Statements

(b) Key management personnel

In addition to their salaries, the Company also provides non-cash benefits to executive officers, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, executive officers retire at age 55 and are entitled to receive post employment benefits.

Executive officers also participate in the Heineken group share based payment plan and the Company's long service awards scheme. This programme awards a certain sum of cash benefit which accrues to the recipient on graduated periods of uninterrupted service. Key management personnel compensation comprised:

	2013 N'000	2012 N'000
Short-term employee benefits	18,862	11,280
Post-employment benefits	6,078	3,175
	<u>24,940</u>	<u>14,455</u>

23 Financial instruments

Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Operational risk.
- Capital management

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 Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has delegated the responsibility for developing and monitoring the Company's risk management policies to the management of the company. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	2013 N'000	2012 N'000
Trade and other receivables	531,441	305,479
Cash and cash equivalents	119,145	26,697
	<u>650,586</u>	<u>332,176</u>

Notes to the Financial Statements

Financial instruments (Cont'd)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company considers that it is not exposed to major concentration of credit risk in relation to trade receivables. However, credit risk can arise in the event of non-performance of a counterparty. Purchase limits are established for each customer, which represents the maximum allowed open amount. These limits are reviewed bi-annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash-and-carry basis.

The Company considers that the concentration of credit risk with respect to trade receivables is limited given that the Company grants a credit period of 2-4 weeks to selected customers, which mitigates the risk of default by customers. In addition, the Company tries to mitigate the credit risk by adopting specific control procedures, including regular assessment of the credit worthiness of the counterparty and limiting the exposure to any one counterparty.

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

	2013	2012
	N'000	N'000
Gross trade receivables	171,268	162,137
Impairment	(148,998)	(146,116)
	<u>22,270</u>	<u>16,021</u>
Amounts due from related parties	356,536	147,315
Other receivables	152,635	142,143
	<u>531,441</u>	<u>305,479</u>

Impairment losses

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

	Gross	Impairment	Gross	Impairment
	2013	2013	2012	2012
	N'000	N'000	N'000	N'000
0-30 days	22,270	-	16,021	-
30-90 days	-	-	-	-
91-180 days	2,882	(2,882)	-	-
More than 180 days	146,116	(146,116)	146,116	(146,116)
	<u>171,268</u>	<u>(148,998)</u>	<u>162,137</u>	<u>(146,116)</u>

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

	2013	2012
	N'000	N'000
Balance at 1 January	(146,116)	(146,116)
Impairment loss recognised	(2,882)	-
Balance at 31 December	<u>(148,998)</u>	<u>(146,116)</u>

Based on the Company's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Notes to the Financial Statements

Cash and cash equivalents

The Company held cash and cash equivalents of N119.1 million at 31 December 2013 (2012: N26.7 million), which represents its maximum credit exposure on these assets.

(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 Company has an appropriate liquidity risk management framework for the Company's short, medium and long term liquidity requirements and makes monthly cash flow projections, which assists in monitoring cash flow requirements and optimizing cash return on investments.

In addition, the Company maintains the following lines of credit:

- N100 million overdraft facility that is unsecured. Interest would be payable at the rate of 16% (2012: 16%);

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Note	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6 to 12 months N'000	1 to 2 years N'000	2 to 5 years N'000
31-Dec-12							
Non-derivative financial liabilities							
Trade and other payables	21	8,969,295	9,437,271	9,437,271	-	-	-
Bank overdraft		32,341	32,341	32,341	-	-	-
		9,001,636	9,469,612	9,469,612	-	-	-
31-Dec-13							
Non-derivative financial liabilities							
Trade and other payables	21	12,518,706	13,204,143	13,204,143	-	-	-
Bank overdraft		-	-	-	-	-	-
		12,518,706	13,204,143	13,204,143	-	-	-

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

(c) Market risk

The Company's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk during the year.

Foreign Currency risk

The Company's exposure to currency risk is limited as purchases from foreign suppliers are handled by the parent company and the costs are charged back to the Company upon settlement by the parent company. Total amount due to the parent company in respect of these transactions amounted to N10.3billion. Management has assessed the Company's susceptibility to foreign currency sensitivity as minimal based on the foregoing.

(d) Interest rate risk

The Company has certain Credit Facilities in place with fixed/capped interest rates, reducing its exposure to changes in interest rates on borrowings.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Documentation of processes, controls and procedures
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified by the risk management committee
- Training and development of employees
- Appropriate segregation of duties, including the independent authorization of transactions
- Monitoring of compliance with regulatory and other legal requirements
- Requirements for reporting of operational losses and proposed remedial action
- Reconciliation and monitoring of transactions
- Development, communication and monitoring of ethical and acceptable business practices
- Risk mitigation, including insurance when this is effective.
- Monitoring of business process

Compliance with the Company's standards, established procedures and controls is supported by periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management to which they relate, with summaries submitted to the Audit Committee and senior management of the Company at Assurance Meetings.

(f) Capital management

The Company's objectives, when managing capital, are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Company may among other things, issue new shares or convert debt to equity.

The debt to adjusted capital ratio at the end of the reporting period was as follows:

	2013	2012
	N'000	N'000
Total liabilities	13,746,102	10,229,200
Less: cash and cash equivalents	(119,145)	(26,697)
Net debt	<u>13,626,957</u>	<u>10,202,503</u>
Total Equity	<u>(4,608,386)</u>	<u>(3,430,000)</u>
Debt to adjusted capital ratio	(2.96)	(2.97)

The going concern implications of the ratios above is addressed in Note 2(e).

(g) Fair values versus carrying values

The fair values of financial assets and liabilities are not significantly different from the carrying amounts shown in the statement of financial position.

24 Contingencies

(a) Pending litigation and claims

The Company is a defendant in various law-suits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation at year end amounted to N472 million. (2012: N502 million). In the opinion of the directors and based on independent legal advice, the Company's liability is not likely to be significant, thus no provision has been made in these financial statements.

(b) 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.

25 Subsequent Events

There were no significant subsequent events which could have had a material effect on the state of affairs of the Company as at 31 December 2013 that have not been adequately provided for or disclosed in these financial statements.

Additional Information

Value Added Statement
For the year ended 31st December

	2013		2012	
	N'000	%	N'000	%
Revenue	2,233,259		1,785,345	
Bought-in-materials and services	(1,809,743)		(1,819,609)	
	<u>423,516</u>		<u>(34,264)</u>	
Other income	163,378		63,283	
Value generated by operating activities	<u>586,894</u>	<u>100</u>	<u>29,019</u>	<u>100</u>

Distribution of Value Added

To Government

- Duties	52,471	9	41,201	142
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To Employees:

Salaries, wages, fringe and end of service service benefits	379,098	65	428,516	1,477
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To Providers of Finance:

- Finance cost	1,186,530	202	706,852	2,436
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Retained in the Business:

To maintain and replace				
- property, plant and equipment	696,737	119	782,130	2,695
- intangible asset	2,851	0		
Deferred tax credit	(552,407)	(94)	(592,175)	(2,041)
To augment reserves	<u>(1,178,386)</u>	<u>(201)</u>	<u>(1,337,505)</u>	<u>(4,609)</u>
Value added	<u>586,894</u>	<u>100</u>	<u>29,019</u>	<u>100</u>

Financial Summary

	N'000	N'000	N'000
Statement of comprehensive income			
Revenue	2,233,259	1,785,345	1,791,109
Loss from operating activities	(543,902)	(1,222,013)	(1,251,538)
Loss before taxation	(1,730,432)	(1,928,865)	(1,770,001)
Loss for the year	(1,178,025)	(1,336,690)	(1,193,780)
Comprehensive loss for the year	<u>(1,178,386)</u>	<u>(1,337,505)</u>	<u>(1,193,780)</u>

Ratios

Basic and diluted earnings per share (kobo)	(127)	(149)	(133)
Net liabilities per share (kobo)	(508)	(381)	(232)

Statement of financial position	31-Dec 2013 N'000	31-Dec 2012 N'000	31-Dec 2011 N'000	1-Jan 2011 N'000
Property, plant and equipment	7,239,613	5,657,055	6,362,871	6,911,986
Intangible asset	11,741	-	-	-
Deferred tax assets	873,948	321,386	-	-
Net current liabilities	(12,670,861)	(9,345,446)	(8,144,702)	(6,930,430)
Employee benefits	(62,827)	(62,995)	(39,556)	(32,943)
Deferred tax liabilities	-	-	(271,108)	(847,328)
Net liabilities	<u>(4,608,386)</u>	<u>(3,430,000)</u>	<u>(2,092,495)</u>	<u>(898,715)</u>

Funds Employed

Share capital	450,000	450,000	450,000	450,000
Share premium	129,184	129,184	129,184	129,184
Other reserves	3,701,612	3,701,612	3,701,612	3,701,612
Accumulated loss	(8,889,182)	(7,710,796)	(6,373,291)	(5,179,511)
	<u>(4,608,386)</u>	<u>(3,430,000)</u>	<u>(2,092,495)</u>	<u>(898,715)</u>

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.