2019 ANNUAL REPORT

FOOD CONCEPTS PLC

Brands Customers Love | chicken republic | pieXpress™

FOOD CONCEPTS PLC

BRANDS customers LOVE

Contents

Corporate Information

Chairman
Mr. Odunayo Olagundoye

Managing Director
Mr. David Butler (South African)

Directors
Mr. Babatunde Fajemirokun
Mr. Lanre Fabunmi
Mr. Elia Roumani (American)
Resigned w.e.f. 31st January 2019
Mrs. Runa Alam (British)
Mr. Babacar Ka (Senegalese)
Mr. Marc Stoneham (British)
Mr. Adefolarin Ogunsanya
Mrs. Anthonia Agbonifo
Appointed w.e.f. 28th March 2019

**w.e.f – with effect from*

Company Secretary / Legal Advisor
Mrs. Josephine Johnson, *ACIS*

Registered Office Address
2, Ilupeju Bye Pass, Ilupeju, Lagos, Nigeria

Auditors
Ernst & Young
Chartered Accountants
10th Floor, UBA House, 57 Marina, Lagos

Bankers
First Bank Plc
Fidelity Bank Plc
FCMB Plc
Zenith Bank Plc
Access Bank Plc
Guaranty Trust Bank Plc
Union Bank Plc

Solicitors
G. Elias & Co.
6, Broad Street
Lagos

Registrars
Meristem Registrars
213 Herbert Macaulay Way,
Sabo, Yaba,
Lagos

Valuers
Knight Frank
24 Campbell Street

Company Structure

The following represents our Company Structure as at December 2019:

QSR Division

Our Operations Division is responsible for the daily operations of our Chicken Republic and PieXpress Brands. This division is focussed on driving sustainable, year-on-year profitability by growing top-line sales and managing our operational expenses. Our key focus is to: Build strong people capability that enables an enhanced customer experience, with great quality food at every day affordable prices. We are heavily focused on driving speed of service and creating an environment that is clean, fresh, well-lit and hygienic, whilst applying a disciplined approach to delivering operational excellence.

Property Development & Franchising Division

Our business is as much about property, as it is about food. Our Property Development & Franchising division is responsible for the acquisition and development of new franchise and company-owned stores, whilst constantly upgrading and maintaining our existing base to brand standards. Our customer needs and competitive environment necessitates the need to constantly evolve our product offerings, manufacturing capabilities and store types. Collectively, these activities contribute to our sustainability and growth as a Company.

Supply Chain Division

Our Supply Chain Division is a multi-faceted, profit centre and controls, procurement, warehousing, manufacturing, distribution, Central Kitchens and Pie Production Units. As we increase our store count and new concepts, the importance of delivering high quality products "On Time and in Full" to our stores across the country becomes more complex, requiring constantly evaluating capacity capability, whilst navigating the various complexities of distribution. We are fully committed to sourcing local talent, raw materials and produce as we continue to support the Company's growth strategy.

Shared Services Division

Our Shared Services Division supports every aspect of the business as it focuses on the consolidated performance and strategic positioning of the Organisation, its Subsidiaries, its Associated Companies and Related Entities. The team is responsible for the management and integration of key functions across other departments including: Finance, Business Intelligence, Human Resources, Legal, Risk Process & Compliance, Business intelligence, Quality Assurance, IT, Internal Audit, Marketing and Administrative Services. Achieving world class Corporate Governance is about ensuring we do the right things consistently across our rapidly expanding business units, we pride and challenge ourselves continuously as we strive to be "Best-in-class".

FOOD CONCEPTS PLC

Our Vision:

To be the most loved quick service restaurant and baked goods brands across West Africa.

Our Mission:

To remain relevant as we stretch our limits to go above and beyond to deliver excellent customer experiences, great tasting products and every day affordable value.

If your actions inspire others to dream more, learn more, do more and become more, you are a leader.

John Quincy Adams

Mr. Odunayo Olagundoye
Chairman

Chairman's Statement

Distinguished shareholders,

it is my pleasure to welcome you to the 18th Annual General Meeting of our Company, Food Concepts Plc and to present to you, the Company's performance in 2019 and our outlook for 2020.

I wish to congratulate the Management of Food Concepts PLC. on the continued positive momentum and another notable year for your Company. We have, once again, grown our revenues and our bottom line and despite various Macro and Micro economic challenges, we are pleased to share with you your companies key achievements for the financial year ended 31st December 2019.

We have achieved many milestones over the past few years; we continued to open our flag ship brand Chicken Republic stores, whilst adding a new and exciting Brand "Pie Express" to our portfolio of Brands. We concluded our Rights Issue in 2019 and secured the requisite funds to continue investing in new stores, IT infrastructure and Central Kitchens; we also built a strongly integrated manufacturing and supply chain division, that will enable our future growth strategy.

The Company has worked tirelessly to grow people capability, and has made great progress in its objective of actively and publicly promoting gender equality at all levels within the organisation; it is interesting to note that 52% of the total employee base are women.

The Board and Management team are fully committed to ensuring that Financial Process and Discipline underpins our journey to world class Corporate Governance and we thank all of the Directors who have chaired and participated in many hours of committee meetings, debating and planning the future of the Food Concepts Plc.

I also pay tribute to your Managing Director, Mr. David Butler, and the leadership team he has built. They are a fine group and I look forward to watching them grow and take your Company to ever greater heights.

Food Concepts Plc now has a really strong foundation and is ready for rapid, profitable growth. We are now the clear leader in the Nigerian QSR sector with our Chicken Republic, Pie Express, Butterfield and YumYum Brands and we assure you of more exciting Brands to follow.

I wish to thank my colleagues on the Board of the Company for the full commitment of their time, knowledge and wisdom to the affairs of the Company. I thank the Management and staff for their energy, enthusiasm and loyalty. And, on behalf of the Board and Management, I thank you, our shareholders, for your patience and steadfast support. Finally, I thank our growing population of customers for choosing the Food Concepts' Brands.

God bless you.

Mr. Odunayo Olagundoye
Chairman

Managing Director's Report

Mr. David Butler
Managing Director

Good governance is not a person, a process or a division. It is also not his, her or their responsibility. It is a culture. It is about doing the right things even in the toughest times and situations.

David Butler

Distinguished shareholders,

Our vision is "To be the most loved quick service restaurant and baked goods brands across West Africa". You will observe that the report you hold in your hands represents a renewed company, a company of Brands, People, Love and Governance that I can now say I am truly proud of. Our Company has overcome many challenges over the years and is now well-positioned to exceed the many milestones achieved in 2019. We have generated strong cashflows and as a result have achieved robust profitability. We have a solid new store pipeline in place for 2020 and will fund our growth and ambitious plans with a combination of cash generated from operations and cash raised from the Rights Issue. Our Staff are motivated, happy and responding well to the direction set by the Board, Executive and Senior Management Teams.

Financial Performance

We have grown our system sales by 54 % to NGN 14bn and EBITDA by 87% to NGN 3.2bn. We have delivered what I promised you in 2018 and have closed 2019 with NGN 3.3bn of Profit After Tax (PAT) representing a growth of 147%. Our growth continues to be driven both by same store sales growth and the expansion of our Chicken Republic and Pie Express brands; we have seen a 56% year-on-year increase in customer traffic to our stores – representing a significant gain in market share. We have opened 25 new shops taking our total to 94 company owned and franchised locations.

People Capability Always:

I am proud of the progress we have made in developing our people and I join our Chairman in thanking Mrs. Anthonia Agbonifo, Mrs. Olayinka Ogunleye, Mr. Kofi Abunu, Mr. Ikenna Okongwu, Mrs. Claudette Russell, Mrs. Josephine Johnson and Mr. Olusegun Olukoya for their relentless approach to coaching and growing talent internally. Developing talent today, for key roles in the Company's future will define our success and long-term sustainability. I could not be prouder of the team and the work they do every day to effect operational excellence. Generating People Capability and Capacity will never be just another KPI or an objective for us, it is inbred in our culture, intertwined in everything we do and achieve every day, it enables us to meet and exceed customer expectations or fail….the latter is not an option. Additionally, I note with pride, the progress that we have made with gender equality, 60% of our Executive Team and 52% of our 2400 staff are women.

Brands Customers LOVE

Looking back on the performance of our Brands over the 2019 financial year, is indeed very humbling, our Brands are in great shape, they are well "Loved!" and well represented across Nigeria and Ghana. Our development team successfully opened 19 new Chicken Republic stores and 6 Pie Express stores in 2019, whilst continuing to upgrade our stores to our new look.

Managing Director's Report (cont.)

We have seen growth in Port Harcourt, Abuja, Benin and entered Kano in the North, as we further establish ourselves as a truly pan Nigerian Brand.

Our Brands are now recognised amongst the leading Quick Service Restaurant Brands across West Africa. Our Chicken Republic Brand services a broad base of Nigerian consumers who love our authentic West African flavour profile. We serve fried chicken, rotisserie chicken and three different flavours of flame-grilled chicken to thousands of customers, seven days a week, twelve months and 365 days a year from our 90 restaurants across Nigeria and Ghana.

In addition to our already well established Chicken Republic Brand, we recently launched our Pie Express concept serving "food on-the-go", pies, scotch eggs, egg rolls and doughnuts to consumers in high commuter volume locations. We now have 6 open and trading, with very encouraging economics, and have huge plans to roll out at least another 50 in 2020. Our income from franchise operations grew 86% reflecting the strength of our Brand and our ability to attract high quality franchisees, and our improved ability to manage our Brand effectively, regardless of ownership.

Our Food Concepts Pioneer Limited baked goods business, with its Brands Butterfield Bread and YumYum Sausage rolls continue to gain market share throughout Ibadan and Lagos and we are well on our way to developing and commissioning a world-class integrated bakery to sustain its growth and market leading position.

Operational Excellence at every level

Our key differentiator is our ability to execute with consistency. Consumers fall in LOVE with Brands that meet their expectations continuously and without fail. Hence it is imperative that we remain relevant and stretch ourselves to deliver excellent customer experiences with great tasting, everyday affordable value. Consumers visit us for fast, friendly service in an environment that is clean, fresh and comfortable.

Our customers find themselves living in an ever-increasing cost of living environment, with high food inflation being a significant contributor. This is a major challenge for the industry in which we operate, but also a tremendous opportunity for us to use our operational efficiencies to offset the natural inflation that impacts on our Refuel category of everyday affordable value product.

Delivering on our Brands promises everyday takes much process and discipline from all of the divisions, and our considerable investment in our warehouse, and supply chain capability over the last few years is driving significant efficiency.

It is important to note the > 99% of our supply chain is still procured locally, contributing to taxes, and job creation for Nigerians across our country.

Looking forwards to 2020

In Q4 2019, we laid out an aggressive but achievable budget for 2020. A budget that was based on some anticipated consumer spending and currency pressure, but the same principles as we have applied over the past 5 years, being a disciplined, systematic approach to building Great Looking, Profitable Brands Quickly, whilst providing Great Food at Affordable Prices, every day, still applied. We hit the ground running with some quick openings at the start of the year and some really strong momentum carried over from a successful December trading period.

Nothing can ever really prepare one for a global pandemic such as Covid-19 and as I started to write my CEO's Report for 2019 in the later part of Q1 2020, it would be remiss of me not the mention the impact of Covid-19 on our restaurants, people, economy and suppliers.

As Covid-19 hit Nigeria in the 3rd week of March 2020, Food Concepts Plc was declared an "Essential Service" and hence we continued to trade through, and into the crisis, navigating our way through the uncertainty, store-by-store, hour-by-hour, day-by-day and customer- by-customer.

The initial impact, and the first few days hit us hard, as the fear of the unknown gripped the world and the Nigerian consumer. I am, however, very pleased to inform you that despite the crisis, we kept on selling chicken without our "eat-in business" and continued to serve our customers with our takeaway and delivery business platforms, whilst complying to all of the various Local Government requirements. I have mentioned on numerous occasions in the past that Food Concepts Plc has become a resilient company, having faced many adversities over many a year and despite the Covid-19 related challenges, we continue to see our sales, customer count and profitability continuously increasing and start to normalise.

It is still early days with many predicting a rocky, protracted rollercoaster-type recovery to the Covid-19 pandemic …but I can assure you that our business is improving daily and reacting well under the current circumstances. Let me thank you for your patience and support through the years. My team and I commence our work every day with the objective to serve you well and build West Africa's most-loved QSR and baked goods business.

Mr. David Butler
Managing Director

Operational Framework

Corporate Governance Statement

FOOD CONCEPTS PLC

Overview

At Food Concepts, our Board of Directors and Management are firmly committed to achieving the highest standards of sound corporate governance. Throughout the group, the principles of fairness, responsibility, accountability and transparency are endorsed and represented. Business integrity and ethics form the very cornerstone of the way we do business with all stakeholders.

We have always adopted a very practical and responsible attitude towards corporate governance and uphold the importance of it being the core of any organisation. With this in mind, the directors have conducted the leadership of the Company in compliance with best international practices. During the year, the Company complied substantially with the new Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011. We also met the requirements of other good Corporate Governance standards as listed below.

Corporate Governance Framework

Food Concepts is committed to the following Corporate Governance framework:

- The highest standards of integrity in all dealings with our stakeholders and society at large.
- Carrying-out business through fair commercial competitive practices.
- Trading with customers and suppliers who subscribe to ethical business practices.
- Non-discriminatory employment practices and the promotion of employees to realise their potential through training and development of their skills.

Corporate Governance Manual

The Company has entrenched the Corporate Governance Manual which summarises its key corporate governance policies and provisions. It confirms our commitment to demonstrably lead, adhere to and promote good corporate governance throughout the company. In order to foster the confidence of its shareholders, employees, investors, and the general public, the manual is based on internationally recognised corporate governance principles and practices.

The Company's corporate governance framework is broadly based on the principles of Accountability, Fairness, Transparency and Responsibility to all shareholders and other stakeholders.

Code of Business Conduct & Ethics

The Company has entrenched the Code of Business Conduct as a fundamental policy and this is the yardstick against which we conduct our business. Honesty and integrity inform all that we do and we carry out all work in accordance with the highest legal and ethical standards. All employees are required to comply with the spirit, as well as, the letter of this policy and to maintain the standards of conduct in all dealings.

The Board has adopted a Code of Business Conduct for the Company in order to:

- Clearly state what is an acceptable and unacceptable practice
- Guide policy by providing a set of ethical corporate standards
- Encourage ethical behaviour of the board, managers and employees at all levels
- Guide ethical decision-making
- Make infringements easy to identify
- Promote awareness of, and sensitivity to, ethical issues
- Help resolve conflicts

Board Governance

The Company has a Board of Directors that comprises seven (7) Non-Executive Directors and two (2) Executive directors. Each Director has overall responsibility for implementing the Company's strategy.

Board Responsibilities

The Board, inter alia, is responsible for ensuring that the Company operates lawfully and efficiently and that our operations result in value creation for shareholders and employees.

The Board is also accountable for ensuring the implementation of all decisions taken at Annual General Meetings as well as approving and reviewing corporate strategy, major plans of action, annual budgets and business plans.

In addition, it is the Board's role and responsibility to set performance objectives, monitor implementation and corporate performance; approve major capital expenditure acquisitions and divestments and ensure that ethical standards are established and maintained. A key role is also ensuring that the company complies with the laws of the Federal Republic of Nigeria, applicable regulations and as far as possible, meets International Best Practices. This at the same time as making sure that statutory and general rights of the Shareholders are protected at all times.

Schedule of Matters Reserved for the Board of Directors:

- Strategy and management
- Board membership and other appointments
- Corporate governance matters
- Policies
- Financial reporting and controls
- Internal controls
- Structure and capital
- Contracts
- Communication
- Remuneration
- Delegation of Authority
- Others

Board Composition and Director Qualifications: The Board's composition (competencies, skills and appropriate mix) is such that it is adequate for oversight duties, and the development of the company's direction and strategy. Each member of the Board has the experience, knowledge, qualifications, expertise and integrity necessary to effectively discharge board duties and enhance the Board's ability to serve the long-term interests of the Company and its shareholders. This includes a broad range of expertise that covers the Company's main business lines, sectors, and includes experienced risk management and financial experts who are non-executive.

Board Appointments/Additions & Induction/Training Processes: The basis for recruiting Directors in Food Concepts Plc is based on the requisite qualifications, skills and the ability to make objective and independent contributions to its governance in accordance with the relevant legal and global requirements.

The Remuneration, Nominations & Corporate Governance Committee is responsible for scrutiny, validation of character and informal interaction with the candidate, after which the suitable candidate would be recommended to the Board for appointment. If the recommended candidate is approved by the Board, this would be presented to the shareholders for election/ratification at the next Annual General Meeting.

Our governance process in Food Concepts Plc provides for the induction and training of Directors in which they are taken through relevant and appropriate training programmes which equip them for the role. In line with the newly enacted Nigerian Code of Corporate Governance (NCCG 2018) and in compliance with the SEC Code of Corporate Governance for public companies 2011, the Board newly appointed one Executive Director (Mrs. Anthonia Agbonifo) by virtue of her skills and expertise, which will significantly impact accountability and profitability of the Company.

Evaluation Process: The Board has undertaken a formal and rigorous evaluation of its performance, that of its committees, the Chairman and individual directors. A questionnaire was designed for evaluation, which was completed by members of the Board and Committees. Based on the results of the evaluation, the Board, its Committees and each individual director recorded very good performance.

Directors Standing for Re-election

The following directors will retire at the next Annual General Meeting and being eligible, offer themselves for re-election:

1. Mr. Lanre Fabunmi *(see biography on page 31)*
2. Mr. Odunayo Olagundoye *(see biography on page 30)*
3. Mrs. Anthonia Agbonifo *(see biography on page 31)*

Board Charter and Committee Charters

The Company has a Board Charter, which provides guidance to members on the operations of the Board, duties and obligations of members. The other charters include the Audit Committee Charter, the Remuneration & Nominations & Corporate Governance Committee Charter, Board Finance, Investment & Risk Committee Charter, Internal Audit Charter and Remuneration Policy.

Attendance at Board Meetings

The Board held four (4) meetings during the 2019 financial year. The record of membership and attendance of Directors at Board meetings in the 2019 financial year is presented as follows:

Director	28 Mar	27 Jun	16 Oct	12 Dec
Mr. Odunayo Olagundoye	P	P	P	P
Mr. David Butler	p	P	P	P
Mr. Babatunde Fajemirokun	AWA	P	P	P
Mr. Lanre Fabunmi	P	P	P	P
Mrs. Anthonia Agbonifo	NYA	P	P	P
Mr. Marc Stoneham	P	P	P	AWA
Mrs. Runa Alam	AWA	P	AWA	AWA
Mr. Babacar Ka	P	AWA	P	P
Mr. Adefolarin Ogunsanya	P	P	P	P

MEETING ATTENDANCE ABBREVIATIONS:
P: Present **AWA:** Absent with apologies **NYA:** Not yet appointed

Finance, Investment & Risk Committee (FGPC)

This Committee was established to assist the Board in discharging its responsibilities. It is made up of some members of the board, shareholders and the executive management of the company.

The Committee meets to review business processes of the company, bring judgment to bear on issues of strategy, budgets, performance, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance. It also uses its knowledge and experience to contribute to the formation of policy and decision-making.

Members of the Committee who served during the year are:

Mr. Babatunde Fajemirokun	*Chairman*
Mrs. Runa Alam	*Member*
Mr. Marc Stoneham	*Member*
Mr. Adefolarin Ogunsanya	*Member*

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

Director	27 Mar	26 Jun	15 Oct	11 Dec
Mr. Babatunde Fajemirokun	P	P	P	P
Mr. Marc Stoneham	P	P	P	AWA
Mrs. Runa Alam	AWA	P	P	AWA
Mr. Adefolarin Ogunsanya	P	P	P	P

MEETING ATTENDANCE ABBREVIATIONS:
P: Present **AWA:** Absent with apologies

Audit Committee

The statutory Audit Committee was established pursuant to section 359(3) of the Companies and Allied Matters Act CAP C20, LFN 2004. It is made up of two shareholder representatives and two board representatives (both of whom are Non-Executive Directors).

The Audit Committee meets to review the scope and planning of the audit requirements; to review the independence and objectivity of the external auditors as well as the auditors' recommendations on accounting policies and internal controls. It also has to ascertain that the accounting and reporting policies of the company for the year are in accordance with legal requirements and agreed ethical practices.

Members of the Committee who served during the year are:

Mr. Lanre Fabunmi	*Chairman*
Mr. Babacar Ka	*Member*
Mr. Peter Eyanuku	*Member*
Mr. Salau Mohammed Adebanjo	*Member*

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

Director	27 Mar	26 Jun	15 Oct	11 Dec
Mr. Lanre Fabunmi	P	P	P	P
Mr. Babacar Ka	P	P	P	P
Mr. Peter Eyanuku	P	P	P	P
Mr. Salau Mohammed Adebanjo	P	P	P	P

MEETING ATTENDANCE ABBREVIATIONS:
P: Present **AWA:** Absent with apologies

Remuneration, Nominations & Corporate Governance Committee (RemNomCo)

The Remuneration, Nominations & Corporate Governance Committee is a combined Committee, now known as "RemNomCo". This Committee meets to evaluate and determine compensation policies, including level and form, for all corporate and divisional officers and certain employees, and to recommend compensation for Non-Executive Directors. The forum will also be used to advise senior management on policy and strategy regarding succession planning and the development and retention of senior executives and management teams – as well as handling other matters as required.

Corporate Governance Statement (cont.)

The Remuneration Committee periodically reviews and make recommendations to the Board concerning the level and form of compensation of Non-Executive Directors; remuneration policy for the Directors, Company Secretary and other senior executives; recommendations for the introduction of new share incentive plans or major changes to existing plans to be put to shareholders for approval.

The Committee's recommendation, which is discussed and evaluated by the full Board, is based on both an assessment of the best practices of other companies and the particular circumstances of this board. Changes in Board compensation, if any, must be approved by the full Board.

The Committee also meets to make recommendations to the Board on all matters concerning corporate governance and directorship practices, including the development of corporate governance guidelines, evaluation of the board, committees and individual directors, identification and selection of new board nominees, and oversight of the company's policies relating to social and environmental issues. Recommendations regarding changes to the structure, size and composition of the board; ensuring adequate succession planning for the board and senior management; recommendations for appointments to the board, the appointment of the Chairman of the board; appointment of Non-Executive Directors including Independent Directors, membership and chairmanship of board committees. The Committee shall also undertake a review of the company's overall corporate governance arrangements and receive reports on the views of the company's shareholders.

The Committee met three (3) times during the year under review. The Members of the Committee who served during the year were:

Mr. Marc Stoneham	*Chairman*
Mr. Babatunde Fajemirokun	*Member*
Mr. Adefolarin Ogunsanya	*Member*
Mrs. Runa Alam	*Member*
Mr. Babacar Ka	*Member*

The following table shows meeting attendance of members of the committee:

Director	27 Mar	26 Jun	15 Oct
Mr. Marc Stoneham	P	P	P
Mr. Adefolarin Ogunsanya	P	P	P
Mr. Babatunde Fajemirokun	P	P	P
Mr. Babacar Ka	AWA	AWA	P
Mrs. Runa Alam	P	AWA	AWA

MEETING ATTENDANCE ABBREVIATIONS:
P: Present **AWA**: Absent with apologies

Statement of Risk Management & Control Environment Practices

The Company strives to maintain sound management control frameworks to ensure the integrity of its operations and provide assurance to its shareholders and stakeholders.

The Company places great importance on risk management and it is the Board Strategy, Investment and Risk Management Committee that is tasked with ensuring that appropriate risk management systems are established. The Company also places great importance on internal control and its Board is charged with ensuring the Company has an effective framework of internal control.

The Company has an internal auditor that provides assurance to the Board through the Audit Committee as to the effectiveness of the Company's internal controls. The Company has an active compliance function that ensures proper compliance with all applicable external laws and regulations as well as internal codes and policies. The compliance function monitors activities of the Company and its staff to ensure compliance and report to senior management and the board regularly.

Conflict of Interest

All the Company's directors and employees are expected to act ethically at all times and to acknowledge their adherence to the Company's Code of Business Conduct. Directors and employees are to abstain from actions that will or may lead to a conflict of interest orpotential conflict of interest with the Company. The Board members may not be involved in jobs or activities that compete with the Company's activities and those that conflict with the Company's interest.

Communications Policy

The Board recognises the need to communicate and disseminate information regarding the operations and management of the Company to all relevant stakeholders (including Shareholders, regulatory authorities and the general public) and therefore, the Company has in place a Communications Policy in accordance with the requirements of the Securities & Exchange Commission. The Company produces a detailed Annual Report and Financial Statements. Information on the performance of the Company and other major corporate information are available to the stakeholders in particular and to the public in general on the Company website: **www.foodconceptsplc.com**. The website contains our Annual Report and Financial Statements.

Shareholders' Participation

The Company is committed to promoting shareholders' rights and takes necessary steps to ensure the same. The Board and Management significantly benefit from the contributions of the shareholder representatives of the Audit Committee and the contributions of shareholders at Annual General Meetings.

Whistle Blowing Framework

The Company has a whistleblowing system in place called, "Tip Off Anonymous". This provides an avenue for employees and third parties dealing with the Company to report concerns about any suspected misconduct which may arise from the violation of laws and regulations, the Company's Code of Business Conduct or the various policies, rules, standards and procedures under which the Company operates. By creating the Tip Off Anonymous channel (a safe, secured and confidential channel of communication) and an effective reporting system, the Company believes that it can promote a positive work environment.

Inclusion & Diversity Policy

Food Concepts is committed to developing and embedding Inclusion and leveraging Diversity to create value in a fast-changing and complex environment, which positively impact our employees, customers and suppliers. We are one of the most advanced gender equality businesses of our size in the industry. We remain committed to the support of grassroot entrepreneurs and take a hands-on approach that is geared towards assisting budding entrepreneurs. We are passionate about creating an inclusive environment which caters to differences and fosters inclusion and equity through our core values of Love, Ownership, Value, Execution and Drive.

Statement of Compliance (Nigerian Code of Corporate Governance 2018)

Food Concepts adopts a responsible attitude towards Corporate Governance. The Board continues to ensure that the Company complies with relevant Corporate Governance provisions and principles as well as adopt best Corporate Governance practices. The Board is aware of the Nigerian Code of Corporate Governance, 2018 ("the Code") released by the Financial Reporting Council of Nigeria on 15th January, 2019 and is fully committed to implementing the principles enshrined in the Code, and will report on the application of the Code in the financial year stated in the Code.

Sustainability: Social & Environmental Responsibility Report

Corporate Social Responsibility (CSR) is a culture, an attitude and is central to our way of doing business. We believe that we have a responsibility to support the communities and environments in which we operate and that we must do our part to impact them positively.

In 2019, our CSR strategy was focused on the following key areas:

- The upliftment and education of all people who interact with our Brands
- Feeding & sustaining children
- Supporting and enabling local Government organisations
- Supporting the Sickle Cell Foundation of Nigeria (SCFN)
- Sponsorship of the Airtel 5 Days of Love programme
- Employment & skills development
- Diversity and the empowerment of women
- Human rights & inclusive business practice
- Consumer protection
- Animal welfare

The Upliftment & Education of Nigerian Children

In 2019, over 1200 students from various schools underwent educational visits to our Central Kitchen, Pie Production unit and Chicken Republic restaurants. These visits are designed in the spirit of promoting entrepreneurship. They introduce children to various food production processes and enlighten them on various job functions within an organisation like ours.

We ran a CSR campaign under the banner of our Chicken Republic brand, tagged "Kids Say the Most Hilarious Things". The campaign celebrated the wit and comical qualities of children, while providing an opportunity to win N200,000 to pay school tuition fees. The winning child's school received an additional N200,000 donation.

The Sickle Cell Foundation of Nigeria (SCFN)

Even in our toughest years as a business, we have supported individuals living with the Sickle Cell Disease. In 2019, we teamed up with the Sickle Cell Foundation of Nigeria (SCFN) once again to create awareness for this challenging genetic disorder. Our ongoing support of this cause was commended by the Foundation at the 2019 World Sickle Cell Day.

The Airtel 5 Days of Love Programme

Chicken Republic partnered with Airtel on the '5 Days of Love' program. The program was put together to put a smile of the faces of the less privileged Nigerians in different communities during the yuletide season. As a result, over 6,000 people across Nigeria received free, nutritious meals in a fun-filled atmosphere.

Employment & Skills Development

Food Concepts presently employs over 2000 people and many more thousands are employed indirectly by building new stores, revamping existing stores, developing new products to cater for the needs of our consumers. All these activities require resources, local home-grown talent that will continue to actively participate in the local economy and benefit their local communities. We are aiming to have opened 500 stores by the end of 2023, which will see us advance our employment capacity to over 8000 people in Nigeria. "People Capability Always", is at the heart of all we do. Our Training and Development department trains, up-skills and develops the capability of every person that we employ.

Diversity & The Empowerment of Women

We continue to actively encourage the employment of women in our company. We remain one of the most advanced gender equality businesses of our size, in the industry. Starting with our Executive Team we have of over 50% female employees throughout the company.

In 2019 we promoted our 1st female Regional Manager in Operations and we also appointed Mrs Anthonia Agbonifo to serve as an Executive Director on our Board.

As mentioned, we will directly employ over 8,000 people by 2023. We are fully committed to ensuring that at least 4000 of those will be from the women and youth pool, both of which are so sadly under employed and with limited opportunities today.

Inclusive Business Practices

We buy all our products, produce, poultry, etc. through Nigerian companies and do not import anything ourselves. Thus, every Naira we spend goes into the local economy in one way or another, whether it is through job creation, property rentals or Local & Federal taxes. We remain committed to supporting grassroots entrepreneurs, from whom we purchase fresh produce for our central kitchens and numerous restaurants.

Sustainability: Social & Environmental Responsibility Report (cont.)

Key highlights for the period include:

- Onboarding new Chicken Suppliers to broaden our partnerships with small and medium scale businesses, two of which are females, which is in line with our policy to strengthen and empower women.
- We have worked with some young and budding entrepreneurs on the development of locally produced mayonnaise product.
- We use locally produced tomato paste. This has in no small way positively impacted local vegetables farmers as the primary raw material is sourced from these farmers.
- Our uniforms are locally sourced and produced by the Nigerian vendors, many of whom are women.

Consumer Protection

IHealth, Safety and Consumer Protection are of critical importance to Food Concepts, and in 2019, we were awarded ISO22000:2018 Food Safety Management System certification for our Lagos Central kitchen and Ilupeju Training School "The Hatchery".

ISO22000:2018 is the latest certification, based on a Food Safety Management System (FSMS) that can be awarded to any organisation in the food chain – from farm to fork.

The adoption of a "Food Safety Management System" is a strategic decision for any organisation as it drives constant improvement and addresses the risks associated with its objectives.

Now, more than ever, our quality assurance teams are driven to ensure that our customers, staff and shareholders have confidence in our ingredients, products, and suppliers to deliver great-tasting quality food products, consistently to our ever-increasing consumer base.

Food Concepts is now preparing for ISO certification in the following standards: ISO14001:2015 (Environmental Management), ISO 45001:2018 (Occupational Health and Safety), and ISO 9001:2015 (Quality Management System) using Integrated management system approach. In addition, five of our Chicken Republic restaurants are now marked for ISO 22000:2018 certification and in 2020, Food Concepts will undergo a surveillance audit, in preparation for revalidation of our FMS certificate.

To further enhance consumer protection, Food Concepts actively invites both staff, suppliers and customers to report any concerns regarding unethical conduct at Food Concepts Plc via the Deloitte Tip-Offs Anonymous Hotline, website, email or mobile app. In addition, we have an internal customer care line and we also moderate social media complaints both directly and indirectly, on a daily basis.

We are fully committed to providing "everyday affordable value" to all of our customers and as a testament to our commitment we have managed to maintain pricing of our value meals by offsetting inflationary costs with efficiencies and economies of scale.

Animal Welfare

Food Concepts is committed to supporting local and will only purchase poultry from reputable companies that operate within the constraints of the various guidelines of the various Local and Federal Government organisations.

Looking Ahead

Our future looks bright and Food Concepts is committed to strengthening all existing initiatives and will continue to place key focus on creating local employment, gender equality and upskilling children and young adults.

We are committed to embracing local talent by supporting artists, musicians, tailors, builders, fitters, plumbers, tilers, electricians and so on, to build sustainable businesses, which in turn, drive economic growth and employment within the various communities in which we operate.

FOOD CONCEPTS PLC

Our People

Restructuring to Meet the Growth of The Business

Food Concepts directly employs over 2000 people. Many more thousands are employed indirectly through new store builds and remodeling of our existing stores as well as through the goods and services that we purchase from local entrepreneurs. We partner with local delivery networks as well as Food Concepts Pioneer Limited (our baked goods partner) who operate predominantly through local distribution networks.

We opened a further 26 stores during 2019, which allowed us to employ an additional 1,000 people and saw us advance all the indirect employment opportunities mentioned previously.

By 2023, we will have over 500 stores, directly employing over 8000 people in Nigeria alone. We are fully committed to ensuring that at least 4000 of those will be from the women and youth pool, which are both underrepresented in the formal labour market today.

Food Concepts has actively advanced the employment of women in our business. This has led to us being one of the most advanced gender equality businesses of our size in the industry, with the employment of over 50% female employees.

To implement our aggressive 5-year plan we restructured the business to ensure focus on both accountability and Profit & Loss.

The business is now divided into 4 divisions:

- Operations Division
- Supply Chain Division
- Business Development Division
- Shared Services Division

To manage these divisions the following positions were assigned:

- Operations Divisional Managing Director
- Supply Chain Divisional Managing Director
- Business Development Divisional Managing Director
- Shared Services Divisional Managing Director
- Human Resources Director

The restructuring has enabled clearer reporting lines and measurable performance within each division as the business grows.

Our Values

L **LOVE**
We are passionate, relevant, caring, respectful and committed.

O **OWNERSHIP**
We act with integrity and take pride in ourselves, our company and country.

V **VALUE**
We add value to everyone and in everything we do.

E **EXECUTION**
Execution is what we do best

D **DRIVE**
We take initiative and push forward to exceed expectations and achieve our goals.

> **Talent wins games. But, teamwork, passion & commitment are what wins tournaments.**
>
> **Claudette Russel**

Key HR Activities

OMEGA Development Programme

To support the aggressive new store opening programme for 2019, the OMEGA Development Programme was instrumental in training and developing our people to ensure they were prepared for promotion into management roles.

In 2019, we developed and appointed 136 internal staff as follows:

- 2 Regional Managers (including our 1st Female Regional Manager)
- 5 Area Managers
- 22 Restaurant Managers
- 23 Assistant Managers
- 63 Shift Managers
- 21 Skills Trainers

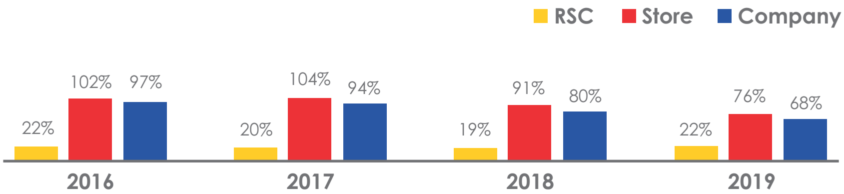
We also recruited and trained 127 Graduate Trainees for management roles in our stores.

Labour Turnover

In 2019, Company Labour Turnover reduced by 12%. This improvement was as a result of being one of the first businesses in the industry to implement the new minimum wage and ensuring our store management salaries remained competitive.

As well as the investment in training and developing our people to resource our stores, we promoted over 200 people, increasing their earning potential and loyalty to the business, therefore also reducing labour turnover.

Labour Turnover Trend: 2016-2019



Deloitte Compensation & Job Evaluation

Following the restructuring of the business, Deloitte was engaged to complete a Job Evaluation & Compensation Review. The first in the history of the business. Their key objectives were to conduct a rapid business review, review of compensation strategy and model, conduct compensation and benefits survey /industry benchmarking and make recommendations based on their findings

The project was completed in 2 phases:

Phase 1: Executives to Senior Management – (completed)

Phase 2: Middle Management and below – (ongoing)

Deloitte recommendations will be used to ensure we have a business that is market relevant and fit for growth to attract new talent and retain our people.

Executive Director Appointment

In 2019, we also appointed the Shared Services Divisional Managing Director – Anthonia Agbonifo, as Executive Director to the Board.

Key Appointments:

In 2019, the following key appointments were made:

- Regional Operations Managers (Lagos)
- Head, Risk & Compliance
- Internal Control Manager
- Compliance Manager
- Training Manager
- Marketing Manager (Digital)
- Fixed Asset Manager
- Property Managers

2020 Focus

- Train Our People to the 'Maximum' – our pace of growth is rapid therefore there is a need to focus on training interventions to develop our leaders of the future to run a N70 billion business.
- Timely recruitment, training and development to ensure the new stores for 2020 are resourced with capable people on time.
- Implementation of new HR-ERP to ensure efficiencies and maximise productivity in the management of Human Resources across the business.

chicken
republic

taste more

BRANDS
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Operational Review

2019 was another tough year for the Nigerian economy with increasing inflation and challenges sourcing raw materials, which had a direct negative impact on the QSR industry. Other market challenges continued from 2018, with worsening power supply, increases in both rental and real estate costs and growing unemployment. In addition, there were few fast-food chains coming into the market with several international and local brands showing financial losses and reducing their footprint.

In 2019, Chicken Republic continued to focus on delivering extraordinary satisfaction to our customers and on growing sales and profitability through people development, grassroots marketing, improving operational standards, driving speed of service, enhancing product quality and ensuring product availability.

We opened 17 new Company owned stores across the country including new cities like Kano and we expanded our operations in Port-Harcourt, Abuja, Ilorin, Ibadan, Port-Harcourt and Lagos. This brought our total number of Company owned Chicken Republic Restaurants to 66.

Over and above these new store openings, we ended the year 2019, with a commendable 54.7% growth in sales and we also saw improvements in profitability across the system and in same store performance.

New Product Development

In 2019, we commissioned a Kantar Research Study. A central aim of this initiative was for us to understand the wants and needs of our customers from a product perspective.

The results confirmed our thinking and we began the journey of developing, prototyping, testing and refining both Yam and Plantain product offerings. We also carefully monitored the numbers in relation to other key products and garnered further insights from the Kantar research. The success of the shawarma category, was notable. This led us to consider the reinvention our WrapStar meal. Again, we engaged in a process of product development, prototyping, testing and refining.

The above initiatives have helped us to reduce our knowledge to assumption ratios and we are now confident in our understanding of what our customers want.

In 2020, we will launch both plantain and the new WrapStar meal and we will continue to investigate and test Yam products that fit within our quasi-mod West African brand offering.

Brand Development

In 2019, Chicken Republic continued to invest in the reinforcement of its vision to be a "Most Loved Chicken QSR Brand in West Africa".

We did this renewed energy, whilst remaining focussed on delivering everyday affordable value to our customers via our Refuel meal category. We also developed a dedicated brand team and who audited the brand across all touch points. Strategic brand development was a key focus, which led the identification of 5 key objectives (Our BIG 5):

1. Revitalise and re-energise the Brand for all stakeholders
2. Own below the line marketing
3. Own social media
4. Make every Naira count
5. Implement a strong Corporate Social Responsibility strategy

chicken republic

taste more

A brand is no longer what we tell the consumer it is; it is what consumers tell each other it is.

Scott Cook

Operational Review (cont.)

To deliver on these objectives the brand team developed new templates and toolkits aimed at increasing brand impact and ensuring brand consistency, whilst driving customer engagement and improving efficiencies aimed at saving time and money on production.

The team introduced new collateral aimed at driving higher margin meals in addition to our strong and enduring focus on our value meals. The need to develop more integrated strategies was identified and as a result we paid significant attention to our online channels. For example, we began the development of our new Chicken Republic web site and put content strategies and plans in place for our social platforms. In addition, the digital marketing department worked tirelessly to build online ordering capacity by bringing on new delivery partners and by driving channel relationships with both new and existing brand partners.

As part of our new Corporate Social Responsibility strategy, we launched our first cause related marketing campaign, fondly tagged "kids say the most hilarious things". N200,000 was donated to pay for the winning child's tuition fees and an additional N200,000 was donated to the winning child's school.

We are now well poised to hit the ground running in 2020. Our plan is to continue to build on our "BIG 5" objectives and we will be looking at ways to own more of our online value chain internally. This will reduce our reliance on external delivery partners and will most certainly introduce new revenue streams.

Looking Ahead

Towards the end of 2019, we refocused our team to drive our operations strategy which is as follows:

- **Beat budgeted sales and grow year-on-year sales**
  Growing transactions through accurate sales forecasting, improved speed of service and ensuring product availability for our customers.

- **Beat budgeted gross profit and grow year-on-year gross profit cash**
  We must own and grow the value chain in the QSR market as well as Grassroots marketing in ensuring that we target all sectors of Nigerians

- **Beat budgeted EBITDA and grow year on year EBITDA cash**
  Ensuring we have a good flow through down to our EBITDA line of our incremental sales, controlling operating expenses by driving efficiencies and cost management

- **People Capability and Development**
  We will nurture the mentality of ownership through our Restaurant Management teams by ensuring annual Key Performance Indicators, internal development and promotion, as well as achieving optimum management across our business

- **Drive Operational Excellence**
  We must ensure compliance with all Health and Food Safety Laws, deliver a cleaning culture and excellence in all operational audits

Despite the challenges going into 2020, our Operations Strategy remains solid and will ensure our position as a brand to be reckoned in Nigeria and across West Africa. We have a clear focus on our key performance indicators which include People Development, Sales Growth, Profit Growth and Operational Excellence. We are looking forward to 2020, to ensure that we exceed our 2019 performance.

Operational Review

Our new, PieXpress Brand, has been developed to cater for mobile and transient consumers who desire convenient, quality food on the go, at a price that satisfies both their "belle" and their pocket. Our strategy was informed by the market responses to the "Every Day Affordable Value Meals" successes seen in our Chicken Republic stores.

It has always been clear that the Nigerian consumer loves flavour profiles and food types that resonate within their day to day lifestyle. This is a fast-moving category that is profitable and well loved by all age groups. Our mobile snacking business (PieXpress) is a cost effective and profitable Brand that enhances our economies of scale.

The concept was originally developed t in 2004. A Brand designed to meet the Nigerian consumers love of pies, sausage rolls, scotch eggs and doughnuts and we have now adapted the original Brand proposition and economic model to meet the needs of an ever-evolving consumer base.

We opened 4 PieXpress concepts stores in Lagos, Ibadan and Abuja in the 2019 financial year and plan to roll out another 50 units across Nigeria in 2020.

Our PieXpress roll out plan involves taking a two-prong approach:

1. Open PieXpress units on the forecourts of Chicken Republic Stores - The primary benefit of this approach is that we do not need to secure additional sites and pay additional rentals
2. Open PieXpress in high traffic areas that are not linked to our current Chicken Republic Real Estate

The PieXpress concept gives us:

- Better utilisation of our existing and new real estate – having the PieXpress stores in the Chicken Republic car parks allows us to really "sweat our assets"
- Minimal risk, as the concept can be moved easily from one location to another if the market dynamics are not right or change
- Low set up costs with a great payback period
- Lower operating costs
- A product mix that allows us to leverage economies of scale from our existing assets

Property Development & Franchising

2019 was a true test of our readiness for the roll-out of our five-year strategy. We handed over 20 new stores, of which 92% are exceeding initial projections, and remodelled six existing stores, all of which are showing incremental sales contributing to the overall performance of 2019.

In franchising, we added three more stores to the Chicken Republic family and secured our first international franchisee in the North of Ghana (Tamale). Overall Franchise performance (as with corporate-owned stores) continued with a year-on-year performance of +21% above 2018.

The development department has increased its people capacity to support the planned growth, with departments covering Property and Acquisition Management, Project Management, Facilities and Maintenance and Franchising - all of which are ready and focussed in driving Food Concepts' five-year strategy.

Besides the opening of new Chicken Republic stores, we launched our first Pie Xpress (PX) Kiosk at Oniru Lagos Island.

The Pie Xpress brand was designed to cater for a very mobile consumer who wants convenient, quality food on the go, at a price that satisfies both their 'belle' and their pocket. We have opened six outlets at the end of 2019 that met and exceeded our initial projections in terms of:

- Sales projections exceeded by 25%
- Payback period of 1.5 years maximum
- Convenience and affordable for all our customers young and old.

Amongst other projects completed by the development team, was the expansion of our warehouse facilities and our first industrial pie production unit to support both Chicken Republic growth and our new brand Pie Xpress.

Our strategy going forward remains on the following key focus areas:

- Have controlling share of the number of stores in the four main cities in Nigeria (Abuja, Lagos, Port Harcourt & Kano) and franchise-out up-country locations.

  Master Franchise – Find franchisees for other West African countries aside from Nigeria.
- Franchise Support - with training and performance reviews, operational excellence, marketing activities and audits.
- Effective Stakeholder Communication through project meetings, project tracker spreadsheets and action logging.

Looking Ahead

- We have developed a strong pipeline of viable locations to grow the Chicken Republic & Pie Xpress brands.
- We are developing compelling new brands and product categories to win share-of-throat (flip, that's an ugly saying), especially within the local cuisine category.
- Property Management is key to our business and implementing strict lease agreements to reduce the risk of Landlord habitual increases in lease terms.
- In Q3 of 2020, we will introduce a new brand to the family, serving traditional local meals at affordable prices.
- We will continue to drive franchise growth across Nigeria and West Africa.

Supply Chain Division

Vertical integration in the QSR sector in Nigeria is critical. Direct ownership of the various aspects of the supply chain has been a key strategy for Food Concepts that is now showing consistent growth. This has resulted in significantly improved financial results for the Company and country.

The organization depends on the effectiveness of this division to ensure a reliable and timeous supply of quality products at cost prices that create win-win scenarios for all vendors.

We manufacture, warehouse, and distribute to our Company restaurants and other 3rd party FMCG outlets such as Total Bonjour and many different catering events. Our business now has significant supply chain operations and the scope of the division now ranges from planning, procurement and manufacturing to warehousing and distribution.

The division is made up of three business units:

1. SCD Operations

We are a proudly Nigerian business and we support our local economy by buying locally. More than 99% of all products used in our system are produced and /or sourced through local Nigerian based suppliers. Though certain products have limited suppliers, which may increase our reliance on those suppliers.

We are responsible for the approval of all suppliers and manufacturers of food products, packaging items and all of the various types of equipment used across all of our Brands.

We have a comprehensive supplier approval process which requires that all products pass our quality standards and that the suppliers manufacturing processes and facilities pass our on-site food safety inspections.

We use multiple suppliers and distribution routes to ensure we have ethically sourced, high-quality products delivered within the prescribed time frames.

We work with NAFDAC and other regulatory organizations regularly, to ensure that we are constantly improving as we continue to strive to be the "Most Loved QSR business in West Africa".

In 2019 we worked hard to achieve our ISO 22000 Certification for our Central Kitchen and Training School in Ilupeju and we are committed to getting the accreditation nationally.

Food Concepts relies upon numerous independent suppliers, including service providers, that are required to meet and maintain the company's high standards and specifications. In order to ensure compliance with our company's product specifications, every member of staff drives quality compliance along the supply chain - from the point of receipt to the final point of dispatch.

We distribute products to the Corporate stores, franchisees and other third parties from our three distribution centres located in Lagos, Abuja and Port Harcourt. We deploy company-owned and third-party logistics trucks that regularly deliver products to our restaurants.

As the business has grown over the past 6 years, so has the need for us to focus on ensuring our current and future capacity meets the needs of our expansion plans.

This is an ongoing process and we will invest heavily in our infrastructure again in 2020. We commenced the 1st phase of the capacity upgrades in 2019 at our Central Warehouse in Ilupeju.

Supply Chain Division (cont.)

In 2020 we will open 5 new regional warehouses as we continue to spread the Chicken Republic and Pie Express Brands across Nigeria. These distribution centres will cater for the existing store growth and new stores.

We experienced chicken shortages in some of our restaurants during the 4th quarter of 2019. This unfortunate incident was brought about as a result of the shortage of locally produced chicken, as the seasonal demand outstripped supply. We worked tirelessly with our local chicken suppliers to ensure that we were able to secure all our requirements.

As we only buy local product, this shortage put a significant strain on our business however, we managed to source enough to ensure that we had another record month of trading in December.

We continue to work on various initiatives to ensure our business is not impacted by stock shortage situations in the future. We have identified new and smaller chicken suppliers and through relationship management and onboarding, we intend to help them grow alongside our business. We are assisting them with offtake agreements to help them maximize their capacity and maximize their supplies into the Food Concepts business.

2. Pie Production Facilities

PieXpress represents a very exciting and lucrative business segment for Food Concepts Plc.

Operations have expanded and we cater to our Chicken Republic & PieXpress Brands, as well as other key FMCG customers in this segment. Third party customer demand will ensure significant growth in the pie and baked goods segment in our catering division.

Regional capacity has grown exponentially with heavy investment into new pie production facilities across the country. Continual investment in production facilities will ensure capacity and increased sales for existing stores, new stores, Pie Xpress units, third-party customers and outdoor catering. The locations of the facilities are:

- Mokola Pie Production facility in Ibadan (Oyo State)
- A Pie Production facility in Port Harcourt (Rivers state)
- A Pie Production facility in Lagos Island (Lagos state)
- Ilupeju Pie Production facility in Lagos Mainland (Lagos state)

These facilities and those planned for 2020 will support our current and future business expansion plans.

In 2019, we commenced an exciting food delivery relationship with three logistics companies. These companies have proven track records of delivering hot and fresh, cooked food to multiple locations. Our partnerships with these companies are enabling us to strengthen our route to market and are responsible for multiple daily deliveries of baked pies to our Pie Xpress and Chicken Republic outlets.

Our pilot project kicked off in Lagos and has since been rolled out in Port Harcourt (Rivers State) and Ibadan (Oyo state). The benefits of such relationship include:

- Multiple pie deliveries to each store daily = freshly baked pies all-day
- Volume growth = profitability growth
- Minimizing pie stock outs = grow both top and bottom-line results for the stores and Pie Production facilities

3. Central Kitchen

Our Central Kitchen operations in Lagos are responsible for the blending of our Authentic West African spice blends for all our Chicken Republic stores. In earlier years the spice blends were manufactured in South Africa and imported into Nigeria.

We are extremely excited and proud to say that we now manufacture 100% of all of our requirements for our Chicken Republic and Pie Express Brands locally and we also export these spices to our business units in Ghana.

Of utmost importance to the business is the fact that our Central Kitchen allows us to fully protect our secret recipes and intellectual property.

These spices are used in the preparation of CR soulfully spiced meals and Pie Xpress's mouthwatering snacks. As we continue to grow across Western Africa, the importance of consistency of flavour and heat levels will become more and more important to us and our Central Kitchen allows us to showcase and preserve this consistency for future generations to enjoy.

The Ilupeju based Central Kitchen also supplies our Lagos based stores with frequent deliveries of fresh vegetables. The investment into three refrigerated vehicles across Lagos has enabled us to cope with the increased volume growth in the existing and new stores.

In 2020, the business will set up 2 new Central Kitchen facilities in Abuja and Port Harcourt. These facilities will be established to support the operations of the Chicken Republic and Pie Express stores with the delivery of freshly prepared food items that will lead to significant cost reductions in labour, wastage and build costs, at store level..

Shared Services Division

The Shared Services division serves as the bedrock of the organisation, focusing on the consolidated performance and position of the organisation, its subsidiaries, associated companies and related entities. The division provides the requisite support to the business and other divisions to achieve overall objectives and maximise profitability through sales growth and reduced costs. The division is responsible for driving the overall company strategy summarised in the budgets, forecast and business plans and ensures the monitoring and achievement of the company's overall strategy.

The Shared Services division is responsible for raising capital, generating investment income through effective treasury operations and the effective management of working capital to support the business strategy, growth plans and the smooth operation of the business. The division ensures that proper risk management procedures are in place within the organisation to identify and manage the risks in the business and that policies, controls and procedures are in place to ensure that the organisation's overall objectives are met.

Shared Services is responsible for new product development, management of the company's information technology, quality assurance (including both ISO and legal compliance) and ensures that the company's products are effectively communicated through marketing activities to third parties. The division consists of the following departments:

Finance

The Finance department is responsible for all financial activities within the organisation from data and analytics to the submission of tax returns and other regulatory filings, the enforcing of financial tracking, discipline and accountability, inventory management, fundraising and generating investment income. The department also manages relationships with financial institutions, is responsible for vendor payments, as well as, the invoicing of franchisees and customers. It works with tax authorities, financial advisors and investors on tax audits, due diligence and other ad-hoc reviews and manages the companies fixed assets.

Business Intelligence

The Business Intelligence department is responsible for the preparation of annual budgets, business plans and monthly forecasts to drive business performance and cashflows. It also performs investment appraisals for new stores, remodels and other new projects. The department provides pacesetter reports, product mix reports, cost of sales reports, financial analysis and trends to guide product pricing and scenario modelling for new products and promotions. The Business Intelligence department also performs Group valuations, monitoring of the share price & earnings per share and assessing acquisition opportunity valuations. It performs Group financial modelling and alignment with our 5-year plan, prepares inputs for the board and board committee packs and engages in special projects execution and e-commerce monitoring.

Shared Services Division (cont.)

Risk, Process, Controls & Compliance

This department works with business process owners across stores and departments to ensure that risks are identified, tracked in the risk register and managed.

It develops controls and documents systems and processes. It manages the internal control and compliance within the organisation. The department works with EXCO to develop policies and provides quarterly risks reports to the Board.

The department also provides the second level of defence for the organisation.

Quality

The Quality department ensures quality, environmental, health and safety support coverage across all stores and departments within the organisation. It enforces internal compliance and liaises with vendors to conduct inspections aimed at ensuring third party compliance.

The Quality department also works with food regulators including NAFDAC, ISO and other statutory compliance bodies relevant to the food industry. It is also responsible for fire safety awareness, food safety awareness and training, as well as, periodic medical screening of all food handlers, operational staff and staff in other production units.

The department engages in new product development, testing, analysis and quality control. It also provides training on critical parameters and tools to aid in quality checks at both stores and department levels and ensures cost savings through product and process improvements.

2019 was a significant year for the Quality department which achieved the above activities. We are also proud to report that after being thoroughly assessed, Food Concepts Plc was found to be compliant and was awarded ISO22000:2018 Food Safety Management System certification, within the scope of providing ready to eat chicken products, burgers, sandwiches and meals.

Human Resources

People Capability Always is the golden thread that runs through everything we do. Our Human Resources department works with all business divisions, to actualise the objectives and goals of the organisation.

It is responsible for recruitment, training, dispute resolution and the development of talent within our business. Human Resources also develops and implements programmes that recognise and reward our people, whilst enriching their lives and growing our business in the process.

Administration

The Administration Department is responsible for a variety of key activities within the organisation. These include general cleanliness, adequate insurance, travel arrangements, travel cost management, company vehicle management, store and head office security, office space allocation/optimisation and the procurement of office furniture.

Information Technology

The IT department is responsible for the successful implementation of our ERP system and ensures that the system delivers on the objectives of the organisation. The department also provides disaster recovery plans and works with procurement to procure hardware, software and internet connectivity, whilst carefully managing system requirements, hardware specifications and costs. IT maintains an effective helpdesk to ensure a high response rate whilst providing IT support and training to our stores and departments. It is also responsible for the security of all company systems via the implementation of gateways and antivirus systems.

In 2019, the company commenced with migration to a new and more robust ERP system. After a thorough selection process, the company selected SAP/GAAP as the new ERP to move the company to the next level. On completion of the migration, the new ERP will:

- Increase efficiency
- Allow fast decision-making through the use of best-in-class analytical tools
- Timely access to reports easily accessed from anywhere in the world.

Legal

The Legal department is responsible for legal and other related regulatory compliance, managing regulators and minimising regulatory costs. The department drafts, reviews and enforces contractual agreements, whilst protecting the company's interests. It defends the company in litigation and drives the recovery of long outstanding receivables from defaulting partners. Our Legal department minimises litigation costs by engaging in alternative dispute resolution, where possible, and protects our Brands through trademarking and brand rights registrations. It provides legal documents to address the requirements of the Securities and Exchange Commission (SEC) and ensures the perfection of the Company's freehold properties. The Legal team ensures that board meetings, board committee meetings, AGMs and EGMs are properly planned, effectively carried out and properly minuted. It is also tasked with the preparation and production of the Company's Annual Report.

Marketing

The Marketing department is responsible for the strategic development of the Food Concepts Corporate Brand, our Chicken Republic and PieXpress Brands and for the development of new product and consumer brands. The department ensures the effective deployment of brand building programmes across touchpoints and platforms, designed to increase brand equity.

The Marketing department consists of two units: Below the Line (BTL) and Digital. These teams collaborate on the design and execution of integrated marketing campaigns, which elevate brand awareness, drive customer engagement, increase transactions, improve margin and result in high levels of brand loyalty. The department also develops and manages strategic partnerships and is responsible for the development of consumer insights, customer feedback/service channels. Finally, it promotes Internal Brand Engagement and is responsible for Customer Relationship Marketing (CRM) and Corporate Social Responsibility programmes.

Shared Services Division (cont.)

Internal Audit

The Internal Audit department is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. The head of this department reports directly to the audit committee of the board to maintain its independence. The internal audit department helps the organisation to accomplish its objectives in a systematic and disciplined manner aimed at evaluating and improving the effectiveness of risk management, control and governance processes.

The department partners with management on special audit assignments and assists with the assessment and training of the Internal Control and Compliance unit. It also performs independent reviews and assists budget/ process owners to achieve their objectives through partnership and by identifying and mitigating against risks that could limit the achievement of objectives.

Looking Ahead

In 2020, the Shared Services Division will focus on the implementation of the SAP/ GAAP systems to provide more efficient and timely reports, analysis and insights to the Board, Managing Director and other divisions. We will automate our processes and procedures including our budgeting and forecasting processes and make our systems cloud-based to encourage remote work. We will be raising debt for the business to ensure optimum capital structure and support the business plans for a backward integration required to achieve the company's five-year plan. We will focus on risk management, process improvements, independent reviews and improved controls to ensure that business objectives are met.

We will continue with our strategies for revenue growth including the introduction of new products and the improvement of our marketing campaigns to increase profitability and our brand community growth. We will ensure cost minimisation through enhanced reviews, improved controls, more aggressive negotiations and partnerships. We will continue with our management of working capital as well as the generation and maximisation of interest income for the organisation. We will practice regulatory, legal, SEC and other related compliance to ensure that the company is always in good standing with these authorities. We will continue with our brand renewal process and the perfection of our freehold property. We will ensure that our people are well trained and equipped with the right skills to excel in their jobs. Overall, we are optimistic that with our dedication and commitment to delivery, we will assist the business to meet and exceed the targets for 2020 and beyond.

BRANDS customers LOVE

Executive Team

Food Concepts is managed by a young, dynamic and highly-focused team, with experience that spans business management, food operations, people management, supply chain management, marketing and financial management.

Their hard work, skill and dedication helps to drive our mission and deliver on the Food Concepts vision: **To be the most loved quick service restaurant and baked goods brands across West Africa**

The following were the Executive Team in 2019.

Mr. David Butler
Managing Director

Mrs. Anthonia Agbonifo
Executive Director/Divisional Managing Director-Shared Services

Mrs. Claudette Russel
Human Resources Director

Mrs. Olayinka Ogunleye
Divisional Managing Director – Supply Chain

Mrs. Josephine Johnson, *ACIS*
Company Secretary & Legal Adviser

Mr. Ikenna Okongwu
Divisional Managing Director – Operations

Mr. Kofi Abunu
Divisional Managing Director – Business Development

Board of Directors

The Board of Directors of Food Concepts consists of a group of successful and high-ranking professionals. The Board has demonstrated a strong commitment to the Company and to the realisation of its business objectives. The Board of Food Concepts consists of nine (9) directors, with two (2) directors in an executive capacity.

Mr. Odunayo Olagundoye
Non-Executive Chairman

A banker by profession, he was the pioneer Managing Director/Chief Executive Officer of Chartered Bank Plc., and a former Managing Director of National Bank of Nigeria Plc (2000 - 2003). Prior to that, he was the General Manager/Chief Credit Officer of International Merchant Bank Plc (1975 - 1987). He holds a first degree in Engineering from Massachusetts Institute of Technology ("MIT") (1969) and a Masters' degree from the prestigious MIT Sloan School of Management (1974). He is currently the Chairman of Quantum Capital Management.

Mr. David Butler
Managing Director

David has garnered over 20 years' experience in the QSR industry in over 5 countries. David started his career in Pick 'n' Pay Hypermarkets and has since held various managerial positions in Nando's Restaurants, YUM! Brands International and KFC. In 2014, he became the Managing Director of the Company and has led the Company to its current position, one of the top 5 (by market share of revenues) QSRs in Nigeria, and one of the most-respected and up-market brands in the industry.

Mr. Babatunde Fajemirokun
Non-Executive Director

Mr. Babatunde Fajemirokun is Group Managing Director and CEO at AIICO Insurance Plc; a leading financial services group in Nigeria. Mr. Fajemirokun joined AIICO Insurance Plc, Life Insurance Division, as CIO in May 2009, and was responsible for value-enhancing projects in its maiden growth strategy, business process and technology transformation projects. Prior to AIICO, he worked with Accenture, Lagos (2003-2007) and then Capgemini Consulting, UK (2008-2009). In both roles, he provided consulting/advisory services to financial services and Government clients predominantly in mergers and acquisitions and then United Kingdom government transformation programmes. Babatunde is a Chartered Insurer (ACII) and has an MBA in Finance from University of Chicago Booth School of Business (2013), a Business Information Strategy Master's degree (dist.) from University of Strathclyde (2002) and a Bachelors' degree in Business Economics from Glasgow, UK (2000).

Mr. Marc Stoneham
Non-Executive Director

Marc leads the portfolio management team at DPI, a leading African private equity firm with over $1.5bn under management, serving 17 portfolio companies across North, West, and Southern Africa. He is a Board director of CMGP – Morocco's leading drip irrigation and agricultural services company and Food Concepts, Nigeria's leading QSR business, and sits as an observer on multiple Boards across the portfolio. Prior to DPI, Marc worked at McKinsey & Company serving African and other emerging market clients across multiple industries and functions, with a focus on natural resources. Prior to McKinsey, Marc worked in private equity at Actis and Kingdom Zephyr, and for Accenture strategy consulting. He has lived and worked across Africa including many years in Nigeria and Egypt.

Mr. Babacar Ka
Non-Executive Director

Babacar is an investment principal at Development Partners International LLP with 18 years of finance and investment experience spanning private equity, debt investing and equity research. Prior to DPI, Babacar worked at Standard Bank Group in the UK and was an investment analyst in the Global Transaction Team at the IFC in Washington DC. Babacar holds a Bachelor of Science in Business Administration and Finance from the University of California (2003), Riverside, and an MBA from the University of Oxford (2010).

Mr. Adefolarin Ogunsanya
Non-Executive Director

Adefolarin is an investment professional at Development Partners International LLP with over 13 years of experience in investment banking and private equity. Prior to DPI, Folarin was an investment professional at Helios Investment Partners and an investment banker at Credit Suisse in New York. Adefolarin has a BSc (Hons) in Computer Engineering from NJIT (2007) and an MBA in Finance and Entrepreneurial Management from The Wharton School, University of Pennsylvania (2014).

Board of Directors (cont.)

Mrs. Anthonia Agbonifo
Executive Director

Anthonia is a Chartered Accountant with over 18 years of experience in auditing, accounting, treasury, risk management, IFRS, finance, Sarbanes Oxley review, processes and advisory services across numerous industries. Anthonia is an Institute of Chartered Accountants of Nigeria ("ICAN") prize winner and has attended numerous local and international training courses on leadership, management, taxation, auditing (IFRS, Nigerian & US GAAP), team management, Sarbanes Oxley, controls and is also a skilled facilitator.

Anthonia is a graduate of accounting from Yaba College of Technology and has an MBA with merit from the University of Liverpool UK. She is a fellow of ICA, a fellow of IMC, A Chartered member of ICAN (2004) and a member of NIM. She holds a Diploma in IFRS from ACCA and has served on two key committees of the board of ICAN i.e. PPMC for five years and MAC for one year. Anthonia worked with Akintola Williams Deloitte (1998-1999, 2002-2005) and PricewaterhouseCoopers (2005-2014) in senior management functions. Anthonia joined Food Concepts Plc as the Group Chief Financial Officer in 2014 and is currently a member of the audit committee and an alternate director of Food Concepts Pioneer Limited (an associate company).

Mr. Lanre Fabunmi
Non-Executive Director

Lanre Fabunmi is currently the Managing Director & CEO of AIICO Capital Limited – a leading secure investments management firm in Nigeria. He has over 17 years' experience in commercial banking, consulting, risk management, audit, investment banking, and investment management. Lanre founded Tricorn Capital – a boutique investment banking firm, where he led the firm in executing several landmark transactions of US$350million. He worked in Investment Banking at ARM Investment Managers, advising on transactions valued at over US$500million. He was a Senior Consultant at KPMG Professional Services, leading several large local and international audit/risk management engagements. He holds an MBA degree from University of Chicago Booth School of Business, BSc degree in Accounting from Ambrose Alli University, a Qualified Accountant (Institute of Chartered Accountants of Nigeria). He has served as a key financial adviser to Food Concepts since 2006 - assisting the Company with key capital raising initiatives.

Mrs. Runa Alam
Non-Executive Director

Runa is a co-Founding Partner and Chief Executive Officer of Development Partners International LLP ("DPI"), a pan-African private equity firm. She has more than 30 years of investment banking, emerging market management and private equity experience. Runa was formerly the Chief Executive Officer of Kingdom Zephyr Asset Management and CEO of the PAIP-PCAP funds which were highly successful Pan-African funds. She started her career in New York working for investment banks including Morgan Stanley and Merrill Lynch, where she worked in mergers and acquisitions and corporate and tax-exempt finance.

She holds a Bachelor of Arts degree in International and Developmental Economics from the Woodrow Wilson School of Princeton University (1981), a Masters' in Business Administration ("MBA") from the Harvard Business School (1985) and was a Harry S. Truman Congressional Scholar.

FOOD CONCEPTS PLC

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors have the pleasure of presenting to the members of Food Concepts Plc. ("the Company") and its subsidiaries ("the Group") their report together with the consolidated and separate audited financial statements for the year ended 31 December 2019.

Incorporation and Address

Food Concepts Plc. was incorporated on 6 December 1999 with RC number - 370963 as Food Concepts & Entertainment Limited and commenced operations in 2000. The Company was converted from a private limited liability company into a public limited liability company and the Company's name was subsequently changed to Food Concepts Plc. by a Special Resolution dated 10 May 2009. The Company is situated at 2, Ilupeju Bye Pass, Ilupeju, Lagos, Nigeria.

Principal Activity

The principal activities of the Group and the Company are the provision of restaurant services, bakery and confectionery products.

State of Affairs

In the opinion of the Directors, the state of the Group and the Company's affairs is satisfactory and no event has occurred since the reporting date, which would affect the financial statements as presented.

Result for the year

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Chicken Republic Brand - Global				
Income inclusive of Franchisee	15,771	10,685	15,563	10,462
Less: Intercompany sales	(9)	(9)	-	-
Less: Revenue attributable to Franchisee	(2,040)	(1,720)	(2,040)	(1,720)
	13,722	**8,956**	**13,523**	**8,742**
Add: Income from Franchisee	115	132	115	132
Revenue	**13,837**	**9,088**	**13,638**	**8,874**
EBITDA	**3,217**	**1,736**	**3,234**	**1,732**
Profit before taxation	2,602	1,470	2,540	1,358
Taxation income/ (expenses)	723	(37)	723	(37)
Profit after taxation	**3,325**	**1,433**	**3,263**	**1,321**

Property, Plant and Equipment

Information relating to changes in property, plant and equipment during the year is given in Note 19 to the consolidated and separate financial statements. In the opinion of the Directors, the market value of the Company's property, plant and equipment is not less than the value shown in the consolidated and separate financial statements.

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2019 (2018: Nil).

Directors

According to section 259 (1) of the Companies & Allied Matters Act CAP C20 Laws of Federation of Nigeria, 2004 and in line with the provisions of the Articles of Association, one third of the number of the Directors must retire at the Annual General Meeting and may offer themselves for re-election. Accordingly, Mr. Lanre Fabunmi and Mr. Odunayo Olagundoye will retire at the forthcoming Annual General Meeting and being eligible, hereby offer themselves for re-election. Mrs. Anthonia Agbonifo was appointed to the Board as an Executive Director and will also retire at the forthcoming Annual General Meeting and being eligible offer herself for re-election.

The names of the Directors at the date of this report and of those who held office during the year are as follows:

Mr. Odunayo Olagundoye	-	Chairman
Mr. David Butler *(South African)*	-	Managing Director
Mr. Babatunde Fajemirokun		
Mr. Elia Roumani *(American)*	-	Resigned w.e.f 31st January 2019
Mr. Lanre Fabunmi		
Mrs. Runa Alam *(British)*		
Mr. Babacar Ka *(Senegalese)*		
Mr. Marc Stoneham *(British)*		
Mr. Adefolarin Ogunsanya		
Mrs. Anthonia Agbonifo	-	Appointed w.e.f 28th March 2019

*w.e.f – with effect from

Shareholdings

The issued and fully paid share capital of the Company as at 31 December 2019 was beneficially owned as follows:

	2019 Number	%	2018 Number	%
ADP 1 Holdings 9	9,680,872,937	37	1,345,695,128	23
ADP II Holdings 12 Ltd	11,939,956,557	46	-	-
Food Concepts International Limited	2,693,970,305	10	2,197,493,367	38
International Finance Corporation	-	-	1,083,333,334	18
Retail investors	1,892,822,103	7	1,216,803,171	21
	26,207,621,902	**100**	**5,843,325,000**	**100**

The directors' interest in the paid up share capital of the Company is as follows:

	2019 (Direct)	2018 (Direct)
Mr. Odunayo Olagundoye	142 272 856	102 144 615

The directors' indirect interest in shares of the Company are as follows:

		2019 (Indirect)	2018 (Indirect)
Mr. Odunayo Olagundoye	Food Concepts International Limited	6,621,712	6,621,712
Mr. Elia Roumani	International Finance Corporation	-	1,083,333,334
Mr. Marc Stoneham	ADP I Holding 9	9,680,872,937	1,345,695,128
Mr. Adefolarin Ogunsanya			
Mrs. Runa Alam	ADP II Holdings 12 Ltd	11,939,956,557	-
Mr. Babacar Ka			
Mr. Babatunde Fajemirokun	DF Holdings Limited	641,863,039	487,703,696
Mr. Lanre Fabunmi	Tricorn Capital & Investment Company Limited	11,642,085	11,642,085

Directors' interests in contracts

None of the Directors has notified the Group and the Company for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, of any disclosable interest in contracts with which the Group or Company is involved as at 31 December 2019 (2018: Nil).

Shareholding Analysis

The issued and fully paid share capital of the Company as at 31 December 2019 was beneficially owned as follows:

Range	No. of Holders	Holders %	Units	Unit %
1-999	77	8.36%	16,323	0.00%
1000- 9,999	106	11.50%	240,433	0.00%
10,000 - 99,999	63	6.84%	2,038,710	0.01%
100,000 - 999,999	436	47.34%	161,940,851	0.62%
1,000,000 - 9,999,999	214	23.24%	427,556,642	1.63%
10,000,000 - 99,999,999	19	2.06%	405,143,630	1.55%
100,000,000 - 999,999,999	3	0.33%	895,885,514	3.42%
1,000,000,000 - 99,999,999,999	3	0.33%	24,314,799,799	92.78%
Total	**921**	**100%**	**26,207,621,902**	**100%**

Report of the Directors (cont.)

Shareholding of more than 5%

According to the register of members as at 31 December 2019, the following had more than 5% shareholding in the Company:

Name	Holdings	%
Food Concepts International Limited	2 693 970 305	10.28%
ADP I Holdings 9	9 680 872 937	36.94%
ADP II Holdings 12 Ltd	11 939 956 557	45.56%
Total	**24 314 799 799**	**92.78%**

Employment of Disabled Persons

The group and the Company give full consideration to applications for employment from disabled persons where such person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the Group and the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Going Concern

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

Employee Involvement and Training

The Group and the Company are committed to keeping employees fully informed as far as possible regarding the Group and 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 in-house and external courses. Management, professional and technical expertise are the Group's and the Company's major assets, and the Group and the Company continuously invests in developing such skills.

Health, Safety at Work and Welfare of Employees

Health and safety regulations are in force within the Group and the Company's premises and employees are aware of existing regulations. The group and the Company provide subsidy to all employees for medical, transportation, housing and lunch.

Events After Reporting Period

As stated in Note 38, the Directors are of the opinion that there are no events after the reporting date that could have material effect on the Group's and the Company's financial statements that had not been adequately provided or disclosed in these consolidated and separate financial statements.

Format of Financial Statements

The consolidated and separate financial statements have been prepared in accordance with the reporting and presentation requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the provisions of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, and the requirements of Financial Reporting Council Act No. 6, 2011. The directors consider the format adopted the most suitable for the Group and the Company.

Contributions and Charitable Gifts

The group and the Company made charities contribution amounting to 300,000 during the year 2019 (2018:Nil).

Auditors

In accordance with the Nigerian Corporate Governance Code 2018, Ernst & Young have expressed their willingness to resign as the Group and the Company's auditors. A proposal will be made by the Board of Directors at its annual general meeting to appoint another auditor in accordance with Section 365 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

Mrs. Josephine Johnson, *ACIS*
FRC/2014/ICSAN/0000006496
COMPANY SECRETARY
26 March, 2020

Statement of Directors Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2019

The Companies and Allied Matters Act, CAPC20, Laws of the Federation of Nigeria 2004, 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 Group and the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group and the Company:

a) Keep proper accounting records that disclose, with reasonable accuracy, the financial position of th e Group and comply with the requirements of the Companies and Allied Matters Act, CAPC20, Laws of the Federation of Nigeria 2004;

b) establish adequate internal controls to safeguard its assets, prevent and detect fraud and other irregularities; and

c) prepare its consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards issued by International Accounting Standards Board the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, and the requirements of the Financial Reporting Council of Nigeria Act No 6, 2011.

The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of the financial result for the year ended 31 December 2019. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Group and the Company will not remain a going concern for at least twelve months from the date of this consolidated and separate financial statements.

Mr. Odunayo Olagundoye
FRC/2014/IODN/00000007626
Chairman

Mr. David Butler
FRC/2019/IODN/00000019524
Managing Director

26th March 2020

FOOD CONCEPTS PLC

Report of the Audit Committee

FOR THE YEAR ENDED 31 DECEMBER 2019

In compliance 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 Food Concepts Plc, having carried out our functions under the Act, confirm that the accounting and reporting policies of the Company, as contained in the audited consolidated financial statements for the year ended 31 December 2019, are in accordance with legal requirements and agreed ethical practice.

We confirm that the external auditors, Ernst & Young, has issued an unqualified opinion for the year ended 31 December 2019.

In our opinion, the scope and planning of the audit for the year ended 31 December 2019 was adequate and we confirm that the responses by the management to the external auditor's findings on management matters were satisfactory.

Members of the Audit Committee:

1. Mr. Lanre Fabunmi - *Chairman*
2. Mr. Babacar Ka - *Member*
3. Mr. Peter Eyanuku - *Member*
4. Mr. Salau Mohammed Adebanjo - *Member*

Chairman, Audit Committee
25th March 2020

2019 ANNUAL FINANCIAL STATEMENTS

FOOD CONCEPTS PLC

Building a better working world

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Independent Auditor's Report

To the Members of Food Concepts Plc

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Food Concepts Plc (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Food Concepts Plc and its subsidiaries as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the relevant provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Food Concepts Plc and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Food Concepts Plc and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statement

Key Audit Matter	How the matter was addressed in the audit
Impairment assessment of intangible asset (separate financial statement) The Company's intangible brand asset – brand rights has an indefinite useful life that is subject to annual impairment test. The intangible brand right was valued at N1.269 billion as at 31 December 2019 (2018: N1.262 billion). This represents 17% of the total non-current assets and 11% of the total assets of the Group. In line with IAS 36 Impairment of assets, intangible assets with an indefinite useful life should be tested for impairment annually notwithstanding whether there are indicators of impairment. The impairment assessment process is complex; it involves significant management judgement and is based on assumptions that are affected by expected future market and economic conditions. The key assumptions used include earnings before interest, tax, amortization and depreciation (EBITDA) margins, discount rates, raw material prices, inflation and market share during the forecast period. The carrying amount and key assumptions are disclosed in Note 20 to the consolidated and separate financial statements.	**Our audit procedures amongst others are:** • We tested the intangible asset for impairment and evaluated the estimates and assumptions used in assessing the recoverability of intangible asset revenue and cash flow projections and discount rates. • We evaluated the assumptions and methodologies used in the annual impairment test prepared by the Management. • We challenged the tested Management's assumptions, especially the projected revenue growth, EBITDA margins and discount rates. • We also challenged and tested Management's assumptions by comparing the assumptions to historic performance of the Company, considering the sensitivity tests of the intangible assets' balances for any changes in respective assumptions. • We involved EY internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Chairman's' Statement, Statement of Directors' Responsibility, Report of the Audit Committee, Value Added Statement and Five-Year Financial Summary as required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our Auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 obtained prior to the date of this Auditors' 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..

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error .

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group'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 Group's and the company' 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 consolidated and separate 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 Group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, 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 purpose of our audit;

ii. in our opinion, proper books of account have been kept by the Group and the company, so far as appears from our examination of those books; and

iii. The Group's and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account

Omolola Alebiosu, FCA
FRC/2012/ICAN/00000000145
For: Ernst &Young
Lagos, Nigeria

13 th May 2020

Consolidated and Separate Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Revenue from contracts with customers	7	13,837	9,088	13,638	8 ,874
Other operating income	8	135	139	134	137
Raw materials and consumables used	9	(6,422)	(4,076)	(6,316)	(3,966)
Depreciation and amortisation	10	(749)	(417)	(732)	(406)
Employee benefits expense	11	(2,098)	(1,548)	(2,080)	(1,532)
Other expenses	12	(2,356)	(2,034)	(2,263)	(1,937)
Impairment loss on financial assets - net	16	(18)	(3)	(11)	(3)
Operating Profit		**2,329**	**1,149**	**2,370**	**1,167**
Finance costs	13	(189)	(6)	(177)	(6)
Finance income	14	347	107	347	107
Reversal of excess liabilities and provisions no longer required	15	-	95	-	90
Share of profit of an associate	22.1	115	125	-	-
Profit before taxation		**2,602**	**1,470**	**2,540**	**1,358**
Income tax credit/(expense)	17	723	(37)	723	(37)
Profit for the year		**3,325**	**1,433**	**3,263**	**1,321**
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Fair value changes on financial liabilities at fair value due to own credit risk	28.1	-	111	-	111
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	28.2	23	7	-	-
Other comprehensive income for the year, net of tax		23	118	-	111
Total comprehensive income for the year, net of tax		**3,348**	**1,551**	**3,263**	**1,432**
Profit: attributable to: owners of the parent		3,348	1,551	3,263	1,432
		3 ,348	**1,551**	**3,263**	**1,432**
Basic earnings per share (Naira)	18.1	0.14	0.28	0.17	0.23
Diluted earnings per share (Naira)	18.2	0.14	0.08	0.17	0.07

Notes 1 to 39 on pages 38 to 96 are an integral part of these consolidated and separate financial statements.

The above statement of OCI should be read in conjunction with the accompanying notes to the consolidated and separate financial statements.

Consolidated and Separate Statement of Financial Position

For the year ended 31 December 2019

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Assets					
Non-current assets					
Property, plant and equipment	19	7,136	4,210	7,090	4,148
Intangible assets	20	1,320	1,267	1,320	1,267
Right-of-use assets	32	1,965	-	1,915	-
Prepayments	25	-	264	-	264
Investments in subsidiaries	21	-	-	2	2
Investment in associates	22	1,660	1,545	1,583	1,583
Deferred taxation	17.4	783	-	783	-
Total non-current assets		12,864	7,286	12,693	7,264
Current assets					
Inventories	23	600	443	594	436
Trade and other receivables	24	1,194	221	1,374	396
Prepayments	25	444	454	441	452
Cash and bank balances	26	5,916	1,765	5,912	1,759
		8,154	2,883	8,321	3,043
Total assets		21,018	10,169	21,014	10,307
Equity and liabilities					
Equity					
Issued share capital	27.1	13,105	2,922	13,105	2,922
Share premium	27.2	6,180	4,700	6,180	4,700
Retained losses		(1,928)	(5,364)	(2,009)	(5,383)
Deposit for shares	27.3	-	4,501	-	4,501
Fair value changes on convertible loan option	28.1	-	111	-	111
Foreign currency translation reserve	28.2	(165)	(188)	-	-
Total equity		17,192	6 ,682	17,276	6,851

Consolidated and Separate Statement of Financial Position

For the year ended 31 December 2019

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Non-current liabilities					
Lease liability	29.2	1,108	-	1,058	-
Interest-bearing loans and borrowings	29.2	-	1,659	-	1,659
		1,108	1,659	1,058	1,659
Current liabilities					
Financial liability at fair value through profit or loss	29.1	-	118	-	118
Contract liability	30	59	23	59	23
Deferred income	30.1	22	24	22	23
Trade and other payables	31	2,577	1,592	2,539	1,562
Current tax liabilities	17.3	60	71	60	71
		2,718	1,828	2,680	1,797
Total liabilities		3,826	3,487	3,738	3,456
Total equity and liabilities		21,018	10,169	21,014	10,307

Notes 1 to 39 on pages 38 to 96 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements were approved by the Board of Directors on 26 March 2020 and signed on its behalf by:

Mr. Odunayo Olagundoye
FRC/2014/IODN/00000007626
Chairman

Mr. David Butler
FRC/2019/IODN/00000019524
Chief Executive Officer

Mrs. Anthonia Agbonifo
FRC/2013/ICAN/0000003934
Executive Director

Consolidated and Separate Statement of Changes in Equity

For the year ended 31 December 2019

The Group

	Issued share capital	Share premium	Retained losses	Deposit for shares	Foreign currency translation reserve	Fair Value Changes on Convertible loan options	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
For the year ended 31 December 2019							
At 1 January 2019	2,922	4,700	(5,364)	4,501	(188)	111	6,682
Profit for the year	-	-	3,325	-	-	-	3,325
Other comprehensive income	-	-	-	-	23	-	23
Total comprehensive income/(loss) for the year	2,922	4,700	(2,039)	4,501	(165)	111	10,030
Transaction with owners :							
Issue of shares *	2,628	1,164	-	-	-	-	3,792
Exercise of options #	3,054	631	-	-	-	-	3,685
Transaction cost on issue of shares	-	(315)	-	-	-	-	(315)
Deposit for shares	4,501	-	-	(4,501)	-	-	-
Reclassification of own credit reserve upon derecognition	-	-	111	-	-	(111)	-
At 31 December 2019	13,105	6,180	(1,928)	-	(165)	-	17,192
For the year ended 31 December 2018							
At 1 January 2018	2,922	4,700	(6,797)	-	(195)	-	630
Profit for the year	-	-	1,433	-	-	-	1,433
Other comprehensive income	-	-	-	-	7	111	118
At 31 December 2018	2,922	4,700	(5,364)	-	(188)	111	2,181
Transaction with owners :							-
Deposit for shares	-	-	-	4 501	-	-	4 501
At 31 December 2018	2,922	4,700	(5,364)	4,501	(188)	111	6,682

Exercise of option relates to the right issue exercised

* Relates to the conversion of ADP II convertible loan

Consolidated and Separate Statement of Changes in Equity

For the year ended 31 December 2019

The Company

	Issued share capital	Share premium	Retained losses	Deposit for shares	Fair Value Changes on Convertible loan options	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
For the year ended 31 December 2019						
At 1 January 2019	2,922	4,700	(5,383)	4,501	111	6,851
Profit for the year	-	-	3,263	-	-	3,263
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	2,922	4,700	(2,120)	4,501	111	10,114
Transaction with owners :						
Issue of shares *	2,628	1,164	-	-	-	3,792
Exercise of options #	3,054	631	-	-	-	3,685
Transaction cost on issue of shares	-	(315)	-	-	-	(315)
Deposit for shares	4,501	-	-	(4,501)	-	-
Reclassification of own credit reserve upon derecognition	-	-	111	-	(111)	-
At 31 December 2019	13,105	6,180	(2,009)	-	-	17,276
For the year ended 31 December 2018						
At 1 January 2018	2,922	4,700	(6,704)	-	-	918
Profit for the year	-	-	1,321	-	-	1,321
Other comprehensive income	-	-	-	-	111	111
Total comprehensive income for the year	2,922	4,700	(5,383)	-	111	2,350
Transaction with owners :						
Deposit for shares	-	-	-	4,501	-	4,501
At 31 December 2018	2,922	4,700	(5,383)	4,501	111	6,851

Exercise of option relates to the right issue exercised

* Relates to the conversion of ADP II convertible loan

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Operating activities					
Profit before tax		2,602	1,470	2,540	1,358
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and amortisation	10	749	417	732	406
Foreign exchange difference on Option	8/12	(79)	79	(79)	79
Loss on disposal of property, plant and equipment	12.2	9	16	9	16
Finance income	14	(347)	(107)	(347)	(107)
Deferred income recognised in the current period	30.1	(57)	(39)	(57)	(39)
Finance costs*	13	189	6	177	6
Reversal of excess liabilities and provisions no longer required	15	-	(90)	-	(90)
Exchange difference	12.1	29	11	-	-
Share of profit of an associate	22.1	(115)	(125)	-	-
Increase in impairment losses on all financial assets	16	18	3	11	3
Working capital adjustments:					
Increase in inventories		(157)	(102)	(158)	(100)
Increase in trade and other receivables	24	(987)	(135)	(985)	(127)
Increase in prepayments	25.1	(426)	(333)	(428)	(338)
Increase in short term deposits longer than 90 days		(4)	(17)	(4)	(17)
Increase in trade and other payables		985	150	977	150
Cash generated from operations		2,409	1,204	2,388	1,200
Income tax paid	17.3	(62)	(23)	(62)	(23)
Deferred income received	30.1	114	47	115	46
Net cash inflows from operating activities		2,461	1,228	2,441	1,223
Investing activities					
Interest received	14	347	107	347	107
Proceeds from sale of property, plant and equipment	12.2	7	5	7	5
Additions to property plant and equipment	19	(3,477)	(910)	(3,473)	(910)
Additional investment in an associate	22.3	-	(335)	-	(335)
Purchase of intangible assets	20	(57)	-	(57)	-
Net cash flows used in investing activities		(3,180)	(1,133)	(3,176)	(1,133)
Financing activities					
Repayment of borrowings	29.3.2	-	(601)	-	(601)
Proceeds from borrowings	29.3.2	-	1,809	-	1,809
Transaction cost on share issue	37.2	(131)	(184)	(131)	(184)
Proceeds from right issue	37	3,259	-	3,259	-
Receipt from convertible loan	37	2,520	-	2,520	-
Payment of principal portion of lease liability	39.1	(778)	-	(760)	-
Interest paid	13	-	(6)	-	(6)
Net cash flows from financing activities		4,870	1,018	4,888	1,018
Net increase in cash and cash equivalents		4,151	1,113	4,153	1,108
Cash and cash equivalents at 1 January		1 748	635	1 742	634
Cash and cash equivalents at 31 December	26.1	5,899	1,748	5,895	1,742

* 2019 finance cost relates to accretion of interest on lease liability in line with IFRS 16

1 Corporate Information

Food Concepts Plc (the Company) was incorporated in Nigeria as a limited liability company on 6 December 1999. The company commenced operations on 27 February 2001 and became a public limited company on 9 July 2008. The company is domiciled in Nigeria with its registered office located at 2, Ilupeju Bypass, Ilupeju, Lagos. The company which currently operates with a number of subsidiaries (collectively, the Group) has operations across Nigeria, Ghana and Mauritius with authorized Group activities covering provision of restaurant services, confectionery product and bakery (through its associate Company).

There was no change in the nature of business of the Group during the year.

These consolidated and separate financial statements of the Group and the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 26 March 2020.

2 Statement of Compliance

The consolidated and separate financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as complied with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act No. 6, 2011. The consolidated and separate financial statements have been prepared on a going concern basis.

2.1 Composition of consolidated and separate financial statements

The financial statements are drawn up in naira (the functional currency of Food Concepts Plc) and all values are rounded to the nearest million (₦million), except where otherwise indicated. In accordance with IFRS accounting presentation, the financial statements comprise:

- Consolidated and separate statement of financial position
- Consolidated and separate statement of profit or loss and other comprehensive income
- Consolidated and separate statement of changes in equity
- Consolidated and separate Statement of cash flows
- Notes to consolidated and separate financial statements.

2.2 Financial period

These financial statements cover the financial year ended 31 December 2019, with comparative figures for the financial year 31 December 2018.

2.3 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3.1 Fair value management

Fair value is 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 of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out as follows;

2.4 Basis of consolidation

The consolidated and separate financial statements comprise the financial statements of the Group, its subsidiaries and its associates as at 31 December 2019.

2.4.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. A subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. In assessing control, the Group takes into account its power over the subsidiary, exposure or rights to variable returns from its involvement with the subsidiary and its ability to affect returns through exercising its power over the subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

2.4.2 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies'' in line with IAS 28.3 .This is generally the case where the Group holds between 20% and 50% of the voting rights. 'The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4.3 Disposal of subsidiary

If the Group loses control over a subsidiary, it:

- De-recognises the assets and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interest
- De-recognises the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Accordingly, the resulting cash flows are classified in the same way as other transactions with owners. The Group accounts for investment in subsidiaries at cost in the separate financial statements.

2.4.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or subsidiary. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate

2.5 Historical cost convention

The consolidated and separate financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. However, convertible bonds/loans are stated using the fair value approach.

3 New standards and interpretations issued

3.1 New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the Group and the Company. The Group and the Company assessment of the impact of these new standards and interpretations is set out below:

3.1.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

3.1.2 Amendment to IFRS 3: Definition of Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

3.1.3 Conceptual Framework for financial reporting - Revised

These amendments were issued in March 2018. Included in the revised conceptual framework are revised definitions of an asset and a liability as well as new guidance on measurement and de-recognition, presentation and disclosure. The amendments focused on areas not yet covered and areas that had shortcomings.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Group and the Company do not intend to adopt the amendments before its effective date and does not expect it to have a material impact on its current or future reporting periods.

3.1.4 Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the consolidated financial statements

3.1.5 Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its works to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. The Group and the Company will not be affected by these amendments on the date of transition. Effective for annual periods beginning on or after 1 January 2020

There are no other standards issued and not effective that would have a material impact on the Group.

3.2 New and amended standards effective during the year

Leases

The Group and the Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group and the Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

3.2 New and amended standards effective during the year - continued

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment continued

The company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The company applies significant judgment in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group and the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset).

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Annual Improvements 2015-2017 Cycle

- **IFRS 3 Business Combinations**

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group and the Company as there is no transaction where joint control is obtained.

- **IFRS 11 Joint Arrangements**

  An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

  The amendments clarify that the previously held interests in that joint operation are not re-measured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

  These amendments had no impact on the consolidated financial statements of the Company as there is no transaction where a joint control is obtained.

- **IAS 12 Income Taxes**

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

  An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

  Since the Group and the Company's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group and the Company

- **IAS 23 Borrowing Costs**

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

4 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These accounting policies have been applied to all the years presented, unless otherwise stated.

4.1 Foreign currencies

Presentation and functional currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ('the functional currency'), which is the Ghana cedis and US dollar. The consolidated financial statements are presented in Nigerian Naira which is the functional currency of the Parent Company

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group and the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss or other comprehensive income depending on where the fair value gain or loss is reported.

Foreign operations

The results and financial position of foreign operations that have functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at the closing rate.
- Income and expenses for statement of profit or loss and other income are translated at average exchange rates unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at their respective exchange rates that existed on the dates of the transactions and;
- All resulting exchange differences are recognised in the other comprehensive income.

4.2 Current versus non-current classification

The Group and the Company present assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets or liabilities.

4.3 Revenue recognition

The Group and the Company have adopted IFRS 15 as issued in May 2014 which has resulted in changes in accounting policy of the Group and the Company. IFRS 15 replaces IAS 18 which covers revenue arising from the sale of goods and the rendering of services, IAS 11 which covers construction contracts, and related interpretations.

IFRS 15 introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

Revenue is measured at the fair value of the consideration received or receivable for goods or services, in the ordinary course of the Group and the Company's activities and it is stated net sales tax, discounts, rebates and returns

A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collect-ability 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 the evaluation done on the customer as stated in the credit management policy at the inception of the contract. The Group is the principal in all of its revenue arrangement since it is the primary obligor, has inventory risk and determines the pricing for the goods and services.

4.3.1 Sale of goods (quick service restaurants and Pie Express stores)

Sale of goods arises from the sale of food items from the Group and the Company owned stores to individual and corporate customers. Revenue from the sale of goods is recognised when the control of the goods are transferred to the buyer. This occurs when the goods are delivered to the customer or picked up by the customers. This is at a point in time.

Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and products has been accepted in accordance with the sales contract, or the acceptance provisions have lapsed, or the Group and the Company have objective evidence that all criteria for acceptance have been satisfied.

Rendering of services

Fees from franchised restaurants (franchisee royalty income): The sale-based franchise fees (royalties) are recognized at the later of when the sale occurs (provided there is no expectation of a subsequent reversal of the revenue); or the performance obligation to which some or all of the sales-based royalty has been allocated is satisfied (in whole or in part). An agreed royalty rate of 5% is charged on the Net Proceeds on Sale (NPS) declared by each franchisee and recognized in the books as royalty income.

Administrative fees on food supplies to franchisees (supply chain distribution): Administrative fee is charged on food and supplies transferred to franchisees. Revenue from the service is recognised when the control of the supplies are transferred to the franchisees. This occurs when the supplies are picked up. This is at a point in time.

Fees from the opening of new franchised restaurants (franchisee joining fees income): Joining fee is charged for the advisory services rendered to new franchisees to assist in setting up the outlet. Revenue from the service is recognised when the restaurants commence trading which is when control is transferred. This is at a point in time.

4.3.2 Contract liabilities

The Group and the Company recognise contract liabilities for advance fees charged on the opening of new franchised restaurants. Generally, the only performance obligations is the commencement of trading by franchisee, hence, revenue is only recognized when the franchisee outlet opens for trading. Thus, the Group and the Company recognise contract liability for the consideration received for which performance obligation has not been met.

Disaggregation of revenue from contract with customers

The Group and the Company derive revenue from three major revenue lines namely; sale of goods (quick service restaurant), franchise fees and administrative fees. The Group and the Company have determined that the disaggregation of revenue based on the criteria of type of products meets the disaggregation of revenue disclosure requirement of IFRS 15. It depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See further details in note 7.

4.4 Finance income

For all financial instruments measured at amortised cost, interest income is recognized using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

4.5 Finance cost

Finance costs includes borrowing costs and interest expense which are calculated using the effective interest rate method.

4.6 Taxes

4.6.1 Current income tax

The current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are determined in accordance with the Companies Income Tax Act (CITA). Company Income tax at 30% of taxable profits and Education tax at 2% of assessable profits Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods

Current income tax charge is calculated based on the tax laws enacted or substantially enacted at the reporting date in the country where the Group and the Company operate and generates taxable income.

4.6.2 Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recognized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is recognized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4.6.2 Deferred taxation - continued

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment are stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost of an item of property, plant and equipment includes expenditure incurred during construction, delivery and modification. Other subsequent expenditure is recognized only when it meets the recognition criteria.

Land and capital work in progress are not depreciated. Land is deemed to have an indefinite useful life.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and the Company recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of replaced parts is de-recognised.

4.7 Property, plant and equipment

Depreciation on the categories of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Asset Class	Number of years
Land and buildings	20-50
Plant and machinery	10
Kitchen equipment	15
Furniture and fittings	5
Motor vehicles	5
Computer and office equipment	4

Capital work-in-progress are assets under construction which take a substantial period of time. These are recorded at the cost incurred to date less any impairment loss and no depreciation is charged on these amounts. Depreciation commences when the assets are ready for their intended use.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. The gain or loss arising on de-recognition of the asset. This is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss for the period.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.8 Leases

Accounting policy applicable for leases after 1 January 2019

The Group and the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group and the Company as lessee

The Group and the Company applies' a single recognition and measurement approach for all leases. The Group and the Company have a number of short-term leases but do not have leases of low-value assets. The Group and Company recognises' lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group and the Company recognises' right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which range from 2 to 10 years for the various leases in the Group and Company's portfolio.

If ownership of the leased asset transfers to the Group or the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

4.8 Leases - continued

Lease liabilities

At the commencement date of the lease, the Group and the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group or the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group and the Company's lease liabilities are shown in Note 29.2

Short-term leases

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of some properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group and the Company do not have any leased assets categorised as low-value assets. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Sublease Arrangement

The Group and the Company classify the lease by reference to the right-of-use asset arising from the head lease and not by reference to the underlying asset. Lease payments are made in advance by the lessee's and income is recognized in profit or loss when such retail outlet starts trading. The Group and Company account for the sublease under deferred income note.

Accounting policy applicable for leases prior to 1 January 2019

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group and the Company as lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Group and the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an operating expense in the profit or loss on a straight-line basis over the lease term.

4.9 Intangible assets

Intangible assets are those identifiable non-monetary assets without physical substances. Separately acquired intangible assets are shown at historical costs. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. The useful lives of intangible assets are assessed as either finite or indefinite.

i) Computer software: Computer software have a finite useful life of 5 years and are subsequently carried at cost less accumulated amortisation and impairment losses, if any.

ii) Brand rights (Chicken Republic): Brand rights have an indefinite useful life.

Amortisation of computer software is calculated using the straight–line method to allocate their cost over their estimated useful life of 5 years and assessed annually for impairment whenever there is an indication that they may be impaired.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. This is not amortised, but is tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

De-recognition of intangible assets

An intangible asset is amortised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.10 Financial instruments

4.10.1 a) Classification and measurement

Financial assets

It is the Group and 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 Group and the Company business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Group and 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 Group are:

- Hold to collect: Financial assets in this category are held by the Group and the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. Assets held under this business model are measured at amortised cost.
- Hold to collect and sell: Financial assets in this category are held to collect contractual cash flows. The cash flows represent solely payment of principal and interest and sell where there are advantageous opportunities. These financial assets are measured at fair value through other comprehensive income.
- Held for trading: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value.

All of the Group and Company's financial assets as at 31 December 2019 satisfy the conditions for classification at amortised cost. The business model for the Group and the Company's financial assets are held to collect contractual cash-flows 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 Group and Company's financial assets include trade and other receivables, cash and short-term deposits. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in finance income/cost.

Financial liabilities

Financial liabilities of the Group and 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 Group and 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 Group and the Company's financial liabilities include trade and other payables and interest bearing loans and borrowings.

4.10.2 b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model is applicable to financial assets classified at amortised cost.

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 Group and the Company apply the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables while the general approach is applied to other receivables (amounts due to related parties) and cash and short-term deposits.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Group and the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

4.10.2 b) Impairment of financial assets - continued

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counter parties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria and inflation, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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."

4.10.3 Significant increase in credit risk and default definition

The Group and the Company assess the credit risk of financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Group and the Company identify the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are Grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Group and Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Group and the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group and the Company determine that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

4.10.4 De-recognition

Financial assets

The Group and the Company de-recognises 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 de-recognition. Gains or losses on de-recognition of financial assets are recognised as finance income(cost).

Financial liabilities

The Group and the Company de-recognises 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 de-recognition 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.

4.10.5 Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the de-recognition of that financial instrument, the Group and the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

4.10.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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 contingent on future events and is enforceable in the normal course of business, and in event of default, insolvency or bankruptcy of the Company or the counter-party.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise of cash on hand, cash at bank, term deposits and other short term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short- term deposits as defined above. Please see note 4.10.2 for accounting policies on impairment of financial assets.

Convertible loans

Convertible loans are separated into liability and equity components based on the terms of the contract. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at fair value until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option and own credit risk. The equity conversion option embedded in the convertible loan is classified as a financial liability, given that the convertible loan is in foreign currency. A foreign currency convertible bond is classified as a financial liability under IAS 32, and then measured under the requirements of IFRS 9. An equity conversion option embedded in a financial liability is not considered by IFRS 9 to be clearly and closely related to the host contract, and should be accounted for as a separate derivative financial instrument measured at fair value through profit or loss.

If an entity issues a bond in a currency other than its functional currency, the conversion option will not meet the definition of equity in IAS 32, even if the bond is convertible into a fixed number of shares. This is because a fixed amount of foreign currency (a currency different to the functional currency of the bond) is not a fixed amount of cash.

4.11 Inventories

Inventories are valued at the lower of cost or net-realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Cost of raw materials and other costs incurred in bringing each product to its present location and condition are accounted for, on a weighted average basis. The cost of finished goods includes all direct costs relating to the purchase of these items.

4.12 Impairment of non-current assets

The Group and the Company assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Group and the Company estimates the recoverable amount of the relevant assets.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its re- coverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

In assessing the fair value less cost to sell, this represents the difference between the acquisition cost and the current fair value, less any impairment loss and the associated cost to sell.

4.13 Provisions

Provisions are recognized when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group and the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the profit or loss net of any reimbursement.

4.14 Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

a) **Contingent liabilities**

Contingent liabilities are possible/probable obligations whose existence will only be confirmed by future events not wholly within the control of the Group, or present obligations where it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

b) **Contingent assets**

Contingent assets are possible assets whose existence will only be confirmed by future events not wholly within the control of the Group and the Company.

Contingent assets are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

4.15 Staff Pension

The Group and the Company operate a defined contribution plan in line with the provisions of the Pension Reform Act 2004. This plan is in proportion to the services rendered to the Group and the Company by the employees on the part of the Group.

The Group and the Company contribute 10% while the employees contribute 8% of employees current salaries and designated allowances to the scheme. Staff contributions to the scheme are funded through payroll deductions while the Group and Company's contribution is recorded as employee benefit expense in the profit or loss.

4.16 Share-based payments

The senior executives of the Group and the Company receive remuneration in the form of share-based payment transactions, whereby the senior executives render services as consideration for equity instruments (equity-settled transactions).

The exercise price of the share option is equal to the nominal price (₦0.50) of the underlying shares in the first year.

The share options vest if and when the senior executive remains employed on such date. The Group has a re-purchase right upon termination of the optionee's services for the Group and the Company. The exercised options are subject to right of first refusal by the Group upon any sale, assignment, transfer, encumbrance or other disposition of the Group's shares.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognized for equity- settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group and the Company's best estimate of the number of equity instruments that will vest.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

4.17 Equity instruments

Equity instruments issued by the Group and the Company are recorded at the consideration received, net of any directly attributable transaction costs.

4.18 Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

4.19 Dividend on ordinary shares

Dividends on the Group's ordinary shares are recognized in equity in the year in which they are paid or liability in the period in which they are approved.

4.20 Key management personnel

For the purpose of related party disclosures, key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group and the Company. For Food Concepts Plc, key management personnel are considered to be designations from senior divisional head levels to Chief Executive Officer at the Group.

4.21 Earnings per share (EPS)

Basic EPS

Basic EPS is calculated on the Group and the Company's profit or loss after taxation attributable to the Group and the Company on the basis of weighted average number of shares issued and fully paid ordinary shares at the end of the year.

Diluted EPS

Diluted EPS is calculated by dividing the profit after taxation attributable to the Group and the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

5 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated and separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.1 Judgments

5.1.1 Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated and separate financial statements continue to be prepared on the going concern basis.

5.1.2 Capital work-in-progress

Costs are recognized in accordance with the accounting policy. Initial recognition of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. In determining the amounts to be recognized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

5.1.3 Deferred tax asset recognition

The Group and the Company recognized deferred income tax on unused tax credits and unused tax losses to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be recognized and that the Group is able to satisfy the continuing ownership test. The deferred tax assets have not been recognized on the basis of recoverability and prudence.

5.1.4 Determining the lease term of contracts with renewal and termination options – Group and the Company as lessee

The Group and the Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company has several lease contracts that include extension and termination options. The Group and the Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

5.2 Estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty, at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group and the Company based its assumptions and estimates on parameters available when the consolidated and separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group and the Company.

5.2.1 Impairment losses on financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Group and the Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed note 36.2.

5.2.2 Depreciation of property, plant and equipment

The management's estimate is used in determining the depreciation rates and useful lives of these assets at the end of the period. Further details of property, plant and equipment are disclosed in Note 19.

5.2.3 Amortisation of intangible assets with definite useful life

The management's estimate is used in determining the amortisation rates and useful lives of these assets at the end of the period. Further details of intangible assets with definite useful life are disclosed in Note 20. .

5.2.4 Leases - Estimating the incremental borrowing rate

The Group and Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6 Segmental reporting

6.1 Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Board.

The Chief Operating Decision-Maker (CODM) reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate. The CODM considers the business from a geographic perspective, with Nigeria, Ghana and Mauritius being the identified reportable segments. These reportable segments make up the total operations of the Group. The CODM assesses the performance of these segments based on operating profit before any exceptional items. Other information provided, except as noted below, to the CODM is measured in a manner consistent with that of the financial statements.

Segmentation applies only to the Group and does not apply to the Company. For management purposes, the Group is organized into business units based on their locations and has three geographical reportable segments as follows:

- Nigeria
- Ghana
- Mauritius

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. All segments revenue come from the geographical location of the each segment.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Below are the operating results of the business unit separately for the purpose of resource allocation and performance assessment.

Segmental analysis	2019					2018				
	Ghana	Nigeria	Mauritius	Elimination	Total segments	Ghana	Nigeria	Mauritius	Elimination	Total segments
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue										
External customers	208	13,638	-		13,846	223	8,874	-	-	9,097
Internal customers	-	-	-	(9)	(9)	-	-	-	(9)	(9)
	208	13,638	-	(9)	13,837	223	8,874	-	(9)	9,088
Results										
Raw materials and consumables used	(115)	(6,316)	-	9	(6,422)	(119)	(3,966)	-	9	(4,076)
Employee benefits expense	(18)	(2,080)	-	-	(2,098)	(16)	(1,532)	-	-	(1,548)
Depreciation and amortisation	(17)	(732)	-	-	(749)	(11)	(406)	-	-	(417)
Other expenses	(91)	(2,263)	(2)	-	(2,356)	(90)	(1,937)	(7)	-	(2,034)
Impairment losses on financial assets - net		(18)	-	-	(18)	-	(3)	-	-	(3)
Finance costs	(12)	(177)	-	-	(189)	-	(6)	-	-	(6)
Finance income	-	347	-	-	347	-	107	-	-	107
Reversal of liabilities no longer required	-	-	-	-	-	-	90	5	-	95
Other operating income	1	134	-	-	135	-	-	-	-	-
Share of profit of an associate	-	115	-	-	115	-	125	-	-	125
Segment profit/(loss) before tax	(44)	2,648	(2)	-	2,602	(12)	1,483	(2)	-	1,470
Taxation	-	723	-	-	723	-	(37)	-	-	(37)
Profit for the year	(44)	3,371	(2)	-	3,325	(12)	1,446	(2)	-	1,433
Non-current assets	96	12,768	-	-	12,864	62	7,224	-	-	7,286
Current assets	25	8,321	-	(192)	8,154	14	3,043	1	(175)	2,883
Total assets	121	21,089	-	(192)	21,018	76	10,267	1	(175)	10,169
Non-current liabilities	50	1,058	-	-	1,108	-	1659	-	-	1 659
Current liabilities	230	2,680	-	(192)	2,718	206	1,797	-	(175)	1,828
Total liabilities	280	3,738	-	(192)	3,826	206	3,456	-	(175)	3,487
Net (liabilities)/assets	(159)	17,351	-	-	17,192	(130)	6,811	1	-	6,682

All Inter company receivables and payables have been eliminated

Disaggregation of revenue

The Group derives all its revenue from the sale of goods and provision of services at a point in time from different geographical regions as stated in Note 6.1 above. See further disaggregation in note 7.1. The Group had no revenue from a single customer that accounted for more than 10% of the total revenue in 2019 (2018: nil).

6.2 Reconciliation

Segment Profit/ (loss) after taxation	2019 ₦ million	2018 ₦ million
Profit after taxation for reportable segment	3,325	1,433
Profit for the year	3,325	1,433

6.2.1 Segment assets

The amounts reported to the Board with respect to total assets are measured in a manner consistent with that of the consolidated and separate financial statements. All assets are allocated to reportable segments

	2019	2018
Segment assets are reconciled to total assets as follows:	₦ million	₦ million
Segment assets for reportable segments	21,018	10,169
Total assets	21,018	10,169

6.2.2 Segment liabilities

The amounts reported to the Board with respect to total liabilities are measured in a manner consistent with that of the consolidated and separate financial statements. All liabilities are allocated to reportable segments.

	2019	2018
Segment liabilities are reconciled to total liabilities as follows:	₦ million	₦ million
Segment liabilities for reportable segments	3,826	3,487
Total liabilities	3,826	3,487

6.2.3 Equity reconciliation

	2019	2018
Total Assets	21,018	10,169
Less: Total liabilities	(3,826)	(3,487)
Total equity	17,192	6,682

7 Revenue from contracts with customers

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
7.1 By business:				
Quick service restaurants	13,722	8,840	13,523	8,617
Franchise royalty income	102	86	102	86
Franchise joining fees income	13	46	13	46
Supply chain distribution	-	116	-	125
	13,837	9,088	13,638	8,874
7.2 Timing of revenue recognition				
Goods and services transferred at a point in time	13,837	9,088	13,638	8,874
	13,837	9,088	13,638	8,874
7.3 By geographical location:				
Outside Nigeria	208	223	-	-
Within Nigeria	13,629	8,865	13,638	8,874
	13,837	9,088	13,638	8,874

*There is no other revenue other than revenue from contracts with customers in 2019. Performance obligation for each revenue line is disclosed under accounting policies on revenue 4.3.1.1

7.4 Contract balances

	2019	2018	2019	2018
Trade receivables (Note 7.4.1)	49	34	48	34
Contract liabilities	59	23	59	23

Trade receivables are non-interest bearing and are generally on terms of 30 days. In 2019, ₦14million was recognized as provision for expected credit losses on trade receivables.

Contract liabilities represents joining fee received in advances from prospective franchises.

7.4.1 Trade receivables

	2019	2018	2019	2018
Gross carrying amount	76	47	75	47
Impairment loss	(27)	(13)	(27)	(13)
	49	34	48	34

		The Group		The Company	
		2019	2018	2019	2018
		₦ million	₦ million	₦ million	₦ million
8	**Other operating income**				
	Other income	56	139	55	137
	Foreign exchange difference on option	79	-	79	-
		135	139	134	137
8.1	**Reconciliation of foreign exchange difference on option**				
	Balance as at 1st January	(79)	-	(79)	-
	Foreign exchange difference on option	79	(79)	79	(79)
	Balance as at 31 December	-	(79)	-	(79)
	Other income includes income from sales of used oil and rental income.				
9	**Raw materials and consumables used**				
	Raw materials consumed	6,400	4,067	6,297	3,960
	Transportation of raw materials	22	9	19	6
		6,422	4,076	6,316	3,966
10	**Depreciation and amortisation**				
	Depreciation charge (note 19)	522	410	515	399
	Amortisation charge (note 20)	4	7	4	7
	Depreciation of Right of Use Asset (note 32)	223	-	213	-
		749	417	732	406
11	**Employee benefits expense**				
	Salaries and allowances	1,885	1,388	1,867	1,373
	Pension costs	48	30	48	29
	Medical expenses	4	22	4	22
	Staff meals	161	108	161	108
		2,098	1,548	2,080	1,532
12	**Other expenses**				
	Rental charges payable under operating leases	105	358	98	341
	Transport	167	98	167	97
	Repair and maintenance	298	231	293	226
	Brand and marketing	169	149	165	147
	Bank charges	112	61	112	61
	Exchange loss- (Note 12.1)	30	18	1	7
	Foreign exchange difference on Option	-	79	-	79
	Audit fee	17	15	16	14
	Professional fees	86	27	84	23
	Directors' fee	48	31	48	31
	Contract and support services	77	53	74	49
	Loss on sale of property plant and equipment- (Note 12.2)	9	16	9	16
	Insurance	31	19	31	18
	Utilities	819	608	792	576
	Licenses and fees	36	41	36	41
	Sundry expenses*	310	196	295	177
	Communication	36	28	36	28
	Rates and levies	6	6	6	6
		2,356	2,034	2,263	1,937

*Sundry expenses include printing and general stationery expense, cleaning material expense and annual software license cost.

There were no non-audit services rendered by the Group's auditors during the year (2018: nil)

		The Group		The Company	
		2019	2018	2019	2018
		₦ million	₦ million	₦ million	₦ million
12.1	**Exchange Loss**				
	Exchange Loss on operating expenses (realized)	1	7	1	7
	Unrealized exchange loss on operating expense	29	11	-	-
	For the purpose of the cash flow statement, the unrealized exchange loss is analysed as follows:	30	18	1	7
	Exchange loss	29	11	-	-
12.2	**Loss on sale of property, plant and equipment**				
	Proceeds from disposal	7	5	7	5
	Less net book value of disposed assets	(16)	(21)	(16)	(21)
	Loss on sale of property, plant and equipment	(9)	(16)	(9)	(16)
13	**Finance Costs**				
	Interest on debts and borrowings**	-	6	-	6
	Interest on lease liabilities (Note 32)	189	-	177	-
		189	6	177	6
	For the purpose of the cash flow statement, the interest expense is analysed as follows:				
	Bank interest paid	-	6	-	6
		-	6	-	6
	** The Group converted all its convertible loans to equity during the year. As such no interest expense was reported.				
14	**Finance Income**				
	Interest income on short-term deposits	347	107	347	107
	For the purpose of cash flow statement, the interest received is analysed as follows:				
	Interest received	347	107	347	107
		347	107	347	107
	Finance income relates to interest on fixed deposits and treasury bills investments during the year, recognised based on agreed rate with the Banks on each principal.				
15	**Reversal of excess liabilities and provisions no longer required**				
	Reversal of liability no longer required	-	90	-	90
	Reversal of payable in Express Food Franchise Limited	-	5	-	-
		-	95	-	90
	In 2018, reversal of liability no longer required relates to the write back of accruals on a levy for Abuja entertainment and event centre levy. Food Concepts obtained a court ruling that declared the levy null and void in Abuja hence the write back of the accrued amount. The Group amount includes ₦ 5 million other payable written back to profit or loss.				
16	**Impairment loss on financial assets -net**				
	Impairment loss on trade receivables (Note 24.1.1)	14	3	14	3
	Impairment on due from related parties (Note 24.2.1)	-	-	(7)	-
	Impairment on short term deposits (Note 26.1.1)	4	-	4	-
		18	3	11	3

17 Income tax

17.1 Corporation tax is calculated at 30 % (2018: 30 percent) of the estimated taxable profit for the year based on the provisions of the Companies' Income Tax Act, CAP C21, LFN, 2004 as amended. The Company is not liable to minimum tax under Section 28A of the Company Income Tax Management Act because more than 25% of its equity share capital is imported. The charge for education tax of 2 percent (2018: 2 percent) is based on the provisions of the Education Tax Act, CAP E4, LFN, 2004

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Corporation tax	-	-	-	-
Education Tax:				
Education tax charge @ 2%	60	37	60	37
Deferred tax income	(783)	-	(783)	-
Total Tax charge	(723)	37	(723)	37

17.2 Reconciliation of Income tax

A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the years ended 31 December 2019 and 2018 is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Accounting Profit for the year	2 602	1 470	2 540	1 358
At Nigeria's statutory income tax rate of 30% (2018: 30%)	781	441	762	407
Impact of dis-allowable expenses for tax purpose	174	158	162	151
Impact of non-taxable income	(58)	(38)	(24)	-
Loss relief utilized	(897)	(561)	(900)	(558)
At the effective income tax rate of 30% (2018: 30%)	-	-	-	-

17.3 Current tax liabilities

The movement in the current tax liabilities are as follows:	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
As at 1 January	71	-	71	-
Reclassification from other payable	-	57	-	57
Education tax	60	37	60	37
Payment during the year	(62)	(23)	(62)	(23)
Withholding tax utilized during the year	(9)	-	(9)	-
As at 31 December	60	71	60	71

Reclassification from other payables relates to prior year company income tax and education tax previously classified from trade and other payables. This represents amount due from tax audit for previous years for which the company received assessment in 2018. Out of this balance, ₦ 23million was paid in the year 2018.

17.4 Deferred taxation

The movement on the deferred taxation account during the year was as follows:	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
At 1 January	-	-	-	-
Credit for the year	783	-	783	-
As at 31 December	783	-	783	-

18 Earnings per share (EPS)

Earnings per share are computed by dividing the profit attributable to ordinary equity holders of the Group and the Company by the weighted average number of ordinary shares in issue during the year.

18.1 Basic earnings per share	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Profit for the year	3 ,325	1,433	3,263	1,321
Issued share capital (Unit million)	5,844	5,844	5,844	5,844
Less: Reciprocal holding (Unit million)	(785)	(785)	-	-
Add: ordinary shares attributable to convertible loans fully converted to equity**	6 107	-	6 107	-
Deposit for shares converted to equity during the year	7 793	-	7 793	-
Right issues made to existing share holders	4 147	-	4 147	-
Weighted average number of ordinary share used in calculating earnings per share for the year	23,106	5,059	19,744	5,844
Total basic earnings per share (₦)	0.14	0.28	0.17	0.23

18.2 Diluted earnings per share	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Weighted average number of ordinary share used in calculating earnings per share for the year	23,106	5,059	19,744	5,844
Add: Dilutive shares (number of ordinary shares attributable to the existing convertible loans at ₦0.5 per share	-	12,320	-	12,320
Weighted average number of potential ordinary share used in calculating diluted earnings per share	23,106	17,379	19,744	18,164
Total diluted earnings per share (₦)	0.14	0.08	0.17	0.07

The Weighted average number of shares used to compute the Group's earnings per share has been adjusted to exclude 785,164,380 units of shares held by the Company through its Investment in Food Concepts International Limited.

This represents 35.73% of the shares of Food Concepts Plc held by Food Concepts International Limited.

**During the year, Food Concepts converted outstanding ADP II Convertible loans to equity. The Securities and Exchange Commission (SEC) approved the issuance of 6,107,212,128 units of shares at N0.50.

19 Property, plant and equipment

The Group	Land and buildings ₦ million	Plant and machinery ₦ million	Kitchen equipment ₦ million	Furniture and fittings ₦ million	Motor vehicle ₦ million	Computer and office equipment ₦ million	Capital work-in-progress ₦ million	Total ₦ million
Cost:								
At 1 January 2018	3,546	872	1,554	863	200	420	78	7,533
Additions	277	155	261	107	45	64	1	910
Transfer from Capital Work In Progress	-	2	35	-	-	-	(37)	-
Disposals	(2)	(25)	(25)	(20)	-	(18)	-	(90)
Exchange differences	(3)	(1)	(2)	-	-	(1)	-	(7)
At 31 December 2018	3,818	1,003	1,823	950	245	465	42	8 346
Additions	**1,516**	**331**	**873**	**276**	**48**	**163**	**270**	**3,477**
Transfer from Capital Work In Progress	-	1	189	6	-	-	(196)	-
Disposals	(5)	(27)	(53)	(19)	-	(5)	(2)	(111)
Exchange differences	(15)	(5)	(8)	(5)	-	-	-	(33)
At 31 December 2019	5,314	1,303	2,824	1,208	293	623	114	11,679
Depreciation:								
At 1 January 2018	1 067	490	908	778	192	363	-	3 798
Depreciation charge for the year	154	81	99	39	9	28	-	410
Disposals	(1)	(15)	(16)	(19)	-	(18)	-	(69)
Exchange differences	(1)	(1)	(1)	-	-	-	-	(3)
At 31 December 2018	**1,219**	**555**	**990**	**798**	**201**	**373**	**-**	**4,136**
Depreciation charge for the year	176	87	127	67	15	50	-	522
Disposals	(1)	(24)	(46)	(19)	-	(5)	-	(95)
Exchange differences	(6)	(3)	(6)	(5)	-	-	-	(20)
At 31 December 2019	1,388	615	1,065	841	216	418	-	4,543
Net book value:								
At 31 December 2019	3,926	688	1,759	367	77	205	114	7,136
At 31 December 2018	2,599	448	833	152	44	92	42	4,210

19 Property, plant and equipment

The Company	Land and buildings ₦ million	Plant and machinery ₦ million	Kitchen equipment ₦ million	Furniture and fittings ₦ million	Motor vehicle ₦ million	Computer and office equipment ₦ million	Capital work-in-progress ₦ million	Total ₦ million
Cost:								
At 1 January 2018	3,473	847	1,515	838	199	417	78	7,367
Additions	277	155	261	107	45	64	1	910
Transfer from Capital Work In Progress	-	2	35	-	-	-	(37)	-
Disposals	(2)	(25)	(25)	(20)	-	(18)	-	(90)
At 31 December 2018	3,748	979	1,786	925	244	463	42	8,187
Additions	1,513	331	873	275	48	163	270	3,473
Transfer from Capital Work In Progress	-	1	189	6	-	-	(196)	-
Disposals	(5)	(27)	(53)	(19)	-	(5)	(2)	(111)
At 31 December 2019	5,256	1,284	2,795	1,187	292	621	114	11,549
Depreciation:								
At 1 January 2018	1,044	476	882	756	190	361	-	3,709
Depreciation charge for the year	150	78	97	37	9	28	-	399
Disposals	(1)	(15)	(16)	(19)	-	(18)	-	(69)
At 31 December 2018	1,193	539	963	774	199	371	-	4,039
Depreciation charge for the year	173	86	125	66	15	50	-	515
Disposals	(1)	(24)	(46)	(19)	-	(5)	-	(95)
At 31 December 2019	1,365	601	1,042	821	214	416	-	4,459
Net book value:								
At 31 December 2019	3,891	683	1,753	366	78	205	114	7,090
At 31 December 2018	2,555	440	823	151	45	92	42	4,148

20 Intangible assets

	The Group			The Company		
	Brand rights	Computer software	Total	Brand rights	Computer software	Total
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Cost:						
At 1 January 2018	1,262	295	1,557	1,262	295	1,557
Additions	-	-	-	-	-	-
At 31 December 2018	**1,262**	**295**	**1,557**	**1,262**	**295**	**1,557**
Additions	7	50	57	7	50	57
At 31 December 2019	**1,269**	**345**	**1,614**	**1,269**	**345**	**1,614**
Amortisation:						
At 1 January 2018	-	283	283	-	283	283
Charge for the year	-	7	7	-	7	7
At 31 December 2018	**-**	**290**	**290**	**-**	**290**	**290**
Charge for the year	-	4	4		4	4
At 31 December 2019	**-**	**294**	**294**	**-**	**294**	**294**
Carrying value:						
At 31 December 2019	**1,269**	**51**	**1 320**	**1,269**	**51**	**1,320**
At 31 December 2018	**1,262**	**5**	**1,267**	**1,262**	**5**	**1,267**

The brand rights were purchased and not internally generated

20.1 Impairment testing of intangible assets with indefinite useful lives

Brand rights with indefinite lives has been allocated to the cash generating unit below, which are also operating segments for impairment testing. Cash generating unit (CGU) is defined as the smallest identifiable Group of assets that generates cash inflows and are largely independent of the cash inflows from other assets or Groups of assets. The CGU's have been identified as the Chicken Republic outlets.

	Chicken Republic unit		Chicken Republic unit	
	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Brand rights with indefinite useful lives (carrying amount)	1,269	1,262	1,269	1,262
Brand rights with indefinite useful lives (Recoverable amount)	17,793	8,445	17,793	8,445

20.1 Impairment testing of intangible assets with indefinite useful live - continued

The Group and the Company performed its annual impairment test in December 2019 and 2018. The Group and Company consider the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the recoverable value (defined as the value in use) of the Group and the Company was ₦17.79 billion (2018: ₦8.4 billion) which is above the book value of its equity, indicating there was no potential impairment of the assets of the operating segment. The cash flow assumptions were based on a 61% annual growth in revenue (this is a combination of same store growth, new stores and new products innovation) while making inflation adjustment for costs at 10%. The projected cash flows have been updated to reflect the increase in customers' preferences for our products which is evidenced in the annual growth in customer count. The pre-tax discount rate applied to cash flow projections is 25% (2018: 25%). Management has used a five years cash flow projection for the impairment testing.

Key assumptions used in the value in use calculations and sensitivity to changes in assumptions

- The calculation of value in use for Chicken Republic is sensitive to the following assumptions
- EBITDA margins
- Discount rates
- Raw materials price inflation
- Market share during the forecast period

Intangible assets with indefinite useful lives continued EBITDA margins – EBITDA margins are based on average of 23% for the forecasted five years. The forecasts are based on historical performances of the business as at the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements arising essentially from economies of scale attributable to growth in number of trading stores and expense optimization. Decreased demand can lead to a decline in the EBITDA margin. A decrease in the EBITDA margin by 59% would result in impairment in the Chicken Republic unit by ₦368million

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future cash flows to reflect a pre-tax discount rate

Raw materials price inflation - Estimates are obtained from published indices for Nigeria from the World bank website, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for Nigeria), otherwise past actual raw material price movements are used as an indicator of future price movements. Management has considered the possibility of greater-than-forecast increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers. Forecast price inflation lies within a range of 14% to 7% for the key production inputs in Nigeria. If prices of raw materials increase on average by 6% more than the forecast price inflation, the Group and the Company will have no impairment.

Market share assumptions - Management expects the Group and the Company's share of the Quick Service Restaurant (QSR) to continue to grow over the forecast period. Management believes the brand will continue to attract new customers as more outlets are opened and the existing ones are revamped. Also, management will continue to provide more customers with more varieties and affordable meal categories. Thus a growth rate of 61% was adopted for the revenue forecast for existing store and incremental revenue from budgeted new stores using the current trend of similar stores. The effect of new entrants is not expected to have an adverse impact on the forecasts, as management prides itself as having a good understanding of customer's preferences.

21 Investment in subsidiaries

	The Company	
	2019 ₦ million	2018 ₦ million
Food Concepts Ghana Limited	2	2
	========	========

Investment in Express Foods Franchise Limited is less than ₦ 1 million.

21.1 Interests in other entities

The Group's principal subsidiaries and associates at 31 Dec 2019 are set out below. Unless otherwise stated, the share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

There were no significant judgements made in consolidating the Group's subsidiaries. Also, none of the Groups' associates were subject to significant restrictions. None of the subsidiaries have controlling interests that are material to the Group. The Group's investment in associates is accounted for using the equity method.

The consolidated financial statements of the Group include:

Name of entity				Ownership interest held by non-controlling interest		
		2019	2018	2019	2018	Principal activities
Subsidiaries		%	%	%	%	
Food Concepts Ghana Limited	Ghana	100	100	-	-	Restaurant
Express Food Franchise International	Mauritius	100	100	-	-	Food business
Associate						
Food Concepts Pioneer Limited	Nigeria	35.61	35.61	64.39	64.39	Production of baked food
Food Concepts International Limited	Nigeria	35.70	35.70	64.30	64.30	Investment portfolio

22 Investment in associates

	The Group	
	2019	2018
	₦ million	₦ million
Carrying value of Investment in Associate- Equity Accounting		
Food Concepts Pioneer Limited	1,059	944
Food Concepts International Limited	601	601
	1,660	1,545

	The Company	
	2019	2018
Cost of Investment in Associate	₦ million	₦ million
Food Concepts Pioneer Limited	982	982
Food Concepts International Limited	601	601
	1,583	1,583

22.1 Investment in Food Concepts Pioneer Limited:

The Group has a 35.61% interest in Food Concept Pioneer Limited. Food Concepts Pioneer Limited was incorporated in Nigeria as a limited liability company. The principal activities of the company include the production, marketing, sale and distribution of baked products, confectioneries, beverages, cereal flour milling in Nigeria. The year end of the associate is 30 September. In determining the Group's share of profit and loss of the associate from January till December, the Group has used the financial statement as at 30 September 2019 because it is the last audited financials and management account for the remaining 3months ending December 2019.

The Group's interest in Food Concept Pioneer Limited is accounted for using the equity method in the consolidated financial statements.

The table on the next page illustrates the summarised financial information of the Group's investment in Food Concept Pioneer Limited:

22.1 Investment in Food Concepts Pioneer Limited - continued

	2019	2018
	₦ million	₦ million
Current assets	1,145	1,881
Non-current assets	2,977	1,875
Current liabilities	(647)	(569)
Non-current liabilities	(437)	(537)
Equity	3,038	2,650
Group share of the Net Asset of Food Concepts Pioneer Limited	1,082	944
Carrying value	1,082	944
Revenue	5,586	4,988
Cost of sales	(4,472)	(3,765)
Administrative expenses	(509)	(712)
Other gains losses - net	13	(25)
Net Impairment losses on financial assets	(2)	
Investment income	16	19
Finance costs	(52)	(17)
Profit before tax	580	488
Income tax expense	(191)	(137)
Profit for the year ended 30 Sept 2019	389	351
Share of profit of associate	115	125

Work-back Analysis of Associates Profit for the period Jan- Dec 2019

Oct 2018 -Sept 2019	As per Audited Financial statement	389
Oct 2018- Dec 2018	Less 3months profit from Management Account	(123)
Jan 2018- Sept 2019		
Oct 2018- Dec 2019	Add 3months profit from Management Account	266
		58
		324
Share of profit of associate		115

The associate has future operating lease commitments of ₦535million (2018:₦193million) and capital commitment of ₦234million (2018: ₦1.071billion)

22.2 Investment in Food Concepts International Limited (FCIL)

The Group has a 35.7% interest in Food Concepts International Limited. Food Concepts International Limited was incorporated in Nigeria as a limited liability company.

Food Concepts Plc acquired the shares of a Director (Akinyanju) following the settlement agreement executed in August 2017. The Group's interest in Food Concepts International Limited give rise to a reciprocal holding and as such the initial recognition was accounted at cost given that Food Concepts Plc is the only asset of Food Concepts International Limited. Subsequently, the net asset of FCIL hasn't changed as there has been no activity in the associate, hence the recognition of the investment value is the same in 2019.

The following table illustrates the summarised financial information of the Group's investment in Food Concepts International Limited as at 31 Dec 2019. The information are based on unaudited financial statements of Food Concepts International Limited.

	2019	2018
	₦ million	₦ million
Current assets	-	-
Non-current assets *	1,686	1,686
Current liabilities	-	-
Non-current liabilities	-	-
Equity	1,686	1,686
Group share of Net Asset of Food Concepts International Limited	601	601
Carrying value	601	601

* Representing FCIL investment in Food Concepts Plc

The associate had no contingent liabilities or capital commitments as at 31 December 2019 (2018:nil)

22.3 Movement in Investment in Associate

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Opening balance	1,545	1,085	1,583	1,248
Acquisition of investment in Food Concepts Pioneer Limited	-	335	-	335
Acquisition of investment in Food Concepts International Limited	-	-	-	-
Share of profit of Associate (Note 22.1)	115	125	-	-
	1,660	1,545	1,583	1,583

23 Inventories

Food and beverages	390	272	384	266
Packaging materials	115	86	115	86
Other consumables	95	85	95	84
	600	443	594	436

The inventory is carried at the lower of cost and net realisable value. There was no write down of inventory to NBV. Inventory recognised as expense during the year amounted to ₦6 million (2018: ₦7 million). These were charged to profit or loss and included in raw materials and consumables used. There were no reversal of previously recognised write down of inventory during the year ended 31 December 2019 (2018: nil)

24 Trade and other receivables

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Trade receivables	24.1	76	47	75	47
Amount due from related parties	24.2	-	-	192	189
Employee and vendor advances	24.3	1,071	146	1,071	146
Other receivables		74	41	70	41
		1,221	234	1,408	423
Impairment on trade receivables	24.1.1	(27)	(13)	(27)	(13)
Impairment on due from related party	24.2.1	-	-	(7)	(14)
		1,194	221	1,374	396

Trade receivables are non-interest bearing and are generally on 30-day terms. Other receivables are withholding tax receivable amounts.

24.1 Reconciliation of gross carrying amount for trade receivables is as follows;

	The Group 2019	The Group 2018	The Company 2019	The Company 2018
Gross carrying amount as at I January	47	49	47	49
Invoiced during the year	170	142	169	142
Receipts during the year	(141)	(144)	(141)	(144)
Gross Carrying amount as at 31 December	76	47	75	47

24.1.1 Reconciliation of loss allowance for trade receivables as at 31 December 2019 is as follows;

	The Group 2019	The Group 2018	The Company 2019	The Company 2018
Loss allowance as at 1 January	13	10	13	10
Increase in impairment losses	14	3	14	3
Loss allowance as at 31 December	27	13	27	13

24.2 Reconciliation of Other receivables (Due from related party)

	2019			2018		
	Stage 1 12 month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Stage 1 12 month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million
Gross exposure at default (Note 33)	192	-	-	189	-	-
Loss allowance	(7)	-	-	(14)	-	-
Net exposure at default	185	-	-	175	-	-

24.2.1 Reconciliation of gross carrying amount due from related party is as follows;

	The Company	
	2019	2018
	₦ million	₦ million
Gross Carrying amount as at I January	189	198
Invoices for the year	8	20
Receipts for the year	(35)	(29)
Exchange loss	30	-
Gross Carrying amount as at 31 December	192	189

Refer to Note 33 for details on related party

Reconciliation of loss allowance for due from related party is as follows;

	2019	2018
Loss allowance as at 1 January	14	-
(Reversal)/Increase of expected credit loss	(7)	14
Loss allowance as at 31 December	7	14

24.3 Employees and vendors advances relates to advances to suppliers and employees for various on-going construction and asset purchases. This includes ₦1.011billion (2018: ₦146million) advanced to various contractors

25 Prepayments

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Short term lease	395	492	394	492
Prepaid insurance	16	23	16	22
Other prepayments	31	201	29	200
Health insurance	2	2	2	2
	444	718	441	716
Current	444	454	441	452
Non-current	-	264	-	264
	444	718	441	716

25.1 For the purposes of the consolidated and separate statement of cash flows, movement in prepayment is analysed as follows as at 31 December 2019:

	The Group	The Company
	₦ million	₦ million
As at 1 January 2019	718	716
Prepaid rent reclassified to Right-of-use assets	(516)	(519)
Transaction cost reclassified to Share premium	(184)	(184)
Adjusted opening balance	18	13
Increase in prepayment	426	428
As at 31 December 2019	444	441

26 Cash and bank balances

	The Group		The Company	
Cash and bank balances in the statement of financial position comprise of cash at bank and on hand and short-term deposits.	2019 ₦ million	2018 ₦ million	2019 ₦ million	2018 ₦ million
Cash at bank and on hand	2,076	669	2,072	663
Short-term deposits	3,844	1,096	3,844	1,096
	5,920	1,765	5,916	1,759
Allowance for impairment	(4)	-	(4)	-
	5,916	1,765	5,912	1,759

26.1 For the purposes of the consolidated and separate statement of cash flows, cash and cash equivalents comprise the following as at 31 December:

Cash at bank and on hand	2,076	669	2,072	663
Short-term deposits	3,823	1,079	3,823	1,079
	5,899	1,748	5,895	1,742

26.2 Short term deposits with maturity > 90 days

Short term deposits with maturity > 90 days	21	17	21	17
	5,920	1,765	5,916	1,759

26.1.1 Reconciliation of loss allowance for short term deposits as at 31 December 2019 is as follows;

Loss allowance as at 1 January	-	-	-	-
Increase in impairment losses	4	-	4	-
Loss allowance as at 31 December	4	-	4	-

27 Authorised shares

Ordinary shares of ₦ 0.50 each	29,000	26,000	29,000	26,000
	29,000	26,000	29,000	26,000

On 19th November 2019, the Company registered with the Corporate Affairs Commission an increase in it's authorised share capital by 3 million following a board resolution. The nominal value of the Company's shares remained unchanged.

27.1 Issued shares

Issued shares of ₦0.50 each	26,208	5,844	26,208	5,844
	26,208	5,844	26,208	5,844
Issued and fully paid share capital				
At 31 December	13,105	2,922	13,105	2,922

Movement in Share Capital	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
At 1 January 2019		5,844	2,922	5,844	2,922
Deposits for shares converted to Equity*	27.3	9,001	4,501	9,001	4,501
ADP II Holding 12 convertible loan fully converted to shares*		6,107	3,054	6,107	3,054
Right Issue **	37.1.1.1	5,256	2,628	5,256	2,628
		26,208	13,105	26,208	13,105

* The Company obtained a convertible loan of $5m (N1.8billion) in the prior year. As at 2018 year-end valuation of the loan, the convertible loan was split into the following components: Financial liabilities N1.7billion; Options N118million; Owned credit risk N111million and foreign exchange gain of N79million. In 2019, additional $7million (N2.5billion) convertible loans was obtained. These proceeds were all converted to shares of 6,107,212,129 resulting to share capital of N3.1billion and share premium of N1.28billion. The opening balances on Options, fair value reserve on owned credit risk and foreign exchange loss on translation were all reversed following this conversion.

** On 17 May 2019, the Company made a right issue to its existing shareholders. The basis of the right issue is 11 new shares for every 28 ordinary shares at exercise price of 62k. 575,099,604 right issue shares were not exercised and lapsed. The total value of issued shares amounted to 5,256,454,182.

27.2 Share premium

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
At 31 December 2019		6,180	4,700	6,180	4,700
Movement in Share Premium					
At 1 January 2019		4,700	4 ,700	4,700	4,700
Net Proceeds from Right issue*	37.1.1.1	631	-	631	-
Transaction cost on share issue**		(315)	-	(315)	-
Exercise of Option***		1,164	-	1,164	-
		6,180	4,700	6,180	4,700

Share premium reserves represent the excess of share issued price over the nominal value per share. The movement in share premium is as a result of the net proceeds from rights issue and the share premium on convertible bond..

* Net proceeds from right issue includes the proceeds from the issue of 5,256,454,182 shares amounting to ₦631million.

**Transaction costs of ₦315million includes ₦184million prepaid in prior year now reclassified to share premium and other associated transaction costs amounted to ₦131million.

***Exercise of Option - The 6,107,212,129 ordinary shares were issued at a share premium of 12kobo above the nominal value of 50kobo per share.

27.3 Deposit for shares

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
At 31 December 2019		-	4,501	-	4,501
Movement in Deposit for shares					
At 1 January 2019		4,501		4,501	
Deposit for shares converted to equity shares*		(4,501)		(4,501)	
At 31 December 2019		-		-	

* The Company obtained the following convertible loan from ADPI Holding 9, AbiTos Financial Services and DF Holding amounting to N4.5billion. These convertible loans were reclassified to deposit for shares in year 2018. On 18 February 2019 after the Company obtained approval from SEC, the amount in the deposit for shares was converted to equity at nominal value of 50k.

28 Other comprehensive income

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
28.1 Fair value reserve on convertible loan options	-	111	-	111

Movement in fair value reserve	2019 ₦ million	2019 ₦ million
At 1 January 2019	111	111
Reclassification of own credit reserve upon de-recognition	(111)	(111)
At 31 December 2019	-	-

28.2 Foreign currency translation reserve

	2019 ₦ million	2018 ₦ million
At 1 January	(188)	(195)
Foreign-exchange translation differences	23	7
At 31 December	(165)	(188)

Foreign currency translation reserves relates to differences arising from the translation of the financial statements of foreign operations into the Group's presentation currency i.e. Food Concepts Ghana and Express Foods Franchise International.

29 Other financial assets and liabilities

	The Group		The Company	
	2019	2018	2019	2018
29.1 Financial liabilities	₦ million	₦ million	₦ million	₦ million
Financial liability at fair value through profit or loss	-	118	-	118
	-	118	-	118

This represents the conversion option embedded in $5million convertible loan received in July 2018. The bond was fair valued at inception and on 31st December 2018. Since the bond is in a currency other than the functional currency of the issuer, the conversion option did not meet the definition of equity in IAS 32. A foreign currency convertible bond is classified as a financial liability under IAS 32, and then measured under the requirements of IFRS 9. An equity conversion option embedded in a financial liability is not considered by IFRS 9 to be clearly and closely related to the host contract, and should be accounted for as a separate derivative financial instrument measured at fair value through profit or loss

29.2 Other financial liabilities

		The Group		The Company	
Interest bearing loans and borrowings	**NOTE**	2019	2018	2019	2018
Non-Current		₦ million	₦ million	₦ million	₦ million
ADPII Holding 12		-	1,659	-	1,659
Total non-current interest bearing loans and borrowings		-	1,659	-	1,659
Lease Liabilities	32	1,108	-	1,058	-

29.2.1 ADP II Holding 12 Limited convertible loans

This is a USD $ 5 million fully convertible loans obtained from ADP 11 Holding 12 Limited received on 18th July 2018 in line with the loan agreement of June 2018. Food Concepts Plc. is not entitled to prepay the loan other than in accordance with clause 7, clause 8 or clause 14 of the loan agreement. The loan was fair valued at inception and on 31st December 2018.

29.3 Loan movements

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
29.3.1 At 1 January ('A')		1,659	5,219	1,659	5,219

29.3.2 Movements involving cash flows ("B")

	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Proceeds from borrowing	-	1,809	-	1,809
Repayments by Food Concepts*	-	(601)	-	(601)
Total ("B")	-	1,208	-	1,208

**Being loan repaid by the Company in 2018 as follows: First City Monument Bank Limited repayment of ₦150million, UBA ₦132 million brand payable ₦250million and Island Homes ₦69million

29.3.3 Reclassifications and other movements not involving cash flows

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Direct repayments by Food Concepts Pioneer Limited on the N539 BOI loan		-	(117)	-	(117)
Convertible loans reclassified as deposit for shares		-	(4,501)	-	(4,501)
Convertible loans converted to equity		(1,659)	-	(1,659)	-
Option embedded in convertible loan	29.1	-	(118)	-	(118)
Owned credit risk (fair value/exchange difference)	28.1	-	(111)	-	(111)
Fair value changes/foreign exchange difference on Option	12	-	79	-	79
TOTAL ("C")		(1,659)	(4,768)	(1,659)	(4,768)
At 31 December ("A+B+C")		-	1,659	-	1,659

30 Contract liabilities

	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Deposit from Franchise	59	23	59	23

This relates to franchisee joining fee received in advance prior to the commencement of trading by the franchisee . This will be recognised in profit or loss when the franchise store is completed and the franchise opens for trading.

30.1 Deferred Income

	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
At 1 January	24	39	23	39
Addition for the year	114	47	115	46
Revenue recognised during the period	(57)	(39)	(57)	(39)
Reclassified to contract liabilities	(59)	(23)	(59)	(23)
At 31 December	22	24	22	23

Deferred income includes rent received in advance for subleased locations. The amount would be recognised in profit or loss when the performance obligation is satisfied, which is when the store opens for trading.

31 Trade and other payables

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Trade payables	1,356	477	1,340	463
Statutory liabilities (Note 31.1)	346	286	346	283
Accruals	217	197	195	185
Legacy debt payable	28	156	28	156
Other payables	630	476	630	475
	2,577	1,592	2,539	1,562

The company paid some of its suppliers pending legal debt from the Legacy debt payable account during the year. This accounted for the reduction of ₦128M in the Legacy debt payable account.

Included in other payables are provision for the year end bonus of ₦249M (2018: ₦211million), regulatory fees of ₦12M (2018:₦9M) employee related payable of ₦69million from previous years (2018:₦52million), other provision and accrual of ₦124M.

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year.

31.1 Statutory liabilities

Included in statutory liabilities are pay as you earn, pension, consumption tax, withholding tax, value added tax, Industrial training fund, employee compensation fund and National housing fund.

32 Right-of-use assets

The Group and Company as a lessee

The Group and the Company has lease contracts for rented properties (land and building) with a lease terms between 2 to 20 years. The Group and the Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension options, which are further discussed below.

The Group and the Company also have certain leases of properties (land and building) with lease terms of 12 months or less. The Group and the Company apply the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

		The Group		The Company
	Property lease	Total	Property lease	Total
	₦ million	₦ million	₦ million	₦ million
As at 1 January 2019	1,155	1,155	1,095	1,095
Additions	1,033	1,033	1,033	1,033
Depreciation expense	(223)	(223)	(213)	(213)
As at 31 December 2019	1,965	1,965	1,915	1,915

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	The Group	The Company
	₦ million	₦ million
As at 1 January 2019	664	608
Additions	382	382
Accretion of interest	189	177
Payments	(127)	(109)
As at 31 December 2019	1,108	1,058
Current		
Non-current (Note 29.2)	1,108	1,058

The maturity analysis of lease liabilities are disclosed in note 36.3

The following are the amounts recognised in profit or loss:	The Group 2019 ₦ million	The Company 2019 ₦ million
Depreciation expense of right-of-use assets	223	213
Interest expense on lease liabilities	189	177
Expense relating to short-term leases (included in other expenses)	105	98
Total amount recognised in profit or loss	517	488

The Group and the Company had total cash outflows for leases (Right-of-use and short term leases) of ₦778million and ₦760million respectively in 2019. The Group and the Company do not have any non-cash additions to Right of use assets and lease liabilities respectively.

33 Related party transactions

Details of transactions between the Group and its related parties are disclosed below

31 December 2019	Nature of transaction	Category	Sales to related parties ₦ million	Purchases from related parties ₦ million	Amounts owed by related parties ₦ million	Amounts owed to related parties ₦ million
Food Concepts Ghana Limited	Purchase of material	Subsidiary	9	-	192	-
Fajemirokun & Fajemirokun	Property rent	Common Director	-	17	-	-
Ayo Olagundoye	Property rent	Director		23		-
ADP 1 9 Holding	Loan and related interest		-	-	-	-
EFFIL	Loan and related interest		-	-		-
Food Concepts Pioneer Limited	Purchase of bread, loan and related interest	Associate	-	16	-	-
Island Homes	Loan and related interest	Common Director	-	-	-	-
			9	56	192	-
31 December 2018						
Food Concepts Ghana Limited	Purchase of material	Subsidiary	9	-	175	-
Fajemirokun & Fajemirokun	Property rent	Common Director	-	17	-	-
Ayo Olagundoye	Property rent	Director	-	23	-	-
ADP 1 9 Holding	Loan and related interest	Shareholder	-	-	-	-
EFFIL	Loan and related interest	Common Director	-	-	-	-
Food Concepts Pioneer Limited	Purchase of bread, loan and related interest	Associate	-	11	-	-
Island Homes	Loan and related interest	Common Director	-	-	-	-
			9	51	175	-

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables.

No expense was recognised during the period in respect of bad or doubtful debts due from related parties (2018: Nil).

This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

33.1 Compensation of key management personnel of the Group

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Short-term employee benefits *	369	499	369	499
Defined contribution	2	2	2	2
Total compensation paid to key management personnel	371	501	371	501

Key management personnel are considered to be designations from senior divisional head levels at the Group. The amounts disclosed in the table are the amounts recognised as an expense during the reporting period. This is included in employee benefits in note 11.

*Short term benefits includes accrual of ₦127m performance bonus. (2018 includes 2017 bonus and start up bonus of ₦100 million which was approved in 2018, arrears of allowances and shortfall from exchange rate for previous years of ₦37, accrual for 2018 bonus of ₦124 million accruals and remuneration and allowances of ₦238M).

Nature of relationship		Nature of transaction	Amount	Due to	Due from
			₦ million	₦ million	₦ million
Key management personnel	2019	Remuneration expenses	371	127	-
	2018	Remuneration expenses	501	124	-

The amount due to key management personnel relates to accrual for 2018 bonus..

33.2 Directors and employees

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Directors remuneration	228	327	228	327
Directors' fee*	48	31	48	31
	276	358	276	358
Fees and other emoluments disclosed include amounts paid to:				
Chairman	7	7	7	7
The highest paid Director	181	327	181	327

* 2019 includes accrual of ₦80million for 2019 bonuses.
* 2018 includes payment of 2017 bonus and start up bonus of ₦100 million, arrears of allowances and shortfall from exchange rate for previous years and accrual for 2018 bonus of ₦82 million and other allowances.

	The Group		The Company	
Scale of other Directors' emoluments	Number	Number	Number	Number
₦3,000,001 to ₦6,000,000	3	7	3	7
Above ₦6,000,000	6	2	6	2
	9	9	9	9

33.3 Employees

	The Group		The Company	
	2019	2018	2019	2018
The number of employees other than Directors who earned more than ₦200,000 in the year were as follows:	Number	Number	Number	Number
₦200,001 to ₦280,000	-	728	-	701
₦280,001 to ₦480,001	1,715	378	1,690	375
₦480,001 to ₦720,001	296	66	290	65
₦720,001 to ₦1,000,000	72	45	72	45
₦1,000,001 to ₦3,000,000	214	82	211	80
₦3,000,001 to above	67	35	67	35
	2,364	1,334	2,330	1,301
The number of full-time persons employed as at 31 December 2019 was as follows:				
Retail outlets	2,082	1,117	2,051	1,087
Administration	282	217	279	214
	2,364	1,334	2,330	1,301

34 Commitments and contingencies

As at 31 December 2019, the Group and the Company had contingent liabilities of ₦800million (2018: ₦0.2million) in respect of an on-going legal action for which provisions has not been made. The litigation is in relation to an ex-employee of the Company who sustained injury in the course of his duties and insisted on foreign medical treatment, despite the Company having paid his medical bills and also offered him a specialist care which he declined. The case was previously struck out by the Federal High Court, but the employee reinstituted the case in an industrial court. The Company is defending this matter in court assiduously and the legal teams are optimistic that the case would be dismissed on ground of its frivolity.

35 Capital Management

For the purpose of the Group and the Company's capital management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group and the Company's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group and the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any payables in the current period.

The Group and the Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group and the Company includes within net debt, trade and other payables, borrowing less cash and short-term deposits.

	The Group		The Company	
	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Convertible loan option (note 29.1)	-	118	-	118
Interest bearing loans and borrowings (note 29.2)	-	1,659	-	1,659
Lease liabilities (29.2)	1,108	-	1,058	-
Trade and other payables (note 31)	2,577	1,592	2,539	1,562
	3,685	3,369	3,597	3,339
Less: cash and short-term deposits (note 26)	(5,916)	(1,765)	(5,912)	(1,759)
Net debt	(2,231)	1,604	(2,315)	1,580
Equity	17,192	6,682	17,276	6,851
Equity and net debt	14,961	8,286	14,961	8,431
Gearing	(15%)	19%	(15%)	19%

During the year, the Company has fully converted its convertible loan to equity during the year. There are no loan covenants that the Group is required to comply with

36 Financial risk management objectives and policies

Risk Management and policy

The Group and the Company do not trade in financial instruments. However, they deploy a number of financial instruments in their normal operations. The main purpose of the Group and the Company's financial liabilities is to finance the Group's operations whereas the Groups involvement in financial assets is as a result of its trading or operational activities.

The Group and the Company's involvement in financial instrument exposes it to a number of financial risks which are broadly classified as market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks under the guidance of a risk management framework/policy approved by the Board. The policy covers the Group and the Company's financial risk-taking activities including adequate levels of roles and responsibilities and procedures to ensure that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite. The Board from time to time reviews and agrees policies for managing each of the Group and the Company's financial instrument related risks.

The nature and extent of risks arising from financial instruments which the Group and company are exposed to are disclosed below:

36.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three type of risk: currency risk, interest rate risk and other price risk. The Group and the Company exposure to market risk is immaterial..

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group places surplus funds with its Corporate bankers on short term basis. The transaction is strictly between the bank and the Group at a fixed interest rate paid upfront and is not affected by fluctuations in rates during the tenor. Each fixed deposit is covered by a certificate of deposit issued by the bank. The Group manages its exposure to market interest rate risk on long-term obligations by having mainly fixed rate loans and borrowings.

The Group and the Company's exposure to interest rate risk on borrowings is nil as all its borrowings are fully convertible loans with zero interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company's exposure to risk of changes in foreign exchange rates relates to expenses consummated in foreign currencies (US dollar and Pound sterling) for example emoluments of expatriates, foreign travel costs, etc.

Foreign currency sensitivity analysis

The following table details the Group and the Company's sensitivity to a 5% increase and decrease in the Naira against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes exposure to risk of changes in foreign exchange rates relates to expenses consummated in foreign currencies (US dollar) e.g. emoluments of expatriates and directors annual allowance etc. and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Naira strengthens 5% against the relevant currency. For a 5% weakening of the Naira against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative. The Group and the Company's exposure to foreign currency changes for all other currencies is immaterial.

		US Dollar impact
	%	₦ million
2019	5%	(12)
	-5%	12
2018	5%	(98)
	-5%	98

The Group and the Company's corporate treasury unit provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and the Company through internal risk reports which analyses exposures by degree and magnitude of risks.

These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risks. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

36.2 Credit risk

Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group and the Company's credit risk arises from trade and other receivables, loans receivable, cash and short-term deposits.

Credit risk management

Concentrations arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group and the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The policy provides for credit quality of each customer to be assessed based on an extensive credit analysis and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored using the age analysis information that is generated for management. The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Information on the maximum exposure to credit risk at the reporting date, including ageing analysis and impairment allowance is included in Note 24 no collateral was held for trade and other receivables.

Credit risk from balances with banks and short term deposits is managed by the Group in accordance with its credit risk policy.

Set out below is the information about the credit risk exposure on the Group and Company's trade receivables using a provision matrix:

The gross carrying amount of the Group's financial assets have been disclosed using the days past due criteria and other borrower specific information.

Trade receivables			**Days past due**				
31-Dec-2019	**0-30 days**	**31 - 60 days**	**61-90 days**	**91- 180 days**	**181-360 days**	**Above 360 days**	**Total**
Group	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**
Expected credit loss rate	0%	35.98%	44.42%	49.14%	76.25%	100%	
Estimated total gross carrying amount at default	38	11	1	3	9	14	76
Expected credit loss	-	4	0	2	7	14	27
31-Dec-2018							
Company							
Expected credit loss rate	0%	25.50%	31.60%	33.80%	54.70%	100%	
Estimated total gross carrying amount at default	16	6	6	8	5	6	47
Expected credit loss	-	1	1	3	3	6	13

36.2 Credit risk - continued

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2019 and 2018 is the carrying amounts as illustrated in Note 26 and 24 .

The maximum exposure to credit risk as at the reporting date is as detailed in the table below:

	NOTE	The Group 2019 ₦ million	The Group 2018 ₦ million	The Company 2019 ₦ million	The Company 2018 ₦ million
Trade receivables (Gross)	24.1	76	47	75	47
Due from other related parties (Gross)	24.2	-	-	192	189
Cash and bank balances		5,916	1,765	5,912	1,759
Gross amount		5,992	1,812	6,179	1,995

Expected credit loss measurement - other financial assets

The Group and Company applied the general approach in computing expected credit losses (ECL) for its related party receivables and short term deposits. The Group and Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and lifetime PDs are derived by mapping the internal rating grade of the obligor to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs, etc. – are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

The Group and Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 4.10 Summary of significant accounting policies and in Note 5.2.1 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2018 and 31 December 2019.

Financial instruments risk management objectives and policies

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Group and Company

31 December, 2019

Key drivers	Assigned Probabilities	ECL Scenario	2020	2021	2022	2023	2024	Subsequent years
Oil Price %	11%	Upturn	59.26	60.86	62.36	62.36	62.36	61.44
	79%	Base	51.90	53.50	55.00	55.00	55.00	54.08
	10%	Downturn	48.49	50.09	51.59	51.59	51.59	50.67
Inflation rate %	11%	Upturn	14.14	15.15	13.34	13.34	13.34	13.86
	79%	Base	14.80	15.81	14.00	14.00	14.00	14.52
	10%	Downturn	15.95	16.96	15.15	15.15	15.15	15.67

31 December, 2018

Key drivers	Assigned Probabilities	ECL Scenario	2019	2020	2021	2022	2023	Subsequent years
Oil Price %	9%	Upturn	54.52	56.12	56.87	56.87	56.87	56.25
	80%	Base	50.00	55.00	57.00	62.00	54.00	55.60
	11%	Downturn	49.62	51.22	51.97	51.97	51.97	51.35
Inflation rate %	9%	Upturn	14.01	15.02	14.12	14.12	14.12	14.28
	80%	Base	14.80	15.81	14.91	14.91	14.91	15.02
	11%	Downturn	15.82	16.83	15.93	15.93	15.93	16.09

36.3 Liquidity

Liquidity risk is the risk that an entity is unable to pay its obligations as and when they fall due. The Group and the Company monitor their risk to a shortage of funds using a recurring liquidity and budgetary planning tool. Data is generated for management regularly to monitor the maturity profile of liabilities to trigger repayments arrangements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. To achieve this therefore, the Group management performs analysis and maintains good relationship with banks and other financiers.

The table below summarise the maturity profile of the Group and Company financial liabilities based on contractual non-discounted payments.

31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Group	**₦ million**	**₦ million**	**₦ million**	**₦ million**	**₦ million**
Lease Liability	-	-	-	2,700	2,700
Trade and other payables	1,356	245	976	-	2 577
	1,356	245	976	2,700	5,277
31 December 2018					
Interest bearing loans and borrowings	-	-	-	1,659	1,659
Option	-	-	-	118	118
Trade and other payables	477	353	762	-	1,592
	477	353	762	1,777	3,369

36.3 Liquidity - continued

The table below summarise the maturity profile of the Group and Company financial liabilities based on contractual non-discounted payments.

31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Company	₦ million	₦ million	₦ million	₦ million	₦ million
Lease Liability	-	-	-	2,629	2,629
Trade and other payables	1,340	223	976	-	2,539
	1,340	223	976	2,629	5,168
31 December 2018					
Interest bearing loans and borrowings	-	-	-	1 659	1 659
Option	-	-	-	118	118
Trade and other payables	463	341	758	-	1 562
	463	341	758	1,777	3,339

36.4 Fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required) Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values. These fair values of these assets and liabilities are the same as the current value due to their short maturity profile.

The Group	Carrying Amount		Fair value	
Financial assets at amortised cost	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Trade and other receivables	1,194	221	1,194	221
Financial liabilities at amortised costs				
Lease Liability	1,108	-	1,108	-
Share Option	-	118	-	118
Non interest bearing convertible loans	-	1 659	-	1 659
Trade and other payables	2,577	1,592	2,577	1,592

The Company	Carrying Amount		Fair value	
Financial assets at amortised cost	2019	2018	2019	2018
	₦ million	₦ million	₦ million	₦ million
Trade and other receivables	1,374	396	1,374	396
Financial liabilities at amortised costs				
Lease Liability	1,058	-	1,058	-
Share Option	-	118		118
Non interest bearing convertible loans	-	1,659	-	1,659
Trade and other payables	2,539	1,562	2,539	1,562

36.4 Fair value measurements - continued

As at the reporting period, the Group and the Company had classified its financial instruments measured at fair value into the three levels prescribed under IFRS 13 based on whether the inputs to those valuation techniques were observable or unobservable. There were no transfers of financial instruments between fair value hierarchy levels during the reporting period.

This hierarchy requires the use of observable market data when available.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within 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.

The fair value of the financial instruments is included at 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.

36.4.2 The valuation process

The management of the Group and Company performs the valuations of financial and non-financial assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held in line with the Group and Company's reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows:

The discount rate for financial liability is determined using a zero-rate curve to calculate a credit risk adjusted rate that reflects current market assessments of the time value of money and the risk specific to the liability. The value of the embedded call option on the liability is also determined by comparing the estimated stock price to the strike price. The value of the call option is included in the value of the loan to determine the convertible value.

37 Proceeds and transaction costs on Share Issue

For the purpose of Cash-flow statement, Proceeds and transaction costs are analysed as follows;

37.1	Notes	The Group	The Company
		₦ million	₦ million
Proceeds on the issue of $7milllion shares		2,520	2,520
Proceeds on right issue	37.1.1.2	3,259	3,259
		5,779	5,779

37.1.1 On 17 May 2019, the Company made a rights issue to it's existing shareholders. The basis of the rights issue is 11 new shares for every 28 ordinary shares at exercise price of 62k. See below the reconciliation of the shares:

	Units' million
37.1.1.1 Total number of shares before right issue	14,844
Number of shares on right issue	
Right not exercised and lapsed	5,832
Total number of shares on right issue	575
	5,256

37.1.1.2 Proceed on right issue	**₦ million**
Total value of shares at 62k per share	3,259
Ordinary share capital at 50k per share	2,628
Share premium at 12k per share	631
	5,256

37.2 Transaction costs on issue of shares

	The Group	The Company
	₦ million	₦ million
Transaction costs incurred in the issue of shares	131	131
	131	131

38 Events after reporting period

There are no events after the reporting date that requires adjustments in the financial statements. Management has assessed the impact of the Corona virus disease (COVID-19) on the going concern of Company and has concluded that the use of the going concern is appropriate and that the company will be able to recover its assets and discharge its liabilities in the foreseeable future for at least the next 12 months.

Since early 2020, the COVID-19 outbreak which started in China has caused significant disruption to the society, impacting the Company, its employees, customers and other stakeholders. Nigeria recorded the first case of COVID-19 on February 22, 2020 and the number of reported cases has grown over the past few weeks.

This has undoubtedly brought uncertainty to businesses globally and in Nigeria. The virus has the potential to spread rapidly across some states in the Country as a whole. As a result, Government continues to implement interventions aimed at controlling the spread of the virus, including requiring entities to limit the maximum number of people to be present at a particular location per time or suspend business operations.

Governments in all their pronouncements recognised food shops, food distributors and food manufacturers as part of the essential services that are allowed to continue to operate and we believe this would continue to be the case, as people requires sustenance in order to maintain their immune systems and continue to live. The Company is in a fortunate position as it has a multi- state operation, which cut across all economic classes of the Nigerian population and appeals to the broader population of Nigeria's people; hence the real risk to the Company is limited.

The company has performed a line-by-line analysis of its statement of financial position and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2019. Management has concluded however that the amounts recognised in the financial statements do not required further adjustment but will continue to monitor situation as new information becomes available and adjustment thereof will be reflected in the appropriate reporting period.

39 Changes in accounting policies and disclosures

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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Assets	The Group	The Company
	₦ million	₦ million
Right-of-use assets (Note 32)	1,155	1,095
Prepayments	(491)	(487)
Total assets	664	608
Liabilities		
Lease liability	(664)	(608)
Total liabilities	(664)	(608)
Total adjustment on equity:		
Retained earnings	-	-
	-	-

39 Changes in accounting policies and disclosures - continued

The Group and the Company have lease contracts for various items of Properties (land and building). Before the adoption of IFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 4.8 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases . Refer to Note 4.8 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

- Leases previously accounted for as operating leases

  The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

  The Group and the Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

  Based on the above, as at 1 January 2019:

- Right-of -use assets of N1,154,934,212.70 and N1,095,105,277.26 were recognised and presented for Group and the Company separately in the statement of financial position
- Lease liabilities of N663,728,005.31 and N607,767,265.31 for the Group and the Company (included in borrowings) were recognised
- Prepayments of N491,206,207.39 and N487,338,011.95 for the Group and the Company related to previous operating leases were de-recognised

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	The Group	The Company
Assets	**₦ million**	**₦ million**
Operating lease commitments as at 31 December 2018	392	383
Weighted average incremental borrowing rate as at 1 January 2019	20.01%	19.81%
Discounted operating lease commitments as at 1 January 2019	664	608
Add:		
Lease payments relating to renewal periods not included in operating lease	-	-
Lease liabilities as at 1 January 2019	664	608

39.1 For the purpose of cash flow statement, the total cash outflow for leases is analysed as follows:

	The Group	The Company
	₦ million	**₦ million**
Payment made on existing leases during the year	127	109
Payment made for new lease agreements during the year	651	651
Total cash outflows for leases	778	760

Value Added Statement

For the year ended 31 December 2019

	The Group				The Company			
	2019		2018		2019		2018	
	₦ million	%	₦ million	%	₦ million	%	₦ million	%
Revenue from continuing operation	13,837		9,088		13,638		8,874	
Other operating income	135		139		134		137	
Finance income	347		107		347		107	
Share of profit of Associate	115		125		-		-	
	14,434		9,459		14,119		9,118	
Deduct cost of goods and service:								
Foreign	-		-		-		-	
Local *	(8,754)		(5,971)		(8,548)		(5,769)	
Value added **	5,680	100	3,488	100	5,571	100	3,349	100
Applied as follows:		%		%		%		%
To pay employee:								
As salaries and labour related expenses	2,098	37	1,548	44	2,080	37	1,532	46
To provider of capital								
- Interest	189	3	6	1	177	3	6	1
To Government:								
- As company income taxes	60	1	37	2	60	1	37	-
- As levies	42	1	47	1	42	1	47	1
For assets replacement								
- Depreciation and amortization	749	13	417	12	732	13	406	12
- As deferred taxes	(783)	(14)	-	-	(783)	(14)	-	-
Retained for future operations	3,325	59	1,433	40	3,263	59	1,321	40
	5,680	100	3,488	100	5,571	100	3,349	100

** The value added represents the wealth created through the use of the Group's assets by its own and its employees' efforts. This statement shows the allocation of wealth amongst employees, capital providers, government, and that retained for future creation of wealth..

Five Year Financial Summary for The Group

For the year ended 31 December 2019

The Group	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Profit or loss and other comprehensive income					
Revenue from continuing operation	13,837	9,088	6,751	4,735	3,604
Revenue from discontinued operations	-	-	-	-	-
Profit /(loss) before taxation	2,602	1,470	(713)	(663)	(4,547)
Profit/(loss) for the year	3,325	1,433	(713)	(663)	(4,535)
Total comprehensive income/(loss) for the year	3 348	1,551	(730)	(718)	(4,547)
Basic earnings/(loss) per share	0.14	0.28	(0.14)	(0.11)	(0.78)
Diluted earnings/(loss) per share	0.14	0.08	(0.05)	(0.11)	(0.60)

Year ended 31st December	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Employment of funds					
Property, plant & equipment	7,136	4,210	3,735	3,937	4,200
Intangible assets	1,320	1,267	1,274	1,280	1,309
Right-of-use asset	1,965	-	-	-	-
Prepayment-Non current	-	264	-	-	-
Investment in associates	1,660	1,545	1,085	569	646
Other non-current asset	-	-	-	251	389
Net current assets /(liabilities)	5,436	1,055	(959)	(2,158)	(3,719)
Non-current liabilities	(1,108)	(1,659)	(4,501)	(2,515)	(743)
Deferred taxation	783	-	-	-	-
Net assets	17,192	6,682	634	1,364	2,082
Funds employed					
Share capital	13,105	2,922	2,922	2,922	2,922
Share premium account	6,180	4,700	4,700	4,700	4,700
Retained earnings	(1,928)	(5,364)	(6,793)	(6,080)	(5,417)
Deposit for shares	-	4 501	-	-	-
Fair value changes/foreign exchange difference on convertible loan option	-	111	-	-	-
Foreign currency translation reserve	(165)	(188)	(195)	(178)	(123)
	17,192	6,682	634	1,364	2,082
Net asset per share (kobo)	66	114	11	23	36

Five Year Financial Summary for The Company

For the year ended 31 December 2019

The Company	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Profit or loss and other comprehensive income					
Revenue from continuing operation	13,638	8,874	6,530	4,520	3,395
Revenue from discontinued operations	-	-	-	-	-
Profit /(loss) before taxation	2,540	1,358	(916)	(656)	(4,260)
Profit/(loss) for the year	3,263	1,321	(916)	(656)	(4,248)
Total comprehensive income/(loss) for the year	3,263	1,432	(916)	(656)	(4,248)
Basic earnings/(loss) per share	0.17	0.23	(0.16)	(0.11)	(0.73)
Diluted earnings/(loss) per share	0.17	0.07	(0.06)	(0.11)	(0.56)

Year ended 31st December	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Employment of funds					
Property, plant & equipment	7,090	4,148	3,658	3,855	4,133
Intangible assets	1,320	1,267	1,274	1,280	1,309
Right of Use Asset	1 915	-	-	-	-
Prepayment-Non current	-	264	-	-	-
Other non-current asset	-	-	-	251	389
Deferred taxation	783	-	-	-	-
Investment in Subsidiary	2	2	2	2	2
Investment in associates	1,583	1,583	1,248	907	907
Net current assets/ (liabilities)	5,641	1,246	(745)	(1,935)	(3,493)
Non-current liabilities	(1,058)	(1,659)	(4,501)	(2,508)	(739)
Net assets	17,276	6,851	936	1,852	2,508
Funds employed					
Share capital	13,105	2,922	2,922	2,922	2,922
Share premium account	6,180	4,700	4,700	4,700	4,700
Retained earnings	(2,009)	(5,383)	(6,686)	(5,770)	(5,114)
Fair value changes/foreign exchange difference on convertible loan option	-	111	-	-	-
Deposit for shares	-	4 501	-	-	-
	17,276	6,851	936	1,852	2,508
Net asset per share (kobo)	75	135	19	32	43

Notice of the Annual General Meeting

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of Food Concepts Plc will be held at Moremi Hall, Sheraton Hotel, Mobalaji Bank-Anthony Way, Ikeja, Lagos State on Thursday 24th September 2020 at 11.00am, when there will be transacted the following businesses:

Ordinary Business

(1) To lay before the meeting, the Audited Financial Statements of the Company for the accounting period ended 31st December 2019 respectively and the Reports of the Directors, Auditors and Audit Committee thereon.

(2) To re-elect directors.

(3) To appoint the firm of KPMG Professional Services as new independent External Auditors to replace the retiring Ernst & Young. Notice is hereby given that the proposed Independent Auditor to be appointed is KPMG Professional Services.

(4) To authorize the directors to determine the remuneration of the Auditors.

(5) To elect/ re-elect members of the Audit Committee.

Special Business

To consider and if thought fit, pass the following as ordinary resolutions:

1. THAT the Restricted Stock Units Plan (the "RSUP" or the "Plan") and its rules established and implemented on the 1st of January 2015 by the Board of Directors of Food Concepts Plc, the principal terms of which are set out below, be and are hereby ratified and approved.

   Summary of the 2015 RSUP

   The RSUP is a scheme that was implemented by the Board of the Company before the current Management Incentive Plan was approved in 2018. The Plan allows the Board to grant share units to eligible executives and employees (the "Beneficiaries") nominated by the Company and approved by the Remuneration and Nominations Committee ("RemNomCo").

   For each eligible employee, there shall be one (1) award of the Restricted Stock Unit (the "RSU"), which vests over four (4) years (or the remaining life of the Plan), subject to both the performance of the Company and individual employee, as well as continuous employment in the Company. In awarding the RSU, RemNomCO takes into consideration corporate and individual performance in determining the proportion of each eligible employee's shares that will vest each year. For corporate performance, the Board on an annual basis, determines and communicates measurable Corporate Key Performance Indicators (KPIs) that must be achieved for the grants to vest. The minimum standard is achievement of an overall of 80% of target / budget. For individual performance, the employee must achieve a minimum performance rating of 3 "On-Target" Performance (out of a 4-point rating scale), in addition to the Company meeting the minimum performance threshold of 80%, for the grants to vest for each year. There is a two-year waiting period, following vesting before eligible employees can be issued / receive the vested shares. A share certificate shall be issued to the eligible employee, at the earlier of a change of control in the Company or after the 2-year restriction period, as evidence of transfer of ownership in the shares that have vested. In the event of resignation, retirement, end of contract, redundancy, permanent disability or death, the eligible employee will only be entitled to any vested shares. Any unvested portion may be allowed to vest in an accelerated manner, at the Company's discretion.

2. That the Board be and is hereby authorized to issue and allot 289,265,319 shares from the authorized share capital of the Company to the eligible executives and employees (the "Allotment") pursuant to the terms of the RSUP.

3. That the Board be and is hereby authorized to take all such steps and provide and execute all such documents as may be required and/or necessary to facilitate the Allotment.

By Order of the Board

Dated the 24th day of June 2020

Josephine A. Y. Johnson, ACIS
Company Secretary

REGISTERED OFFICE
2, Ilupeju Bye Pass, Ilupeju, Lagos.

Proxy

In view of the COVID-19 pandemic, the restriction on mass gatherings and in line with the Guidelines issued by the Corporate Affairs Commission on holding AGMs using proxies, attendance at AGM shall only be by proxy. Consequently, a member entitled to attend and vote at the AGM is advised to select from the underlisted proposed proxies to attend and vote in his stead.

(I) Mr. Babatunde Fajemirokun *(Non-Executive Director)*
(ii) Mr. David Butler *(Managing Director)*
(iii) Mrs. Anthonia Agbonifo *(Executive Director)*
(iv) Mr. Peter Eyanuku *(Shareholder Representative)*
(v) Mr. Salau Mohammed Adebanjo *(Shareholder Representative)*

A form of proxy is attached to the Annual Report and will also be available on the Company's website www@foodconcepts.com and that of the Registrars www.meristemregistrars.com. For the appointment to be valid for the purposes of the meeting, all instruments of Proxy must be completed and deposited at the office of the Registrar, Meristem Registrars Limited, 213 Herbert Macaulay Way, Sabo, Yaba, Lagos or via e-mail: info@meristemregistrars.com not less than 48 hours before the time for holding the meeting. The Company has made arrangements to bear the cost of stamp duties on the instrument of proxy.

Audit Committee

In accordance with section 359(5) of the Companies and Allied Matters Act [Cap C20, Laws of the Federation of Nigeria, 2004], a nomination (in writing) by any member or a shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the date of the Annual General Meeting.

Closure of Register of Members

The Register of Members of the Company will be closed on the 14th day of September 2020 to enable the Registrar prepare the register of shareholders eligible to attend and vote at the meeting.

Right of Shareholders to Ask Questions

Shareholders have a right to ask questions not only at the meeting, but also in writing prior to the meeting , and such questions should be addressed to the Company Secretary and submitted to the registered office of the Company at least a week before the meeting.

Electronic Annual Report

The soft copy of the 2019 Annual Report is available for viewing and download on our website www.foodconceptsplc.com and that of the Registrars www.meristemregistrars.com and has been sent to our shareholders who have provided their e-mail addresses to the Registrars.

Live Streaming of the AGM

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

Form of Proxy

Number of shares		
RESOLUTIONS	**for**	**against**
To lay before the meeting the Audited Financial Statements of the Company for the period ended 31st December 2019.		
To re-elect as Director, Mr. Lanre Fabunmi		
To re-elect as Director, Mr. Odunayo Olagundoye		
To re-elect as Director, Mrs. Anthonia Agbonifo		
To appoint the firm of KPMG Professional Services as new independent External Auditors to replace the retiring Ernst & Young.		
To authorize the directors to determine the remuneration of the Auditors.		
To re-elect members of the Audit Committee.		
To approve and ratify the Restricted Stock Units Plan and its rules implemented on the 1st of January 2015 by the Board.		
To authorize the Board to issue and allot 289,265,319 shares from the authorized share capital of the Company to the eligible executives and employees.		
To authorize the Board to take all such steps and provide and execute all such documents required to facilitate the Allotment.		

Please indicate with an "x" in the appropriate box how you wish your votes to be cast on the resolution set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.

I / We ....

Of ....

....

Being a member of Food Concepts Plc hereby appoint

....

....

Or failing him/her

....

....

Of ....

....

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held at Moremi Meeting Room, Sheraton Hotels, Mobolaji Bank-Anthony Way, Ikeja, Lagos, on Thursday 24th September 2020 at 11.00am or at any adjournment thereof.

Signed this .... day of 2020

....

Signature

FOOD CONCEPTS PLC

NOTE:

i. This Proxy Form should be completed, duly signed and should be deposited with the Registrars, Meristem Registrars, 213 Herbert Macaulay Way, Sabo Yaba, Lagos, or via e-mail: info@meristemregistrars.com not less than 48 hours before the time for holding the meeting. The Company has made arrangements to bear the cost of Stamp duties on the instrument of proxy.

ii. If the proxy form is executed by a corporation, this form must be sealed with its common seal.

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2019 ANNUAL REPORT