

Independent Auditors Report

To the Shareholders of Food Concepts PLC



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Independent Auditor's Report

To the Shareholders 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 (together, "the Group"), which comprise:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income;
- the consolidated and separate statements of changes in equity;
- the consolidated and separate statements of cash flows for the year then ended;
- and the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 December 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Key Audit Matters

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

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1 Impairment assessment of Intangible assets (brand rights)

Refer to significant accounting policies (Note 4.9) and related disclosures (Note 19) of the consolidated and separate financial statements.

Key Audit Matter

As disclosed in Note 19 to the financial statements, the carrying amount of ₹1.27billion (2019: ₹1.27 billion) representing the Company's intangible assets (Chicken Republic brand rights) is significant.

The brand rights have an indefinite useful life and in line with IAS 36, impairment of assets, intangible assets with an indefinite useful life should be tested for impairment annually whether there are indicators of impairment or not.

Judgment is required in estimating the recoverable amounts of the brand rights. The estimation of recoverable amounts involves making assumptions regarding the future performance of the Company, market and economic conditions. Inherent uncertainty is also involved in preparing forecasts, discounted future cash flow projections and in determining an appropriate discount rate.

The significance of the amounts involved, the judgement required and the uncertainties inherent in estimating the recoverable amount makes this a key audit matter in the consolidated and separate financial statements.

How the matter was addressed in our audit

Our audit procedures in this area included amongst others:

- We held inquiry sessions with management to understand the process and procedures for the identification of indicators of impairment of the brand rights.
- We engaged our internal valuation specialist to test the reasonableness and appropriateness of management's key assumptions and judgements made in the impairment calculations. Those key assumptions include the discount rates, long-term growth rates and revenue forecast.
- We challenged management's assumptions, judgements and decisions made in the calculation of the recoverable amount by comparing them with historical performance and industry trends.
- We assessed the reasonableness of the cash flow model using the Relief from Royalty Method (RRM).
- We also assessed whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of intangible assets.
- We checked that relevant disclosures to significant judgments and estimates made were in line with IAS 36.

2 Recognition and Valuation of Share based Payments schemes

Refer to significant accounting policies (Note 4.16) and related disclosures (Note 27.3) of the consolidated and separate financial statements.

Key Audit Matter

Senior Executives of the Group and the Company receive remuneration in the form of share-based payments.

These are the Restricted Stock Unit Plan (RSUP) and Management Incentive Plan (MIP) that entitle the employees to receive shares and share options respectively.

There is significant subjectivity and judgement involved in respect of the estimates inherent in the valuation of the schemes and the calculation of the relevant charges. The accounting and disclosure requirements involve a high degree of complexity and there is a risk that the schemes are not adequately reflected and disclosed in the financial statements.

We have determined this to be a key audit matter in the consolidated and separate financial statements due to the complex nature and the extent of estimation involved in the share-based payment valuation.

How the matter was addressed in our audit

Our audit procedures in this area included amongst others:

- We made inquiries of the Directors to understand the share-based payment schemes in place and inspected communications to employees including agreements and award letters.
- We obtained management's computation of its share-based payments and agreed key inputs (such as the contractual terms of the scheme; number of employees and executives granted shares, number of shares granted per employee, official grant date of the shares, vesting period for the scheme and performance conditions) to supporting documents.
- We involved our valuation specialist to challenge the appropriateness of the methodology used by management and recomputed the employee share options fair values using the Black-Scholes Merton (BSM) methodology to estimate the fair value of the share options granted to the senior executives of the Group and the Company with reference to the performance conditions in line with IAS 36.
- We recomputed the amount of benefits earned by employees under the scheme and the related deferred tax impact and compared with the amounts recorded in the financial statements.
- We assessed the adequacy of the disclosures in the financial statements in line with IFRS 2.

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Other Matter relating to comparative information

The consolidated and separate financial statements of Food Concepts Plc (the "Company") and its subsidiaries (together, "the Group") for the year ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 39 to the consolidated and separate financial statements were audited by another auditor who expressed an unmodified opinion on those statements on 13 May 2020.

As part of our audit of the consolidated and separate financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 39 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the consolidated and separate financial statement of financial position as at 1 January 2019. We were not engaged to audit, review or apply any procedures to the consolidated and separate financial statements for the years ended 31 December 2019 or 31 December 2018 (not presented herein), or to the consolidated and separate statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 39 to the consolidated and separate financial statements.

Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated and separate financial statements taken as a whole. The adjustments described in Note 39 are appropriate and have been properly applied.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility and Other National Disclosures which we obtained prior to the date of this auditors' report, but does not include the consolidated and separate financial statements and our auditor's report thereon. Other information also includes Financial Highlights, Chairman's Statement, MD/CEO Report, Report of the Audit Committee, Corporate Governance Report, Notice to Shareholders, amongst others, together with the 'Outstanding reports', which are expected to be made available to us after that date.

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

In connection with our audit of the 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, 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 of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020.

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- iii. The Company's statement of financial position, statement of profit or loss and other comprehensive income are in agreement with the books of account.

A handwritten signature in black ink that reads 'Temitope Onitiri'.

Temitope Onitiri, FCA

FRC/2012/ICAN/00000000423

For: KPMG Professional Services

Chartered Accountants

21 May 2021

Lagos, Nigeria

