ACCRA BREWERY LIMITED

A proud part of the ABInBev family

ACCRA BREWERY PLC (ABL)

ANNUAL REPORT

AND FINANCIAL STATEMENTS 2019


LIVE THE
moment
CLUB
Shandy
BOSOE
Free your Enjoyment

CONTENTS

Our Dream

Our Dream is to create the Ideal Company by investing and growing; being super-productive; being a company everyone loves to work for; and making a real difference in society. Essentially, we strive to be:

1. **Respected** for being a passionate company of brewers and brand builders who invest in sustainable long-term growth;
2. **Trusted** for our diverse portfolio of high quality brands to suit every palate;
3. **Admired** for our commitment to improving the lives of more people in more communities, and making a real difference in our society;
4. **Recognised** as an employer of choice; a company everyone loves to work for, that engages, motivates and supports colleagues and partners across the country.

Our 10 Principles

Our principles revolve around 3 overarching themes of Dream, People, and Culture.

DREAM

1. We dream big. We are building a profitable, growth company.

PEOPLE

2. Our greatest strength is our people. Great people grow at the pace of their talents and are rewarded accordingly. **Great people deliver and transform**.
3. We recruit, develop and retain people who can be better than ourselves. We are measured by the quality **and diversity** of our teams.

CULTURE

4. We are a company of owners. Owners take results personally and **lead by example**.
5. We are never completely satisfied with our results. **We embrace change, take smart risks, and learn from our mistakes**.
6. The consumer is our boss. **We go where consumers go, because that is where growth is**.
7. **We strive to be the best at serving and partnering with our customers, who are the gateway to our consumers**.
8. We believe in common sense and simplicity. **We operate with excellence and efficiency in all we do, always having our customers and consumers in mind**.
9. We manage our costs tightly to free up resources that will support profitable top line growth.
10. We never take short cuts. Integrity, hard work, quality and responsibility are key to building our company and our **reputation**.

FINANCIAL HIGHLIGHTS

(All amounts are in thousands of Ghana Cedis)

	2019	2018
Turnover	497,058	478,511
Operating profit	57,729	98,175
(Loss)/profit before income tax	(59,218)	40,800
(Loss)/profit for the year	(77,082)	14,891
Cash generated from operations	103,117	164,472
Shareholders' funds – (deficit)	(87,726)	(10,644)
Capital expenditure	(122,286)	(143,502)
(Loss)/earnings per share (GH¢)	(0.3090)	0.0597
Net liabilities per share (GH¢)	(0.3517)	(0.0427)
(Loss)/profit before income tax (PBT) margin (%)	(11.91)	8.53
(Loss)/profit after income tax (PAT) margin (%)	(15.51)	3.11

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors and Management of Accra Brewery PLC (ABL), I present the Annual Report and Financial Statements for the period 1 January to 31 December 2019.

2019 REVIEW

ABL's volume growth declined for the period under review mainly driven by volume pressure on the portfolio's 2 volume drivers CLUB 625ml and Eagle 375ml. The above resulted in a volume decline of 4% against the same quarter for 2018; overall the volume growth compared against prior year was negative. Our Company ended the year with a decline of 3% in full year volume versus the same period last year. The decline in beer is attributable to a price increase in ABL's affordable brand- Eagle Lager immediately followed by the entry of an affordable competitor amidst tough economic trading conditions.

The above notwithstanding, the Company recorded a 4% growth in Net Revenue. The positive growth in Net Revenue in spite of the volume decline was mainly as a result of the price increase in October 2018 which cycled into 2019 supported by sales mix for the year. The Business continued to manage costs well despite challenges with rising costs of production. The rising cost of production and distribution coupled with the decline in the volume for the year under review resulted in a decrease in Gross profit of 14% and 36% in Operating profit respectively.

The volumes recorded for each Brand are as follows;

	YTD		
Brand	**ACT**	**LY**	**VsLY**
BetaMalt	276,211.39	258,375.94	7%
Castle Milk Stout	5,682.66	14,555.52	-61%
Club Lager	792,604.46	797,473.00	-0.6%
Club Shandy	49,343.83	46,469.21	6%
Eagle Lager	157,612.62	193,320.86	-18%
Eagle Extra Stout	24,698.07	32,475.60	-24%
Stella Artois	1,591.42	1,569.30	1%
Budweiser	724.90	-	0%
Grand Total	1,308,469	1,344,239	-3%

The fourth quarter of 2019, however, showed early signs of recovery in beer especially in Eagle 375ml as a result of the price rollback effective July 2019.

In the non-alcoholic malt category however, Beta Malt continues to be underserviced in key growing areas whilst ending the year at 7% volume growth versus the same period last year.

Core Relevance

CLUB ended the period 31 December 2019 flat versus prior year. A refreshed label and national crown promotion on its bulk 625ml SKU buoyed the SKU's volume growth by 2% in December. Glass injection into CLUB 330ml and channel focus resulted in 11% volume growth above the same period last year.

CLUB BUBRA also saw 8% growth in the year under review with a dedicated team and greater channel focus. 76 additional taps were procured in the period under review with draught delivering an iconic drinking experience available in 5 regions across the country after expansion into Volta and Eastern regions.

CLUB's convenient 500ml can, launched in August 2019 with early success, was hampered by logistics constraints related to the Nigeria road border closures with delayed deliveries and damaged cans couriered by sea into Ghana.

Affordability

Eagle Lager ended December 2019 at 6% above prior year following from the last quarter's growth showing signs of recovery since price rollback of its 375ml pack in July. This, however, could not mask total year's volume ending at 18% below the same period in 2018.

Portfolio Growth

Increased investment into CLUB Shandy's trade activations and channel focus led by its 500ml pack ended 2019 at 6% above the same period last year. This follows full year's volume growth of the flavoured low alcohol variant in its heartlands- North East and Accra- and other growing regions like Ashanti and Eastern respectively.

Castle Milk Stout was discontinued in the period under review to repurpose funds to providing consumers with an affordable high alcohol alternative in Eagle Extra Stout.

THE WAY FORWARD IN 2020

In 2020, following a change in Country Leadership, there was a renewed focus to bring our Business back to volume growth and improve our profitability after a tough 2019.

The focus for 2020 was to ensure availability of the right brands and packs in the right regions, at the right price and going where our consumers go, because that is where growth is. Below are results of the focus areas for the year:

1. In Quarter 1 of 2020, your Company went back to growth delivering a 3 % volume growth and a 5% profitability growth versus the same period last year.
2. In Quarter 2 of 2020, the COVID pandemic came to change our lives having a colossal impact on people's lives, our Business and the economy. At ABL, our number 1 priority was to protect and keep our people safe whilst driving cost efficiencies across the Business and value chain to preserve jobs and salaries.

   We are happy to say that thanks to our strict and bold preventative actions together with safety protocols, in spite of positive cases recorded within the Business, we thankfully did not record any deaths and kept our promise to our employees of zero job losses or salary reduction.
3. In Quarter 3, as testament to our Agile culture which drives our people and results, our Company is showing signs of recovery and back stronger, better and faster, delivering double-digit growth both in volume and profitability.

   These important milestones have resumed discussions on investment for our Brewery for Q1 2021 to support the continuous growth.

   The Board of Directors extends its sincere appreciation to the customers of the Company for their continued loyalty, to shareholders for their support, and to Management and staff for their dedicated service during the year under review

……………………………………

Dr. Charles Mensa
Chairman

COUNTRY DIRECTOR'S STATEMENT

FINANCIAL PERFORMANCE

The Country recorded GDP growth of 6.4% in the year under review. Ghana's headline inflation has remained single digits since June 2018 ending the year at 8.7% in 2019. Inflation expectations for businesses, consumers, and the financial sector, appear to be well-anchored within single digits despite a slight pick-up in the measure of core inflation.

The Country's fiscal deficit widened from 3.8% of GDP in 2018 to 4.5% of GDP in 2019. A key driver being weak fiscal revenue mobilization.

The Business continued to manage costs well despite tough trading conditions with rising costs of production and distribution. We continued to invest in marketing expenditure in order to continue our market share growth and support our brands.

We had increased price in October 2018 and this contributed to an improvement in revenue for the year under review. Operating profit declined as a result of higher input and administrative cost in 2019. The loss before tax is as a result of the unrealized foreign exchange losses. These results from the impact of the weaker exchange rate on our foreign denominated borrowings.

RECOGNITION

In 2019, ABL was recognized at the Ghana Beverage Awards for Club Beer Product of the Year and Beer of the Year.

OUTLOOK

The growth in the Ghanaian economy in 2020 had been forecasted to be driven by extensive investment into the construction and manufacturing sector. However, the Covid-19 Pandemic has necessitated a re-look at these initial economic forecast. The NKC African Economics in its Country Report for April 2020 forecasts that Ghana will be hit hard from both a health and economic perspective by both the pandemic and the resulting oil price shook.

The Government of Ghana has consequently though its Mid-Year Budget presentation revised the initial macro-economic indicates it had forecasted for 2020

Thus, inflation has been revised from the initial forecast of 8% and is expected to trend broadly higher and average 11.1% in 2020.

GDP growth is forecasted to decrease to 0.9% in 2020 from an initial projection of 6.8%. The NKC has indicated that this slow in economic growth is the lowest to be recorded in four decades. The projected decline in the GDP growth is ascribed primarily to the local partial lockdown that lasted for three weeks which dampened local production as activity grounded to a near halt for a period of time. Moreover, the oil price plunge also created a further drag on economic activity.

The Economist Intelligence Unit ("EIU") in its Country Report on Ghana forecasts that real GDP growth will rebound to an average of 5.7% a year in 2021-24, as the impact of the pandemic fades and oil prices and output both recover. Additionally, the EIU forecasts that the government's industrialization push and moves to strengthen the banking sector will benefit non-oil economic growth over the medium term, although the cost of capital will remain a constraint on some businesses, particularly small and medium-sized enterprises.

Accra Brewery PLC continues to position itself well to take advantage of the rebound in the economic circumstances as the effect of the pandemic subsides.

Galo Rivera
Country Director

REPORT OF THE DIRECTORS

The directors present herewith their annual report together with the audited financial statements of Accra Brewery PLC (the "Company") for the year ended 31 December 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act, 2019 (Act 992).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Company incurred a net loss of GH¢77.1 million for the year ended 31 December 2019 and its liabilities exceeded total assets by GH¢87.7 million (2018: GH¢10.6 million) as at that date. The Company owed GH¢751 million to Overseas Breweries Limited, the immediate parent company, at the reporting date. The financial statements have been prepared on a going concern basis since the parent company has given assurance that it will not press for repayments of amounts owed to the parent company in a manner to jeopardise the going concern status of the entity for the next twelve months from the date of this statement.

The directors have no plans or intentions for example to dispose of the business or cease operations that may materiality alter the carrying value or classification of assets and liabilities reflected in the financial statements. The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for at least twelve months from the date of this statement.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and distribution of beer, soft drinks and non-alcoholic malt beverages.

HOLDING COMPANY

The Company is a subsidiary of Overseas Breweries Limited, a company incorporated in Switzerland. The ultimate holding company is Anheuser-Busch InBev (ABInBev), a company incorporated in Belgium.

FINANCIAL RESULTS

The financial results for the year are shown in the statement of comprehensive income set out on page 11 of the financial statements.

DIVIDENDS

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

CHANGE OF NAME

The Company changed its name from Accra Brewery Limited to Accra Brewery PLC in accordance with Section 21 (1)(a) of the Companies Act, 2019 (Act 992), which requires the last words of a public company limited by shares, to be "Public Limited Company" or the abbreviation "PLC".

BOARD OF DIRECTORS

The present membership of the board is set out on page 13.

REPORT OF THE DIRECTORS (continued)

AUDITOR'S REMUNERATION

The audit fee paid/payable for the year ended 31 December 2019 is disclosed in note 17 of the annual report and financial statements.

CORPORATE SOCIAL RESPONSIBILITY

The Company expended GH¢250,736 on social responsibility for the year ended 31 December 2019.

CAPACITY BUILDING FOR DIRECTORS

The Company's parent company organises online training programmes and seminars for executive directors of entities within the ABInBev Group. For the year ended 31 December 2019, ABInBev group delivered one course on risk management to its directors including directors of subsidiaries within the group.

DIRECTORS INTERESTS

During the year ended 31 December 2019, no significant or material contract was entered into in which directors of the Company had an interest which significantly or materially affected the business of the Company.

AUDITOR

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 139(5) of the Companies Act, 2019 (Act 992).

APPRECIATION

The board of directors would like to express its sincere appreciation to the customers of the Company for their loyalty, to shareholders for their support, and to management and staff for their service during the year.

By Order of the Board:

....

Dr. Charles Mensa
Chairman
30th June, 2020.

....

Galo Rivera
Country Director

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Accra Brewery PLC recognises the importance of good corporate governance as a means of sustained long-term viability of the business and therefore always seeks to align the attainment of its business objectives with good corporate behaviour.

In line with the framework, mission, values and business principles mandated through the group corporate accountability committee, planning takes place and resources are allocated towards achievement of accountability, compliance and reporting standards. The business adopts standard accounting practices and ensures sound internal control to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

BOARD OF DIRECTORS

The responsibility of good corporate governance is placed in the hands of the board of directors and the management team. The board comprises four directors. The directors are knowledgeable individuals with experience in the brewing industry as well as in their fields of discipline.

SYSTEM OF INTERNAL CONTROL

Accra Brewery PLC is continuously enhancing its comprehensive risk and control review. This is aimed at both improving the mechanism for identifying and monitoring risk as well as appraising the systems of internal control.

The Company has effective systems for identifying, managing and monitoring risks. The systems of internal control are implemented and monitored by appropriately trained personnel, and suitably segregated as to authority, duties and reporting lines.

CODE OF BUSINESS ETHICS

Accra Brewery PLC has communicated the principles in the ABInBev code of conduct to employees, customers, suppliers and other major stakeholders. Accra Brewery PLC continues to reinforce communication on a regular basis, together with the development and application of complementary procedures so as to eliminate the potential for corrupt and illegal practices on the part of employees and contractors.

OCCUPATIONAL HEALTH AND ENVIRONMENTAL SAFETY

Accra Brewery PLC is aware that the requirements of good corporate citizenship necessitate active commitment towards occupational health and environmental protection. Accordingly, appropriate steps are being taken towards establishing and maintaining suitable environmental quality standard.

ACCRA BREWERY PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 45th Annual General Meeting of the Shareholders of Accra Brewery PLC will be held virtually and streamed live online on https://www.ablagm.com on Thursday, October 22, 2020 at 10:00 AM for the following purposes:

AGENDA

1. To receive the Report of the Directors, the Financial Statements as at December 31, 2019 and the Report of the Independent Auditors thereon.
2. To elect as a Director, Mr. Galo Rivera.
3. To approve Directors' Fees.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To pass as a special resolution, the approval to effect all necessary changes in the Company's Regulations/Constitution to make it compliant with the new Companies Act, 2019 (Act 992).
6. To pass as a special resolution, the approval to amend the Company's Regulations/ Constitution to provide for the holding of all meetings, including Annual General Meetings by virtual means where the Directors deem it necessary so to do.
7. To pass as a special resolution, the approval of a Non-Renounceable Rights Issue and Tender Offer to Shareholders.

A member entitled to attend and vote at the above meeting may appoint a proxy to attend (via online participation) and vote on his or her behalf either online or by post. Such proxy need not be a member of the Company. For a proxy to be valid for the purposes of the meeting, it must be completed and submitted via email to registrars@myumbbank.com.gh or deposited at Universal Merchant Bank, 123 Sethi Plaza, Kojo Thompson Road, Accra, not less than forty-eight (48) hours before commencement of the meeting.

An electronic version of the Company's Proxy form may be assessed at the Company's dedicated AGM website at https://www.ablagm.com.

Dated this 28th day of September, 2020

By order of the Board

LENNAP & COMPANY

SECRETARY

REGISTERED OFFICE

1ST Floor, PKF Building

20 Farrar Avenue

P.O. Box GP 1219

Accra

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Charles Mensa
Chairman

Mr. Galo Rivera
Country Director
(Appointed on 1/02/2020)

Mr. Shaun Raposo
Country Director
(Resigned on January 31, 2020)

Mr. Michael Daramola
(Resigned on March 31, 2020)

Mr. Paul Asamoah
Executive Director

SECRETARY

Lennap & Company
1st Floor, PKF Building
20 Farrar Avenue
P. O. Box GP 1219
Accra

REGISTERED OFFICE

Graphic Road
South Industrial Area,
Accra
P. O. Box GP 351
Accra

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Chartered Accountants
PwC Tower, A4 Rangoon Lane,
Cantonments City
PMB CT 42
Cantonments
Accra

REGISTRARS

Universal Merchant Bank Limited
Merban House
Kwame Nkrumah Avenue
P. O. Box 401
Accra

SOLICITORS

Jan Chambers
Elsie Court
17 Homowo Avenue
P.O.Box AN 6466
Accra

MANAGEMENT COMMITTEE

Mr. Galo Rivera
Country Director
(Appointed on 1/02/2020)

Mr. Paul Asamoah
Country Finance Lead

Mr. Richard Eghan
Plant Manager

Mrs. Nana Antwiwaa Asante
Country People Lead

Ms. Ewurafua Addo-Atuah
Country Marketing Lead

Mr. Kwasi Amoako
Country Logistics Lead

Ms. Adwoa Arthur
Country Legal and Corporate
Affairs Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCRA BREWERY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Accra Brewery PLC (the "Company") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992).

WHAT WE HAVE AUDITED

We have audited the financial statements of Accra Brewery PLC for the year ended 31 December 2019.

The financial statements comprise:

- The statement of financial position as at 31 December 2019;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants and the independence requirements of section 143 of the Companies Act, 2019 (Act 992) that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCRA BREWERY PLC

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matter
Allowance for impairment on trade receivables - GH¢21,369,492	
The Company's distribution channel for its products include direct cash sales to customers and credit sales to key distributors. At 31 December 2019, gross trade receivables stood at GH¢166,105,332 against which an allowance for impairment of GH¢21,369,492 was recognised. Allowance for impairment on trade receivables is a key area of focus due to the judgement management exercises in determining the appropriate amount of allowance for impairment.	Our audit procedures included evaluating the design of selected controls and testing the operating effectiveness of the selected controls in respect of the extension of credit facilities to key distributors and other credit customers. We examined the ageing analysis of trade receivables to assess the appropriateness of classification of trade receivable balances.
The Company determined allowance for impairment on trade receivables using the simplified approach to calculate the lifetime expected credit loss allowance. Management exercised the following judgements in determining the allowance for impairment at the reporting date:	We assessed the appropriateness and reasonableness of management's judgements over the segmentation of outstanding trade receivable balances using shared credit risk characteristics in determining historical loss rates experienced within a defined period.
• grouping trade receivables on the basis of similar risk profile and the days past due;	We examined the data used to derive payment profiles of selected customers to evaluate the reasonableness of the payment profile for each customer grouping.
• determining historical loss rates based on the payment profile of sales over 24 months; and • adjusting historical loss rates to reflect current and forward looking information using economic variables.	We assessed the reasonableness of adjustments made to historical loss rates to incorporate forward looking information. We re-performed the calculation of allowance for impairment on trade receivables and assessed the adequacy of amount recognised as allowance for impairment.
Notes 2.9 and 3.2 set out the accounting policies and the judgement used in determining allowance for impairment respectively, while note 27.2 sets out an analysis of credit quality of trade receivables at the reporting date. The gross trade receivables and related allowance for impairment are disclosed in note 6 to the financial statements.	We checked the appropriateness of relevant disclosures for compliance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCRA BREWERY PLC (CONT'D)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprise Corporate Information, Financial Highlights, Report of the Directors, Corporate Governance, Shareholders' Information and Five Year Financial Summary but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's Statement and Country Director's Statement, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement and Country Director's Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCRA BREWERY PLC (CONT'D)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Edward Gomado (ICAG/P/1209).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2020/028)
Chartered Accountants
Accra, Ghana
30 June 2020

pwc

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana cedis)

	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	712,583	666,335
Right-of-use assets	5	1,269	-
Trade and other receivables	6	5,022	5,187
		718,874	671,522
Current assets			
Inventories	7	47,621	64,432
Trade and other receivables	6	151,653	132,839
Current tax assets	8	5,657	-
Cash and bank balances	9	13,500	16,479
		218,431	213,750
Total assets		937,305	885,272
EQUITY			
Stated capital	10	7,332	7,332
Retained earnings		(95,058)	(17,976)
Total equity - (deficit)		(87,726)	(10,644)
LIABILITIES			
Non-current liabilities			
Borrowings	11	530,780	456,714
Lease liabilities	5	838	-
Deferred tax liabilities	12	17,081	7,080
		548,699	463,794
Current liabilities			
Trade and other payables	13	181,513	211,410
Current tax liabilities	8	-	1,480
Borrowings	11	294,462	219,232
Lease liabilities	5	357	-
		476,332	432,122
Total liabilities		1,025,031	895,916
Total equity and liabilities		937,305	885,272

The notes on pages 22 to 53 are an integral part of these financial statements.

The financial statements on pages 18 to 53 were authorised for issue by the Board of Directors on 30th June, 2020 and signed on their behalf by:

…………………………………	…………………………………
Dr. Charles Mensa	*Galo Rivera*
Chairman	*Country Director*

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Ghana cedis)

	Note	2019	2018
Revenue	14	**497,058**	478,511
Cost of sales	15	**(279,513)**	(228,169)
Gross profit		**217,545**	250,342
Distribution expenses	16	**(53,595)**	(48,133)
Administrative expenses	17	**101,680)**	(87,438)
Other expenses	18	**(7,281)**	(20,145)
Other income	19	**2,740**	3,549
Operating profit		**57,729**	98,175
Finance costs	20	**(118,090)**	(57,375)
Finance income	20	**1,143**	-
(Loss)/profit before income tax and national fiscal stabilisation levy		**(59,218)**	40,800
National fiscal stabilisation levy	21	**-**	(2,557)
Income tax expense	22	**(17,864)**	(23,352)
(Loss)/profit for the year		**77,082)**	14,891
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(77,082)**	14,891
Basic and diluted (loss)/profit per share	28	**0.3090)**	0.0597

The notes on pages 22 to 53 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Ghana cedis)

Year ended 31 December 2019	Stated capital	Retained earnings	Total
Balance at 1 January 2019	7,332	(17,976)	**(10,644)**
Comprehensive income:			
Loss for the year	-	(77,082)	(77,082)
Other comprehensive income	-	-	-
Total comprehensive income	-	(77,082)	(77,082)
Balance at 31 December 2019	**7,332**	**(95,058)**	**(87,726)**
Year ended 31 December 2018			
Balance at 1 January 2018	7,332	(32,867)	(25,535)
Comprehensive income:			
Profit for the year	-	14,891	14,891
Other comprehensive income	-	-	-
Total comprehensive income	-	14,891	14,891
Balance at 31 December 2018	7,332	(17,976)	(10,644)

The notes on pages 22 to 53 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Ghana cedis)

	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	24	**103,117**	164,472
Interest paid	20	**(13,170)**	(4,961)
National fiscal stabilisation levy paid	21	**(1,000)**	(3,176)
Tax paid	8	**(15,000)**	-
Net cash inflow from operating activities		**73,947**	156,335
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(122,286)**	(143,502)
Proceeds from sale of property, plant and equipment	4	**272**	743
Net cash outflow from investing activities		**(122,014)**	(142,759)
Cash flows from financing activities			
Principal element of lease payments		**(548)**	-
Net cash outflow from financing activities		**(548)**	-
Net (decrease)/increase in cash and cash equivalents		**(48,615)**	13,576
Effect of currency translation on cash and bank balances		**1,143**	(1,004)
Cash and cash equivalents at start of year		**(13,221)**	(25,793)
Cash and cash equivalents at end of year	25	**(60,693)**	(13,221)

The notes on pages 22 to 53 are an integral part of these financial statements.

NOTES

1. General information

Accra Brewery PLC ("the Company") is a limited liability company incorporated and domiciled in Ghana. The address of the Company's registered office is 1st Floor, PKF Building, 20 Farrar Avenue, P.O. Box GP 1219, Accra, Ghana. The Company is primarily involved in the manufacture and distribution of beer, soft drinks and non-alcoholic malt beverages.

2. Summary of significant accounting policies

The significant accounting policies adopted by the Company in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The directors do not have the power to amend the financial statements after issue.

2.1 Basis of preparation

i. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

ii. Historical cost convention

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

iii. Going concern

The Company incurred a net loss of GH¢77.1 million for the year ended 31 December 2019 and its liabilities exceeded total assets by GH¢87.7 million (2018: GH¢10.6 million) as at that date. The Company owed GH¢751 million to Overseas Breweries Limited, the immediate parent company, at the reporting date. The financial statements have been prepared on a going concern basis because the parent company has given assurance that it will not press for repayments of amounts owed to the parent company in a manner to jeopardise the going concern status of the entity for the next twelve months from the date of this statement.

iv. New and amended standards adopted by the Company

The Company has applied the following standards for the first time for the reporting period commencing on 1 January 2019.

IFRS 16 "Leases"

The Company adopted IFRS 16 during the year and changed its accounting policy for leases where the Company is a lessee. The new standard resulted in the recognition of almost all leases on the balance sheet. IFRS 16 removes the distinction between operating and finance leases as was the case up to 31 December 2018 and requires recognition of an asset (right of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. In adopting the standard, the Company exempted certain lease contracts in accordance with the optional exemption which exists for short term and low-value leases.

IFRIC 23, "Uncertainty over income tax treatments"

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities when there is uncertainty over a tax treatment. The adoption of IFRIC 23 did not result in any material impact on the financial statements.

Annual improvements to IFRS standards 2015 - 2017 cycle

The following improvements were finalised in December 2017 and effective for accounting period beginning on or after 1 January 2019. These did not have any material impact on the

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New and amended standards adopted by the Company (continued)

Annual improvements to IFRS standards 2015 - 2017 cycle (continued)

results or financial position of the Company for the year ended 31 December 2019.

IFRS 3 Business Combinations - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 Joint Arrangements - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 Disclosure of Interests in Other Entities - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 Borrowing Costs - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The directors have assessed the effects of other new and amended standards and interpretations that are effective for reporting period commencing 1 January 2019, and have determined that the new and amended standards and interpretations do not have any material impact on the Company's financial statements or are not relevant to the Company.

v. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. Those that are likely to have an impact on the Company's financial statements when the standards become effective are set out below:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

Revised Conceptual Framework for Financial Reporting (continued)

- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

These standards are mandatory for financial years commencing on or after 1 January 2020.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Changes in accounting policy

2.2.1 IFRS 16 Leases

i. Impact on the financial statements

The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. There were no reclassifications and adjustments arising from the new leasing rules recognised in the opening retained earnings on 1 January 2019. The new accounting policies are disclosed in note 2.6.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 26.73%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy (continued)

2.2.1 IFRS 16 Leases (continued)

(i) Impact on the financial statements (continued)

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

There were no leases previously classified as finance leases at the transition date.

The Company has leases for mainly residential properties for certain staff. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Company sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets to its property, plant and equipment (Note 4).

Leases of property generally have a lease term ranging from 2 years to 3 years.

Lease payments are generally fixed. The rentals for some leases are denominated in US dollars.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party. The right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases for warehouses and residential properties, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

ii. Measurement of lease liabilities

	Amount
Operating lease commitments disclosed as at 31 December 2018	1,521
Discounted using the lessee's incremental borrowing rate of at the date of initial application	720
Lease liability recognised at 1 January 2019	720
Of which are:	
- Current lease liabilities	272
- Non-current lease liabilities	448
	720

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy (continued)

2.2.1 IFRS 16 Leases (continued)

(iii) Measurement of right-to-use assets (continued)

iii. Measurement of right-to-use assets

The right-to-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised at 1 January 2019.

Adjustments recognised in the statement of financial position as at 1 January 2019:

	Amount
Discounted operating lease commitments	720
Prepayments decreased by	261
Right-of-use assets	981
Lease liabilities – increase by	720

2.3 Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana cedis ("GH¢") which is the Company's functional currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

2.4 Property, plant and equipment

Land and buildings comprising mainly factories and offices are stated at the revalued amount determined as the deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated on the straight-line basis to write-off the costs of each class of property, plant and equipment to their residual values over their estimated useful lives as follows:

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Buildings	20 – 40 years
Plant, machinery and equipment	4 - 20 years
Motor vehicles	5 - 10 years
Containers:	
Soft drinks bottles	4 years
Beer bottles	3 years
Crates	6 years
Kegs	10 years
Pallets	2 years

Depreciation commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

Differences between the cost and deposit values of returnable containers are written off over their useful economic lives as stated above. Reported breakages in the brewery are written off in the period the breakages occur.

2.5 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6. Leases (continued)

2.6 Leases

The Company is a leasee

Until 31 December 2018, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Leases (continued)

Measurement and recognition (continued)

Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings with further disclosure in the notes to the financial statements.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production. Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

2.8 Financial assets

i. Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Currently, the Company's financial assets measured at amortised cost are trade and other receivables and cash and bank balances. The Company classifies its financial assets at amortised cost only if both of the following criteria are met;

- the asset is held within a business model whose objective is to collect contractual cashflows; and

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8. Financial assets (continued)

i. Classification

- the contractual terms give rise to cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely of principal and interest (for interest bearing financial assets).

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

iii. Measurement

Currently, the Company's financial assets are classified in the measurement category of financial assets at amortised cost.

Financial assets at amortised cost

Financial assets at amortised cost are those assets which are held only for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial 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 other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line profit or loss. Trade and other receivables, and cash and bank balances are classified as financial assets at amortised cost.

iv. Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.9. Trade receivables (continued)

The carrying amount of trade receivables is reduced using an allowance for expected credit losses account and the amount of loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "impairment charge for the year" in profit or loss.

2.10 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.11 Stated capital and dividend

Ordinary shares are classified as 'stated capital' in equity. Dividends on ordinary shares are charged to equity in the period in which they are declared.

2.12 Financial liabilities

Financial liabilities comprise trade and other payables, bank overdrafts, borrowings and other non-current liabilities (excluding provisions). All financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.13 Offsetting financial instruments

Offsetting of financial assets and liabilities is 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 net amount is reported in the statement of financial position.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Income tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.16 Income tax (continued)

tax is also recognised in other comprehensive income or directly in equity, respectively.

i. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities on taxable profit or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date.

ii. Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of amounts expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

ii. Post-employment benefit obligation

The Company operates a defined contribution retirement benefit scheme under which the Company and all its employees contribute to the Social Security and National Insurance Trust (SSNIT), and a separate Provident Fund, which are defined contribution schemes.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

ii. Post-employment benefit obligation (continued)

contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution scheme is recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

2.19 Revenue recognition

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transported to specific location of the customer, the risks of obsolescence and loss have transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

3. Critical accounting estimates and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

the course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final outcome of these matters are different from the amounts that were initially recorded, such differences will impact current income tax and deferred tax provisions in the period in which such determination is made.

3.2 Critical judgements in applying the entity's accounting policies

Allowance for expected credit losses

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime, expected loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profile of sales over 24 months and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information, specifically inflation rate, affecting the ability of customers to settle outstanding receivables.

The loss allowance as at 31 December 2019 was determined as follows:

At 31 December 2019	Current	Up to 30 days past due	31 - 60 days past due	61 - 90 days past due	Over 90 days past due	Total
Expected loss rate	1.135%	1.664%	3.6380%	9.523%	90.735%	
Gross trade receivables (GH¢'000)	44,867	66,858	26,157	8,389	19,834	166,105
Allowance for expected credit losses	509	1,113	952	799	17,996	21,369
At 31 December 2018						
Gross trade receivables (GH¢'000)	44,043	59,282	8,969	10,954	5,076	128,324
Loss rate	1.580%	3.990%	7.960%	9.230%	12.570%	
Allowance for impairment loss	696	2,365	714	1,011	638	5,424

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

4. Property, plant and equipment

Year ended 31 December 2019	Buildings	Plant, machinery and equipment	Motor vehicles	Containers	Capital work-in-progress	Total
Cost						
At 1 January 2019	101,046	317,092	29,600	182,624	203,052	**833,414**
Additions	-	10,798	-	52,742	58,746	**122,286**
Transfers	55,563	115,187	10,908	-	(181,658)	**-**
Disposals	-	(245)	(1,039)	-	-	**(1,284)**
Container write off	-	-	-	(7,450)	-	**(7,450)**
Impairment	-	(1,261)	(157)	-	-	**(1,418)**
At 31 December 2019	**156,609**	**441,571**	**39,312**	**227,916**	**80,140**	**945,548**
Accumulated depreciation						
At 1 January 2019	8,839	89,174	11,869	57,197	-	**167,079**
Charge for the year	2,559	27,167	4,453	33,302	-	**67,481**
Disposals	-	(242)	(792)	-	-	**(1,034)**
Impairment	-	(452)	(109)	-	-	**(561)**
At 31 December 2019	**11,398**	**115,647**	**15,421**	**90,499**	**-**	**232,965**
Net book amount At 31 December 2019	**145,211**	**325,924**	**23,891**	**137,417**	**80,140**	**712,583**
Year ended 31 December 2018						
Cost						
At 1 January 2018	100,033	312,529	23,742	152,087	135,840	724,231
Additions	-	-	-	42,090	101,412	143,502
Transfers	2,164	20,934	7,981	-	(31,079)	-
Disposals	(671)	(2,510)	(2,123)	-	-	(5,304)
Container write offs	-	-	-	(11,553)	-	(11,553)
Impairment	(480)	(13,861)	-	-	(3,121)	(17,462)
At 31 December 2018	101,046	317,092	29,600	182,624	203,052	833,414
Accumulated depreciation						
At 1 January 2018	6,526	67,045	9,475	31,463	-	114,509
Charge for the year	2,386	23,423	3,478	32,561	-	61,848
Disposals	(8)	(267)	(1,084)	-	-	(1,359)
Container write offs	-	-	-	(6,827)	-	(6,827)
Impairment	(65)	(1,027)	-	-	-	(1,092)
At 31 December 2018	8,839	89,174	11,869	57,197	-	167,079
Net book amount At 31 December 2018	92,207	227,918	17,731	125,427	203,052	666,335

Included in buildings is leasehold land costing GH¢172,000 which has not been reclassified because it is considered insignificant. No items of property, plant and equipment have been pledged as collateral at 31 December 2019.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

4. Property, plant and equipment (continued)

	2019	2018
Depreciation has been charged to profit or loss as follows:		
Cost of sales	56,338	53,232
Administrative expenses	11,143	8,616
	67,481	61,848

(Gain)/loss on disposal of property, plant and equipment

	2019	2018
Gross book amount	1,284	5,304
Accumulated depreciation	(1,034)	(1,359)
Net book amount	250	3,945
Proceeds on disposal	(272)	(743)
(Gain)/loss on disposal	(22)	3,202

5. Leases

a. Amounts recognised in the statement of financial position

Right-of-use assets

	At 31 December 2019	At 1 January 2019
Buildings		
Lease liabilities	1,269	981

Lease liabilities are presented in the statement of financial position as follows:

	At 31 December 2019	At 1 January 2019
Current	357	272
Non-current	838	448
	1,195	720

Additions to right-of-use assets during the 2019 financial year was GH¢905,499.

b. Amounts recognised in profit or loss

	2019	2018
Depreciation charge on right-of-use assets	618	-
Interest expense on lease liability (included in finance costs)	156	-
Exchange losses on lease liability (included in finance costs)	37	-
Short term leases	72	-

The Company has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

5. Leases (continued)

c. Undiscounted maturity analysis of lease liabilities

The undiscounted maturity analysis of lease liabilities at 31 December 2019 is as follows:

	2019	2018
Within 1 year	455	-
Between 1 and 2 years	332	-
Between 2 and 5 years	1,038	-
	1,825	-

d. Total cash outflow

The total cash outflow for leases in scope of IFRS 16 in 2019 is GH¢623,200.

6. Trade and other receivables

	2019	2018
Trade receivables	166,105	128,324
Allowance for impairment	(21,369)	(5,424)
Trade receivables – net	144,736	122,900
Prepaid expenses	572	730
Other receivables and deposits	2,198	5,898
National fiscal stabilisation levy receivable (Note 21)	3,072	2,072
Staff loans and advances	6,097	6,426
	156,675	138,026
Due within one year		
Trade receivables	144,736	122,900
Prepaid expenses	572	730
Other receivables and deposits	1,354	5,069
National fiscal stabilisation levy receivable (Note 21)	3,072	2,072
Staff loans and advances	1,919	2,068
	151,653	132,839

Due after one year		
Staff loans and advances	4,178	4,358
Other receivables and deposits	844	829
	5,022	5,187

The maximum amount of staff indebtedness during the year did not exceed GH¢6,426,000 (2018: GH¢6,426,000). These loans are currently being serviced and are not impaired.

The carrying values of trade and other receivables (excluding non-financial assets) approximate their fair values.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

6. Trade and other receivables (continued)

The movement in allowance for impairment on trade receivables is as follows:

	2019	2018
At 1 January	5,424	3,785
Charge to profit or loss	15,945	1,639
At 31 December	21,369	5,424

7. Inventories

Raw materials	18,969	7,069
Work-in-progress	3,587	5,188
Finished goods	1,632	966
Goods in transit	10,965	34,446
Sundry inventories	12,468	16,763
	47,621	64,432

No inventories were valued at fair value less cost to sell at the reporting date (2018: Nil). Damaged and obsolete inventories for the year ended 31 December 2019 amounted to GH¢937,183 (2018: GH¢4,223,143) and were fully provided for at the reporting date. Cost of inventories recognised as an expense and included in 'cost of sales' amounted to GH¢209,464,000 (2018: GH¢161,802,000)

8. Current tax

	At 1 January	Charged to profit or loss	Payments during the year	At 31 December
Year ended 31 December 2019				
Year of assessment				
Up to 2018	1,480	-	(1,480)	-
2019	-	7,863	(13,520)	**(5,657)**
	1,480	7,863	(15,000)	**(5,657)**
Year ended 31 December 2018				
Year of assessment				
Up to 2018	(11,860)	-	-	(11,860)
2019	-	13,340	-	13,340
	(11,860)	13,340	-	1,480

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

9. Cash and bank balances

	2019	2018
Cash on hand	-	935
Cash at bank	13,500	15,544
	13,500	16,479

10. Stated capital

	2019		2018	
	No. of shares of no par value	Amount	No. of shares of no par value	Amount
Authorised shares	1,000,000,000		1,000,000,000	
Issued shares				
For cash	153,330,042	7,144	153,330,042	7,144
For consideration other than cash	967,734	59	967,734	59
Transferred from retained earnings account in accordance with section 68(1) (c) of the Companies Act, 2019 (Act 992)	95,148,888	129	95,148,888	129
	249,446,664	7,332	249,446,664	7,332

There is no unpaid liability on any shares. There are no calls or instalments unpaid. There are no treasury shares.

11. Borrowings

Current	2019	2018
Bank overdrafts	74,193	29,700
Related party loans	220,269	189,532
	294,462	219,232
Non-current portion		
Related party loans	530,780	456,714
	825,242	675,946

a. Bank overdrafts

At the financial reporting date, the Company had certain unsecured overdraft facilities not exceeding GH¢100,000,000 (2018: GH¢80,000,000).

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

11. Borrowings (continued)

b. Related party loans

Related party loans comprise the following:

iii. The Company obtained an unsecured facility of US$38.5 million in 2012 from Overseas Breweries Limited to pay off trade debts. The facility is an interest free debt with no stated maturity date and is repayable on demand.

iv. The Company obtained an unsecured facility of US$93 million in 2015 from ABI Africa BV, a related entity. The facility attracts interest at LIBOR plus 760 bps, provided that the interest rate shall be 0% in respect of each day of any financial year of the borrower in respect of which its EBITDA does not exceed US$50 million. The loan is payable within 51 years from 23 April 2014.

Year ended 31 December 2019	**Overseas Breweries Limited**	**ABI Africa BV**	**Total**
At 1 January 2019	189,532	456,714	**646,246**
Exchange losses	30,737	74,066	**104,803**
At 31 December 2019	220,269	530,780	**751,049**
Current	220,969	-	**220,969**
Non-current	-	530,780	**530,780**
	220,969	530,780	**751,049**
Year ended 31 December 2018			
At 1 January 2018	174,454	420,382	594,836
Exchange losses	15,078	36,332	51,410
At 31 December 2018	189,532	456,714	646,246
Current	189,532	-	189,532
Non-current	-	456,714	456,714
	189,532	456,714	646,246

12. Deferred tax liabilities

	2019	2018
At 1 January	**7,080**	(2,932)
Charge to profit or loss (Note 22)	**10,001**	10,012
At 31 December	**17,081**	7,080

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

12. Deferred tax liabilities (continued)

Deferred tax liabilities comprise:

Year ended 31 December 2019	At 1 January	Charged/ (credited) to profit or loss	At 31 December
Accelerated tax depreciation	35,171	9,300	**44,471**
Provision for doubtful debts	(1,201)	(4,141)	**(5,342)**
Provision for obsolete and damaged inventory	(1,056)	827	**(229)**
Tax losses carried forward	(25,834)	4,015	**(21,819)**
	7,080	10,001	**17,081**
Deferred tax assets	(28,091)	701	**(27,390)**
Deferred tax liabilities	35,171	9,300	**44,471**
	7,080	**10,001**	**17,081**

Year ended 31 December 2018

	At 1 January	Charged/ (credited) to profit or loss	At 31 December
Accelerated tax depreciation	36,660	(1,489)	35,171
Provision for doubtful debts	(946)	(255)	(1,201)
Provision for obsolete and damaged inventory	-	(1,056)	(1,056)
Tax losses carried forward	(38,646)	12,812	(25,834)
	(2,932)	10,012	7,080
Deferred tax assets	(39,592)	11,501	(28,091)
Deferred tax liabilities	36,660	(1,489)	35,171
	(2,932)	10,012	7,080

13. Trade and other payables

	2019	2018
Trade payables	**75,674**	123,419
Accrued expenses	**12,640**	10,948
Excise duty and VAT payable	**30,869**	24,472
Amounts due to related parties (Note 26(b))	**62,330**	52,571
	181,513	211,410

All trade and other payables are due within one year. The carrying amounts of the payables and accrued expenses (excluding non-financial liabilities) approximate their fair values.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

14. Revenue

	2019	2018
Revenue from external customers recognised at a point in time		
Gross sales value	733,589	703,513
Taxes collected for Government		
Excise duty	(121,675)	(117,345)
Value Added Tax (VAT)	(114,856)	(107,657)
Total taxes	(236,531)	(225,002)
Net revenue	497,058	478,511

15. Cost of sales

	2019	2018
Raw materials and material sourcing expenses	209,464	161,802
Depreciation (Note 4)	56,338	53,232
Staff costs (Note 23(a))	13,711	13,135
	279,513	228,169

16. Distribution expenses

	2019	2018
Freight and distribution management costs	27,227	23,034
Advertising and promotion	26,368	25,099
	53,595	48,133

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

17. Administrative expenses

	2019	2018
Staff costs (Note 23(b))	11,215	15,830
Depreciation (Note 4)	11,143	8,616
Depreciation of right-of-use assets (Note 5)	618	-
Auditor's remuneration	180	175
Management fees	22,871	22,018
Director's remuneration (Note 26(d))	512	419
Royalties	4,810	5,195
Maintenance costs	15,033	15,843
Insurance	1,283	1,061
Information technology costs	3,399	2,740
Other administrative costs	30,616	15,541
	101,680	87,438

18. Other expenses

	2019	2018
Unrealised foreign exchange losses on accounts payable	5,589	573
Sundry expenses	835	-
Impairment of property, plant and equipment	857	16,370
Loss on disposal of property, plant and equipment (Note 4)	-	3,202
	7,281	20,145

19. Other income

	2019	2018
Sundry income	43	62
Gain on disposal of property, plant and equipment (Note 4)	22	-
Net income from contract packaging	2,675	3,487
	2,740	3,549

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

20. Finance income and finance costs

	2019	2018
Finance income		
Exchange gains on cash and bank balances	1,143	-
Finance costs		
Exchange loss on cash and cash equivalents	-	1,004
Intercompany interest expense	1,085	267
Interest on bank overdrafts	12,009	4,694
Interest charges on leasing arrangements	156	-
Exchange losses on leasing arrangements	37	-
Unrealised exchange loss on borrowings (Note 11)	104,803	51,410
	118,090	57,375

For the purpose of statement of cash flows interest paid comprise:

	2019	2018
Interest paid on intercompany	1,085	267
Interest repayment on leases	76	-
Interest paid on bank overdrafts	12,009	4,694
	13,170	4,961

21. National fiscal stabilisation levy

The National fiscal stabilisation levy is assessed under the National Fiscal Stabilisation Levy Act, 2009 at 5% on accounting profit before tax, effective July 2013. This levy is not tax deductible. The movement in national fiscal stabilisation levy during the year is as follows:

	2019	2018
At 1 January	(2,072)	(1,453)
Charge for the year	-	2,557
Payments during the year	(1,000)	(3,176)
At 31 December	(3,072)	(2,072)

NOTES (continued)
(All amounts are in thousands of Ghana cedis unless otherwise stated)

22. Income tax expense

	2019	2018
Current income tax charge (Note 8)	7,863	13,340
Deferred tax charge (Note 12)	10,001	10,012
	17,864	23,352

The tax charged on the (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate. This is explained as follows:

	2019	2018
(Loss)/profit before income tax	(59,218)	40,800
Tax calculated at the statutory income tax rate of 25% (2019: 25%)	(14,805)	10,200
Tax effect of:		
Utilisation of previously unrecognised tax losses	-	(3,775)
Disallowable expenses	32,669	16,927
	17,864	23,352

23. Staff costs

Staff costs are charged to cost of sales and administrative expenses in profit or loss as shown below.

a. Cost of sales

	2019	2018
Remuneration to employees	12,373	11,783
Defined contribution - retirement benefits	490	486
Social security costs	848	866
	13,711	13,135

b. Administrative expenses

	2019	2018
Remuneration to employees	10,125	14,150
Defined contribution - retirement benefits	400	576
Social security costs	690	1,104
	11,215	15,830

The number of persons employed by the Company at year end was 486 (2018: 504). Staff costs for the year ended 31 December 2019 include severance costs of GH¢52,003 (2018: GH¢383,000).

NOTES (continued)
(All amounts are in thousands of Ghana cedis unless otherwise stated)

24. Cash generated from operations

	2019	2018
(Loss)/profit before income tax	(59,218)	40,800
Adjustments for:		
Depreciation (Note 4)	67,481	61,848
Depreciation of right-of-use assets (Note 5)	618	-
Finance costs (Note 20)	118,090	57,375
Finance income (Note 20)	(1,143)	-
(Gain)/loss on disposal of property, plant and equipment (Note 4)	(22)	3,202
Impairment/ write off of property, plant and equipment	857	16,370
Container write offs (Note 4)	7,450	4,726
Changes in working capital:		
Decrease/(increase) in inventories	16,811	(24,213)
Increase in trade and other receivables	(17,910)	(31,733)
(Decrease)/increase in trade and other payables	(29,897)	36,097
Cash generated from operations	103,117	164,472

25. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2019	2018
Cash and bank balances (Note 9)	13,500	16,479
Bank overdrafts (Note 11)	(74,193)	(29,700)
	(60,693)	(13,221)

26. Related party transactions

The Company is a subsidiary of Overseas Breweries Limited, a company incorporated in Switzerland. The ultimate parent and controlling party of the Company is Anheuser-Busch InBev (ABInBev), a company incorporated in Belgium. Other related parties to the Company, through common shareholding or common directorship, with whom the Company conducted business are: Bevman Services A.G., ABInBev Africa Pty Limited, MUBEX, SABMiller International B.V and ABI Africa BV.

Transactions with these related parties include management services, royalties, the purchase of raw materials, spare parts, management services, and royalties.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

26. Related party transactions (continued)

The following transactions were carried out with related parties during the year:

a. Purchases of goods and services

		2019	2018
Goods:			
Mubex		97,358	83,275
Services:			
Bevman Services AG	- Management fees	22,871	22,018
SABMiller International BV	- Royalties payable	4,809	5,195
		27,680	27,213

b. Year end balances arising from sales/purchases of goods/services

	2019	2018
Amounts due to related parties:		
Bevman Services A.G	9,217	6,042
SABMiller International BV	39,671	9,298
Mubex	13,442	37,231
	62,330	52,571

c. Related party loan balances at reporting date

	2019	2018
Overseas Breweries	220,269	189,532
ABI Africa BV	530,780	456,714
	751,049	646,246

d. Key management personnel compensation

Key management personnel comprise directors and senior management of the Company. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
Short term employee benefits	1470	2,551
Post-employment benefits	193	357
	1,663	2,908
Of which:		
Executive Directors	370	419

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

27. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is carried out by the finance department under ABInBev policies approved by the Board of Directors. The finance department identifies and evaluates financial risks but does not hedge any risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

27.1 Market risk

Market risk is the risk that movements in market rates, foreign exchange rates, interest rates, and commodity prices will reduce the Company's income. The management of market risk is undertaken using policies approved by the Board of Directors.

i. Foreign exchange risk

The Company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. The Company imports raw materials from overseas and therefore is exposed to foreign exchange risk arising from Euro, South African Rand (ZAR) and US dollar (USD) exposures. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies and also making payment to suppliers as soon as possible.

At 31 December 2019, the Company's exposure was mainly against the USD, Euro and ZAR. If the Ghana cedi had weakened/strengthened by 1% against these currencies with all other variables held constant, post-tax loss for the year would have been GH¢5,123,957 higher/lower, mainly as a result of USD, ZAR and Euro denominated intercompany payables, trade payables and forex denominated (2018: Post-tax profit would have been lower/higher by GH¢5,793,165).

ii. Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term obligations with a floating interest rate. To manage this risk, the Company's policy is to contract for best interest rate in borrowing from banks and related parties. The Company regularly monitors financing options available to ensure optimum and attractive interest rates are obtained.

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The Company calculates the impact on profit or loss of a defined interest rate shift of an instantaneous increase or decrease of 1% (100 basis points) in market interest. Based on simulations performed, the impact on post-tax profit for the year of a hypothetical 1% increase/ decrease in interest rates would be a maximum increase/ decrease respectively in post-tax loss by GH¢99,356 (2018: decrease/increase in post-tax profit by GH¢46,947).

iii. Price risk

The Company does not hold any financial assets or liabilities subject to price risk.

27.2 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company has dedicated policies and procedures to control and monitor all such risks. Although the Company is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit control policy whereby credit sales are only made to institutional distributors to take advantage of market opportunities. Sales to other customers are mainly on cash basis.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

27. Financial risk management (continued)

27.2 Credit risk (continued)

The Company transacts business and hold funds with only reputable and well-established financial institutions.

The Company uses the services of professional debt collectors to follow up on collection of outstanding receivables as and when necessary. The Company does not believe it is exposed to any material concentrations of credit risk.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2019 and 31 December 2018 is the carrying value of trade receivables, staff receivables, amounts due from related parties, sundry receivables excluding prepayments, and bank balances in the statement of financial position. The Company does not hold any collateral as security. The Company does not grade the credit quality of trade and other receivables. All receivables that are neither past due nor impaired are within the approved credit limits, and no receivables have had their terms renegotiated.

i. Credit quality of financial assets

Trade receivables comprise

	2019	2018
Gross trade receivables comprise		
Neither past due nor impaired	**44,318**	43,347
Past due but not impaired	**100,418**	79,553
Impaired	**21,369**	5,424
	166,105	128,324

As at 31 December 2019, trade receivables of GH¢21,369,000 (2018: GH¢5,424,000) were impaired and fully provided for.

The ageing analysis of these trade receivables is as follows:

Past due but not yet impaired	**2019**	2018
Past due up to 30 days	**64,705**	56,917
Past due more than 30 days but less than 60 days	**24,703**	8,255
Past due more than 60 but less than 90	**7,357**	9,943
Past due more than 90 days	**3,653**	4,438
	100,418	79,553

The other classes within trade and other receivables do not contain impaired assets. The Company does not hold any collateral as security.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

27. Financial risk management (continued)

27.2 Credit risk (continued)

ii. Staff and other receivables

Staff receivables are recovered through the monthly payroll in accordance with the payment plan. Outstanding staff receivables for employees who have resigned and those in default are recoverable against the employees' benefits under the Provident Fund Scheme. Staff receivables and other receivables are neither past due nor impaired.

iii. Cash at bank

The Company manages credit risk relating to bank balances by having banking relationships with only reputable well-established financial institutions licenced by the Bank of Ghana.

27.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The Company has overdraft facilities with its bankers which provide the Company with an option to maintaining liquidity and continuity in funding. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company implements strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities.

Details of bank overdrafts and loan facilities taken on by the Company are disclosed in note 11 to the financial statements.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows.

At 31 December 2019	Due within one year	Due after one year	Total
Financial liabilities			
Related party loans	220,269	530,780	**751,049**
Bank overdrafts	90,255	-	**90,255**
Lease liabilities	119	1,138	**1,257**
Trade and other payables	145,598	-	**145,598**
	456,241	**531,918**	**988,159**
At 31 December 2018			
Financial liabilities			
Trade and other payables	192,656	-	192,656
Related party loans	189,532	456,714	646,246
Bank overdrafts	39,798	-	39,798
	421,986	456,714	878,700

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

27. Financial risk management (continued)

27.4 Capital management

The primary objectives of the Company's capital management are to ensure that the Company is able to meet its debt as they fall due and to maximise shareholder value. The Company's capital is primarily the shareholders' funds. No changes were made in the objectives, policies and processes from previous years.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (excluding overdrafts). Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

There are no externally imposed capital requirements.

The Company's strategy, which remained unchanged during the year, was to maintain a gearing ratio of less than 50%. The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
Borrowings (Note 11)	**825,242**	675,946
Less: Cash and cash equivalents (excluding overdrafts) (Note 9)	**(13,500)**	(16,479)
Net debt	**811,742**	659,467
Total equity	**(87,726)**	(10,644)
Total capital	**724,016**	648,823
Gearing ratio	**112%**	102%

28. Basic and diluted earnings

Basic loss per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit for the year	**(77,082)**	14,891
Weighted average number of ordinary shares in issue (in '000)	**249,447**	249,447
(Loss)/profit per share	**(0.3090)**	0.0597

There were no potentially dilutive shares outstanding at 31 December 2019 or 31 December 2018. Dilutive earnings per share are therefore the same as basic earnings per share.

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

29. Dividend

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

30. Contingencies

There were a number of legal proceedings outstanding against the Company at 31 December 2019. Management has assessed the likelihood of these legal proceedings resulting in financial commitments and payments by the Company and concluded that this is not probable. No provision has been made in the financial statements following professional advice and management's assessment of these proceedings.

31. Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities amounted to GH¢5,209,000 (2018: Nil).

32. Fair value of financial assets and liabilities

Financial instruments included within current assets and current liabilities (excluding borrowings) are generally short term in nature and accordingly their fair values approximate to their carrying values.

Borrowings are mainly floating rated instruments. The estimated fair values approximate their carrying amounts.

At 31 December 2019	Financial assets at amortised cost	Financial liabilities amortised cost	Carrying amount	Fair value
Financial assets				
Trade and other receivables	**156,194**	**-**	**156,194**	**155,695**
Cash and bank balances	**13,500**	**-**	**13,500**	**13,500**
Financial liabilities				
Trade and other payables	-	145,598	145,598	145,598
Borrowings	-	825,242	-	825,242
Lease liabilities	-	1,195	1,195	1,195
At 31 December 2018				
Financial assets				
Trade and other receivables	137,197	-	137,197	136,729
Cash and bank balances	16,479	-	16,479	16,479
Financial liabilities				
Trade and other payables	-	192,656	192,656	192,656
Borrowings	-	675,946	675,946	675,946

NOTES (continued)

(All amounts are in thousands of Ghana cedis unless otherwise stated)

33. Events after reporting period

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. The Company is, however, not able to produce a reliable estimate of this impact at this point.

The directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report.

SHAREHOLDERS' INFORMATION

1. Number of shareholders

The Company had 3,028 ordinary shareholders at 31 December 2019 with equal voting rights distributed as follows:

Holding	No. of holders	Holders %	No. of shares	% of Holding
1 - 1,000	2,181	72.03	754,239	0.30
1,001 - 5,000	653	21.56	1,440,851	0.58
5,001 - 10,000	109	3.60	815,318	0.33
10,001 - and over	85	2.81	246,436,256	98.79
	3,028	100.00	249,446,664	100.00

2. 20 Largest shareholdings at 31 December 2019

Shareholders	Number of shares	% Holding
1. OVERSEAS BREWERIES LIMITED	240,971,757	96.60
2. STARLIFE ASSURANCE CO LTD	1,920,000	0.77
3. HOTZ HERMAN	369,884	0.15
4. AMENUVOR	303,262	0.12
5. GAMBRAH FRANCIS THOMPSON	267,000	0.11
6. STAR ASSURANCE COMPANY LIMITED	184,980	0.07
7. UNIQUE TRUST FINANCIAL SERVICE	176,000	0.07
8. AMISSA-FURBERT TONESAN	162,930	0.07
9. DJIN YAW ABOA	100,000	0.04
10. ANDOH OBED ERNEST	97,220	0.04
11. YEBOAH EMMANUEL KWAME	91,616	0.04
12. SAWYERR HENRY ROMULUS	75,000	0.03
13. QUARSHIE SAMUEL OKAI	74,175	0.03
14. ANIN THEOPHILUS ERNEST	69,000	0.03
15. ABABIO ALEXANDER RANSFORD	50,000	0.02
16. ASIEDU EMMANUEL HERMAN	46,000	0.02
17. KWAKYE ROBERT YEMPEW	46,000	0.02
18. QUANSAH ELIZABETH	46,000	0.02
19. AGYEMAN JOSEPH KWESI	43,329	0.02
20. E. N. GANDAA	41,400	0.02
Reported total	245,135,553	98.29
Not reported	4,311,111	1.71
	249,446,664	100.00

FIVE YEAR FINANCIAL SUMMARY

(All amounts are in thousands of Ghana cedis unless otherwise stated)

	Year ended 31 December			Nine-month period ended 31 December	Year ended 31 March
	2019	2018	2017	2016	2016
Income Statement					
Gross revenue	**733,589**	703,513	627,640	399,849	426,202
Less taxes	**(236,531)**	(225,002)	(202,821)	(130,019)	(136,114)
Excise duty	**(121,675)**	(117,345)	(107,652)	(69,623)	(72,106)
Sales tax/VAT	**(114,856)**	(107,657)	(95,169)	(60,396)	(64,008)
Net revenue	**497,058**	478,511	424,819	269,830	290,088
(Loss)/profit before income tax and national fiscal stabilisation levy	**(59,218)**	40,800	9,727	(9,880)	13,994
(Loss)/profit for the period	**(77,082)**	14,891	(2,952)	(7,915)	9,564
No. of shares in thousands	**249,447**	249,447	249,447	249,447	249,447
(Loss)/earnings per share	**(0.3090)**	0.0597	(0.0118)	(0.0317)	0.0383
Statement of financial position					
Gross property, plant and equipment	**945,548**	833,414	724,231	569,553	505,154
Accumulated depreciation	**(232,965)**	(167,079)	(114,509)	(81,553)	(62,085)
Property, plant and equipment - net	**712,583**	666,335	609,722	488,000	443,069
Other non-current assets	**6,291**	5,187	7,341	24,370	25,787
Current assets	**218,431**	213,750	158,758	147,688	110,860
Total assets	**937,305**	885,272	775,821	660,058	579,716
Total liabilities	**(1,025,031)**	(895,916)	(801,356)	(682,641)	(594,384)
Shareholders' funds – (deficit)	**(87,726)**	(10,644)	(25,535)	(22,583)	(14,668)
Net liabilities per share (in pesewas)	**(0.3517)**	(0.0427)	(0.1024)	(0.0905)	(0.0588)

PROXY FORM

A proud part of the ABInBev family

<table>
<tr><td rowspan="9">

ANNUAL GENERAL MEETING

To be held virtually and streamed live online on Thursday, October 22, 2020 at 10:00 AM.

I/We...

[insert full name(s)

being a member(s) of Accra Brewery PLC (ABL) hereby appoint: -

....

[insert full name]

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held virtually and streamed live online on Thursday, October 22, 2020 and at any and every adjournment thereof.

Dated this .... day of 2020

Shareholder's Signature ....

</td><td colspan="3">

FOR COMPANY'S USE

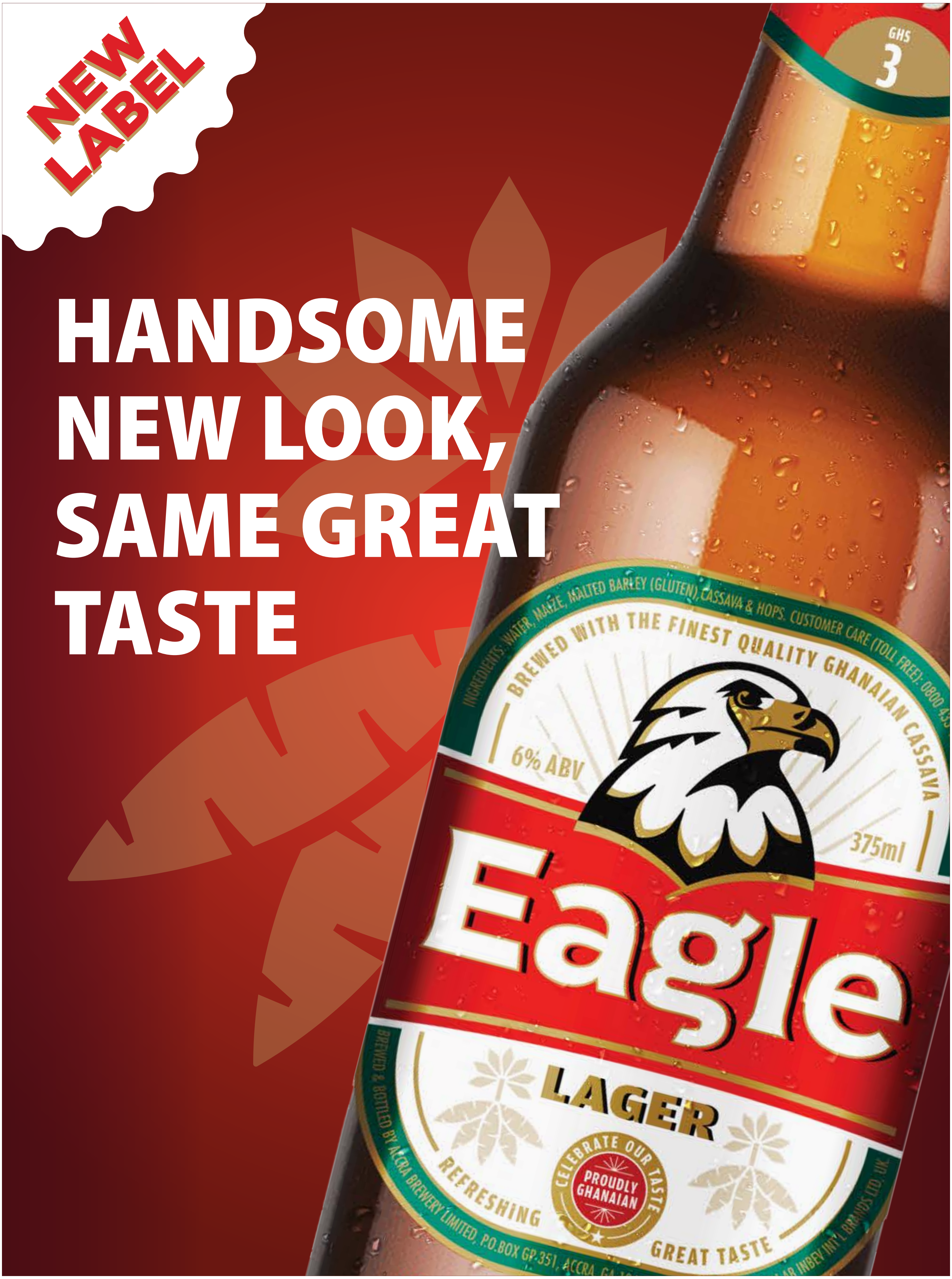
NO. OF SHARES

</td></tr>
<tr><td>RESOLUTION</td><td>FOR</td><td>AGAINST</td></tr>
<tr><td>1. To receive the Report of the Directors, the Financial Statements as at December 31, 2019 and the Report of the Independent Auditors thereon.</td><td></td><td></td></tr>
<tr><td>2. To elect as a Director, Mr. Galo Rivera.</td><td></td><td></td></tr>
<tr><td>3. To approve Directors' Fees.</td><td></td><td></td></tr>
<tr><td>4. To authorize the Directors to fix the remuneration of the Auditors.</td><td></td><td></td></tr>
<tr><td>5. To pass as a special resolution, the approval to effect all necessary changes in the Company's Regulations/ Constitution to make it compliant with the new Companies Act, 2019 (Act 992).</td><td></td><td></td></tr>
<tr><td>6. To pass as a special resolution, the approval to amend the Company's Regulations/ Constitution to provide for the holding of all meetings, including Annual General Meetings, by virtual means where the Directors deem it necessary so to do.</td><td></td><td></td></tr>
<tr><td>7. To pass as a special resolution, the approval of a Non-Renounceable Rights Issue and Tender Offer to Shareholders.</td><td></td><td></td></tr>
<tr><td></td><td colspan="3">Please indicate an 'X' in the appropriate square how you wish your votes to be cast on the resolutions referred to above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.</td></tr>
</table>

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE REGISTRAR IF THE MEMBER WILL BE ATTENDING THE MEETING

NOTES

1. A member [shareholder] who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you exercise your vote, if you cannot personally attend.
2. Provision has been made on the form for the Chairman of the meeting to act as your proxy, but if you wish you may insert in the blank space marked * the name of any person, whether a member of the Company or not, who will attend the meeting virtually and vote on your behalf instead of the Chairman of the meeting.
3. In the case of joint shareholders, each joint holder should sign.
4. If executed by a corporation, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director.
5. Please sign the above Proxy Form and send it via email to registrars@myumbbank.com not later than 48 hours before the meeting.


NEW LABEL
HANDSOME NEW LOOK, SAME GREAT TASTE
GHS 3
INGREDIENTS: WATER, MAIZE, MALTED BARLEY (GLUTEN), CASSAVA & HOPS. CUSTOMER CARE (TOLL FREE): 0800
BREWED WITH THE FINEST QUALITY GHANAIAN CASSAVA
6% ABV
375ml
Eagle
LAGER
CELEBRATE OUR TASTE
PROUDLY GHANAIAN
REFRESHING
GREAT TASTE
BREWED & BOTTLED BY ACCRA BREWERY LIMITED, P.O.BOX GP 351, ACCRA

ACCRA BREWERY PLC (ABL)
ANNUAL REPORT 2019