

BRANDS customers LOVE



FOOD CONCEPTS PLC

2018 ANNUAL REPORT

Brands Customers Love





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Contents

Corporate Information	2	2018 Audited Financial Results	33
Company Structure	3	Independent Auditors Report	34
Vision	4	Statement of Profit or Loss	37
Mission	5	Statement of Financial Position	38
Chairman's Statement	6	Statement of Changes in Equity	40
MD/CEO Report	8	Statement of Cash Flows	42
Operational Framework	10	Notes to the Financial Statements	44
Corporate Governance Report	11	Value Added Statement	103
Board Committees	13	Five Year Financial Summary	104
Corporate Social Responsibility	14	Notice to Shareholders	106
Our People	16	Form of Proxy	107
Chicken Republic Operations	18		
Property Development & Franchising	20		
PieXpress	21		
Supply Chain Division	22		
Technology	24		
Executive Team	25		
Board of Directors	26		
Report of the Directors	28		
Statement of Directors Responsibilities	31		
Report of The Audit Committee	32		



FOOD CONCEPTS PLC

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

Solicitors

G. Elias & Co.

6, Broad Street

Lagos

Registrars

Meristem Registrars

213 Herbert Macaulay Way,

Sabo, Yaba,

Lagos

Valuers

Knight Frank

24 Campbell Street



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Company Structure

The following represents our structure as at December 2018:

QSR Division

This division is made up of the Chicken Republic business, with operations based in Nigeria and Ghana.

Supply Chain Division

This division coordinates all operational support functions such as procurement, logistics and inventory management. In the future, our intention is that this division will evolve into a full-fledged food service and distribution business.

Central Kitchen

This division is responsible for the development and operation of our supporting back-end businesses.



Our Vision:

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



FOOD CONCEPTS PLC

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.”





FOOD CONCEPTS PLC



Mr. Odunayo Olagundoye
Chairman

Chairman's Statement

Distinguished shareholders,

It is my pleasure to welcome you to the 17th Annual General Meeting of our Company, Food Concepts PLC, and to present to you the Company's performance in 2018 and our outlook for 2019.

I wish to congratulate the Management team on a notable year for your Company. We grew our top and bottom line significantly and after the turbulence of previous years, strongly returned to profitability. We have secured additional investment and put this to work in opening new stores; we remodelled existing stores and built capacity at all levels of the business. I am glad to report that we have emerged as a clear QSR (Quick Service Restaurant) leading Brand in Nigeria.

We have **grown our sales by 35% to NGN 9bn** and **EBITDA by 60% to NGN 1.7bn**. We also **grew our Profit After Tax (PAT) by 305% to NGN 1.5bn** and achieved a **34% year on year increase in customer count to our stores**.

I would like to thank the Chairpersons and members of all the Company's Board Committees especially Mr. Elia Roumani the representative of the IFC as he has done great service in chairing the Corporate Governance and Nominations Committee - working hard to bring our corporate governance in line with world class standards. We thank him for his stalwart service and wish him well as he retires from the Board.



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I am delighted to welcome to your Board Mrs. Anthonia Agbonifo, our Chief Financial Officer whose steady hand has guided us through turbulent times.

I also pay tribute to your MD, Mr. David Butler, and the leadership team he has built. They are a fine group, and I take pride watching them as they take your Company to ever greater heights.

I would like to thank all of you who participated in our Rights Issue for your trust and confidence in your company and I am delighted that you are participating in taking your company to ever greater heights.

On behalf of our whole Board, I wish to thank you, our distinguished shareholders, for your patience and support; we also thank every one of our people for their dedication to our Company's goals, every day.

Mr. Odunayo Olagundoye
Chairman

**“Excellent firms
don’t believe in
excellence,
only in constant
improvement
and constant
change.”**

Thomas J Peters



Mr. David Butler
Managing Director

“I start with the premise that the function of leadership is to produce more leaders, not more followers”

Ralph Nade

Managing Directors Report

Distinguished shareholders,

You will observe that the report you hold in your hands now carries our new Corporate Branding. This represents a renewed company that has achieved many significant milestones in 2018. We have grown fast and achieved robust profitability. We have secured the equity funding needed to deliver our ambitious plans, with the conclusion of our Rights Issue. Our bakery subsidiary, FCPL, is delivering robust growth and is currently building West Africa's largest and most advanced bakery. Additionally, we have reorganised our senior management team to better respond to the challenges of the future. It is therefore appropriate that our vision becomes more ambitious: **To be the most loved fast food and baked goods company in West Africa.**

Financial Performance

We have excelled, even amid a slow recovery in our country's economy. We have **grown our sales by 35% to NGN 9bn** and **EBITDA by 60% to NGN 1.7bn**. We have delivered what I promised you in 2017 and have closed 2018 with **NGN 1.5bn of Profit After Tax (PAT), which represents a 305% growth compared to 2017**. Our growth continues to be driven both by refurbishment and expansion of our store network, as well as, a **34% year on year increase in customer traffic to our stores** – representing a significant gain in market share. We have opened **11 new shops** taking our total to **69 company-owned and franchised locations**.

Developing Great Leaders

I am proud to join our Chairman in welcoming Mrs. **Anthonia Agbonifo** to our Board and to her new role as Divisional Managing Director (DMD) of Shared Services. I also congratulate **Olayinka Ogunleye** for her promotion to DMD Supply Chain, **Ikenna Okongwu** for his promotion to DMD Operations, **Kofi Abunu** for his promotion to DMD Business Development and **Claudette Russell**, Human Resource Director.

These are key roles for the future of your Company and I could not be prouder of the leadership teams' performance and the work they do every day to execute on our brands.

I note with pride that 5 of the 9 members of our Executive Committee (EXCO) are women, as are > 50 % of our 1,299 people.

Developing Great Brands

We end 2018 with our Brands in great shape and independently assessed to be Nigeria's best recognised Quick Service Restaurant (QSR) Brand. We are preparing the launch of our **PieXpress** concept serving every day street food, to a highly mobile consumer base, from healthy clean, well-branded facilities at everyday affordable prices. I look forward to sharing the performance of this exciting new concept at our 2019 AGM.



We have launched our new flame-grilled concept in our Awolowo Road store and it has been well received. We will roll out this new concept across a number of stores as the opportunities present themselves. Our income from franchisees grew 86% reflecting the strength of our Brand, our ability to attract high quality franchisees and our improved ability to manage our franchisees effectively. Finally, we are proud to now partner with Total to provide baked goods to their Bonjour Brand, using our world-class Central Kitchen.

Our development team successfully opened seven new stores during 2018, whilst continuing our program to upgrade all stores to our G5 look (5th generation) format by mid-2019. We have seen growth in Lagos, Port Harcourt, Abuja, Benin, Ilorin, Ibadan and in the North as we establish ourselves as a truly pan Nigerian, home grown Brand.

Our baked goods JV (Joint Venture) partnership with FCPL (we hold a 35% stake) is now working to develop a world-class integrated bakery to sustain its growth and market leading position for its Butterfield bread and Yum Yum sausage roll brands. This new facility will be fully functional and operational, under the leadership of one of the most qualified and experienced Managing Directors, Mr. Vasu Moodley, by Q4 2019.

Last, but not least, it is also prudent to mention and recognise the fantastic work that our **Secretarial, Legal, Risk, Audit and ESG** (Environment, Social & Governance) teams have done in protecting our Company, our Brands, our Reputation and our Market value. These contributions often go unmentioned, but our past experiences have taught us to never under-estimate their valuable contribution.

Operational Excellence, Consistent Execution Every Day

Execution has become our key differentiator and we have learnt to execute better and better as the years have gone by. Great execution in everything we do, is, and always will be, paramount to our continued success. We execute through passionate people, who have been recruited and home grown specifically to execute within the context of consistent process and discipline. **People Capability Always**, is at the heart of great execution and we are fully committed to this process across all levels of our business.

Delivering on our Brand Promise every day, takes process and discipline, and we have made considerable investment in our pie production, warehouse, and supply chain capability in 2018. **Over 99% of our supply chain is now indigenous** – meaning that every Naira spent in our shops creates jobs and opportunities for Nigerians across our country.

Looking to 2023

Our strategy is clear and we have developed an experienced Executive and Management Team that can deliver on our 5-year plan.

We will continue to operate within our current Operating Framework and intensify our Execution Capabilities at all levels with **People Capability Always and Gender Equality** at the heart of everything we do.

We will continue to invest in capacity building at store level, as well as, within our manufacturing facilities.

We will continue to strengthen our Legal, Process, Risk, Audit, Quality, Finance and Safety functions as we strive to become best in class from a governance perspective.

We will develop a strong marketing team that will Build Brand Equity across all the Brands and grow shareholder value for all.

We will never forget our hard-learned lessons. Lessons that stand us in good stead for achieving our future potential.

Over the coming years we aim to launch 1-2 adjacent Food Brands and remain ambitious for the potential of our much loved, Food Concepts brand across West Africa.

Distinguished Shareholders, let me thank you for your patience and support through the years. The Food Concepts team 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



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Operational Framework





FOOD CONCEPTS PLC

Corporate Governance Statement

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 organization. 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 summarizes 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 recognized 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 and 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.



FOOD CONCEPTS PLC



Corporate Governance Statement (cont.)

Board Responsibilities

The Board, inter alia, is responsible for ensuring that the Company operates in a lawful and efficient manner 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.

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 individual 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 Meetings

The Board held four (4) meetings during the 2018 financial year. The record of membership and attendance of Directors at Board meetings in 2018 financial year is presented as follows:

Director	6 Mar	28 Jun	31 Oct	13 Dec
Mr. Odunayo Olagundoye	P	P	P	P
Mr. David Butler	p	P	P	P
Mr. Babatunde Fajemirokun	P	P	P	P
Mr. Lanre Fabunmi	P	P	P	P
Mr. Elia Roumani	P	P	AWA	P
Mrs. Runa Alam	AWA	P	P	AWA
Mr. Babacar Ka	P	P	P	AWA
Mr. Marc Stoneham	P	P	P	AWA
Mr. Adefolarin Ogunsanya	P	P	P	P

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

Board 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 in 2018 are:

Mr. Babatunde Fajemirokun	Chairman
Mr. Elia Roumani	Member
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:

Director	5 Mar	27 Jun	30 Oct	12 Dec
Mr. Babatunde Fajemirokun	P	P	P	P
Mr. David Butler	p	P	P	P
Mr. Elia Roumani	P	P	AWA	P
Mrs. Runa Alam	AWA	P	P	AWA
Mr. Babacar Ka	P	P	P	AWA
Mr. Marc Stoneham	AWA	P	P	P
Mr. Adefolarin Ogunsanya	AWA	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. Mohammed Salau Adebajo	Member
*Mr. Sonnie Ayere (Ceased to be a member w.e.f. 01.11.2018)	
*Mr. David Sobanjo (Ceased to be a member w.e.f. 01.11.2018)	

The Committee met 2 times during the year. The following table shows meeting attendance of members:

Director	5 Mar	27 Jun
Mr. Sonnie Ayere	P	NLM
Mr. David Sobanjo	AWA	NLM
Mr. Lanre Fabunmi	P	P
Mr. Babacar Ka	P	P
Mr. Peter Eyanuku	NYE	P
Mr. Salau Mohammed Adebajo	NYE	P

MEETING ATTENDANCE ABBREVIATIONS:

P: Present **AWA:** Absent with apologies **NYE:** Not yet appointed
NLM: No longer a member

Remuneration Committee

The Remuneration 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.

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 met once during the year under review (02/10/18). The Members of the Committee who served during the year are:

Mrs. Runa Alam	Chairman
Mr. Babacar Ka	Member
Mr. Elia Roumani	Member

Corporate Governance & Nominations Committee (CGNC)

The Corporate Governance & Nominations Committee meets in order to make recommendations to the Board on all matters concerning corporate governance and directorship practices, including 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, 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 members of the Committee who served during the year were:

Mr. Elia Roumani	Chairman
Mr. Babatunde Fajemirokun	Member
Mr. Marc Stoneham	Member
Mr. Adefolarin Ogunsanya	Member

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

Director	5 Mar	27 Jun	30 Oct	12 Dec
Mr. Elia Roumani	P	P	AWA	P
Mr. Babatunde Fajemirokun	AWA	P	P	P
Mr. Marc Stoneham	P	P	P	AWA
Mr. Adefolarin Ogunsanya	P	P	P	P

MEETING ATTENDANCE ABBREVIATIONS:

P: Present **AWA:** Absent with apologies

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Corporate Social Responsibility and Sustainability

“A business is
simply an idea
to make other
peoples lives
better.”

Richard Branson

At Food Concepts we believe that Corporate Social Responsibility (CSR) extends well beyond a few initiatives that are supported annually. Rather, for us, it is a culture and an attitude that exists within the fabric of our way of doing business. We recognise that we have a responsibility to support the communities and environments in which we operate that we must ensure that we impact them positively.

Since inception, Food Concepts has believed in the need to inspire, educate and uplift children so that they are better equipped to become productive and employable members of society. On this basis, one of our CSR focus areas in 2018 was on educational initiatives. In the spirit of promoting entrepreneurship and work, we partnered with several schools in Lagos to promote guided tours of our Central Kitchen and Pie Production departments. We also invited several students into our restaurants to educate them on the processes around food production within a Chicken Republic Restaurant.

Even in our least profitable years and darkest hours, we have always supported Sickle Cell Anaemia to provide aid to individuals with the Sickle Cell Disease in Nigeria. 2018 was no different and we again sponsored this worthwhile cause. Further to this, Food Concepts actively extends its Corporate Social Responsibility across the following five key areas:

1. Employment & Skills Development

Food concepts presently employs 1800 people and many more thousands are employed indirectly. For example, via new store builds and the remodeling of our stores, the products, goods and services that we purchase locally, our delivery network in partnership with Ace, as well as, through the Food Concepts Pioneer brands, which still operate predominantly on the basis of informal distribution networks.

We are aiming to have opened 113 stores by the end of 2019, which will see us advance all of the aforementioned. By 2023 we will have 500 stores, directly employing over 8000 people in Nigeria alone.

In addition to employment, our Training and Development department is designed to train, upskill and develop the capability of every person that we employ on an ongoing basis.



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2. Diversity

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

We have also reduced our Ex-Pat quotas from 8 to 2 and have filled those position with local Nigerian talent, whilst promoting female employees to middle, senior and executive management positions.

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, which are both so sadly under employed and with limited opportunities today.

3. Human Rights & Inclusive Business Practice

We do not import anything ourselves. We buy all of our products, produce, poultry, etc. through Nigerian companies. Thus, every Naira that we spend goes into the local economy in one way or another, whether it is through job creation, distributed profits, local or Federal taxes.

Food Concepts remains committed to the support of grassroots entrepreneurs, from whom we purchase fresh produce for our central kitchen and numerous restaurants. We pride ourselves in taking a hands-on approach that is geared toward assisting budding entrepreneurs to improve and refine their products and services in order to meet our rigorous quality standards. As a testament to this, the young supplier of our bean powder went on to win an Entrepreneur of the Year award.

4. Consumer Protection

Health and Safety is of critical importance to Food Concepts and we are presently in the final stages of securing our ISO22000 certification.

ISO22000 is the latest certification, based on a Food Safety Management System that can be applied to any organisation in the food chain - *from farm to fork*.

Becoming ISO 22000 certified, will enable us to show our customers that we have a world-class food safety management system in place. This should go a long way to ensuring customer confidence in our products, which is becoming more important as customers demand safe food and food processors require that ingredients obtained from their suppliers are safe.

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.

Finally, we are committed to ensuring everyday affordable value to our customers and as a testament to our commitment; we have not increased the pricing of our refuel meals for three years despite the tough economic climate.

5. Animal Welfare

Food Concepts is committed to animal welfare and, as such, only purchases poultry from reputable government approved processing facilities.

Looking Ahead

As we move forward, Food Concepts is committed to strengthening all existing initiatives and will continue to place key focus on creating homegrown employment, gender equality and upskilling children and young adults. We will continue to employ local talent and enrich the lives of as many Nigerians as we can.

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.



“You don't build a business, you build people and people build the business.”

most loved



Our People



“People Capability Always” continues to be a driving force in our business, as seen in our 2018 performance. We continue to train, develop, recognise and reward our people more often, enriching lives and growing our business in the process.

Key HR Activities

Driving Operational Efficiencies

Operational efficiencies drive strong performance and with this in mind we continued to see improvements in the operational efficiencies of our people. Revenue, EBITDA and PAT per head saw a growth of 5%, 29% and 948% respectively, while staff cost to revenue continued to reduce by 1%.

Focus on building local capability saw the reduction in the cost of expatriate employees, as the number reduced from 3 to 2.

Chicken Republic Incentive Scheme (CRIS)

In 2018 the Chicken Republic Incentive Scheme was extended to our Area Managers and Supply Chain Division employees in our drive to increase the revenue and EBITDA of the business. This continues to be a great reward tool for our people and following another year of good financial performance, we rewarded our teams by paying out over 29.3m in cash incentives. This was an 9.2m more than in the previous year.

OMEGA Development Program

The OMEGA Development program continued to focus on internal development to train and develop our people in readiness for a role with additional responsibility and the opportunity to improve their quality of life by earning a higher salary.

In 2018 we developed and appointed 72 internal staff as follows:

- 4 Area Managers
- 12 Restaurant Managers
- 27 Assistant Managers
- 29 Shift Managers

Staff Forum Meetings

This is where Staff Representatives from across the business get the opportunity to meet twice a year to discuss concerns and make suggestions to improve the business as well as receive an update on business performance

This continues to provide the business with valuable feedback on ways to improve the business and the working lives of our staff.

CEO Communication Meetings

In 2018 we introduced a monthly CEO Communication meeting where managers across the business receive and update on business performance and get the opportunity to ask the CEO questions.

This meeting has been greatly received by the managers with feedback that they feel more informed.

Appointments:

In 2018 the following key appointments were made:

- Regional Operations Manager (Lagos)

2019 Focus

2019 is projected to be a year of rapid growth, with a plan to open 20 new stores. This makes the need to develop our team greater than ever before. In 2019 we will be focused on developing more managers, as well as, on enhancing their managerial and leadership skills to ensure additional value across the business.



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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.

Operational Review

2018 was a challenging year from an economic point of view with rising inflation and government import restrictions. Other QSR brands struggled through the year with a few QSR brands showing significant decline in both number of stores, revenue and profitability. We also saw minimal influx of new brands coming into the market as a result of the challenges facing the economy.

Despite the economic challenges faced, Chicken Republic opened 8 new stores with continued growth in both Same Store and System sales. We also piloted projects with smart partners, i.e. Total Bonjour to test such mechanisms as a means to facilitate brand extension into previously untapped markets. Financially and operationally, it was a good year for Chicken Republic, with the company showing a small profit, after a difficult period. By constantly improving operating standards, we aim to see continued growth into 2019. Our focus in 2018 was initially through "Sweating our Assets" and then "Building Capacity" for continued growth.

As we go into 2019, we have updated our Operations Strategy through clear execution of our processes to deliver continued growth for our business. In addition, we are focused on growing our top line sales through new stores, same store sales growth, people development, continued store revamps and building equipment capacity for our stores. Our focus in 2019 is ensuring product availability in all our stores through executing sales and product forecasting each day.

Brand Development

We continued into 2018 with our affordable value promo designed to deliver great value to the Nigerian consumer amidst tough economic conditions and dwindling disposable income. The promo was tagged Refuel Meal (1 piece of chicken and rice) @ N 500 and Refuel Max (1 piece of chicken, rice/spaghetti, coleslaw and 35 cl drink) @ N800. We maintained these prices, despite the challenges in the economy, which has resulted in a steady base of regular customers, as well as, an incline in new customers.

The promotion has continued to see continued growth across every store in the country and is clearly talked about in the Nigerian market. We saw further significant transaction growth in 2018.

Also, in 2018, our business introduced The Big Boyz Meal (1 Chief Burger, 1 piece of chicken, 1 Monster Drink, Rice/Spaghetti and Coleslaw) @ N 2,000 for the Young Male Adult. This has been a great addition to our menu range and has seen a reaction from the competition to compete in that category. This has seen a great acceptance in the Market and along with our 'First Mover Advantage', which has helped halt our Ticket Average decline from the growth in our Refuel category.

A major milestone in 2018 for our business was the updating of our store menu boards and wall murals across most of our stores which significantly improved our brand image and standard in the Market.

As we go into 2019, we will be looking at significant growth in our brand awareness across the country through a detailed Consumer Market Research and a clear execution on the feedback from the research to ensure that we achieve our MISSION as "The Most Loved Quick Service Restaurant and Baked Goods Company in West Africa".

Product Development

Although we had no new product development in the stores, we focused on ensuring great product quality and product availability across all stores. This was a great success as help continue the growth of Same Store and System Sales as well as improving our gross profit margins and helped deliver our EBITDA cash contribution. In addition, we introduced a wider range of snacks into trial from our Central Kitchen, which has yielded some positive results and with a view in building a strategy around this range of snacking products.





taste more



2019 Focus

As mentioned, our focus in 2019 is to ensure product availability in our Restaurants and to ensure that when customers visit our stores, we deliver outstanding service all the time. We will address these challenges through the following actions:

- Accurate sales forecasting
- Accurate cook projections
- Coaching and training for our all restaurant management teams
- Clean and well-maintained restaurants
- Great hospitality to our customers



Still ONLY N500

Property Development & Franchising

Our Property Development Division continues to grow with the addition of new franchise stores, the opening of new company stores and the remodeling/upgrading of existing stores. All three activities contributed to our performance in 2018. Franchising added another 4 stores to the fold, with our first franchisee in Port Harcourt exceeding all projections. Year on year performance saw a 32% growth in Franchise sales.

We received funding in Q3 of 2018 and committed to opening 7 new company stores. We also remodeled 19 existing stores to our G5 look. A third part of the funding was directed to the capacity enhancement of our Supply Chain and stores, as the growing success of our affordable value strategy required more equipment and replacement of aged assets in order to deliver operational excellence and ensure continuous sales growth.

We have been able to manage our setup cost despite the devaluation of the Naira and the harsh economic conditions. Bulk purchase of key assets allowed us to negotiate discounts as high as 30%, which ensured great returns on investments. We have also added additional staffing to the Development Department to help focus with Franchise Management.

Our strategy going forward remains the same, once again our key focus:

- Have controlling share of the number of stores in the 4 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 & Ghana
- Franchise Support - training and performance reviews, operational excellence, marketing activities and audits
- Effective stakeholder communication with project meetings, project tracker spreadsheet and action logging
- Implemented a Lean Construction (Lean construction sunk Cost on Sites with weak ADS assumption)

Looking Ahead

- We have developed a strong pipeline of viable locations to grow the CR brand
- We are developing compelling new brands and product categories to win share of throat
- Property Management is key to our business, strict lease agreements to reduce Landlord risk habitual increases in lease terms
- Q4 of 2018 we introduced a new addition to our menu – 'Flame Grilled Chicken' we 3 flavor variants. This to be rolled out across selected stores across the country
- We will continue to drive franchise growth across Nigeria and West Africa





Over the past few years it has become increasingly obvious that success in the Quick Service Food space is very much dependent on execution, economies of scale and always being relevant to the needs of the Consumer. On this basis, it was and is, inevitable that Food Concepts could and should become a holder of multiple food Brands that cater for consumers across a much broader spectrum.

Food Concepts originally developed the PieXpress Brand in 2004. A Brand designed to meet the Nigerian consumers love of pie. However, from then till now, the needs and preferences of the Nigerian consumer have changed and we have adapted the original Brand and economic model to meet the needs of a very focused consumer base.

The PieXpress Brand will 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 began developing strategies and plans to launch PieXpress as a fully-fledged consumer brand in 2018. In part, this was informed by the excellent market response to the "Every Day Affordable Value" successes in our Chicken Republic stores and with specific reference to our "Refuel Value Meals" category.

On this basis, we began to explore what shape and format such a Brand might take, keeping the following key considerations in mind:

- Better utilisation of our existing and new real-estate: the development of kiosks versus brick and mortar shops, enables us to keep both set up and operating costs to a minimum. It also enables us to move the units around based on consumer patronisation
- A reduced set up costs with a faster payback period
- Lower operating costs
- A product mix that allowed us to leverage economies of scale from our existing assets. As our central kitchen and pie production facility already produce pies and sandwiches, it was rather easy for us to extend the product range to include other sweet and savoury baked goods
- Profitability

Our solution involves taking a two-prong approach to the development and roll out of the Pie Xpress kiosks:

1. Open PieXpress Kiosks 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 Kiosks on high traffic sites that are not linked to our current Chicken Republic Real-Estate

We are optimistic about the potential of this Brand and plan to roll out 10 kiosks in 2019. Furthermore, we believe that this could in time enable us to launch and leverage a micro-franchising concept that targets grass roots entrepreneurs (specifically female entrepreneurs) as part of our commitment to our Corporate Social Responsibility program.



“If you exclude half the talent pool; it's no wonder you find yourself in a war for talent.”

Theresa J. Whitmarsh

Supply Chain Division

The division has recorded tremendous growth in its operation during the year. This growth was because of the impressive growth recorded by the stores. To be able to cater for this increased demand and deliver all products to the stores “On Time in Full” the division increased the number of vehicles in its fleet from 6 to 11. The deployment of these vehicles led to prompt delivery across the stores and enhanced operational efficiencies as the restaurant personnel can focus on their core operations.

The activities of the units in SCD are detailed below:

SCD Operations

The Procurement unit is responsible for the procurement of all food and packaging products, equipment and other restaurant supplies. The mission of the unit is to provide the “lowest possible sustainable store-delivered prices” for restaurant products and equipment. To achieve this, the unit leverages on the system's scale to drive cost savings and effectiveness in its day to day function.

During the year, the Company has not experienced any significant continuous shortages of supplies despite price fluctuations, rather we have developed alternative sources for most of our products.

The Company makes use of a centralized Procurement function and employs the use of Company owned fleet and third-Party Logistics Service Providers in the distribution of supplies to the stores.

Furthermore, the Company works closely with suppliers to encourage innovation, assure best practices and drive continuous improvement. Leveraging scale, supply chain infrastructure and risk management strategies, the Company also collaborates with suppliers towards achieving competitive, predictable food and packaging costs over the long term.



FOOD CONCEPTS PLC

As the Company witnesses tremendous growth and opens more stores in different regions, there were needs to set up complimentary units that enhance the performances of these stores as it relates to servicing and meeting customers demand. Warehouses were opened in Abuja and Port Harcourt to ensure stock availability in the stores and drive efficiencies in inventory management.

Pie Production

To satisfy the needs of the customers that are desirable for CR's pies because of our specially developed secret recipe, a state-of-the-art Pie Production facility was set up in Abuja. The activities of the facility are geared at catering for the increasing demand from the stores and attend to other interested parties. The current Pie production facilities are strategically located in 8 of are stores nationwide to serve neighboring locations.

We have recorded tremendous growth in our Pie production over the years, and this growth is expected to continue as we roll out more stores.

Quality Assurance, Health, Safety & Environment

The Company has established and enforces high quality standards and product specifications. The Company makes use of its inhouse analytical laboratory to carry out quality inspection and assessment on all inbound materials to assure the integrity of products supplied and ensure that its high standards are consistently met. To ensure compliance on the part of the suppliers, periodic on-site supplier inspections are carried out. The quality assurance process not only involves ongoing product reviews, but also on-site supplier visits.

The Quality Assurance process further extends its training to the restaurant personnel, as they are taking through the trainings in proper storage, handling and preparation of products.

The unit is responsible for ongoing product reviews and introduction of new products. As this unit also houses the Product development unit.

The Company prides itself on ensuring a safe working environment for all staff, irrespective of the store's location. The unit ensures that the Company adheres strictly to federal, state or local environmental laws or regulations as it affects its operations. It also monitors developments related to environmental matters and plans to respond to governmental initiatives in a timely and appropriate manner.

Central Kitchen

The Central Kitchen continues to produce the spices that are used in the production of CR soulfully spiced meals. The central Kitchen brings to the fore several benefits such as:

- Consistency in quality and uniformity in products
- Convenience
- Larger space
- Equipment and specialized appliances used in production
- Reduction in wastage at the stores
- Reduction in the labour costs at the stores

It is designed to support all CR stores (Company owned and Franchised). It is used to produce semi-finished and finished items. Shipment of fresh vegetables to Lagos CR stores are done with 2 refrigerated trucks dedicated solely for this purpose.



Technology

Technology is a key enabler in any business and Food Concepts is no different.

Over the past four years we have constantly reviewed what we can do with what we have and have managed to "sweat" our existing IT infrastructure, whilst maximising its output with hard work and manual interventions. This said, we have now exhausted its capability and it is time for change. However, the following is noteworthy:

- The IT and Business Intelligence team have managed to achieve significant outputs from an antiquated system, which has provided enough information to facilitate our journey to profitability
- Over the last 4 years we have created the biggest online food ordering platform in Nigeria in conjunction with our partnership with ACE
- Our recent partnership with a technology-based company allows us to generate marketing income from companies and businesses to promote "Brand approved" products through our visual and audio technology at store level

As with anything in business, we have had to get our priorities right. Our 1st priority was to save the business and then to look at ways to enhance process and discipline throughout the business model. We have presented our IT/ERP strategy to the Board of Directors and have received approval to proceed to the next level, which will take our Information Technology platform to a completely new level. One that integrates all of the departments and functions, becoming the much-needed foundation to achieving our vision of being "The most "Loved" fast food and baked goods company in West Africa".

The new IT/ERP system will drive further efficiencies through our business and allow us to react to data in a far timelier manner, allowing us to dissect and manage the changing needs of the customer by store, by region and by store type.

The benefits of the new IT/ERP system will be the business changing in terms of flow through to the bottom line and will also allow us to make the right decisions as we invest into the future. This data will be crucial to our existing and new store P n L management and be a significant information feed to our store development engine.

We have appointed PWC as project managers for this process and we will start with the implementation process in Q4 2019 and anticipate full utilisation by the close of Q2 2020.

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 2018.



Mr. David Butler
Managing Director

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

Mrs. Claudette Russel
Human Resources Director

Olayinka Ogunleye:
Divisional Managing Director – Supply Chain

Mrs. Josephine Johnson, ACIS
Company Secretary & Legal

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 19 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 an Executive Director & COO at ALLCO Insurance Plc; a leading financial services group in Nigeria. Mr. Fajemirokun joined ALLCO 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 ALLCO, he worked with Accenture, Lagos (2003-2007) and then Capgemini Consulting, UK (2008-2009). In both roles, Babatunde 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. Babacar Ka
Non-Executive Director

Babacar is an investment principal at Development Partners International LLP with 17 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. Marc Stoneham
Non-Executive Director

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. Marc holds a BA (Hons) in Modern History from the University of Oxford (1st class) (2003) and an MBA from INSEAD (Dean's List) (2010).



Mr. Adefolarin Ogunsanya
Non-Executive Director

Adefolarin is an investment professional at Development Partners International LLP with over 12 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).



Mrs. Anthonia Agbonifo
Executive Director

Anthonia is a Chartered Accountant with over 17 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 ALLCO Capital Limited – a leading secure investments management firm in Nigeria. He has over 16 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.

“Never doubt that a small group of thoughtful, concerned citizens can change the world. Indeed, it is the only thing that ever has.”

Margaret Mead

Report of the Directors

For the year ended 31 December 2018

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 2018.

Incorporation and Address

Food Concepts Plc is incorporated in Nigeria under the Companies and Allied Matter Act as a public limited liability Company on 6th December 1999. 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 Company's affairs is satisfactory and no event has occurred since the reporting date, which would affect the financial statements as presented.

Results for the Year

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Chicken Republic Brand -Global				
Income inclusive of Franchisee	10,685	8,206	10,462	7,978
Less: Intercompany sales	(9)	(7)	-	-
Less: Revenue attributable to Franchisee	(1,720)	(1,519)	(1,720)	(1,519)
	-----	-----	-----	-----
	8,956	6,680	8,742	6,459
Add: Income from Franchisee	132	71	132	71
	-----	-----	-----	-----
Revenue	9,088	6,751	8,874	6,530
	=====	=====	=====	=====
EBITDA	1,736	1,050	1,732	1,043
	=====	=====	=====	=====
Profit/(loss) before taxation	1,470	(713)	1,358	(916)
Taxation	(37)	-	(37)	-
	-----	-----	-----	-----
Profit/(Loss) after taxation	1,433	(713)	1,321	(916)
	=====	=====	=====	=====

Property, Plant and Equipment

Information relating to changes in property, plant and equipment during the year is given in Note 21 to the consolidated and separate financial statements.

Dividend

The Directors do not recommend the payment of dividend for the year ended 31 December 2018 (2017: Nil).



Directors

The changes on the Board since the last AGM included the resignation of Mr. Elia Roumani (effective 31st of January 2019). On your behalf, we wish to thank him for his contributions to the growth of the Company during his tenure with the Board.

The other change on the Board was the appointment of Mrs. Anthonia Agbonifo as a Director (effective 28th of March 2019) in line with the provisions of our Articles of Association. She will be presented to the shareholders at the forthcoming AGM for approval of her appointment, in line with Section 249 (1) and (2) of CAMA.

According to section 259 (1) of the Companies & Allied Matters Act 2004 and in line with the provisions of the Articles of Association, one third of the number of Directors must retire at the Annual General Meeting and may offer themselves for re-election. Accordingly, Mr. Marc Stoneham and Mr. Adefolarin Ogunsanya will retire at the forthcoming Annual General Meeting and being eligible, hereby offer themselves 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. 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

Shareholdings

The issued and fully paid share capital of the Company as at 31 December 2018 was beneficially owned as follows:

	2018		2017	
	Number	%	Number	%
ADP 1 Holdings	1,345,695,128	23	1,345,695,128	23
Food Concepts International Limited	2,197,493,367	38	2,197,493,367	38
International Finance Corporation	1,083,333,334	18	1,083,333,334	18
Retail investors	1,216,803,171	21	1,216,803,171	21

	5,843,325,000	100	5,843,325,000	100
	=====	===	=====	===

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

	2018	2017
	(Direct)	(Direct)
Mr. Odunayo Olagundoye	102,144,615	102,144,615

The directors' indirect interest in shares of the Company is as follows;

		2018	2017
		(Indirect)	(Indirect)
Mr. Odunayo Olagundoye	Food Concepts International Ltd	6,621,712	6,621,712
Mr. Elia Roumani	International Finance Corporation	1,083,333,334	1,083,333,334
Mrs. Runa Alam	ADP 1 Holdings	1,345,695,128	1,345,695,128
Mr. Babatunde Fajemirokun	DF Holdings Limited	487,703,696	487,703,696
Mr. Lanre Fabunmi	Tricorn Capital & Investment Company Ltd	11,642,085	11,642,085

Report of the Directors (continued)

For the year ended 31 December 2018

Directors' Interests in Contracts

None of the Directors has notified the Group 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 2018 (2017: Nil).

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 major assets, and the Group continuously invests in developing such skills.

Events after Reporting Period

Apart from the disclosure in Note 39, no events or transactions have occurred 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 for or disclosed these financial statements.

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.

Donations

The Group and Company made no contribution to charities during the year ended 31 December 2018 (2017: Nil).

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

By order of the Board



Josephine Johnson
FRC/2014/ICSAN/0000006496
COMPANY SECRETARY
27th June 2019

Statement of Directors Responsibilities

For the year ended 31 December 2018



FOOD CONCEPTS PLC

The Companies and Allied Matters Act, CAP C20, 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 Company:

- a) keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, CAP C20, 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 2018. 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

27th June 2018

Report of the Audit Committee

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 2018, 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 2018.

In our opinion, the scope and planning of the audit for the year ended 31 December 2018 was adequate and we confirm that the responses by the management to the external auditor's findings on management matters were satisfactory.

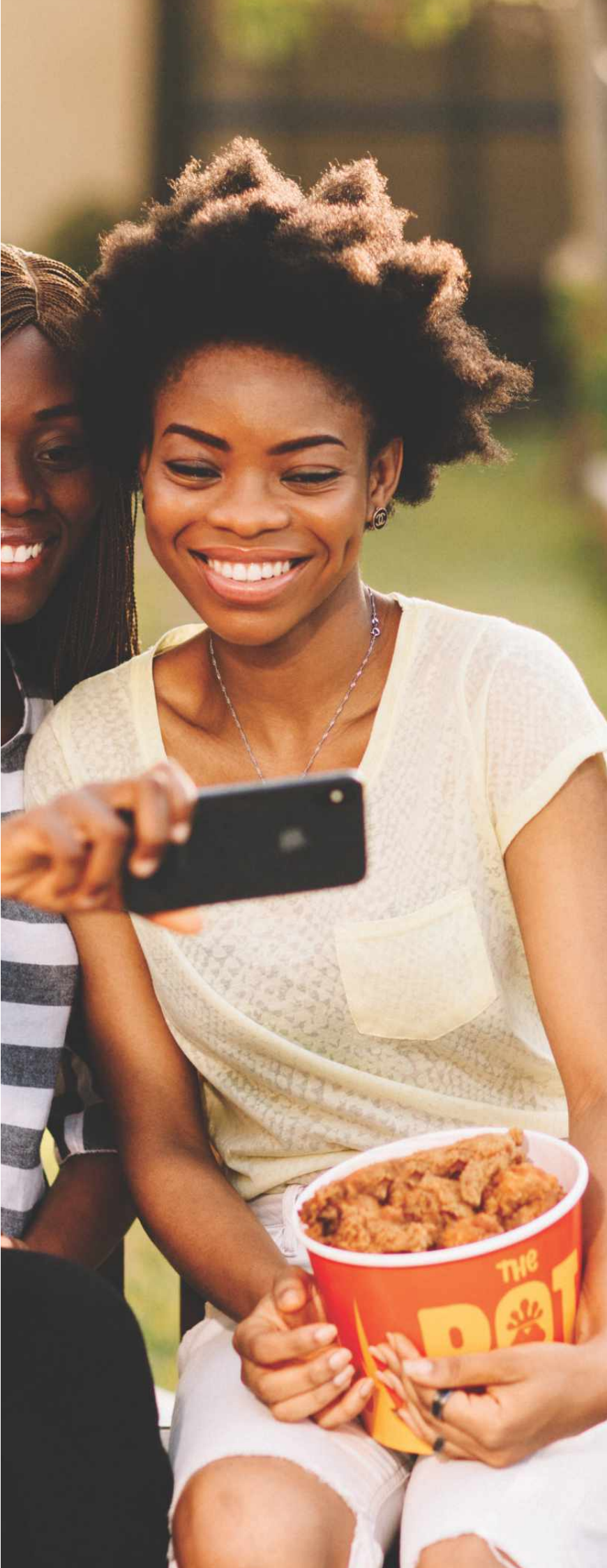
Members of the Audit Committee:

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



Chairman, Audit Committee
26th June 2019





FOOD CONCEPTS PLC

2018 ANNUAL

FINANCIAL

STATEMENTS



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Independent Auditors Report

To the Shareholders of Food Concepts PLC

Report on the audit of the consolidate and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Food Concepts Plc which comprise the consolidated and separate statement of financial position as at 31 December 2018, the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Food Concepts Plc as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, requirements of Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004..

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 in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of Food Concepts Plc. 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. 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 statements.

Key Audit Matter

How the matter was addressed in the audit

Impairment assessment of intangible asset

The Company's intangible asset – brand rights - has an indefinite useful life that is subject to annual impairment test. It was valued at N1.267 billion as at 31 December 2018. This represents 17% of the total non-current assets and 12% of the total assets of the Group as at 31 December 2018.

The impairment assessment process is complex, involves significant management judgment 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 materials prices, inflation and market share during the forecast period.

The carrying amount and key assumptions are disclosed in Note 22 and to the consolidated and separate financial statements. The accounting policies and details relating to the intangible asset are provided in Note 4.9.

- Our audit procedures include testing the intangible asset impairment and evaluating 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 Company.
- We challenged and 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 the respective assumptions.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors, Statement of Directors' Responsibilities, 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. The 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, we conclude that there is a material misstatement of these other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, and for such internal control as the Directors determine is necessary to enable the preparation of the 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's 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

Independent Auditors Report

To the Shareholders of Food Concepts PLC - continued

Auditor's Responsibilities for the Audit of the Financial Statements - *continued*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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'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 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

28 th June 2019



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

For the year ended 31 December 2018

	NOTE	The Group		The Company	
		2018	2017	2018	2017
		₦ million	₦ million	₦ million	₦ million
Revenue from contracts with customers	7	9,088	6,751	8,874	6,530
Other operating income	8	139	74	137	51
Raw materials and consumables used	9	(4,076)	(3,071)	(3,966)	(2,955)
Depreciation and amortisation	10	(417)	(402)	(406)	(390)
Employee benefits expense	11	(1,548)	(1,053)	(1,532)	(1,038)
Other expenses	12	(2,034)	(1,704)	(1,937)	(1,620)
Impairment loss on financial assets - net	17.1	(3)	-	(3)	-
Operating Profit		1,149	595	1,167	578
Finance costs	13	(6)	(173)	(6)	(173)
Finance income	14	107	34	107	34
Gains on disposal of investment in associate	15	-	211	-	140
Foreign exchange loss on convertible loans	16	-	(597)	-	(597)
Reversal of excess liabilities and provisions no longer required	17	95	11	90	-
Non- recurrent expenses	18	-	(898)	-	(898)
Share of profit of an associate	24.1	125	104	-	-
Profit/(loss) before tax		1,470	(713)	1,358	(916)
Income tax expense	19	(37)	-	(37)	-
Profit/(loss) for the year		1,433	(713)	1,321	(916)
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)					
Fair value changes/foreign exchange differences attributable to financial liabilities (Option)	30.1	111	-	111	-
Exchange differences on translation of foreign operations	30.2	7	(17)	-	-
Other comprehensive loss for the year		118	(17)	111	-
Total comprehensive income/(loss) for the year, net of tax		1,551	(730)	1,432	(916)
Profit/(loss): attributable to: Owners of the parent		1,551	(730)	1,432	(916)
Basic earnings/(loss) per share (Naira)	20.1	0.28	(0.14)	0.23	(0.16)
Diluted earnings/(loss) per share (Naira)	20.2	0.08	(0.05)	0.07	(0.06)

Notes 1 to 41 are an integral part of these 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 2018

	NOTE	The Group		The Company	
		2018	2017	2018	2017
		₹ million	₹ million	₹ million	₹ million
Assets					
Non-current assets					
Property, plant and equipment	21	4,210	3,735	4,148	3,658
Intangible assets	22	1,267	1,274	1,267	1,274
Prepayments	27	264	-	264	-
Investments in subsidiaries	23	-	-	2	2
Investment in associates	24	1,545	1,085	1,583	1,248
	
Total non-current assets		7,286	6,094	7,264	6,182
	
Current assets					
Inventories	25	443	341	436	336
Trade and other receivables	26	221	93	396	290
Prepayments	27	454	201	452	194
Other financial assets	31.1	-	117	-	117
Cash and bank balances	28	1,765	635	1,759	634
	
		2,883	1,387	3,043	1,571
	
Total assets		10,169	7,481	10,307	7,753
		=====	=====	=====	=====
Equity and liabilities					
Equity					
Issued share capital	29.1	2,922	2,922	2,922	2,922
Share premium	29.2	4,700	4,700	4,700	4,700
Retained losses		(5,364)	(6,793)	(5,383)	(6,686)
Deposit for shares	29.3	4,501	-	4,501	-
Fair value reserve of financial liabilities at FVOCI	30.1	111	-	111	-
Foreign currency translation reserve	30.2	(188)	(195)	-	-
	
Total equity		6,682	634	6,851	936
		=====	=====	=====	=====

	NOTE	The Group		The Company	
		2018	2017	2018	2017
		₦ million	₦ million	₦ million	₦ million
Non-current liabilities					
Share Options	31.2	118	-	118	-
Borrowings	31.3	1,659	4,501	1,659	4,501
	
		1,777	4,501	1,777	4,501
	
Current liabilities					
Borrowings	31.3	-	718	-	718
Contract liability	32	23	-	23	-
Deferred income	32.1	24	39	23	39
Trade and other payables	33	1,592	1,589	1,562	1,559
Current tax liabilities	19.3	71	-	71	-
	
		1,710	2,346	1,679	2,316
	
Total Liabilities		3,487	6,847	3,456	6,817
	
Total equity and Liabilities		10,169	7,481	10,307	7,753
		=====	=====	=====	=====

See notes to the consolidated and separate financial statements.

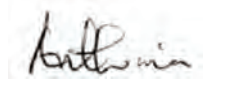
The financial statement was approved by the Board of Directors on 27 June 2019 and signed on its behalf by:



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



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



Anthonia Agbonifo
FRC/2013/ICAN/0000003934
Chief Financial Officer

Consolidated and Separate Statement of Changes in Equity

For the year ended 31 December 2018

The Group

	Note	Issued share capital	Share premium	Retained losses	Deposit for shares	Foreign currency translation reserve	Fair value reserve of financial liabilities at FVOCI	Total equity
		₹ million	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million
At 31 December 2017 as originally presented		2,922	4,700	(6,793)	-	(195)	-	634
Impact of change in accounting policy: Adjustment on initial application of IFRS 9	40	-	-	(4)	-	-	-	(4)
At 1 January 2018 - Restated		2,922	4,700	(6,797)	-	(195)	-	630
Profit for the year		-	-	1,433	-	-	-	1,433
Other comprehensive (loss)/Income		-	-	-	-	7	111	118
Total comprehensive income/(loss) for the year		2,922	4,700	(5,337)	-	(188)	111	2,181
Transaction with owners:								
Deposit for shares	29.3	-	-	-	4,501	-	-	4,501
At 31 December 2018		2,922	4,700	(5,337)	4,501	(215)	111	6,682
For the year ended 31 December 2017								
At 1 January 2017		2,922	4,700	(6,080)	-	(178)	-	1,364
Loss for the year		-	-	(713)	-	-	-	(713)
Other comprehensive loss		-	-	-	-	(17)	-	(17)
At 31 December 2017		2,922	4,700	(6,793)	-	(195)	-	634

See Notes to consolidated and separate financial statements

The Company

	Note	Issued share capital	Share premium	Retained losses	Deposit for shares	Fair value reserve of financial liabilities at FVOCI	Total equity
		¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
At 31 December 2017 as originally presented		2,922	4,700	(6,686)	-	-	936
Impact of change in accounting policy: Adjustment on initial application of IFRS 9	40	-	-	(18)	-	-	(18)
At 1 January 2018 – Restated		2,922	4,700	(6,704)	-	-	918
Profit for the year		-	-	1,321	-	-	1,321
Other comprehensive Income		-	-	-	-	111	111
Total comprehensive income/(loss) for the year		2,922	4,700	(5,383)	-	111	2,350
Transaction with owners:							
Deposit for shares	29.3	-	-	-	4,501	-	4,501
At 31 December 2018		2,922	4,700	(5,383)	4,501	111	6,851
For the year ended 31 December 2017							
At 1 January 2017		2,922	4,700	(5,770)	-	-	1,852
Loss for the year		-	-	(916)	-	-	(916)
At 31 December 2017		2,922	4,700	(6,686)	-	-	936

See Notes to consolidated and separate financial statements



Consolidated and Separate Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	The Group		The Company	
		2018	2017	2018	2017
		₹ million	₹ million	₹ million	₹ million
Operating activities					
Profit/(loss) before tax		1,470	(713)	1,358	(916)
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and amortisation	10	417	402	406	390
Fair value changes/foreign exchange difference on Option	12	79	-	79	-
Loss on disposal of property, plant and equipment	12.2	16	10	16	10
Write-off of property, plant and equipment	21	-	15	-	15
Gain on disposal of investment in associate	15	-	(211)	-	(140)
Finance income	14	(107)	(34)	(107)	(34)
Deferred income recognised in the current period	32	(39)	(34)	(39)	(32)
Finance costs	13	6	173	6	173
Exchange loss on ADP 1 Holding 9 Convertible loan	16	-	597	-	597
Profit and loss impact of settlement	18	-	66	-	66
Reversal of excess liabilities and provisions no longer required	17	(90)	(11)	(90)	-
Reimbursable expenses to ADP 1 Holding 9	31.4.3	-	458	-	458
Exchange difference	12.1.8	11	(20)	-	-
Share of profit of an associate	24.1	(125)	(104)	-	-
Increase in impairment losses on all financial assets	17.1	3	-	3	-
Working capital adjustments:					
(Increase)/ decrease in inventories	25	(102)	46	(100)	46
Increase in trade and other receivables^^	26	(135)	(13)	(127)	3
(Increase)/decrease in prepayments \$	27	(333)	68	(338)	74
Increase in short term deposits longer than 90 days	28.2	(17)	-	(17)	-
Decrease in trade and other payables **	33	150	91	150	83
	
		1,204	786	1,200	793
Income tax paid &&	19.3	(23)	-	(23)	-
Deferred income received	32.1	47	38	46	38
	
Net cash inflows from operating activities		1,228	824	1,223	831
	



	NOTE	The Group		The Company	
		2018	2017	2018	2017
		₤ million	₤ million	₤ million	₤ million
Investing activities					
Interest received	14	107	34	107	34
Proceeds from sale of property, plant and equipment	12.2	5	28	5	28
Purchase of property, plant and equipment	21	(910)	(251)	(910)	(251)
Additional investment in an associate	24.3	(335)	-	(335)	-
Purchase of intangible assets	22	-	(7)	-	(7)
Proceeds from disposal of investment in associate	15	-	400	-	400
	
Net cash (used in)/ generated from investing activities		(1,133)	204	(1,133)	204
	
Financing activities					
Repayment of borrowings #	31.4.2	(601)	(605)	(601)	(605)
Proceeds from borrowings	31.4.2	1,809	1	1,809	1
Transaction cost on share issue \$	27	(184)	-	(184)	-
Interest paid	13	(6)	(25)	(6)	(25)
	
Net cash inflow from/ (used in) financing activities		1,018	(629)	1,018	(629)
	
Net increase in cash and cash equivalents		1,113	399	1,108	406
Cash and cash equivalents at 1 January		635	236	634	228
	
Cash and cash equivalents at 31 December	28.1	1,748	635	1,742	634
		=====	=====	=====	=====

^^ In 2018, movements in trade and other receivables have been adjusted to exclude impairment provisions in line with the requirements of IFRS 9. Group N7 million (Note 26.1) and Company N21 million (Note 26.1 & Note 40)

In 2018, N4.5 billion convertible loan has been presented as deposit for shares following the ratification of shareholders at the Annual General Meeting of 1 November 2018. Also, the balance of BOI loan paid directly by Food Concepts Pioneer Limited has been excluded from loan repayment as it offsets other financial assets and does not have a cash flow impact on Food Concepts Plc.

&& Relates to amount paid in respect of prior year's tax audit, out of the ₤ 57 million reclassified from other payables to tax payables.

** Movement in trade and other payable has been adjusted to exclude the reclassification of ₤ 57 million to tax payable (note 19.3) and ₤ 90 million reversal of liabilities no longer required (note 17)

\$ 2018 prepayments include ₤184 million transaction issue costs (share registration and professional fees (Legal & financial)) paid for in 2018. The shares were subsequently issued in 2019. Hence, this has been eliminated in the movement under working capital and presented in financing activities.

In 2017, additional investments in associate were non-cash hence they were excluded from cash flow statements.

Notes to the Consolidated and Separate Financial Statements For the year ended 31 December 2018

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.

This consolidated and separate financial statements of the Group and the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on the 27 June 2019.

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).

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 2018, with comparative figures for the financial year ended 31 December 2017.

2.3 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values or amortised cost 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 IAS 17, 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 below.

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 2018.

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:

- Derecognizes the assets and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes 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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

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 2018 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 16 - Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

Operating leases:

The standard will affect primarily the accounting for the Group's operating leases which are the leases of buildings. As at the reporting date, the Group had non-cancellable operating lease commitments of ₦392 million

Short term leases & low value leases:

The Group's one-year contracts with no planned extension commitments will be covered by the exemption for short-term leases. Of these non-cancellable lease commitments, approximately ₦4 million relate to short-term leases. None of the other leases will be covered by the exemption for low value leases. Short term leases will be recognised on a straight-line basis as an expense in profit or loss.

Right of use assets and lease liabilities:

As at January 1, 2019, the Group expects to recognise right-of-use assets and lease liabilities of approximately ₦1.9 billion and ₦1.4 billion respectively (Company: ₦1.7 billion and ₦1.3 billion). The overall net assets will increase by approximately ₦500 million due to the recognition of lease liability and right of use asset. Cash flows from principal repayments would be recognised in financing activities while the amortisation of right-of-use assets, interest on the lease liability and short-term lease payments would be recognised in operating activities.

The Group has arrangements where they are sub-lessors. The head leases are short term leases covered by the exemption options

Date of adoption by the Group

The standard for leases is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

3.1.2 IFRIC 23 - Uncertainty over income tax treatment

These amendments were issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the tax authority may affect an entity's accounting for a current or deferred tax asset or liability.

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

These amendments are mandatory for annual periods beginning on or after 1 January 2019. The Group does 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.

3.1.3 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 derecognition, 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.

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

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaced IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. The core principle of IFRS 15 is that the Group recognises revenue when (or as) it satisfies a performance obligation by transferring the promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled (net sales) in exchange for those goods or services. The Group and the Company have adopted the standard using the modified retrospective approach. See further details on the impact of adoption of IFRS 15 in Note 40.2.

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014 replaced IAS 39 from 1 January 2018. IFRS 9 includes revised guidance on classification and measurement of financial instruments, impairment and hedge accounting requirements. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement. The Group and the Company have adopted the standard using the modified retrospective approach. See further details on the impact of adoption of IFRS 15 in Note 40.2.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment effective 1 January 2018. It addresses three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

There were no other issued and effective standards that were adopted during the year that had a material impact on the Group.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

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

(i) 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'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 amortized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be amortized 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 classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets or liabilities.

4.3 Revenue recognition

4.3.1 Revenue recognition (policy from 1 January 2018)

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 of 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.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The probability that a customer would make payment is ascertained based on 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.

4.3.1.1 Sale of goods (quick service restaurants)

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 is 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 is 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.

4.3.1.2 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 6.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, sales taxes, returns, rebates and discounts.

The Group and the Company's revenue consist of fees from franchised restaurants, revenue from the sale of food and supplies to franchisees, revenue from the opening of new franchised restaurants and revenue from owned restaurants.

Fees from franchised restaurants

- Royalty income

The Group receives royalty fees from franchisees based on 5 per cent of the franchisees turnover from operations. Revenue is recognized monthly based on 5 percent of franchisees net sales.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

4.3.1.2 Contract liabilities - *continued*

Fees from franchised restaurants - *continued*

- **Revenue from the sale of food and supplies to franchisees.**

Administrative fee is charged on food and supplies transferred to franchisees. Revenue is recognized when food and supplies are delivered.

- **Revenue from the opening of new franchised restaurants**

Revenue from the opening of new franchised restaurants is based on fixed amount as determined by management. Revenue is recognized at the commencement of trading by franchisee

Revenue from owned restaurants – Sales of goods

- These are sales from the Company owned stores to individual and corporate customers. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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, interest expense 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 tax

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.

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.

4.7 Property, plant and equipment

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 are derecognised.

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 derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss arising on derecognition 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

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 as a lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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 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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

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.

Gains or losses arising from derecognition 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 the profit or loss when the asset is amortised and assessed annually for impairment whenever there is an indication that the intangible asset may be impaired.

Derecognition 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 derecognition 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 when the asset is derecognized.

4.10.1 Financial instruments (policy from 1 January 2018)

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

4.10.1.1 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 cashflow 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
- Fair value through other comprehensive income: 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.
- Fair value through profit or loss: 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 the Group and Company's financial assets as at 31 December 2018 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 cashflows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets).

The 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 derecognition 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.

4.10.1.2 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.

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 counterparties. 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."

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 counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable and assessing the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding of receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the inflation rate in Nigeria, unemployment rate and crude oil prices, to arrive at an ECL which is then discounted back to the reporting rate and summed. The discount rate used in the ECL calculate is the original effective interest or an approximation thereof.

4.10.1.3 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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

4.10.1.4 Derecognition

Financial assets

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

Financial liabilities

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

4.10.1.5 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 derecognition 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.

4.10.1.6 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 counterparty.

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 40.1.2.3 for accounting policies on impairment of cash and bank balances.

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 (see 5.2.3 above).

4.10.2 Financial instruments (policy prior to 1 January 2018)

Financial assets

4.10.2.1 Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets.

The Group and the Company determine the classification of its financial assets at initial recognition. For all the years presented, the Group and the Company's financial assets fall under the loan and receivables classification as identified in IAS 39."

All financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group and the Company's financial assets include cash and short-term deposits and trade and other receivables.

4.10.2.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortised is included in finance income in profit or loss. The losses arising from impairment are recognized in profit or loss in finance costs.

Trade and other receivables

Trade receivables are carried at original invoice amount less any allowance for impairment. When a trade receivable is determined to be uncollectable, it is written off, firstly against any provision available and then to profit or loss. Subsequent recoveries of amounts previously provided for are recognized as other income and credited to profit or loss.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprises of cash on hand, short-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.

4.10.2.3 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is amortised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it.

In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.10.2.4 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial amortised and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Trade receivables

The Group and the Company make allowance for impairment of trade receivables where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions.

4.10.2.5 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them. For impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating income in the profit or loss.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

4.10.2.6 Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate. These financial liabilities are recognized initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the normal course of business. These amounts are classified as current because payment is expected in one year or less. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognized in the profit or loss when liabilities are amortised as well as through the effective interest rate method (EIR) amortisation process.

Derecognition

A financial liability is recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and the intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 recoverable 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.

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 2014. 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 ultimately vest. Profit or loss expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and will be recognized in employee benefits expense.

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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

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 judgements 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 Leases

The Group and the Company have assessed its leases in line with IAS 17 and determined that none of its leases qualify as finance leases as the Group does not assume substantially all risks and rewards incidental to ownership of the leased assets. All leases are operating leases in nature. The Group and the Company have also carried out the impact assessment of IFRS 16 on its leases as disclosed in note 3.1.1

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.

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 21.

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 22.

6 Segmental reporting

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.

6.1 Segmental analysis

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 each segments.

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	Year ended 31 December 2018					2017				
	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	223	8,874	-	-	9,097	228	6,523	-	-	6,751
Internal customers	-	-	-	(9)	(9)	-	7	-	(7)	-
	====	====	====	====	====	====	====	====	====	====
	223	8,874	-	(9)	9,088	228	6,530	-	(7)	6,751
	====	====	====	====	====	====	====	====	====	====
Results										
Raw materials and consumables used	(119)	(3,966)	-	9	(4,076)	(123)	(2,955)	-	7	(3,071)
Employee benefits expense	(16)	(1,532)	-	-	(1,548)	(15)	(1,038)	-	-	(1,053)
Depreciation and amortisation	(11)	(406)	-	-	(417)	(12)	(390)	-	-	(402)
Other expenses	(90)	(1,937)	(7)	-	(2,034)	(83)	(1,620)	(1)	-	(1,704)
Write off on property, plant and equipment	-	-	-	-	-	-	(15)	-	-	(15)
Impairment losses on financial assets - net	-	(3)	-	-	(3)	-	-	-	-	-
Finance costs	-	(6)	-	-	(6)	-	(173)	-	-	(173)
Finance income	-	107	-	-	107	-	34	-	-	34
Reversal of liabilities no longer required	-	90	5	-	95	-	-	11	-	11
Share of profit of an associate	-	125	-	-	125	-	104	-	-	104
	====	====	====	====	====	====	====	====	====	====

All Intercompany receivables and payables have been eliminated

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

6.1 Segmental analysis - continued

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

Segmental analysis	Year ended 31 December 2018					2017				
	Ghana	Nigeria	Mauritius	Elimination	Total segments	Ghana	Nigeria	Mauritius	Elimination	Total segments
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Segment profit/(loss) before tax	(12)	1,483	(2)	-	1,470	89	(812)	10	-	(713)
Taxation	-	(37)	-	-	(37)	-	-	-	-	-
Profit/(loss) for the year	(12)	1,446	(2)	-	1,433	89	(812)	10	-	(713)
Non-current assets	62	7,224	-	-	7,286	77	6,017	-	-	6,094
Current assets	14	3,043	1	(175)	2,883	12	1,571	2	(198)	1,387
Total assets	76	10,267	1	(175)	10,169	89	7,588	2	(198)	7,481
Non-current liabilities	-	1,777	-	-	1,777	-	4501	-	-	4,501
Current liabilities	206	1,679	-	(175)	1,710	228	2,316	-	(198)	2,346
Total liabilities	206	3,456	-	(175)	3,487	228	6,817	-	(198)	6847
Net (liabilities)/assets	(130)	6,811	1	-	6,682	(139)	771	2	-	634

All Intercompany 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 2018 (2017: nil).

6.2 Reconciliation

Segment Profit/ (loss) after taxation

	2018	2017
	₦ million	₦ million
Profit/(loss) after taxation for reportable segment	1,460	(713)
Profit/(loss) for the year	1,460	(713)

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

Segment assets are reconciled to total assets as follows:

	2018	2017
	₦ million	₦ million
Segment assets for reportable segments	10,169	7,481
Total assets	10,169	7,481

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.

Segment liabilities are reconciled to total liabilities as follows

	2018	2017
	¥ million	¥ million
Segment liabilities for reportable segments	3,487	6,847

Total liabilities	3,487	6,847
	=====	=====

6.2.3 Equity reconciliation

	2018	2017
	¥ million	¥ million
Total assets	10,169	7,481
Less: Total liabilities	(3,487)	(6,847)

Total equity	6,682	634
	=====	=====

7 Revenue from contracts with customers

7.1 By business:

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Quick service restaurants	8,840	6,628	8,617	6,400
Franchise royalty income	86	60	86	60
Franchise joining fees income	46	11	46	11
Supply chain distribution	116	52	125	59

	9,088	6,751	8,874	6,530
	=====	=====	=====	=====

7.2 Timing of revenue recognition

Good and services transferred at a point in time	9,088	6,751	8,874	6,530
Services transferred over time	-	-	-	-

	9,088	6,751	8,874	6,530
	=====	=====	=====	=====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

7.3 By geographical location:

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Outside Nigeria	223	228	-	-
Within Nigeria	8,865	6,523	8,874	6,530

	9,088	6,751	8,874	6,530
	=====	=====	=====	=====

*There is no other revenue other than revenue from contracts with customers in 2018. Performance obligation for each revenue line is disclosed under accounting policies on revenue 4.3.1.1

7.4 Contract balances

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Trade receivables (Note 26)	34	43	34	43
	=====	=====	=====	=====
Contract liabilities (Note 32)	23	-	23	-
	=====	=====	=====	=====

Trade receivables are non-interest bearing and are generally on terms of 30 days. In 2018, ₦ 3 million was recognized as provision for expected credit losses on trade receivables.

Contract liabilities represents joining fee received in advances from prospective franchisees

8 Other operating income

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Other income	139	54	137	51
Exchange gains	-	20	-	-

	139	74	137	51
	=====	=====	=====	=====

Other income includes income from sales of used oil and rebates.

Exchange gain are principally as a result of translation of foreign currency denominated monetary assets and liabilities.

9 Raw materials and consumables used:

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Raw materials consumed	4,067	3,061	3,960	2,948
Transportation of raw materials	9	10	6	7
.....
	4,076	3,071	3,966	2,955
	=====	=====	=====	=====

10 Depreciation and amortisation:

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Depreciation charge (note 21)	410	389	399	377
Amortisation charge (note 22)	7	13	7	13
.....
	417	402	406	390
	=====	=====	=====	=====

11 Employee benefits expense:

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Salaries and allowances	1,388	914	1,373	902
Pension costs	30	24	29	24
Medical expenses	22	22	22	21
Staff meals	108	93	108	91
.....
	1,548	1,053	1,532	1,038
	=====	=====	=====	=====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

12 Other expenses:

	The Group		The Company	
	2018	2017	2018	2017
	₪ million	₪ million	₪ million	₪ million
Rental charges payable under operating leases	358	323	341	306
Transport	98	57	97	58
Repair and maintenance	231	220	226	217
Brand and marketing	149	148	147	146
Bank charges	61	40	61	41
Exchange loss (Note 12.2)	18	9	7	9
Fair value changes/foreign exchange diff. on Option	79	-	79	-
Audit fee	15	14	14	13
Professional fees	27	49	23	48
Directors' fee	31	16	31	16
Contract and support services	53	51	49	47
Loss on sale of property plant and equipment (Note 12.2)	16	10	16	10
Insurance	19	16	18	15
Utilities	608	541	576	503
Licenses and fees	41	34	41	33
Sundry expenses	196	132	177	115
Write off on property, plant and equipment (Note 21)	-	15	-	15
Communication	28	28	28	27
Rates and levies	6	1	6	1

	2,034	1,704	1,937	1,620
	=====	=====	=====	=====

Sundry expenses include printing and general stationery expense, training and workshop expenses, vehicle licenses and business meeting expenses.

There were no non-audit services rendered by the Group's auditors during the period (2017: nil).

12.1 Exchange loss:

	The Group		The Company	
	2018	2017	2018	2017
	₪ million	₪ million	₪ million	₪ million
Exchange loss on operating expenses (realized)	7	9	7	9
unrealized exchange loss on intercompany payable	11	-	-	-

	18	9	7	9
	=====	=====	=====	=====

12.2 Loss on sale of property, plant and equipment:

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Proceeds from disposal	5	28	5	28
Less net book value of disposed assets	(21)	(56)	(21)	(56)

	(16)	(28)	(16)	(28)
Less: NBV of assets released to a former director, reported as profit or loss impact of settlement				
(Note 18)	-	18	-	18

	(16)	(10)	(16)	(10)
	=====	=====	=====	=====

13 Finance Costs:

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Interest on debts and borrowings	6	173	6	173
	=====	=====	=====	=====
For the purpose of the cash flow statement, the interest expense is analyzed as follows:				
Bank interest paid	6	25	6	25
Interest accrual for shareholders' loans **	-	148	-	148

	6	173	6	173
	=====	=====	=====	=====

Interest accrual for shareholders' loans in 2017 relates to interests in ADP1 Holding 9 and Express Food Franchise Limited. Of this amount, ₹ 112 million was capitalized as part of the borrowings in 2017 while the remaining amount -₹36 million was settled from the escrow account.

14 Finance Income:

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Interest income on short-term deposits	107	34	107	34
	=====	=====	=====	=====

Finance income relates to interest on fixed deposits and treasury bills investments during the year, recognised based on agreed rate for each principal.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

15 Gains on disposal of investment in Associate (Food Concepts Pioneer Limited (FCPL):

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Proceeds from the disposal of 14.29% stake in FCPL	-	400	-	40
Less: Cost	-	(189)	-	(260)

Gains on partial disposal of investment in Associate	-	211	-	14
	=====	=====	=====	=====

Gains on partial disposal of investments in associate in 2017 relates to gain on the disposal of 14.29% of the 49.9% investment in Food Concepts Pioneer Limited to Pioneer Foods South Africa. The cost is impacted by the amounts written off in previous years.

16 Foreign exchange losses on convertible loans:

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Revaluation loss on ADPI convertible loan	-	597	-	597

	-	597	-	597
	=====	=====	=====	=====

In 2017 the Group converted the foreign denominated convertible loan from ADP 1 Holding 9 to Naira notes and there arose a revaluation loss due to the difference between the exchange rate at initial recognition and the agreed conversion rate. The naira value is classified as other component of equity in 2018. There is no loss on ADP II convertible loan received in 2018.

17 "Reversal of excess liabilities no longer required " :

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Reversal of liability no longer required #	90	-	90	-
Reversal of payable in EFFIL **	5	11	-	-

	95	11	90	-
	=====	=====	=====	=====

In 2018, reversal of liability no longer required relates to the write back of accruals for FCT entertainment and event center levy. Food Concepts obtained a copy of the court ruling which declared the levy null and void in Abuja hence the write back of the opening balance from prior years. This was adjusted against profit and movement in trade and other payable in the statement of cash flows.

** Current year is expenses of Express Foods Franchise International paid by the shareholder. The liability leg was reversed as non-operating income, hence not considered in cash flow adjustment as the expense leg offsets this.

17.1 Impairment loss on financial assets -net:

	The Group		The Company	
	2018	2017	2018	2017
	₤ million	₤ million	₤ million	₤ million
Trade receivables (Note 26.1)	(3)	-	(3)	-

	(3)	-	(3)	-
	=====	=====	=====	=====

The difference between the impairment losses on amount due from related parties in 2018 and 2017 rounds up to zero.

18 Non- recurrent expenses:

	The Group		The Company	
	2018	2017	2018	2017
	₤ million	₤ million	₤ million	₤ million
Non- recurrent expenses	-	(898)	-	(898)
	=====	=====	=====	=====

* Non- recurrent expenses In 2017 include amongst other; litigation costs in relation to Directors settlement N364 million, reimbursable expenses to ADP 1 Holding 9 for costs incurred in relation to Directors disputes and settlement N458 million and other expenses relating to Directors' settlement.

It also includes the net profit or loss impact of Director's settlement ₤ 66 million as a result of the disputes between the Directors which was recognized as expense in the income statement and includes the following;

- i) Property, plant and equipment assigned to a former Director with net book value of N18 million and prepaid rent of ₤ 78 million.
- ii) Exchange loss on the brand payable - ₤ 201 million, representing the difference between the carrying value in Food concept books and the agreed settlement amount; and
- iii) Less liabilities due to former Directors reversed into the profit or loss and impact of settlement account of ₤ 231million (this includes ₤ 181 million bonus payable).

19 Income tax

19.1 Corporation tax is calculated at 30 percent (2017: 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 Company does not income tax expense for the year due to accumulated losses from prior years

The charge for education tax of 2 percent (2017: 2 percent) is based on the provisions of the Education Tax Act, CAP E4, LFN, 2004. The Company has made provision of ₤ 37 million for education tax in 2018 (2017: nil)

	The Group		The Company	
	2018	2017	2018	2017
	₤ million	₤ million	₤ million	₤ million
Corporation tax (A)	-	-	-	-
	=====	=====	=====	=====
Education Tax:				
Assessable profit	1,856	-	1,856	-
	=====	=====	=====	=====
Education tax charge @ 2% (B)	(37)	-	(37)	-
	=====	=====	=====	=====
Total Tax charge (A+B)	(37)	-	(37)	-
	=====	=====	=====	=====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

19.2 A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the years ended 31 December 2018 and 2017 is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Accounting loss before income tax				
Accounting Profit/(Loss) for the year	1,470	(713)	1,358	(916)
	=====	=====	=====	=====
At Nigeria's statutory income tax rate of 30% (2017: 30%)	441	(214)	407	(275)
Impact of disallowable expenses for tax purpose	158	124	151	120
Impact of non-taxable income	(38)	(104)	-	(42)
Impact of unutilized tax losses	-	194	-	197
Loss relief utilized	(561)	-	(558)	-

At the effective income tax rate of 30% (2017: 30%)	-	-	-	-
	=====	=====	=====	=====

19.3 Current tax liabilities:

The movement in the current tax liabilities are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
As at 1 January	-	-	-	-
Reclassification from other payable (note 33)	57	-	57	-
Charge for the year	37	-	37	-
Payments during the year	(23)	-	(23)	-

As at 31 December	71	-	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, N23m was paid in the year.

19.4 Deferred taxation

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and if it relates to income taxes levied by the same tax authority.

The amount of unused tax losses for which no deferred tax asset is recognized in the consolidated and separate statement of financial position as at 31 December 2018 are stated below. There is no expiry dates in respect of these unused tax credits

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
Unutilized tax credit	4,413	2,381	4,413	2,381
	=====	=====	=====	=====

20 Earnings/(loss) per share (EPS)

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

20.1 Basic earnings/(loss) per share

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Profit/(loss) for the year	1,433	(713)	1,321	(916)
	=====	=====	=====	=====
Issued share capital (Unit million)	5,844	5,844	5,844	5,844
Less: Reciprocal holding (Unit million)	(785)	(785)	-	-
Weighted average number of ordinary share used in calculating earnings/(loss) per share for the year	5,059	5,059	5,844	5,844

Total basic earnings /(loss) per share (₹)	0.28	(0.14)	0.23	(0.16)
	=====	=====	=====	=====

20.2 Diluted earnings/(loss) per share

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Weighted average number of ordinary share used in calculating earnings/(loss) per share for the year	5,059	5,059	5,844	5,844
Add: Dilutive shares (number of ordinary shares attributable to the existing convertible loans at ₹ 0.5 per share)	12,320	9,002	12,320	9,002

Weighted average number of potential ordinary share used in calculating diluted earnings/(loss) per share	17,379	14,061	18,164	14,846
	=====	=====	=====	=====
Total diluted earnings/(loss) per share (₹)	0.08	(0.05)	0.07	(0.06)
	=====	=====	=====	=====

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.

Dilutive shares represent the number of shares pending for the existing convertible loans of ₹ 6.3 billion (2017; ₹ 4.5 billion) at ₹ 0.50 per share.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

21 Property, plant and equipment - The Group

	Land and buildings	Plant and machinery	Capital work-in-progress	Kitchen equipment	Furniture and fittings	Motor vehicle	Computer and office equipment	Total
	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million
Cost:								
At 1 January 2017	3,536	763	153	1,467	836	235	389	7,379
Additions	15	130	-	32	36	1	37	251
Transfer from Capital Work In Progress	-	-	(55)	55	-	-	-	-
Disposals	(12)	(25)	(5)	(3)	(9)	(36)	(7)	(97)
Exchange differences	7	4	-	3	-	-	1	15
Write off	-	-	(15)	-	-	-	-	(15)

At 31 December 2017	3,546	872	78	1,554	863	200	420	7,533
Additions	277	155	1	261	107	45	64	910
Transfer from Capital Work In Progress	-	2	(37)	35	-	-	-	-
Disposals	(2)	(25)	-	(25)	(20)	-	(18)	(90)
Exchange differences	(3)	(1)	-	(2)	-	-	(1)	(7)

At 31 December 2018	3,818	1,003	42	1,823	950	245	465	8,346
	=====	=====	=====	=====	=====	=====	=====	=====
Depreciation:								
At 1 January 2017	917	431	-	811	733	207	343	3,442
Depreciation charge for the year	151	71	-	95	43	9	20	389
Disposals	(2)	(13)	-	(2)	-	(24)	-	(41)
Exchange differences	1	1	-	4	2	-	-	8

At 31 December 2017	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
	=====	=====	=====	=====	=====	=====	=====	=====
Net book value:								
At 31 December 2018	2,599	448	42	833	152	44	92	4,210
	=====	=====	=====	=====	=====	=====	=====	=====
At 31 December 2017	2,479	382	78	646	85	8	57	3,735
	=====	=====	=====	=====	=====	=====	=====	=====

Property, plant and equipment - The Company

	Land and buildings	Plant and machinery	Capital work-in-progress	Kitchen equipment	Furniture and fittings	Motor vehicle	Computer and office equipment	Total
	₺ million	₺ million	₺ million	₺ million	₺ million	₺ million	₺ million	₺ million
Cost:								
At 1 January 2017	3,470	742	153	1,431	811	234	387	7,228
Additions	15	130	-	32	36	1	37	251
Transfer from Capital Work In Progress	-	-	(55)	55	-	-	-	-
Disposals	(12)	(25)	(5)	(3)	(9)	(36)	(7)	(97)
Write off	-	-	(15)	-	-	-	-	(15)

At 31 December 2017	3,473	847	78	1,515	838	199	417	7,367
Additions	277	155	1	261	107	45	64	910
Transfer from Capital Work In Progress	-	2	(37)	35	-	-	-	-
Disposals	(2)	(25)	-	(25)	(20)	-	(18)	(90)

At 31 December 2018	3,748	979	42	1,786	925	244	463	8,187
	=====	=====	=====	=====	=====	=====	=====	=====
Depreciation:								
At 1 January 2017	899	421	-	791	714	206	342	3,373
Depreciation charge for the year	147	68	-	93	42	8	19	377
Disposals	(2)	(13)	-	(2)	-	(24)	-	(41)

At 31 December 2017	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
	=====	=====	=====	=====	=====	=====	=====	=====
Net book value:								
At 31 December 2018	2,555	440	42	823	151	45	92	4,148
	=====	=====	=====	=====	=====	=====	=====	=====
At 31 December 2017	2,429	371	78	633	82	9	56	3,658
	=====	=====	=====	=====	=====	=====	=====	=====

There was no property, plant and equipment pledged as security during the reporting period. In 2017, property, plant and equipment include land and building owned by the Company which are included in the all assets debenture security pledge for loans from commercial banks. However, these assets have been disencumbered after 2017-year end following the full liquidations of the loans.

The write-off of ₺ 15 million in 2017 represents the write-down of certain property, plant and equipment to the recoverable amount because of obsolescence/ physical damage based on fair value less cost to sell. Assets disposed in 2017 include PPE (motor vehicles, generator etc.) released to the former managing director as part of the settlement arrangement, the NBV of the assets involved is ₺ 18 million.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

22 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 2017	1,262	288	1,550	1,262	288	1,550
Additions	-	7	7	-	7	7
At 31 December 2017	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
Amortisation:						
At 1 January 2017	-	270	270	-	270	270
Charge for the year	-	13	13	-	13	13
At 31 December 2017	-	283	283	-	283	283
Charge for the year	-	7	7	-	7	7
At 31 December 2018	-	290	290	-	290	290
Carrying value:						
At 31 December 2018	1,262	5	1,267	1,262	5	1,267
At 31 December 2017	1,262	12	1,274	1,262	12	1,274

The brand rights were purchased and not internally generated

22.1 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	
	2018	2017	2018	2017
	₤ million	₤ million	₤ million	₤ million
Brand rights with indefinite useful lives (carrying amount)	1,262	1,262	1,262	1,262
Brand rights with indefinite useful lives (Recoverable amount)	8,445	8,219	8,445	8,219

The group performed its annual impairment test in December 2018 and 2017. The group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2018, the recoverable value (defined as the value in use) of the Group was ₦ 8.4 billion (2017: ₦ 8.2 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 42% 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% (2017: 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 18% 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 82% would result in impairment in the Chicken Republic unit by ₦ 78million.

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 will have no impairment.

Market share assumptions - Management expects the Group'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 53% 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.

23 Investment in subsidiaries

	The Company	
	2018	2017
	₦ million	₦ million
Food Concepts Ghana Limited	2	2
	=====	=====

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

23.1 Interests in other entities

The Group's principal subsidiaries and associates at 31 Dec 2018 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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

23.1 Interests in other entities - continued

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				Principal activities
		2018	2017	2018	2017	
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

24 Investment in associates

The Group	2018	2017
	₦ million	₦ million
Cost of Investment in Associate		
Food Concepts Pioneer Limited	944	484
Food Concepts International Limited	601	601

	1,545	1,085
	=====	=====
The Company		
Carrying value of Investment in Associate- Equity Accounting		
Food Concepts Pioneer Limited	982	647
Food Concepts International Limited	601	601

	1,583	1,248
	=====	=====

24.1 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, the Group has used the financial statement as at 30 September 2018 because it is the last audited financials.

In 2017, Food Concepts Plc disposed 14.29% of its stake in Food Concepts Pioneer Limited to Pioneer Foods South Africa, thus reducing its shareholding from 49.9% to 35.61%. The Group's interest in Food Concept Pioneer Limited is accounted for using the equity method in the consolidated financial statements.

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

Current assets	2018	2017
	₦ million	₦ million
Non-current assets	1,881	627
Current liabilities	1,875	1,313
Non-current liabilities	(569)	(579)
	(537)	-
Equity
	2,650	1,361
	=====	=====
Group share of the Net Asset of Food Concepts Pioneer Limited	944	484
	=====	=====
Carrying value	944	484
	=====	=====

2017 Current assets are stated exclusive of the receivable for shares which will offset increase in ordinary shares

	2018	2017
	₦ million	₦ million
Revenue	4,988	4,579
Cost of sales	(3,765)	(3,458)
Administrative expenses	(712)	(728)
Other gains losses - net	(25)	(59)
Finance income	-	10
Investment income	19	-
Finance costs	(17)	(24)

Profit before tax	488	320
Income tax expense	(137)	(102)

Profit for the year	351	218

Share of profit of associate	125	104
	=====	=====

The associate had no contingent liabilities or capital commitments as at 31 December 2018 (2017: nil).

24.2 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 former 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 2018.

The following table illustrates the summarised financial information of the Group's investment in Food Concepts International Limited as at 31 Dec 2018. The information is based on unaudited financial statements of Food Concepts International Limited

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

24.2 Investment in Food Concepts International Limited (FCIL) - continued

Current assets	2018	2017
	¥ million	¥ million
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 2018 (2017: nil)

24.3 Movement in Investment in Associate

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Opening balance	1,085	569	1,248	907
Cost of partial disposal of investment Food Concepts Pioneer Limited	-	(189)	-	(260)
Acquisition of investment in Food Concepts Pioneer Limited	335	-	335	-
Acquisition of investment in Food Concepts International Limited	-	601	-	601
Share of profit of Associate (Note 22.1)	125	104	-	-
	1,545	1,085	1,583	1,248

25 Inventories

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Food and beverages	272	230	266	226
Packaging materials	86	52	86	52
Other consumables	85	59	84	58
	443	341	436	336

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 ₹ 7 million (2017: ₹ 2 million). These were charged to profit or loss and included in raw materials and consumables used. There was no reversal of previously recognised write down of inventory during the year ended 31 December 2018 (2017: nil)

26 Trade and other receivables

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Trade receivables (Note 26.1)	34	43	34	43
Amount due from subsidiary	-	-	175	198
Employee and vendor advances	146	12	146	12
Other receivables	41	38	41	37
.....
	221	93	396	290
	====	====	====	====

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

26.1 Reconciliation of trade receivables

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Balance at 1 January	49	24	49	24
Additions during the year	142	70	142	70
Receipts during the year	(144)	(45)	(144)	(45)
.....
Gross carrying amount	47	49	47	49
Loss allowance as at 31 December 2017 – calculated under IAS 39 (Note 40.1.2.1)	(6)	(6)	(6)	(6)
Less: impairment allowance- adjusted through opening retained earnings (Note 40.1.2.1)	(4)	-	(4)	-
Less: Increase in impairment during the year (Note 40.1.2.1)	(3)	-	(3)	-
.....
Balance at 31 December	34	43	34	43
	====	====	====	====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

27 Prepayments

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Prepaid rent	492	181	492	180
Prepaid insurance	23	10	22	9
Other prepayments	201	10	200	5
Health insurance	2	-	2	-

	718	201	716	194
	=====	=====	=====	=====
Current	454	201	452	194
Non-current	264	-	264	-

	718	201	716	194
	=====	=====	=====	=====

All non-current portion of prepayments relates to prepaid rents. Prepaid rent represents the value of operating rent paid in advance by the Group for various leased outlets. They would be amortised to the statement of comprehensive income over the lease period, 1 - 2 years. In 2018, the sum of ¥ 358 million was expensed into the statement of comprehensive income (2017: ¥ 323 million).

Other prepayments include ¥ 184 million transaction costs paid in 2018 with respect to issuance of shares and conversion of convertible loans. The convertible loans were converted in February 2019 while right issues would take place later in the year. The costs have been classified as part of other prepayments in 2018 and would be reclassified into share premium in 2019. Other prepayments also include; advance payments for maintenance of equipment, renewal of software license, environmental audit report and service charges.

28 Cash and bank balances

Cash and bank balances in the statement of financial position comprise of cash at bank and on hand and short-term deposits.

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Cash at bank and on hand	669	403	663	402
Short-term deposits	1,096	232	1,096	232

	1,765	635	1,759	634
	=====	=====	=====	=====

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

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Cash at bank and on hand	669	403	663	402
Short-term deposits	1,079	232	1,079	232

	1,748	635	1,742	634
	=====	=====	=====	=====

28.2 Short term deposits with maturity > 90 days

Cash and bank balances in the statement of financial position comprise of cash at bank and on hand and short-term deposits.

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Cash at bank and on hand	17	-	17	-
	=====	=====	=====	=====

Expected credit loss (ECL) on short term deposit is rounded up to zero. Refer to transition disclosures in Note 40.

29 Authorised shares

The authorised share capital of the Parent Company was increased from 5.7 billion units of shares to 26 billion units of shares in December 2018

	The Group		The Company	
	2018	2017	2018	2017
	Unit million	Unit million	Unit million	Unit million
Ordinary shares of ¥ 0.50 each	26,000	11,400	26,000	11,400

	26,000	11,400	26,000	11,400
	=====	=====	=====	=====

29.1 Issued share capital

	The Group		The Company	
	2018	2017	2018	2017
	Unit million	Unit million	Unit million	Unit million
Issued shares of ¥ 0.50 each	5,844	5,844	5,844	5,844

	5,844	5,844	5,844	5,844
	=====	=====	=====	=====
Issued and fully paid share capital	¥ million	¥ million	¥ million	¥ million
At 31 December	2,922	2,922	2,922	2,922
	=====	=====	=====	=====

29.2 Share premium

Share premium reserve represents the excess of share issued price over the nominal value per share.

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
At 31 December	4,700	4,700	4,700	4,700
	=====	=====	=====	=====

29.3 Deposit for shares

Deposit for shares relates to borrowings from shareholders which are fully convertible to ordinary shares at the nominal value per share. The loans have been converted to ordinary shares of Food Concepts Plc in February 2019.

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
At 31 December	4,501	-	4,501	-
	=====	=====	=====	=====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

30 Other comprehensive income

30.1 Fair value reserve of financial liabilities at FVOCI

This relates to fair value gain on financial derivative (equity option embedded in \$ 5 million convertible loan received from ADP II Holding 12 Limited). The loan was fair valued at initial recognition and at 31 December 2018.

	The Group		The Company	
	2018	2017	2018	2017
	₺ million	₺ million	₺ million	₺ million
	111	-	111	-
	=====	=====	=====	=====

30.2 Foreign currency translation reserve

Foreign currency translation reserves relate 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.

	The Group	
	2018	2017
	₺ million	₺ million
At 1 January	(195)	(178)
Foreign-exchange translation differences	7	(17)

At 31 December	(188)	(195)
	=====	=====

31 Other Financial Assets and Liabilities

31.1 Other financial assets:

Current	Rate	The Group		The Company	
		2018	2017	2018	2017
	%	₺ million	₺ million	₺ million	₺ million
Due from Food concepts Pioneer Limited **		-	117	-	117
		=====	=====	=====	=====
Total other financial assets		-	117	-	117
		=====	=====	=====	=====

** The amount was fully discharged directly by Food Concepts Pioneer Limited during the year under review. There was no cash flow impact on Food Concepts Plc.

31.2 Financial Liabilities

	The Group		The Company	
	2018	2017	2018	2017
	₺ million	₺ million	₺ million	₺ million
Share Options	118	-	118	-

	118	-	118	-
	=====	=====	=====	=====

This represents the conversion option embedded in \$5 million convertible loan received in July 2018. The loan was fair valued at inception and on 31st December 2018. Since the loan is in a currency other than the functional currency of the issuer, the conversion option will not meet the definition of equity in IAS 32. A foreign currency convertible bond is therefore 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.

31.3 Other financial liabilities

Borrowings	Rate	The Group		The Company	
		2018	2017	2018	2017
Current	%	₦ million	₦ million	₦ million	₦ million
₦ 1 billion bank loan	7	-	150	-	150
₦ 1.6 billion secured bank loan	-	-	132	-	132
₦ 539 BOI loan	10	-	117	-	117
Brand payable	-	-	250	-	250
Island Homes	25	-	69	-	69
	
Total current borrowings		-	718	-	718
		=====	=====	=====	=====
Non-Current					
ADPI Holding 9	-	-	4,168	-	4,168
ADPII Holding 12	-	1,659	-	1,659	-
Abi Tos Financial Services	-	-	25	-	25
DF Holding	-	-	308	-	308
	
Total non-current borrowings		1,659	4,501	1,659	4,501
		=====	=====	=====	=====
Total loans		1,659	5,219	1,659	5,219
		=====	=====	=====	=====

31.3.1 ₦ 1 billion bank loan

This loan was granted in August 2013 with a quarterly repayment based on initial prime lending rate of 7%. The loan was fully liquidated in 2018.

31.3.2 ₦ 1.6 billion secured bank loan

This relates to a term loan obtained on behalf of its former subsidiary, Free Range Farms Plc under the Central Bank of Nigeria Commercial Agriculture Credit Scheme (CACCS). Free Range Farms Plc has the sole responsibility for the loan and interest repayment. The loan was fully liquidated in 2018.

31.3.3 ₦ 539 BOI loan

This relates to a loan obtained to finance construction of sausage roll plant for the Mass market division. The loan was obtained on behalf of FCPL and the principal and interest payments are directly paid by FCPL to the bank. An equivalent amount was classified as other financial asset in Food Concepts books. The balances were fully repaid during the year.

31.3.4 Brand payable

This relates to a loan obtained to finance construction of sausage roll plant for the Mass market division. The loan was obtained on behalf of FCPL and the principal and interest payments are directly paid by FCPL to the bank. An equivalent amount was classified as other financial asset in Food Concepts books. The balances were fully repaid during the year.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

31 Other Financial Assets and Liabilities - *continued*

31.3.5 Island homes short term loan

This represents ₦ 69 Million short term loan obtained from Island Homes. The loan was obtained in August 2017 to fund director's settlement and was paid directly into the escrow account. Interest is at 25% per annum. This was fully paid in 2018..

31.3.6 ADPI Holding 9 convertible loan

This relates to the balance of foreign denominated loan of €8,109,500 from ADP I HOLDING 9 obtained in 2015 at an interest rate of 10% per annum. It includes the accumulated interest and impact of foreign exchange revaluation (using 1-month average NAFEX for the month of June 2017 of N372.45/\$1 as contained in the loan note agreement)

It also includes \$1.5 million reimbursable expenses to ADPI Holding 9 for various expenses incurred towards the settlement and the additional sum of N880 million contributed by ADPI Holding 9 (paid into escrow account) for the settlement. The loan has been converted to deposit for shares in the year.

31.3.7 ADP II Holding 12 Limited convertible loans

This is a USD 5 million fully convertible loan obtained from ADP II Holding 12 Limited received on 18th July 2019 in line with the loan agreement of June 2019. 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. Food concepts plc fair valued the convertible loan at inception and on 31st December 2018. The table below shows the analysis of presentation in the financial statements:

	Note reference	Presentation	2018 ₦ million
Financial liabilities	31.4.2	Borrowings	1,659
Separate derivative financial instrument	31.2	Option	118
Other Comprehensive Income	30.1	Owned credit risk (fair value/ exchange differences)	111
Profit or loss	12	Fair value changes/foreign exchange diff. on Option	(79)
		
Total			1,809
			=====

31.3.8 AbiTos Financials Convertible loan

This represents ₦ 25 Million convertible loan obtained from AbiTos Financials. The loan was obtained to fund director's settlement and was paid directly into the escrow account. The loan has been converted to deposit for shares in the year.

31.3.9 DF Holding Convertible loan

This relates to the portion of the EFFIL brand payable due to DF Holding. The loan has been converted to deposit for shares in the year.

31.4 Loan movements

	The Group		The Company	
	2018	2017	2018	2017
	₦ million	₦ million	₦ million	₦ million
31.4.1 At 1 January ('A')	5,219	3,446	5,219	3,439
	=====	=====	=====	=====

31.4.2 Movements involving cash flows ("B")

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Proceeds from borrowing *	1,809	1	1,809	1
Repayments by Food Concepts**	(601)	(605)	(601)	(605)

Total ("B")	1,208	(604)	1,208	(604)
	=====	=====	=====	=====

* Relates to additional fully convertible loan obtained from shareholders. The balance in prior year relates to the amount remitted into the Group's accounts by ADP I Holding 9 and it represents the difference between the amount paid into the escrow account for settlement and the amount included in the convertible loan agreement.

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

31.4.3 Reclassifications and other movements not involving cash flows ("C")

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Capitalization of interest on ADPI Holding 9 convertible loan	-	458	-	458
ADP 1 Holding 9 cash contribution towards Settlement paid directly into escrow account for the settlement	-	879	-	879
Revaluation loss in ADP 1 Holding 9 convertible loan	-	597	-	597
ADP 1 Holding 9 reimbursable expense	-	458	-	458
Balance of EFFIL convertible loan transferred to settlement account and funded by external loans not impacting Company's cash flow	-	(218)	-	(218)
Irrevocable standing order	-	250	-	250
Write back of loan in EFFIL books into income statement	-	(7)	-	-
Direct repayments by Food Concepts Pioneer Limited on the N539 BOI loan	(117)	(134)	(117)	(134)
Amount paid into Escrow account for the settlement of Abitos Financial Services Convertible loan	-	25	-	25
Island Homes loan	-	69	-	69
Convertible loans reclassified as deposit for shares	(4,501)	-	(4,501)	-
Option embedded in convertible loan (Note 31.2)	(118)	-	(118)	-
Owned credit risk (fair value/ exchange differences) (Note 30.1)	(111)	-	(111)	-
Fair value changes/foreign exchange diff. on Option (Note 12)	79	-	79	-

TOTAL ("C")	(4,768)	2,377	(4,768)	2,384
	=====	=====	=====	=====
At 31 December ("A+B+C")	1,659	5,219	1,659	5,219
	=====	=====	=====	=====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

32 Contract Liabilities

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Deposit from Franchise	23	-	23	-
	=====	=====	=====	=====

This relates to franchisee joining fee received in advance prior to the commencement of trading by the franchisee (Note 40.2.1). This will be recognised in profit or loss in 2019 when the franchise store is completed and the franchise opens for trading.

32.1 Deferred Income

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
At 1 January	39	35	39	33
Addition for the year	47	38	46	38
Revenue recognised during the year	(39)	(34)	(39)	(32)
Reclassified to contract liabilities	(23)	-	(23)	-

At 31 December	24	39	23	39
	=====	=====	=====	=====

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

33 Trade and other payables

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Trade payables	477	770	463	756
Dividend payable	-	24	-	24
Statutory liabilities	286	296	283	296
Accruals	197	58	185	45
Legacy debt payable	156	156	156	156
Other payables	476	285	475	282

	1,592	1,589	1,562	1,559
	=====	=====	=====	=====

Legacy debt payable includes the payable for financial advisory services of ¥ 104 million for the services rendered to the demerged mass market division prior to the demerger and other legacy debt of ¥ 58 million (¥ 6 million was paid out of this during the year under review)

Included in other payables are provision for yearend bonus of ¥ 211Million (2017: ¥ 58Million) regulatory fees of ¥ 9 Million (2017: nil) employee related payable of ¥ 52Million from previous years (2017: ¥ 51Million), provisions for directors allowances and liabilities for other operational expenses.

- 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.

33.1 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

34 Related party transactions

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

	Nature of transaction	Category	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
			₦ million	₦ million	₦ million	₦ million
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	-	-
Food Concepts Pioneer Limited	Purchase of bread, loan and related interest	Associate	-	11	-	-
Island Homes	Loan and related interest	Common Director	-	-	-	-
		
			9	51	175	-
			=====	=====	=====	=====
31 December 2017						
Food Concepts Ghana Limited	Purchase of material	Subsidiary	7	-	198	-
Fajemirokun & Fajemirokun	Property rent	Common Director	-	17	-	-
Ayo Olagundoye	Property rent	Director	-	22	-	-
ADP 1 9 Holding	Loan and related interest	Shareholder	-	112	-	25
EFFIL	Loan and related interest	Common Director	-	32	-	-
Food Concepts Pioneer Limited	Purchase of bread, loan and related interest	Associate	-	8	117	1
Island Homes	Loan and related interest	Common Director	-	6	-	75
		
			7	197	315	101
			=====	=====	=====	=====

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 (2017: 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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

34.2 Compensation of key management personnel of the Group

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Short-term employee benefits #	499	205	499	205
Defined contribution	2	2	2	2

Total compensation paid to key management personnel	501	207	501	207
	=====	=====	=====	=====

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 include the following; 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 ¥ 238 million

Nature of relationship	Nature of transaction	Amount	Due to	Due from	
					¥ million
Key management personnel	2018	Remuneration expenses	501	124	-
			=====	=====	=====
	2017	Remuneration expenses	207	-	-
			=====	=====	=====

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

34.3 Directors emolument

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Directors				
Remuneration *	327	80	327	80
Directors' fee (Note 12)	31	16	31	16

	358	96	358	96
	=====	=====	=====	=====
Fees and other emoluments disclosed include amounts paid to Chairman	7	7	7	7
	=====	=====	=====	=====
The highest paid director	327	80	327	80
	=====	=====	=====	=====

* 2018 includes payment of 2017 bonus and start up bonus ¥ 100 million, arrears of allowances and shortfall from exchange rate for previous years ¥ 37 million, accrual for 2018 bonus of ¥ 82 million and other allowances.

Scale of other Directors' emoluments	The Group		The Company	
	2018 Number	2017 Number	2018 Number	2017 Number
₹ 0 to ₹ 1,000,000	-	5	-	5
₹ 1,000,001 to ₹ 3,000,000	-	-	-	-
₹ 3,000,001 to ₹ 6,000,000	7	2	7	2
Above ₹ 6,000,000	2	2	2	2

	9	9	9	9
	====	====	====	====

34.4 Employees

The number of employees other than the Directors who earned more than ₹ 140,000 in the year were as follows:

	The Group		The Company	
	2018 Number	2017 Number	2018 Number	2017 Number
₹ 140,001 to ₹ 180,000	-	-	-	-
₹ 180,001 to ₹ 280,000	728	674	701	646
₹ 280,001 to ₹ 480,001	378	186	375	182
₹ 480,001 to ₹ 720,001	66	63	65	62
₹ 720,001 to ₹ 1,000,000	45	49	45	49
₹ 1,000,001 to ₹ 3,000,000	82	57	80	56
₹ 3,000,001 to above	35	33	35	32

	1,334	1,062	1,301	1,027
	====	====	====	====

The number of full-time persons employed as at 31 December 2018 was as follows:

	Number	Number	Number	Number
Retail outlets	1,117	913	1,087	883
Administration	217	149	214	144

	1,334	1,062	1,301	1,027
	====	====	====	====

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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

35 Capital Management - continued

	The Group		The Company	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Convertible loan option (note 31.2)	118	-	118	-
Borrowings (note 31.3)	1,659	5,219	1,659	5,219
Trade and other payables (note 33)	1,592	1,589	1,562	1,559

	3,369	6,808	3,339	6,778
Less: cash and short-term deposits (note 28)	(1,765)	(635)	(1,759)	(634)

Net debt	1,604	6,173	1,580	6,144
Equity	6,682	634	6,851	936

Equity and net debt	8,286	6,807	8,431	7,080

Gearing	19%	91%	19%	87%
	====	====	====	====

Included in borrowings is the convertible loan of ¥ 1.8 billion (2017: ¥ 4.5 billion). There are no loan covenants that the Group is required to comply with.

36 Commitments and contingencies

As at 31 December 2018, the Group and the Company had contingent liabilities of ¥ 0.2 million (2017: ¥ 28.8 million) in respect of ongoing legal actions for which provision has not been made.

Non-cancellable operating leases

The Group and the Company's operating leases comprise of buildings. The lease terms are between 1 and 30 years. The leases have varying terms, including extension options. On renewal of a lease, the terms are renegotiated. The Group and the Company have no restrictions on its operating leases. Commitments for minimum operating lease payments in relation to non-cancellable operating leases are payable as follows:

Operating lease commitments	The Group	The Company
	2018	2017
	¥ million	¥ million
Not later than one year	114	114
Later than one year and no later than five years	256	247
Later than five years	22	22

	392	383
	====	====

Rental charges recognized as an expense during the period are disclosed within other expenses. See note 12

37 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:

37.1 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 types of risk: currency risk, interest rate risk and another 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, directors' annual allowance and convertible loan notes 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
2018	5%	(98)
	-5%	98
2017	5%	(3)
	-5%	3

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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

37.2 Credit risk

Credit risk is the risk that a counterparty 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 counterparties 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 26. 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.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2018 and 2017 is the carrying amounts as illustrated in Note 26, 28 and 31.2. There is no credit impaired financial asset at the reporting date and on transition. Also, there are no financial instruments whose credit risk have increased significantly since initial recognition

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

	The Group		The Company	
	2018	2017	2018	2017
	₹ million	₹ million	₹ million	₹ million
Trade and other receivables (Gross) (Note 26.1)	47	49	47	49
and other receivables (Gross) (Notes 26 & 40.1.2)	-	-	189	198
Cash and bank balances (Note 28)	1,765	635	1,759	634

Gross amount	1,812	684	1,995	881
	=====	=====	=====	=====
Provisions for doubtful debts calculated under IAS 39 (Note 41.1.2.1)	(6)	(6)	(6)	(6)
Less: impairment allowance- adjusted through opening retained earnings (Note 41.1.2.1)	(4)	-	(4)	-
Less: Increase in impairment during the year (Note 41.1.2.1)	(3)	-	(3)	-
Impairment of intercompany receivables (Notes 41.1.1.2.1 & 41.1.2)	-	-	(14)	-

Net amount	1,799	678	1,968	875
	=====	=====	=====	=====

Trade and other receivables (excludes other receivables and employee loans and advances), cash and bank balances are financial instruments whose carrying amounts as per the financial statements approximate their fair values.

The gross carrying amount of the Group's financial assets have been disclosed using the days past due criteria and other borrower specific information. The details of the credit quality of each financial asset is shown in note 40

Estimation uncertainty in measuring impairment loss

The table below shows information on the sensitivity of the carrying amounts of the Group's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Group's financial assets. No changes were made to the estimation technique used at transition date in the reporting period

a) Expected cashflow recoverable

The table below demonstrates the sensitivity to a 20% change in the expected cashflows from financial assets, with all other variables held constant:

Effect on profit before tax	Increase/(decrease) in estimated cash flows	The Group	The Company
		2018	2018
		¥ million	¥ million
	+20%	(3)	(3)
	-20%	2	2

b) Significant unobservable inputs

The table below demonstrates the sensitivity to movements in the probability of default (PD) and loss given default (LGD) for financial assets, with all other variables held constant:

Effect on profit before tax	Increase/(decrease) in loss given default and probability of default	The Group	The Company
		2018	2018
		¥ million	¥ million
	+10%	3	3
	-10%	(3)	(3)

The table below demonstrates the sensitivity to movements in the forward looking macroeconomic indicators, with all other variables held constant:

Effect on profit before tax	Increase/decrease in forward looking macroeconomic indicators	The Group	The Company
		2018	2018
		¥ million	¥ million
	+10%	1	2
	-10%	(1)	(2)

37.3 Liquidity risk

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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

37.3 Liquidity risk - continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	₹ million	₹ million	₹ million	₹ million	₹ million
Borrowings	-	-	-	1,659	1,659
Option				118	118
Trade and other payables	477	353	762	-	1,592

	477	353	762	1,777	3,369
	=====	=====	=====	=====	=====
31 December 2017					
Borrowings	-	75	652	4,501	5,228
Trade and other payables	507	350	732	-	1,589

	507	425	1,384	4,501	6,817
	=====	=====	=====	=====	=====

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	₹ million	₹ million	₹ million	₹ million	₹ million
Borrowings	-	-	-	1,659	1,659
Option				118	118
Trade and other payables	463	341	758	-	1,562

	463	341	758	1,777	3,339
	=====	=====	=====	=====	=====
31 December 2017					
Borrowings	-	75	652	4,501	5,228
Trade and other payables	477	350	732	-	1,559

	477	425	1,384	4,501	6,787
	=====	=====	=====	=====	=====

37.4 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 and separate financial statements approximate their fair values. These fair values of these assets and liabilities is the same as the current value due to their short maturity profile

The Group	Carrying Amount		Fair value	
	2018	2017	2018	2017
	¥ million	¥ million	¥ million	¥ million
Financial assets at amortised cost				
Due from FCPL	-	117	-	117
Trade and other receivables	221	93	221	93
	=====	=====	=====	=====
Financial liabilities at amortised costs				
Borrowings				
Fixed interest rate borrowings	-	727	-	727
Share Option	118	-	118	-
Non-interest bearing convertible loans	1,659	4,501	1,659	4,501
Trade and other payables	1,592	1,589	1,592	1,589
	=====	=====	=====	=====
The Company				
Financial assets at amortised cost				
Due from FCPL	-	117	-	117
Trade and other receivables	396	290	396	290
	=====	=====	=====	=====
Financial liabilities at amortised costs				
Fixed rate borrowings	-	727	-	727
Share Option	118	-	-	-
Non-interest bearing convertible loans	1,659	4,501	1,659	4,501
Trade and other payable	1,562	1,559	1,562	1,559
	=====	=====	=====	=====

37.4.1 Fair value hierarchy

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.

37.4.2 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.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

37.4.3 Sensitivity of level 3 significant unobservable inputs

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax to changes in the discount rate of the non-interest bearing convertible loans, with all other variables held constant.

Effect on profit before tax	Increase/decrease in discount rate	2018 ₦ million	2018 ₦ million
	1%	-	-
	(1%)	-	-

38 Comparative figures

Where necessary, comparative figures have been restated to comply with the current year's presentation

39 Events after reporting date.

The convertible loans from ADP 1 Holding 9, DF Holding and AbiToS Financial Services were converted to equity in February 2019. Also, The Chief Financial Officer (Mrs Anthonia Agbonifo) was appointed as Executive Director at the Company's board meeting of March 2019. Apart from these, no other events or transactions have occurred after the reporting date that would have a material effect upon the financial statements at that date or which needs to be mentioned in the financial statements in order to make them not misleading as to the financial position or results of operations.

40 Transition disclosures

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

Impact on the financial statements

As explained in note 40.1.1(a), IFRS 9: Financial instruments was adopted without restating comparative information. The adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of changes in equity on 1 January 2018. The Group has elected to adopt the practical expedient to measure impairment on trade receivables using the simplified approach on adoption of IFRS 9.

The Group has also adopted IFRS 15: Revenue from Contracts with Customers using the modified retrospective method, with the effect of applying this standard recognised at the date of initial application (1 January 2018). The Group has not elected to adopt practical expedient on adoption of IFRS 15. Accordingly, the information presented for 2017 financial year has not been restated but is presented as previously reported under IAS 18 and related interpretations.

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



The Group	Note	At 31 December 2017	Impact of IFRS 9	Impact of IFRS 15	As at 1 January 2018
ASSETS		₤ million	₤ million	₤ million	₤ million
Current assets					
Trade receivables	26.1	43	(4)	-	39
		=====	=====	=====	=====
Cash and bank balances	28	635	-	-	635
		=====	=====	=====	=====
Total assets		7,481	(4)	-	7,477
		=====	=====	=====	=====
EQUITY AND LIABILITIES					
Equity					
Retained loss		(6,793)	(4)	-	(6,797)
		=====	=====	=====	=====
Total equity		634	(4)	-	630
		=====	=====	=====	=====

The Company	Note	At 31 December 2017	Impact of IFRS 9	Impact of IFRS 15	As at 1 January 2018
ASSETS		₤ million	₤ million	₤ million	₤ million
Current assets					
Trade and other receivables *	26.1	241	(18)	-	223
		=====	=====	=====	=====
Cash and bank balances	28	634			
		=====	=====	=====	=====
Total assets		7,753	(18)	-	7,735
		=====	=====	=====	=====
EQUITY AND LIABILITIES					
Equity					
Retained loss		(6,686)	(18)	-	(6,704)
		=====	=====	=====	=====
Total equity		936	(18)	-	918
		=====	=====	=====	=====

* Relates to trade receivables and intercompany receivables only

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

40.1 IFRS 9 Financial Instruments- Impact of adoption

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

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

40.1.1 Classification and Measurement

a) Financial assets

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The Group and Company's financial assets include cash and bank balances and trade and other receivables. The Group's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest. For short term deposits, interest is based on prevailing market rates of the respective bank accounts in which the balances are domiciled. Interest on short term deposits and other financial assets is earned in accordance with the contractual agreement. The Group and the Company does not earn interest on trade and other receivables. The contractual cash flows arising from these assets represent solely payments of principal and interest (SPPI).

Cash and bank balances, trade and other receivables and other financial assets that were previously classified as loans and receivables (L and R) are now classified as financial assets at amortised cost. Since there was no change in the measurement basis except for nomenclature change, opening retained earnings was not impacted (no differences between the previous carrying amount and the revised carrying amount of these assets at 1 January 2018).

b) Financial liabilities

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

On the date of initial application, 1 January 2018, the financial instruments of the Group were classified as follows

Group	IAS 39		IFRS 9	
	Classification & Measurement category		Carrying amount	
ASSETS	Original	New	Original	New
Current assets	IAS 39	IFRS 9	₹ million	₹ million
Trade receivables*	L and R	Amortised cost	43	43
Cash and bank balances	L and R	Amortised cost	635	635
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings (Note 31.2)	Amortised cost	Amortised cost	4,501	4,501
Current liabilities				
Trade and other payables**	Amortised cost	Amortised cost	1,589	1,589
Borrowings (Note 31.3)	Amortised cost	Amortised cost	718	718

* Trade and other receivables excludes other receivables and employee loans and advances.

** Trade and other payables excludes statutory liabilities and legacy debt payables.

Company	IAS 39		IFRS 9	
	Classification & Measurement category		Carrying amount	
ASSETS	Original	New	Original	New
Current assets	IAS 39	IFRS 9	¥ million	¥ million
Trade and other receivables*	L and R	Amortised cost	241	241
Cash and bank balances	L and R	Amortised cost	634	634
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings (Note 31.2)	Amortised cost	Amortised cost	4,501	4,501
Current liabilities				
Trade and other payables**	Amortised cost	Amortised cost	1,107	1,107
Borrowings (Note 31.2)	Amortised cost	Amortised cost	718	718

* Trade and other receivables excludes other receivables and employee loans and advances.

Trade and other payables excludes statutory liabilities and legacy debt payables.

The new carrying amounts in the table above have been determined based on the measurement criteria specified in IFRS 9. However, the impact of IFRS 9 expected credit loss impairment and IFRS 15 reclassifications has also not been considered here. See the subsequent pages for the impacts.

40.1.2 Impairment of financial assets

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

- Trade and other receivables (other receivables include amount due from related parties)
- Cash and short-term deposits.

The impact of the change in impairment methodology on the Group's retained earnings is disclosed in the table below.

Notes	The Group	The Company
	¥ million	¥ million
Closing retained loss as at 31 December 2017 - IAS 39	(6,793)	(6,686)
Increase in provision for trade receivables (a)	(4)	(4)
Increase in provision for other receivables (b)	-	(14)

Opening retained loss as at 1 January 2018 on adoption of IFRS 9	(6,797)	(6,704)
	=====	=====

40.1.2.1 Trade receivables

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

The provision matrix approach is based on the historical credit loss experience observed according to the behaviour of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The macroeconomic variables considered include inflation and gross domestic product (GDP).

The expected loss was calculated as the percentage of the receivables that is deemed to be uncollectable during a particular period.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

40.1.2.1 Trade receivables

The expected loss rates as at 1 January 2018 are follows:

Group	0-30 days	31 - 60 days	61-90 days	91- 180 days	181-360 days	Above 360 days
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Gross carrying amount	21	16	3	3	-	6
Expected loss rate	17%	18.6%	25.5%	28.5%	45.2%	100%
Lifetime ECL	-	(2)	(1)	(1)	-	(6)
Total	21	14	2	2	-	-
	=====	=====	=====	=====	=====	=====

Company

Gross carrying amount	21	16	3	3	-	6
Expected loss rate	17%	18.6%	25.5%	28.5%	45.2%	100%
Lifetime ECL	-	(2)	(1)	(1)	-	(6)
Total	21	14	2	2	-	-
	=====	=====	=====	=====	=====	=====

The expected loss rates as at 31 December 2018 are follows:

Group	0-30 days	31 - 60 days	61-90 days	91- 180 days	181-360 days	Above 360 days
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Gross carrying amount	16	6	6	8	5	6
Expected loss rate	0.0%	25.5%	31.6%	33.8%	54.7%	100%
Lifetime ECL	-	(1)	(1)	(3)	(3)	(6)
Total	16	5	5	5	2	-
	=====	=====	=====	=====	=====	=====

Company

Gross carrying amount	16	6	6	8	5	6
Expected loss rate	0.0%	25.5%	31.6%	33.8%	54.7%	100%
Lifetime ECL	-	(1)	(1)	(3)	(3)	(6)
Total	16	5	5	5	2	-
	=====	=====	=====	=====	=====	=====

The reconciliation of gross carrying amount for trade receivables is as follows:

	The Group ₦ million	The Company ₦ million
Gross carrying amount as at 1 January 2018	49	49
Receipts for the year	142	142
Settled during the year	(144)	(144)

Gross carrying amount as at 31 December 2018	47	47
	=====	=====

The reconciliation of loss allowance for trade receivables as at 31 December 2018 is as follows:

	The Group ₦ million	The Company ₦ million
Loss allowance as at 31 December 2017 - calculated under IAS 39	(6)	(6)
Amounts adjusted through opening retained loss	(4)	(4)

Loss allowance as at 1 January 2018 - calculated under IFRS 9	(10)	(10)
Increase of impairment losses	(3)	(3)

Loss allowance as at 31 December 2018 - Under IFRS 9	(13)	(13)
	=====	=====

40.1.2.2 Other receivables (amounts due from related party)

The impact of unwinding discount on impairment of trade receivables is rounded up to zero.

The parameters used to determine impairment for other receivables (amounts due from related parties) are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

- Probability of default (PD): The 12-month PD and lifetime PD for stage 1 and stage 2 is 0.36%. The PD for stage 3 is 100%.
- Loss Given Default (LGD): This is the loss the Group expects to suffer from the counterparty. The 12-month LGD and lifetime LGD were determined using the average recovery rate for Moody's Government bonds for emerging economies.
- Exposure at Default (EAD): The EAD is the maximum exposure of the investments to credit risk.
- Macroeconomic indicators: These are the forward-looking information used in adjusting the historical loss determines to arrive at the expected credit loss. The historical gross domestic product (GDP) growth rate, unemployment rate and crude oil prices in Nigeria were the economic variables used to determine base, optimistic and downturn scenarios.
- Probability weightings: 7%, 84% and 9% of historical observations fall within acceptable bounds, periods of boom and periods of downturn respectively.

The Group considers both quantitative and qualitative indicators in classifying its receivables into the relevant stages for impairment calculation. Impairment of financial assets is recognised in three stages all on individual basis as shown below:

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).
- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other micro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.
- Stage 3: This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for amounts due from related parties. Amounts due from related parties represent the outstanding payments due to Food Concept from Food Concepts Ghana Limited.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

40.1.2.2 Other receivables (amounts due from related party) - continued

	Stage 1 12-month ECL ₤ million	Stage 2 Lifetime ECL ₤ million	Stage 3 Lifetime ECL ₤ million	Total ₤ million
1 January 2018				
Gross EAD	198	-	-	198
Loss allowance	(14)	-	-	(14)
Net EAD	184	-	-	184
	=====	=====	=====	=====
31 December 2018				
Gross EAD	189	-	-	189
Loss allowance	(14)	-	-	(14)
Net EAD	175	-	-	175
	=====	=====	=====	=====

The reconciliation of gross carrying amount for other receivables is as follows:

	The Company ₤ million
Gross carrying amount as at 1 January 2018	198
Invoices for the year	20
Receipts for the year	(29)

Gross carrying amount as at 31 December 2018	189
	=====

The reconciliation of loss allowance for other receivables (amount due from related parties) as at 31 December 2018 is as follows:

	The Company ₤ million
Loss allowance as at 31 December 2017 - calculated under IAS 39	-
Amounts adjusted through opening retained loss	(14)

Loss allowance as at 1 January 2018 - calculated under IFRS 9	(14)
Increase of impairment losses	-

Loss allowance as at 31 December 2018 - Under IFRS 9	(14)
	=====

The impact of unwinding discount on impairment of trade receivables is rounded up to zero.

40.1.2.3 Cash and bank balances

The Group and the Company also assessed their cash and short-term deposits to determine their expected credit losses. Based on this assessment, they identified the expected losses as at 1 January 2018 and 31 December 2018 to be insignificant, as the loss rate is deemed immaterial. The assets are assessed to be in stage 1.

Credit quality of cash and bank balances

The credit quality of the Group and Company's cash and bank balances is assessed on the basis of external credit ratings (Fitch's national long-term rating) as shown below:

	The Group		The Company	
	2018	2017	2018	2017
	₤ million	₤ million	₤ million	₤ million
Non-rated	69	42	69	41
B-	-	14	-	14
B	88	12	88	12
B+	54	51	47	51
BB+	67	48	67	48
BBB+	-	-	-	-
BBB	1,436	463	1,436	463
A+	-	5	-	5
AA	-	-	-	-
AA-	51	-	52	-
AAA	-	-	-	-

	1,765	635	1,759	634
	=====	=====	=====	=====

	The Group		The Company	
	2018	2017	2018	2017
	₤ million	₤ million	₤ million	₤ million
Allowance for impairment recognised during the year	-	-	-	-

Net cash and bank balances	1,765	635	1,759	634
	=====	=====	=====	=====

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2018

40.1.2.4 Reconciliation of impairment loss on financial assets

Movements in the provision of impairment of financial assets that are assessed are as follows:	The Group		The Company	
	2018	2017	2018	2017
	₺ million	₺ million	₺ million	₺ million
At 1 January	6	6	6	6
Impact on initial application of IFRS 9:	4	-	18	-

Adjusted balance at 1 January 2018	10	6	24	6

Increase of previously recognised impairment losses	3	-	3	-

At 31 December	13	6	27	6
	=====	=====	=====	=====

40.2 IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group and the Company have adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the modified retrospective approach and has not restated comparatives for the 2017 financial year. There was no impact on the Group's retained earnings at the date of initial application (i.e. 1 January 2018). The reclassification adjustments resulting from the adoption of IFRS 15 is detailed below:

40.2.1 Impact on financial statements

Reclassification of deferred income on joining fees to contract liabilities

The Group recognizes joining fee revenue from the opening of new franchised restaurants. The fee is a fixed amount determined by management and contained in the franchise agreement signed by the Group and the prospective franchisee.

Joining fee is the advance consideration paid by franchisees for the services provided to the franchisee up to the time when the store commences operations. As at 31 December 2018, the Group and the Company has ₺) 23 million joining fee received in advance and this has been reclassified to contract liability

The only performance obligations are the commencement of trading by franchisee, hence, revenue is only recognized when the franchisee outlet opens for trading. On receipt of consideration in advance, the amount is kept in deferred income account under IAS 18 pending when the store opens for trading, then the amount is recognized as revenue in income statement.

Under IFRS 15, the amount will be recognized as contract liability and transferred to Revenue when the Franchisee commences trading. The Group has chosen not to change the nomenclature from deferred income.

41 Going concern

The Group had going concern issue in 2017 driven majorly by one off-expenses resulting in a loss position for the year and borrowings falling due within one year resulting in excess of current liabilities over current assets.

For the year ended 31 December 2018, the group recorded a profit after tax of N 1.433 billion (2017: net loss N713 million) and for the Company N1.321 billion (2017: net loss of N916 million)

As at the reporting date, the Group's current assets exceeded its current liabilities by N1.173 billion (2017: a net current liability of N959 million) while the Company's current assets exceeded its current liabilities by N1.364 billion (2017: net current liability of N745 million).

Value Added Statement

For the year ended 31 December 2018

	The Group				The Company			
	2018		2017		2018		2017	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Revenue	9,088		6,751		8,874		6,530	
Other operating income	139		74		137		51	
Non-operating income	-		211		-		140	
Finance income	107		34		107		34	
Share of profit of Associate	125		104		-		-	
	
	9,459		7,174		9,118		6,755	
Deduct cost of goods and service:								
Foreign	-		-		-		-	
Local **	(5,971)		(6,224)		(5,769)		(6,036)	
	
Value added **	3,488	100	950	100	3,349	100	719	100
	=====	===	=====	===	=====	===	=====	===
Applied as follows:								
		%		%		%		%
To pay employee:								
as salaries and labour related expenses	1,548	45	1,053	111	1,532	46	1,038	144
To provider of capital								
interest	6	-	173	19	6	-	173	24
To Government:								
- as company taxes	37	1	-		37	1	-	
as levies	47	1	35	4	47	1	34	5
For assets replacement								
- depreciation and amortization	417	12	402	42	406	12	390	54
Retained for future operations	1,433	41	(713)	(76)	1,321	40	(916)	(127)
	
	3,488	100	950	100	3,349	100	719	100
	=====	===	=====	===	=====	===	=====	===

** Prior year restated to present the share of profit of Associate (Food Concepts Pioneer Limited)

The value-added statement 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 2018

The Group

Profit or loss and other comprehensive income

	2018	2017	2016	2015	2014
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue from continuing operation	9,088	6,751	4,735	3,604	3,464
	=====	=====	=====	=====	=====
Revenue from discontinued operations	-	-	-	-	1,270
	=====	=====	=====	=====	=====
Profit/(loss) before tax	1,470	(713)	(663)	(4,547)	(1,590)
	=====	=====	=====	=====	=====
Profit/(loss) for the year	1,433	(713)	(663)	(4,535)	(1,372)
	=====	=====	=====	=====	=====
Total comprehensive income/(loss) for the year	1,551	(730)	(718)	(4,547)	(1,485)
	=====	=====	=====	=====	=====
Basic earnings/(loss) per share	0.28	(0.14)	(0.11)	(0.78)	(0.26)
	=====	=====	=====	=====	=====
Diluted earnings/(loss) per share	0.08	(0.05)	(0.11)	(0.60)	(0.23)
	=====	=====	=====	=====	=====

Employment of funds

Property, plant & equipment

Intangible assets	1,267	1,274	1,280	1,309	1,366
Prepayment-Non- current	264	-	-	-	-
Deferred tax asset	-	-	-	-	16
Investment in associates	1,545	1,085	569	646	-
Other non-current asset	-	-	251	389	2,216
Net current assets/(liabilities)	1,173	(959)	(2,158)	(3,719)	626
Non-current liabilities	(1,777)	(4,501)	(2,515)	(743)	(2,107)

Net assets	6,682	634	1,364	2,082	6,520
	=====	=====	=====	=====	=====
Funds employed					
Share capital	2,922	2,922	2,922	2,922	2,683
Share premium account	4,700	4,700	4,700	4,700	5,009
Retained earnings	(5,364)	(6,793)	(6,080)	(5,417)	(1,061)
Deposit for shares	4,501	-	-	-	-
Fair value changes/foreign exchange difference on convertible loan option	111	-	-	-	-
Foreign currency translation reserve	(188)	(195)	(178)	(123)	(111)

	6,682	634	1,364	2,082	6,520
	=====	=====	=====	=====	=====
Net asset per share (kobo)	114	11	23	36	122
	=====	=====	=====	=====	=====



Five Year Financial Summary for The Company

For the year ended 31 December 2018

The Company

Profit or loss and other comprehensive income

	2018	2017	2016	2015	2014
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue from continuing operation	8,874	6,530	4,520	3,395	3,263
	=====	=====	=====	=====	=====
Revenue from discontinued operations	-	-	-	-	1,270
	=====	=====	=====	=====	=====
Profit /(loss) before tax	1,358	(916)	(656)	(4,260)	(1,585)
	=====	=====	=====	=====	=====
Profit/(loss) for the year	1,321	(916)	(656)	(4,248)	(1,367)
	=====	=====	=====	=====	=====
Total comprehensive income/(loss) for the year	1,432	(916)	(656)	(4,248)	(1,386)
	=====	=====	=====	=====	=====

Basic earnings/(loss) per share

	0.23	(0.16)	(0.11)	(0.73)	(0.25)
	=====	=====	=====	=====	=====

Employment of funds

Property, plant & equipment	4,148	3,658	3,855	4,133	4,322
Intangible assets	1,267	1,274	1,280	1,309	1,366
Prepayment-Non- current	264	-	-	-	-
Other non-current asset	-	-	251	389	2,216
Deferred tax asset	-	-	-	-	16
Investment in Subsidiary	2	2	2	2	2
Investment in associates	1,583	1,248	907	907	-
Net current assets/ (liabilities)	1,364	(745)	(1,935)	(3,493)	828
Non-current liabilities	(1,777)	(4,501)	(2,508)	(739)	(2,103)

Net assets	6,851	936	1,852	2,508	6,647
	=====	=====	=====	=====	=====
Funds employed					
Share capital	2,922	2,922	2,922	2,922	2,683
Share premium account	4,700	4,700	4,700	4,700	5,009
Retained earnings	(5,383)	(6,686)	(5,770)	(5,114)	(1,045)
Fair value changes/foreign exchange difference on convertible loan option	111	-	-	-	-
Deposit for shares	4,501	-	-	-	-

	6,851	936	1,852	2,508	6,647
	=====	=====	=====	=====	=====
Net asset per share (kobo)	135	19	32	43	124
	=====	=====	=====	=====	=====

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of Food Concepts Plc will be held at Moremi Meeting Room, Sheraton Hotels, Mobolaji Bank-Anthony Way, Ikeja, Lagos, on Thursday 17th October 2019 at 11 a.m., when there will be transacted the following businesses:

Ordinary Business

- (1) To pass a resolution to adopt the 17th Annual General Meeting as the Annual General Meeting for 2017 and 2018 Financial years.
- (2) To lay before the meeting the Audited Financial Statements of the Company for the accounting period ended 31st December 2017 and 31st December 2018 respectively and the Reports of the Directors, Auditors and Audit Committee thereon.
- (3) To elect/re-elect directors.
- (4) To authorize the directors to determine the remuneration of the Auditors.
- (5) To re-elect members of the Audit Committee.

Special Business

To consider and if thought fit, pass the following as **ordinary resolutions**, with such amendments as shall be determined at that meeting:

1. THAT the authorised share capital of the Company be increased from NGN13,000,000,000 (Thirteen Billion Naira) to NGN14,500,000,000 (Fourteen Billion Five Hundred Million Naira), by the addition thereto of the sum of NGN1,500,000,000 (One Billion Five Hundred Million Naira) divided into 3,000,000,000 (Three Billion) ordinary shares of N0.50 (Fifty Kobo) each (**Ordinary Shares**).
2. THAT the appointment of Mrs. Anthonia Agbonifo as a Director of the Company be and is hereby ratified and approved.

To consider and if thought fit, pass the following as **special resolutions**, with such amendments as shall be determined at that meeting

1. THAT the Company's Memorandum of Association be and is amended, by amending Clause 6 and replacing the same with the following:
"The Authorised Share Capital of the Company is N14,500,000,000.00 (Fourteen Billion, Five Hundred Million Naira) divided into 29,000,000,000 (twenty-nine billion) ordinary shares of 50 kobo each with power to increase the capital and divide the capital for the time being into several classes and to attach thereto any preferential, deferred, qualified or special rights, privileges or conditions".
2. THAT following the increase in authorised share capital pursuant to paragraph 1 above, the directors of the Company (Directors) be and are hereby authorised to issue and allot Ordinary Shares for cash at a price of 0.79 (seventy-nine kobo) per Ordinary Share (as adjusted in accordance with the terms of the convertible loan agreement entered into between ADP II Holding 12 Limited (ADP II) and the Company dated 17 July 2018, as amended pursuant to a deed of amendment dated 13 June 2019 (the ADP II Convertible Loan Agreement)) to ADP II pursuant to the conversion of US\$7,000,000 (seven million dollars) of the loan drawn by the Company into Ordinary Shares pursuant to the ADP II Convertible Loan Agreement and otherwise in accordance with the terms and conditions of the ADP II Convertible Loan Agreement.
3. THAT the rules of the Food Concepts PLC Management Incentive Plan 2018 (**'2018 MIP'**) in the form produced to the meeting and signed for identification purposes by the Chairman of the Meeting⁽¹⁾, the principal terms of which are set out below, be and are hereby approved and ratified.

Summary of 2018 MIP

The Food Concepts PLC Management Incentive Plan 2018 allows the Board of Directors (Board) to grant stock options over Ordinary Shares to employees of the Company or any of its subsidiaries. Unless the Board determines otherwise, the number of Ordinary Shares subject to each stock options shall be calculated by reference to employee performance rating and company performance. No monetary consideration shall be payable for the grant of a stock option. Going forward, the Board intends that stock options will be granted over 1% of Ordinary Shares during each of Q1 2020, Q1 2021 and Q1 2022, respectively. The total number of Ordinary Shares over which options may be granted shall not exceed 6% of the ordinary share capital of the Company. An option will normally become exercisable on the earlier of (i) the date on which a disposal of Ordinary Shares occurs which results in a change in the ownership of 75% or more of the Ordinary Shares; or (ii) the fifth anniversary of the date of grant of the first tranche of options. To exercise an option, the option-holder shall pay the exercise price in respect of such shares over which the option is being exercised. If an option-holder ceases to be employed by the Company or any of its subsidiaries by reason of death, disability or any other reason that the Board determines, his option shall vest on the dates it would normally become exercisable either in accordance with the option terms or to such greater degree as the Board may determine. If an option-holder ceases to be employed by the Company or any of its subsidiaries for any other reason, only the vested portion of his option will continue to subsist.

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

1. The Directors be and are hereby authorised to enter into any agreements and or execute any other documents necessary for and or incidental to effecting the resolutions above.
2. The Directors be and are hereby authorised to appoint such professional parties and perform all such other things as may be necessary for or incidental to effecting the above resolutions, including without limitation, complying with the directives of any regulatory authority.

By Order of the Board

Dated the 27th day of June 2019



Josephine A. Y. Johnson, ACIS
Company Secretary

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

Proxy

A member of the company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member. A form of proxy is enclosed and if it is to be valid for the purposes of the meeting, it must be completed and deposited at the office of the Registrar, Meristem Registrars Limited, 213 Herbert Macaulay Way, Sabo, Yaba, Lagos not less than 48 hours before the time for holding the meeting.

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.

¹A copy of the 2018 MIP has been forwarded to every member along with the Notice of Meeting. The 2018 MIP can also be accessed online at <http://www.meristemregistrars.com>. The 2018 MIP will be available for signing at the venue of meeting on the day of the meeting.

FORM OF PROXY

I / We

Of

Being a member of Food Concepts Plc hereby appoint

Of

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 17th October 2019 at 11a.m at any adjournment thereof.

Signed this day of 2019

Signature



FOOD CONCEPTS PLC

Number of shares		
RESOLUTIONS	for	against
To pass a resolution to adopt the 17th Annual General Meeting as the Annual General Meeting for 2017 and 2018 Financial years.		
To lay before the meeting the Audited Financial Statements of the Company for the period ended 31st December 2017 and 31st December 2018 respectively		
To elect/re-elect directors.		
To authorize the directors to determine the remuneration of the Auditors.		
To re-elect members of the Audit Committee.		
To increase the authorised share capital of the Company from NGN13,000,000,000 (Thirteen Billion Naira) to NGN14,500,000,000 (Fourteen Billion Five Hundred Million Naira), by the addition thereto of the sum of NGN1,500,000,000 (One Billion Five Hundred Million Naira).		
To ratify the appointment of Mrs. Anthonia Agbonifo as a Director of the Company.		
To amend the Company's Memorandum of Association.		
To authorize directors to issue and allot Ordinary Shares for cash at a price of ₦0.79 (seventy-nine kobo) per Ordinary Share to ADP II pursuant to the conversion of US\$7,000,000 (seven million dollars) of the loan drawn by the Company into Ordinary Shares pursuant to the ADP II Convertible Loan Agreement and otherwise in accordance with the terms and conditions of the ADP II Convertible Loan Agreement.		
To approve and ratify the rules of the Food Concepts PLC Management Incentive Plan 2018 ("2018 MIP").		
To authorize the Directors to enter into any agreements and or execute any other documents necessary for and or incidental to effecting the resolutions above.		
To authorize the Directors to appoint such professional parties and perform all such other things as may be necessary for or incidental to effecting the above resolutions.		

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.

ADMISSION CARD

Please Admit

Name of Shareholder



FOOD CONCEPTS PLC



FOOD CONCEPTS PLC



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