



Nigerian Breweries Plc

RC: 613

2012 Annual Report and Accounts

Contents

	Page
Mission Statement	2
Company Profile	3
Nationwide Presence	4
Directors and Other Corporate Information	5
Results at a Glance	6
Notice of Annual General Meeting	7
Directors' Report	9
Corporate Social Responsibility Report	19
Audit Committee's Report	21
Independent Auditor's Report	22
Statement of Financial Position	23
Statement of Comprehensive Income	25
Statement of Changes in Equity	26
Statement of Cash Flows	29
Notes to the Financial Statements	30
Additional Information	85
Shareholders' Information	87
Major Customers	90

Mission Statement

“To be the leading beverage company in Nigeria, marketing high quality brands to deliver superior customer satisfaction in an environmentally friendly way”

Vision

“To be a World-Class Company”

Core Values

Respect; Passion for Quality; Enjoyment and Performance

Company Profile

Nigerian Breweries Plc, the pioneer and largest brewing Company in Nigeria was incorporated in 1946. In June 1949, the Company recorded a landmark when the first bottle of STAR lager beer rolled off its Lagos Brewery bottling lines. This first brewery in Lagos has undergone several optimization processes and as at today boasts of the most modern brew house in the country.

In 1957, the Company commissioned its second brewery in Aba. This was followed by Kaduna Brewery in 1963 and Ibadan Brewery in 1982. In 1993, the Company acquired its fifth brewery in Enugu and in 2003, a sixth brewery (Ama Brewery), sited at Amaeke Ngwo in Enugu State was commissioned. Ama Brewery is today, the biggest brewery in Nigeria. Operations in the old Enugu Brewery were discontinued in 2004 following the completion of Ama Brewery. An ultra-modern malting plant was acquired in Aba in 2008.

In October 2011, the Company acquired majority equity interest in Sona Systems Associates Business Management Limited (Sona Systems), with two breweries in Ota and Kaduna, and Life Breweries Company Limited (Life Breweries) with a brewery in Onitsha. Sona Systems and Life Breweries were merged into an enlarged Nigerian Breweries in the middle of 2012. Another malting plant was acquired in Kaduna as a result of the acquisitions/mergers.

Thus, from the humble beginning in 1946, the Company now has eight operational breweries from which its high quality products are produced and then distributed to all parts of Nigeria, in addition to the two malting plants in Aba and Kaduna. It also has Sales Offices across the country.

Nigerian Breweries Plc has a rich portfolio of high quality brands: **Star** lager beer was launched in 1949, followed by **Gulder** lager beer in 1970. **Maltina**, the nourishing malt drink, was introduced in 1976, followed by **Legend Extra Stout** in 1992 and **Amstel Malta** in 1994. **Heineken** lager beer was re-launched into the Nigerian market in 1998. **Maltina Sip-it**, packaged in Tetrapaks was launched in 2005, while **Fayrouz**, the premium non-alcoholic soft drink, was launched in 2006. **Climax**, a herbal energy drink was launched in 2010. Following the acquisition of Sona Systems and Life Breweries in 2011, **Goldberg** lager, **Malta Gold** and **Life Continental** lager, were added to the brand portfolio.

The Company has an increasing export business that dates back to 1986. The current export destinations are the United Kingdom, European Union and the West African sub-region.

As a major brewing concern, Nigerian Breweries Plc encourages the establishment of ancillary businesses. These include manufacturers of bottles, crown corks, labels, cartons, plastic crates and service providers such as hotels/clubs, distributors, transporters, event managers, advertising and marketing communication agencies amongst others.

The Company was listed on the floor of The Nigerian Stock Exchange (NSE) in 1973. As at 31st December, 2012, it had a market capitalisation of ₦1.1 trillion, making it the second largest company in Nigeria. It has consistently been honoured with awards relating to capital market matters including amongst others, The NSE President's Merit Award in the Brewery Sector and the NSE Quoted Company of the Year Award. In 2012, the Company was recognised as the most compliant company amongst those listed on the Nigerian Stock Exchange when it won The NSE CEO's Distinguished Award (Compliance) for Listed Companies.

Nigerian Breweries Plc is also a recipient of many other awards for its operations and high-quality brands.

Nationwide Presence

Headquarters

Iganmu House
1 Abebe Village Road, Iganmu
P.O. Box 545, Lagos
Tel: (01) 2717400-20

Brewery/Malting Plant Locations

Lagos Brewery

Abebe Village Road, Iganmu
P.O. Box 86, Apapa-Lagos
Tel: (01) 2717400-20 Ext: 2734

Aba Brewery

Industry Road
P.O. Box 497, Aba
Tel: (01) 2717403

Kakuri (Kaduna) Brewery

Industrial Layout, Kakuri
P.M.B. 2116, Kaduna
Tel: (01) 2717404

Ibadan Brewery

Ibadan/Ife Road
P.O. Box 12176, Ibadan
Tel: (01) 2717405

Ama Brewery

Amaeke Ngwo. 9th Mile Corner
P.M.B. 01781, Enugu
Tel: (01) 2717407

Ota Brewery

Km 38 Lagos/Abeokuta Expressway
Sango Ota
Tel: (01) 271400 Ext: 86101

Kudenda (Kaduna) Brewery

1A, Kudenda Industrial Area
Plot A4-C2, P.O. Box 6010
Kaduna South
Tel: (01) 2717400 Ext: 87101

Onitsha Brewery

87/97 Port Harcourt Road
P.O. Box 5417
Onitsha
Tel: (01) 2717400 Ext: 88101

Aba Malting Plant

Ohuru Village
Ogbor Hill Industrial Layout
Obingwa, Aba
Tel: (01) 2717403

Sales Regions

Lagos Business Unit

Headquarters Annex
Abebe Village Road, Iganmu
P.O. Box 86, Apapa, Lagos
Tel: (01) 2717400 Ext: 2816

Central Business Unit

Plot 797,
Mohammadu Buhari Way
Abuja, FCT
Tel: (01) 271400 Ext: 6210

East Business Unit

Plot 10, Ebeano Estate
New Haven
Enugu
Tel: (01) 2717400 Ext: 6306

West Business Unit

KM 3, Ibadan-Ife Road
P.O. Box 813, Ibadan
Tel: (01) 2717400 Ext: 5807

North Business Unit

Industrial Layout, Kakuri
Kaduna
Tel: (01) 2717400 Ext: 4807

South Business Unit

Industry Road
P.O. Box 496, Aba
Tel: (01) 2717400 Ext. 3805

Mid-West Business Unit

42, Ihama Road
GRA, Benin City
Tel: (01) 2717400 Ext: 6508

Directors and Other Corporate Information

Directors:

Chief Kolawole B. Jamodu, OFR	- Chairman
Mr. Nicolaas A. Vervelde (Dutch)	- Managing Director/CEO
Mr. Olusegun S. Adebajji	- Non-Executive
Mr. Walter L. Drenth (Dutch) (<i>appointed wef 15/1/12</i>)	- Marketing Director
Mr. Hubert I. Eze	- Sales Director
Mr. Victor Famuyibo	- Human Resource Director
Mr. Jasper C. Hamaker (Dutch)	- Finance Director
Mr. Sijbe Hiemstra (Dutch)	- Non-Executive
Mr. Thomas A. de Man (Dutch)	- Non-Executive
Mr. Frank N. Nweke, Jr	- Non-Executive
Mr. Atedo N.A. Peterside, CON	- Non-Executive
Mr. Hendrik A. Wymenga (Dutch)	- Technical Director
Mr. Paul Hamers (Dutch), MFR (<i>resigned wef 16/5/12</i>)	- Non-Executive
Mr. Ishmael E. Yamson (Ghanaian) (<i>resigned wef 16/5/12</i>)	- Non-Executive
Mrs. Ifueko M. Omoigui Okauru (<i>appointed wef 20/2/13</i>)	- Non-Executive

Company Secretary/Legal Adviser: Uaboi G. Agbebaku, Esq.

Registered Office: 1, Abebe Village Road
Iganmu
P. O. Box 545, Lagos
Tel: (01) 2717400-20
www.nbplc.com

Registration No: RC: 613

Independent Auditors: KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole, Victoria Island
Lagos
Tel: (01) 2718955
www.ng.kpmg.com

Registrars: First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu
P.M.B. 12692
Marina, Lagos
Tel (01) 2701079; 2799880
www.firstregistrarsnigeria.com

Results at a Glance

<i>In millions of naira</i>	Merged Company*	Group**	Company
	2012	2011	2011
Revenue	252,674	211,072	207,303
Results from operating activities	63,932	56,397	56,998
Total comprehensive income for the year	38,062	38,026	38,409
Declared dividend***	22,688	9,453	9,453
Share capital	3,781	3,781	3,781
Total equity	93,448	77,779	78,305
Data per 50 kobo share in Kobo			
Earnings	503	503	508
Declared dividend***	300	-	125
Net Assets	1,236	1,028	1,035
Dividend per 50 kobo share in respect of current year results only (in kobo)			
Final dividend proposed****	300	-	300
Stock Exchange Information:			
Stock Exchange quotation in Naira per share	147.00		94.42
Number of shares issued (in millions)	7,563		7,563
Market capitalisation in ₦: million	1,111,718		714,057
Number of employees	3,214	3,316	2,301
Ratios:			
Declared dividend coverage (Earnings per share/declared dividend per share)	1.68	4.02	4.06
Current assets/current liabilities	0.65	0.63	0.61
Interest coverage (Results from operating activities/interest expense)	8.80	35.16	39.35

NOTE: The prior year comparatives have been adjusted from previous Nigerian GAAP to IFRS which is the current year presentation framework. An explanation of how the transition from previous Nigerian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out on pages 74 to 84.

* The Merged Company in these financial statements incorporates the balances/results of the merged entities (Nigerian Breweries Plc, Sona Systems Associates Business Management Limited and Life Breweries Company Limited), following the merger during the year of the entities which were hitherto consolidated as a Group (see Note 14).

** The 2011 Group figures in these financial statements includes 3 months balances/results of Sona Systems Associates Business Management Limited and Life Breweries Company Limited, which were consolidated with the full year results of Nigerian Breweries Plc from the date of acquisition in October 2011.

***Declared dividend represents the final proposed for the preceding year but declared in the current year.

****The directors propose a final dividend of 300 kobo per share (2011: 300 kobo per share) on the issued share capital of 7,562,704,432 ordinary shares of 50 kobo each subject to approval by the shareholders at the Annual General Meeting fixed for 15th May 2013.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 67th Annual General Meeting of Nigerian Breweries Plc, will be held in the Shell Hall, Muson Centre, Onikan, Lagos, on Wednesday, 15th May 2013, at 10.00 a.m. for the following purposes:

A. ORDINARY BUSINESS

1. To lay before the meeting, the Report of the Directors and the statement of financial position as at 31st December 2012, together with the statement of comprehensive income for the year ended on that date and the Reports of the Independent Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Independent Auditors.
5. To elect members of the Audit Committee.

B. SPECIAL BUSINESS

6. To fix the remuneration of the Directors.
7. To consider and if thought fit, to pass the following resolution as a Special Resolution:

“That Article 128 of the Company’s Articles of Association be and is hereby amended by deleting the current Article 128 and substituting in its place the following Article 128:

‘A copy of every balance sheet which is to be laid before the Company in general meeting, together with the profit and loss account, the Director’s report, the audit committee’s report, the auditors’ report and every document required by law to be annexed thereto, shall, not less than twenty-one days before the date of the meeting, be sent, either in printed, compact disc or other electronic form, to every member of and every holder of debentures of the Company and to every person registered under Article 32 hereof and two copies of each of these documents shall, at the same time, be forwarded by the Secretary, to The Stock Exchange. Provided that this Article shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.’

NOTES:

(a) PROXIES

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend instead of him. A proxy for a Corporation may vote on a show of hands and on a Poll. A proxy needs not be a member. A Proxy Form is attached to the Annual Reports and Accounts. If the Proxy Form is to be valid for the purposes of the meeting, it must be completed and deposited at the office of the Registrars, First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos not less than forty-eight (48) hours prior to the time of the meeting.

(b) AUDIT COMMITTEE MEMBERS

In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, any shareholder may nominate another shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary/Legal Adviser, at least 21 days before the Annual General Meeting.

(c) DIVIDEND

A total dividend of **₦22,688,113,296** that is **₦3.00** per share has been recommended by the Board for approval. If approved, the payment of the dividend will be made on Thursday, **16th May 2013**, to shareholders whose names appear on the Company’s Register of Members at the close of business on Wednesday, **13th March 2013**.

(d) **CLOSURE OF REGISTER**

The Register of Members and Transfer Books of the Company will be closed from **Thursday, 14th March 2013 to Wednesday, 20th March 2013** (both dates inclusive), for the purpose of preparing an up-to-date Register of Members.

Dated the 20th of February, 2013.

By Order of the Board.

Uaboi G. Agbebaku, Esq.
Company Secretary/Legal Adviser
Iganmu House
Abebe Village Road
Iganmu, Lagos
Nigeria.

Directors' Report

For the year ended 31st December 2012

The Directors are pleased to present their annual report together with the audited financial statements of the Company for the year ended 31st December 2012.

1. Legal Status

Nigerian Breweries Plc, a public company quoted on the Nigerian Stock Exchange, was incorporated on the 16th of November, 1946, under the name, Nigerian Brewery Limited. The name was changed on the 7th of January, 1957, to Nigerian Breweries Limited and thereafter to Nigerian Breweries Plc in 1990 when the Companies and Allied Matters Act of that year came into effect. The Company is a subsidiary of Heineken N.V. of the Netherlands, which holds a 54.09% interest in the equity of Nigerian Breweries Plc.

In the course of the year under review, the Company merged with two of its subsidiaries, Sona Systems Associates Business Management Limited and Life Breweries Company Limited. The two subsidiaries were acquired in October 2011 and the merger was concluded during 2012.

2. Principal Activities

During the year under review, the principal activities of the Company remained brewing, marketing and selling of lager, stout, non-alcoholic malt drinks and soft drinks.

3. Progress Trust (CPFA) Limited

Progress Trust (CPFA) Limited was incorporated by the Company and is a duly registered Closed Pension Fund Administrator whose sole activity is the administration of the pension and the defined contribution gratuity scheme for both employees and former employees of Nigerian Breweries Plc. See Note 15 to the financial statements.

4. Review of Operations

The operating environment was challenging in 2012. Nevertheless the Company maintained its leadership position in the market. Results from Operating Activities increased by 13.4% while Profit for the year was impacted by high financing costs arising from investments in plant expansion as well as working capital. The following is a summary of the operating results as at 31st December 2012:

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Revenue	252,674,213	211,071,804	207,303,379
Results From Operating Activities	63,932,031	56,397,191	56,997,812
Profit Before Taxation	55,624,366	56,397,878	57,143,228
Taxation	(17,581,652)	(18,347,122)	(18,709,195)
Profit for the Year	38,042,714	38,050,756	38,434,033
Other Comprehensive Income, net of tax	19,353	(25,186)	(25,186)
Total Comprehensive Income for the year	38,062,067	38,025,570	38,408,847

5. Dividend

The Directors are pleased to recommend to shareholders at the forthcoming Annual General Meeting, the declaration of a total (final) dividend of **₦22,688,113,296 (twenty two billion, six hundred and eighty eight million, one hundred and thirteen thousand, two hundred and ninety six naira only)**, that is, **₦3.00 (three naira only)** per ordinary share of fifty kobo each. If the proposed final dividend is approved, it will be subject to deduction of withholding tax at the appropriate rate and the dividend will be payable on the 16th of May, 2013, to all shareholders whose names appear on the Company's Register of Members at the close of business on the 13th of March, 2013.

6. Shareholding and Substantial Shareholders

The issued and fully paid-up Share Capital of the Company is 7,562,704,432 Ordinary Shares of 50 kobo each. The Register of Members shows that three companies, Heineken Brouwerijen B.V. holding 37.73%, Distilled Trading International B.V. holding 16.36% and Stanbic Nominees Nigeria Limited holding 14.17% held more than 10% of the Company's issued share capital as at 31st December, 2012. The remaining 31.74% were held by Nigerian and foreign individuals and institutions. Aside the said three companies, no other shareholder held more than 5% of the issued share capital of the Company as at 31st December 2012. Heineken Brouwerijen B.V. and Distilled Trading International B.V. are part of the Heineken N.V. group.

7. Distributors

The Company delivers most of its products nationwide through an extensive network of key distributors, wholesalers, bulk breakers and major retail stores. The names of the major customers are listed on page 90 of this Annual Reports and Accounts.

8. Board of Directors

The Board of Directors (including the changes thereon since the last Annual General meeting) is as shown on pages 15 and 16 of the Annual Reports and Accounts. The Board is at present made up of six (6) Executive Directors and seven (7) Non-Executive Directors (including the Chairman).

There were some changes on the Board since after the last Annual General Meeting. Messrs Paul Hamers, MFR and Ishmael I. Yamson, resigned from the Board effective from the close of business on the 16th of May, 2012. The Board thanks them for their invaluable contributions to the growth of the Company during their respective tenure on the Board.

In line with the provisions of the Articles of Association, Mrs. Ifueko M. Omoigui Okauru was appointed to fill the vacancy on the Board. The appointment took effect on the 20th of February, 2013. Mrs Omoigui Okauru will thus retire at the forthcoming Annual General Meeting and being eligible, present herself for re-election at the meeting.

The Directors to retire by rotation at the forthcoming Annual General Meeting in conformity with the Articles of Association of our Company and who, being eligible, have offered themselves for re-election at the meeting are: Messrs Hubert I. Eze, Jasper C. Hamaker, Hendrik A. Wymenga and Chief Kolawole B. Jamodu, OFR.

9. Statement of Directors' Responsibilities

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 23 to 84 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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

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

10. Record of Directors' Attendance

Further to the provisions of Section 258(2) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, the Record of Directors' Attendance at Board Meetings during the year under review will be available at the Annual General Meeting for inspection. See also, item 21(a) below.

11. **Directors' Interest in Shares**

The interest of each current Director in the issued share capital of the Company as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 275 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, and disclosed in accordance with Section 342 of the said Act and the requirements of the Listing Rules of the Nigerian Stock Exchange, is as follows:

Name	As at 20 th February, 2013	As at 31 st December, 2012	As at 31 st December, 2011
Chief Kolawole B. Jamodu, OFR	431,704	431,704	431,704
Mr. Nicolaas A. Vervelde	Nil	Nil	Nil
Mr. Olusegun Adebajji	200,000	200,000	200,000
Mr. Walter L. Drenth	Nil	Nil	NA*
Mr. Hubert I. Eze	41,383	41,383	41,383
Mr. Victor Famuyibo	17,910	17,910	Nil
Mr. Jasper. C. Hamaker	Nil	Nil	Nil
Mr. Sijbe Hiemstra	Nil	Nil	Nil
Mrs. Ifueko M. Omoigui Okauru	35,992	NA*	NA*
Mr. Thomas A. de Man	Nil	Nil	Nil
Mr. Frank N. Nweke II	3,400	3,400	4,400
Mr. Atedo N.A. Peterside, CON	14,000,000	14,000,000	15,000,000
Mr. Hendrik A. Wymenga	Nil	Nil	Nil

* Not a member of the Board of Directors at that date.

12. **Agricultural/raw materials improvements**

The Company, in conjunction with Heineken Supply Chain B.V. of the Netherlands and other Heineken companies, is involved in activities aimed at development of new Sorghum Hybrids with the potential of increasing the quality of malt produced and yield/output for the sorghum growers. The activities include evaluation of available raw sorghum varieties with the aim of identifying peculiarities of the seeds and impact on malt production. These will help stimulate the sorghum industry and define a sustainable malting process which will guaranty the production of high quality sorghum malt that will consistently meet all specifications for beverage making in our breweries. The Company also has a subsisting consultancy agreement with a Nigerian Professor on the development of sorghum seeds.

13. **Property, plant and equipment**

Information relating to changes in property, plant and equipment is given in Note 12 to the Financial Statements.

14. **Gifts and Donations**

In 2012, the Company made gifts and donations amounting to ₦81,674,450 (2011: ₦40,400,000) as follows:

Beneficiary/Project	Naira
African-Artistes Foundation	29,000,000
Farafina Trust	25,000,000
National Sports festival	10,000,000
Beyond the School Project	8,873,300
Nigerian Economic Summit Group	2,500,000
The Netherlands International School Lagos	2,500,000
Nigeria Employers' Consultative Association	3,000,000
National Agency for Food and Drug Administration and Control	801,150
	81,674,450

In accordance with Section 38(2) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review.

15. **Employees and Employment**

(a) **Employment of Physically-Challenged Persons**

Nigerian Breweries Plc is an equal opportunity employer and does not discriminate on any grounds. Thus, we provide employment opportunities to physically-challenged persons. However, this actually goes beyond the need to ensure that there is no discrimination against such persons, but driven by a deep conviction that even in disability, there could be immense ability. At present, we have three (3) physically-challenged persons in our employment.

(b) **Employee Involvement and Training**

In today's competitive business landscape, human capability has been found to be a key factor for corporate success. The critical challenge towards continuous performance improvement remains the capability and speed of response to changes in the business environment through people development. Thus, a drive in the right direction for employees' development is imperative for sustainable superior company performance. In Nigerian Breweries Plc, we believe strongly that we must win with our people. We must not only enable employees to perform in their day-to-day jobs, but must unlock their potentials and make it possible for them to unleash energy to achieve business goals.

Continuous training and upgrading of skills at all levels of the Company is therefore the key to achieving a meaningful competitive advantage and long-term business success.

We provide our employees both operational and leadership training within and outside Nigeria to expose them to best practices and improve knowledge transfer at international level.

(c) **Health, Safety and Welfare**

The Company takes the health, safety and welfare of its employees very seriously, with a strong conviction that a healthy workforce will always be highly productive and will deliver superior performances at all times. Consequently, there are on-site clinics manned by qualified medical personnel in all our brewery locations that provide primary health care round the clock for employees at work. Furthermore, top health care providers have been carefully selected under a managed care scheme to look after the health care needs of employees and their dependants. We comply with relevant statutory provisions and regulations on health, safety and welfare matters as well as providing the education required to enable compliance by employees. As a good

corporate citizen, we recognise the threat of HIV/AIDS in sub-Saharan Africa. Hence, as an extension of our medical policy, Nigerian Breweries Plc operates a comprehensive workplace HIV/AIDS programme spanning the continuum of policy to treatment.

16. Food Safety Statement

Nigerian Breweries Plc as a responsible corporate citizen and operating company of Heineken International B.V., in conformity with the relevant legislations and regulations of Nigeria, is committed to the production and marketing of safe and high quality beverages.

Nigerian Breweries Plc provides adequate resources to establish and maintain a Food Safety Management System.

This system is based on Hazard Analysis Critical Control Point (HACCP) principles which ensure that our products fulfil customer/consumer food safety expectations through:

- (a) Implementation and sustenance of effective Good Manufacturing Practices as detailed in our pre-requisite programmes;
- (b) Prevention or elimination of food hazards;
- (c) Establishment of measurable food safety objectives;
- (d) Establishment and maintenance of a Food Safety Management System certified by an internationally recognised certifier against DS3027E:2002 or ISO 22000: 2005 Food Safety Standard;
- (e) Continuous internal and external communications regarding food safety with all parties from primary production to consumption.

17. Quality Policy Statement

Nigerian Breweries Plc is fully committed to producing and marketing consistently high quality brands of beverages for our customers/consumers.

Accordingly, we have established and continue to maintain, a quality management system which has been designed and structured to meet the requirements of international standards (ISO 9001: 2000) and is in consonance with statutory and regulatory requirements, while guaranteeing the ability to meet organisational goals.

This Quality Policy which is reviewed periodically for continuing suitability will assist to ensure that we:

- (a) Improve our ability to consistently meet our customers' and consumers' expectations;
- (b) Increase customers and other stakeholders' confidence in our Company;
- (c) Improve our competitive position;
- (d) Improve employees' commitment to quality at all levels;
- (e) Are committed to continued quality improvement;
- (f) Communicate to the organisation the importance of meeting statutory and regulatory requirements.

The Quality Policy provides a framework for establishing measurable quality objectives at all levels of the Company. These objectives are reviewed on a regular basis. Nigerian Breweries Plc is committed to providing all resources necessary to achieve its quality objectives.

18. Safety Health and Environmental (SHE) Policy

In Nigerian Breweries Plc (NB Plc), we are committed to the health and safety of our employees and those affected by our operations and the protection of our environment. We believe that good SHE performance improves our productivity and shareholders' returns. Therefore, in our quest to enhance SHE performance in the company, we are committed to having a SHE Management Systems (Environmental Management System ISO 14001 and Safety Management System OHSAS 18001) that recognise the fact that safe operations depend not only on technically sound facilities and equipment but also on competent personnel and a pro-active SHE culture. Environmental management system ISO 14001 and safety management system OHSAS 18001

Our policy is to:

- Comply with all local legal requirements, international standards and Heineken safety policies
- Maintain safe operations in production and commercial activities by providing safe facilities.
- Manage SHE the same way we manage other core business activities by devoting time, money and effort to SHE issues.
- Communicate hazards involved in our business (and the means to mitigate them) to our employees, and other stakeholders through training, effective supervision and other forms of safety communication and ensure compliance with procedures.
- Provide appropriate personal protective equipment for all our employees and enforce compliance.
- Set measurable SHE KPI targets for continuous improvement of our performance and monitor compliance. Put in place a process to ensure compliance with this policy which will include using independent experts to verify SHE performance.
- Report and analyze all near misses, incidents and accidents in order to improve our systems, procedures and the behaviour of employees to ensure continuous smooth running of our operations.
- Continue to use technology and best practices in industry to reduce wastes, consumption of energy, and the effect of our waste on the environment.
- Ensure that our contractors manage SHE in line with this Policy.

We are building a positive SHE culture in NB Plc that takes a proactive approach to SHE issues and compliance with the law. All NB Plc employees and contractors are required to work safely as part of their contractual obligations.

19. **Business Conduct**

Our business is conducted with integrity and due regard to the legitimate interest of all stakeholders. As part of this, we have adopted policies such as Code of Business Conduct, Community Involvement Policy and Environmental Policy which provide amongst others for:

(a) **Respect for Law**

Nigerian Breweries Plc ensures that its existence and operations remain within the ambit of all applicable laws. Our employees are expected to comply with the laws and regulations of Nigeria.

(b) **Business Integrity**

We believe that corruption is evil in the business environment as it is in the society generally. We maintain appropriate anti-corruption policies and programmes in our business. Accordingly, Nigerian Breweries Plc does not give or receive, whether directly or indirectly, bribes or any other incentive to obtain improper advantages for business or financial gain.

(c) **Corporate Social Responsibility**

As an integral part of the Nigerian society playing varied roles as an employer, supplier, customer, partner, tax payer and competitor all at the same time, the Company impacts the society. Where possible, we aim to establish sustainable partnerships with our stakeholders within our policy guidelines on community involvement. A Corporate Social Responsibility Report detailing some of the ways we partnered with our various stakeholders during the year under review is on pages 19 and 20.

(d) **Environmental Policy**

This policy statement serves to demonstrate our responsibility to the environment and the pursuit of world-class vision in all aspects of our operations. We will strive to comply with all current and future environmental laws and regulations, and continuously improve the efficiency of our operations to minimise impact on the environment.

In order to meet this commitment, we are guided by the following regulations:

- i. Strive to comply with relevant State and Federal laws and regulations, and also anticipate signals from the society in respect of future legislations;
- ii. Use available technology and knowledge to prevent pollution, or continue to reduce pollution and seek savings in water and energy in a cost efficient manner;

- iii. Develop cost effective strategies to ensure that residue/by-products generated in our operations are collected and processed in a manner suitable for recycling and/or disposal with the least possible impact on the environment;
- iv. Assess the environmental impacts of new products, processes and major projects before development;
- v. Encourage the necessary awareness among our employees on issues of the environment. This is to engender active involvement in maintaining a clean and tidy working environment and to act in an environmentally responsible way;
- vi. Promote environmental sustainability by regular dialogue with our immediate communities and the regulating authorities on how to improve on environmental care;
- vii. Publish a bi-annual environmental report.

20. **Conflict of Interests**

Nigerian Breweries Plc recognises and respects the right of its employees to engage in external activities so long as these activities do not impair, interfere or conflict with the conscientious performance of their duties and do not involve damage to or misuse of the Company's name, trademarks, products, property, reputation, goodwill, confidential information or other resources.

When an employee is engaged in carrying out a task on behalf of the Company and that employee has a factual or potential private interest in the outcome of the task, which is contrary to the best interests of the Company or is substantial enough to affect the employee's unbiased judgment, the Company expects the employee to disclose this as appropriate. Failure to comply with this policy will have serious career consequences for the employee. Nigerian Breweries Plc maintains policies (for instance, on purchasing) that severely reduce the risk of harm to the Company due to a conflict of interest.

21. **Corporate Governance**

Nigerian Breweries Plc adopts a responsible attitude towards corporate governance. The Board is in support of the Code of Corporate Governance for Public Companies in Nigeria ("the Code") released by the Securities & Exchange Commission in 2011. The Board will endeavour to ensure that the Company is in compliance with the provisions of the Code at all times.

(a) **The Board of Directors**

The Board of Directors is made up of seven (7) Non-Executive Directors, including the Chairman, and six (6) Executive Directors. One of the Non-Executive Directors qualifies as an Independent Director. The Board has a formal guideline and process for appointment of persons as Directors.

The Board is inter alia, responsible for supervising the conduct of business of the management as well as the general course of affairs in the Company as well as responsible for assessing the Company's corporate strategy and general policy; the development of the Company's financial position; the Company's risk management and other systems; the Company's organisational structure; and the Company's social policy.

The Board has a formal schedule of meetings each year and met five (5) times in the course of the year under review. The record of attendance of members at the meetings is set out below:

Name	* No. of Meetings Held	No. of Meetings Attended
Chief Kolawole B. Jamodu, OFR	5	5
Mr. Nicolaas A. Vervelde	5	5
Mr. Olusegun S. Adebajji	5	5
Mr. Walter L. Drenth	5	5
Mr. Hubert I. Eze	5	5
Mr. Victor Famuyibo	5	5
Mr. Jasper C. Hamaker	5	5

Mr. Sijbe Hiemstra	5	4
Mr. Thomas A. de Man	5	5
Mr. Frank Nweke II	5	3
Mr. Atedo N.A. Peterside, CON	5	5
Mr. Hendrik A. Wymenga	5	4
Mr. Paul Hamers, MFR	2	2
Mr. Ishmael E. Yamson	2	2
Mrs. Ifueko M. Omoigui Okauru	NA	NA

* During the time the Director was a member of the Board of Directors.

(b) **Executive Committee**

The Executive Committee comprises the Executive Directors and one other Senior Manager occupying strategic roles in the business with the Company Secretary serving as the Secretary. It is responsible for agreeing priorities, allocating resources, setting overall corporate targets, agreeing and monitoring divisional strategies and plans and has responsibilities for superintending the affairs of the business on a day-to-day basis. It is chaired by the Managing Director/Chief Executive Officer of the Company. The record of the Committee's meeting during the year under review is set out below.

Name	No. of Meetings Held	No. of Meetings Attended
Nicolaas A Vervelde	19	17
Walter L. Drenth	19	17
Hubert I. Eze	19	16
Victor Famuyibo	19	16
Jasper C. Hamaker	19	17
Hendrik A. Wymenga	19	13
Yusuf Ageni	19	17
Uaboi G. Agbebaku	19	17

(c) **Nomination Committee**

The Nomination Committee is currently composed as follows:

- i. Mr. Thomas A. de Man - Chairman
- ii. Mr. Olusegun S. Adebajji - Member
- ii. Mr. Victor Famuyibo - Member

This Committee is responsible for making recommendations to the Board on candidates for appointment as Directors based on the guidelines set by the Board. The Committee met twice during the year under review with all the members present.

(d) **Remuneration Committee**

The Remuneration Committee is composed as follows:

- i. Mr. Atedo N.A. Peterside - Chairman
- ii. Mr. Victor Famuyibo - Member
- iii. Mr. Thomas A. de Man - Member

This Committee has responsibility for reviewing executive remuneration and determines specific remuneration packages for Directors. The Committee did not meet during the year under review.

(e) **Audit Committee**

The Audit Committee is composed of three Shareholders' representatives and three Directors' representatives (two of whom are Non-Executive Directors and the other an Executive Director not being the Finance Director). It is chaired by a member representing the shareholders.

The Committee in the conduct of its affairs reviews the Company's overall risk management and control systems, financial reporting arrangements and standards of business conduct. Members of the Audit Committee have direct access to the Internal Audit Department and the Independent Auditors.

The statutory functions of the Committee are provided for in Section 359(6) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004.

The Committee met four times during the year under review with all the members present.

(f) **Risk Management Committee**

This Committee has as its main objective, to oversee the Company's risk management process and to inform/advise the Executive Committee, the Board and (where necessary), the Audit Committee about the Company's main risks and mitigating actions. The Committee is inter alia, responsible for assessing the adequacy and effectiveness of the Company's management of the risk and compliance function of the Company.

The committee is made up as follows:

- | | | |
|------|----------------------|------------|
| i. | Mr. Sijbe Hiemstra | - Chairman |
| ii. | Mr Olusegun Adebajji | - Member |
| iii. | Mr Frank Nweke II | - Member |

Members of the Executive Committee as well as the Head of Internal Audit, attend the meetings of the Risk Management Committee.

The Committee met twice during the year under review.

(g) **Board Evaluation**

A Board evaluation was carried out during the year under review. The evaluation was done on the effectiveness of the Board, the Board Committees and of individual Directors. The outcome of the evaluation showed that the Directors were pleased with the overall performance of the Board in providing strategic direction for the Company. Further, the Directors were satisfied with the individual contributions of members to the functioning of the Board.

(h) **Regulations for Dealing in Shares**

Nigerian Breweries Plc has in place Regulations to guide the Board and other employees when effecting transactions in the Company's shares. The Company's Regulations for Dealing in Shares and other Securities provide amongst others, the periods when transactions are not allowed to be effected on the Company's shares as well as disclosure requirements when effecting such transactions. All concerned are obliged to observe the provisions of the Regulations when dealing in the Company's shares.

22. **International Financial Reporting Standards**

In line with the IFRS transition roadmap released by the Financial Reporting Council of Nigeria (FRC), Nigerian Breweries Plc is classified as a Listed and Significant Public Interest Entity and has prepared these financial statements for the first time in accordance with International Financial Reporting Standards (IFRS). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 34.

23. **Independent Auditors**

Messrs KPMG Professional Services served as the Independent Auditors during the year under review. The Independent Auditor's Report was signed by Patrick Adetola Adeyemi (Mr.), FCA, a Partner in the Firm.

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

Dated the 20th day of February, 2013.

By Order of the Board.

Uaboi G. Agbebaku, Esq.
Company Secretary/Legal Adviser
Iganmu House
Abebe Village Road
Iganmu, Lagos
Nigeria.

CORPORATE SOCIAL RESPONSIBILITY

Our CSR policies and practices are defined by the Brewing a Better Future programme, which sets out the long-term sustainability agenda for the company. The agenda focuses on three strategic imperatives:

- Continuously **IMPROVE** the environmental impact of our business
- **EMPOWER** our people and the communities where we operate
- Positively **IMPACT** the role of our company in the society

Over the years, we have remained focused on these strategic imperatives to support our commitment to ‘Winning with Nigeria’. In 2012, we sustained our various initiatives and strategic interventions to ensure that we remain active in supporting the development aspirations of our nation. Some of these are highlighted below:

Youth Empowerment:

The thrust of our youth development programme is “Youth Empowerment through Talent Development”. The aim is to identify the diverse talents that abound in the country, nurture and develop them as key national assets. **The Creative Writing Workshop**, organised in conjunction with Farafina Trust, is one of the programmes through which we demonstrate our commitment in this area. The workshop offers budding writers a unique platform to learn and interact with international writers of repute led by the award-winning Dr Chimamanda Ngozi Adichie. The Workshop took place for the fourth consecutive year in 2012.

Our collaboration with the African Artistes Foundation continued in 2012 when we sponsored the fifth edition of the **National Arts Competition, NAC**, with the theme, **CONSEQUENCES**. The event, in addition to demonstrating the essence of our youth empowerment strategy, shows our active involvement in the promotion of arts and culture in Nigeria.

Education Development

Through the Nigerian Breweries Plc - Felix Ohiwerei Education Trust Fund (“the Trust Fund”), our Company has continued to support the development of education in Nigeria in diverse ways. In 2012, we built and furnished new, as well as renovated dilapidated classroom blocks in some schools in Lagos, Aba, Abeokuta, Ibadan, Kaduna and Enugu.

We also sustained the **Beyond the School Project**, our new education initiative launched in 2011 to further expand the frontiers of our support for education. This is a career guidance programme for senior secondary school students in public schools. The objective is to expose students to career options and build their understanding of the key issues to consider in career decision making. It involves, among other things, the organization of Career Talks to students in SSS1-3.

Support for Children in Orphanages

In 2010, we started a partnership with the European Cooperative Development (EUCORD) to provide succour for children in various orphanages in Nigeria. Tagged “Children of Hope Project”, the project is designed to cater for the well-being of children in identified orphanages across the country. Our commitment to the donation of 3,352 cases of Maltina yearly to EUCORD for distribution to the various orphanages, was sustained in 2012.

Road Safety Campaign

With the renewed commitments by the Beer industry to the Global Actions Initiatives to Reduce Harmful Drinking, we continued with our sponsorship of the **Don’t Drink and Drive** public campaign to promote safety on our roads. The programme, executed in partnership with the Federal Road Safety Commission, FRSC, is integrated into the FRSC Ember months Campaign and featured public enlightenment rallies in Lagos, Ota, Aba and Ibadan with the full and active participation of the major stakeholders in the transport sector. It was supported by an integrated media campaign.

Promoting Responsible Consumption

We revised, published and circulated to all employees various communication and education materials on Cool @ Work, Company Alcohol Policy and Code of Business Conduct to sharpen our employees’ understanding of the nature of alcohol, alcohol and work, the need for responsible consumption and equip them to confidently

communicate our policy on alcohol use as part of being good ambassadors. This was supported by comprehensive refresher training on these programmes and policies across our eight brewery locations.

Health Development

In conjunction with the Heineken Africa Foundation (HAF), Nigerian Breweries continued to provide vital support to various health institutions across the country. These included the Lagos State University Teaching Hospital, St Gerard Hospital Zaria, UNTH, Enugu, Ezianya PHC, Aba; Accident & Emergency Centre, Ikorodu, etc.

Sports Development

In continuation of our active participation in the development of sports in Nigeria, we sustained our sponsorship of various sporting activities across the country in 2012. These include golf, tennis, polo, chess and squash. We also supported the Lagos State Government in hosting the National Sports Festival.

Conclusion

Corporate Social Responsibility remains a strategic element of our operations. We are fully committed to making a positive contribution to the development of our society through strategic and constructive engagements with critical stakeholders. Going forward, we are poised to show even greater commitment to **‘Winning with Nigeria’** and to demonstrate that we are indeed more than a brewing company.

Audit Committee's Report

To the Members of Nigerian Breweries Plc

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

- a) the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- b) the scope and planning of both the external and internal audit for the year ended 31st December, 2012 are satisfactory. The internal audit programmes reinforce the Company's internal control system;
- c) having reviewed the independent auditors' memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Finally, we acknowledge the co-operation of management and staff in the conduct of our duties.

Members of the Audit Committee are:

- | | | | | |
|----|---------------------------|--------------------------------|---|----------|
| 1) | Chief Timothy A. Adesiyan | (Shareholders' Representative) | - | Chairman |
| 2) | Dr. Victor. T. Gugong | (Shareholders' Representative) | - | Member |
| 3) | Mazi Samuel C. Mpamaugo | (Shareholders' Representative) | - | Member |
| 4) | Mr. Olusegun S. Adebajji | (Directors' Representative) | - | Member |
| 5) | Mr. Hubert I. Eze | (Directors' Representative) | - | Member |
| 6) | Mr. Sijbe Hiemstra | (Directors' Representative) | - | Member |

The Company Secretary/Legal Adviser serves as the Secretary to the Committee.

Dated the 20th day of February, 2013

Chief Timothy A. Adesiyan
Chairman, Audit Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

To the Members of Nigerian Breweries Plc

We have audited the accompanying financial statements of Nigerian Breweries Plc ("the Company"), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 23 to 84.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Nigerian Breweries Plc ("the Company") as at December 31, 2012, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

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

February, 2013
Lagos, Nigeria
FRC/2012/ICAN/0000000620

Statement of financial position as at 31st December

		Company*	Group**	Company	Company 1 st January
	Notes	2012 ₦'000	2011 ₦'000	2011 ₦'000	2011 ₦'000
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	12	142,348,420	123,180,348	96,618,541	93,335,537
Intangible assets and goodwill	13	53,987,573	54,367,019	1,125,307	1,080,636
Investments	15	150,000	150,000	65,385,106	150,000
Other receivables	16	148,700	71,664	64,429	53,083
Prepayments	17	132,309	110,721	110,721	127,693
Total non-current assets		196,767,002	177,879,752	163,304,104	94,746,949
<i>Current assets</i>					
Inventories	18	24,652,723	22,110,205	19,190,871	17,107,855
Trade and other receivables	19	19,929,893	11,979,845	10,200,538	5,887,591
Prepayments	17	902,910	721,514	785,673	532,086
Deposit for imports	20	1,866,896	1,133,415	1,133,415	-
Cash and cash equivalents	21	9,514,205	21,876,465	20,832,522	12,607,725
Total current assets		56,866,627	57,821,444	52,143,019	36,135,257
Total assets		253,633,629	235,701,196	215,447,123	130,882,206

The notes on pages 30 to 84 are an integral part of these financial statements.

* The 2012 Company figures in these financial statements incorporates the balances/results of the merged entities for the year (Nigerian Breweries Plc, Sona Systems Associates Business Management Limited and Life Breweries Company Limited), following the merger of the entities which were hitherto consolidated (see Note 14).

** The 2011 Group figures in these financial statements include 3 months balances/results of Sona Systems Associates Business Management Limited and Life Breweries Company Limited, which were consolidated with the full year results of Nigerian Breweries Plc from the date of acquisition in October 2011.

Statement of financial position as at 31st December (continued)

		Company	Group	Company	Company
	Notes	2012	2011	2011	1 st January
		N'000	N'000	N'000	2011
					N'000
EQUITY					
Share capital		3,781,353	3,781,282	3,781,282	3,781,282
Share premium		4,567,967	4,568,038	4,568,038	4,568,038
Share based payment reserve		152,536	94,534	94,534	82,424
Retained earnings		84,946,036	69,319,470	69,860,887	40,847,532
Equity attributable to owners of the Company		93,447,892	77,763,324	78,304,741	49,279,276
Non-controlling interests		-	15,585	-	-
Total equity		93,447,892	77,778,909	78,304,741	49,279,276
LIABILITIES					
<i>Non-current liabilities</i>					
Loans and borrowings	24(a)	45,000,000	38,000,000	30,000,000	-
Employee benefits	25	5,966,719	6,772,036	5,390,499	5,125,026
Deferred tax liabilities	27	22,384,550	22,033,867	16,099,008	15,681,366
Total non-current liabilities		73,351,269	66,805,903	51,489,507	20,806,392
<i>Current liabilities</i>					
Bank overdraft	21	-	108,180	108,180	95,308
Current tax liabilities	10(c)	19,493,550	19,922,977	19,922,977	14,154,257
Dividend payable	23(b)	5,648,226	4,729,679	4,721,958	5,230,873
Loans and borrowings	24(b)	-	9,000,000	9,000,000	-
Trade and other payables	28	61,692,692	57,355,548	51,899,760	41,316,100
Total current liabilities		86,834,468	91,116,384	85,652,875	60,796,538
Total liabilities		160,185,737	157,922,287	137,142,382	81,602,930
Total equity and liabilities		253,633,629	235,701,196	215,447,123	130,882,206

Approved by the Board of Directors on the 20th of February, 2013 and signed on its behalf by:

_____) Chief Kola Jamodu (Chairman)

_____) Mr. Nicolaas A. Vervelde (Managing Director/CEO)

_____) Jasper Hamaker (Finance Director)

The notes on pages 30 to 84 are an integral part of these financial statements.

Statement of comprehensive income – 31st December

	Notes	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Revenue	5	252,674,213	211,071,804	207,303,379
Cost of sales		(127,222,069)	(101,309,788)	(98,226,299)
Gross profit		125,452,144	109,762,016	109,077,080
Other income	6	2,000,263	345,125	119,267
Marketing and distribution expenses		(39,450,652)	(33,020,725)	(32,859,716)
Administrative expenses		(24,069,724)	(20,689,225)	(19,338,819)
Results from operating activities		63,932,031	56,397,191	56,997,812
Finance income	7(a)	559,842	1,604,864	1,593,871
Finance costs	7(b)	(8,867,507)	(1,604,177)	(1,448,455)
Net finance (costs)/income		(8,307,665)	687	145,416
Profit before taxation	8	55,624,366	56,397,878	57,143,228
Taxation	10(a)	(17,581,652)	(18,347,122)	(18,709,195)
Profit for the year after taxation		38,042,714	38,050,756	38,434,033
Other comprehensive income				
Defined benefit plans actuarial gains/(losses), net of tax	25(e)	19,353	(25,186)	(25,186)
Total comprehensive income for the year		38,062,067	38,025,570	38,408,847
Profit for the year attributable to:				
Owners of the Company		38,042,714	38,048,367	38,434,033
Non-controlling interests		-	2,389	-
Profit for the year		38,042,714	38,050,756	38,434,033
Total comprehensive income for the year attributable to:				
Owners of the Company		38,062,067	38,023,181	38,408,847
Non-controlling interests		-	2,389	-
Total comprehensive income for the year		38,062,067	38,025,570	38,408,847
Earnings per share				
Basic earnings per share (kobo)	11	503	503	508
Diluted earnings per share (kobo)	11	503	503	508

The notes on pages 30 to 84 are an integral part of these financial statements.

Statement of changes in equity – Company

Attributable to equity holders of the Company

Notes	Share Capital ₦'000	Share premium ₦'000	Revaluation reserves ₦'000	Share based payment reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 st January 2011	3,781,282	4,568,038	7,089,858	-	34,732,984	50,172,162
Impact of change in accounting policy	2(e) -	-	-	-	(1,070,399)	(1,070,399)
Tax impact of change in accounting policy	2(e) -	-	-	-	321,120	321,120
IFRS Adjustments	34 -	-	(7,089,858)	82,424	6,863,827	(143,607)
Balance as at 1st January 2011 (restated)	3,781,282	4,568,038	-	82,424	40,847,532	49,279,276
Comprehensive income for the year						
Profit for the year	-	-	-	-	38,434,033	38,434,033
Defined benefit plan actuarial loss, net of tax	-	-	-	-	(25,186)	(25,186)
Total comprehensive income for the year	-	-	-	-	38,408,847	38,408,847
Transaction with owners, recorded directly in equity						
Dividends to equity holders	23(b) -	-	-	-	(9,453,203)	(9,453,203)
Share based payment charge	-	-	-	32,925	-	32,925
Share based payment recharge	-	-	-	(20,815)	-	(20,815)
Unclaimed dividend written back	23(b) -	-	-	-	57,711	57,711
Total transactions with owners	-	-	-	12,110	(9,395,492)	(9,383,382)
Balance at 31st December 2011	3,781,282	4,568,038	-	94,534	69,860,887	78,304,741

The notes on pages 30 to 84 are an integral part of these financial statements

Statement of changes in equity – Company (Cont'd)

Attributable to equity holders of the Company

Notes	Share Capital	Share premium	Revaluation reserves	Share based payment reserve	Retained earnings	Total equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1st January 2012	3,781,282	4,568,038	-	94,534	69,860,887	78,304,741
Comprehensive income for the year						
Profit for the year	-	-	-	-	38,042,714	38,042,714
Defined benefit plan actuarial gain, net of tax	-	-	-	-	19,353	19,353
Total comprehensive income for the year	-	-	-	-	38,062,067	38,062,067
Transaction with owners, recorded directly in equity						
Issue of ordinary shares	22	71	(71)	-	-	-
Share based payment charge		-	-	80,805	-	80,805
Share based payment recharge		-	-	(22,803)	-	(22,803)
Dividends to equity holders	23(b)	-	-	-	(22,687,687)	(22,687,687)
Unclaimed dividend written back		-	-	-	96,438	96,438
Total transactions with owners		71	(71)	58,002	(22,591,249)	(22,533,247)
Subsidiaries post-acquisition loss		-	-	-	(385,669)	(385,669)
Balance at 31st December 2012		3,781,353	4,567,967	-	84,946,036	93,447,892

The notes on pages 30 to 84 are an integral part of these financial statements

Statement of changes in equity - Group

		Attributable to equity holders of the Company								
	Note	Share Capital N'000	Share premium N'000	Revaluation reserves N'000	Share based payment reserve N'000	Retained earnings N'000	Total N'000	Non-controlling interests N'000	Total equity N'000	
Balance at 1 st January 2011		3,781,282	4,568,038	7,089,858	-	34,732,984	50,172,162	-	50,172,162	
Impact of change in accounting policy	2(e)	-	-	-	-	(1,070,399)	(1,070,399)	-	(1,070,399)	
Tax impact of change in accounting policy	2(e)	-	-	-	-	321,120	321,120	-	321,120	
IFRS Adjustments				(7,089,858)	82,424	6,708,076	(299,358)	(15)	(299,373)	
Restated balance as at 1st January 2011		3,781,282	4,568,038	-	82,424	40,691,781	49,123,525	(15)	49,123,510	
Comprehensive income for the year										
Profit for the year		-	-	-	-	38,048,367	38,048,367	2,389	38,050,756	
Defined benefit plan actuarial loss, net of tax		-	-	-	-	(25,186)	(25,186)	-	(25,186)	
Total comprehensive income for the year		-	-	-	-	38,023,181	38,023,181	2,389	38,025,570	
Transaction with owners, recorded directly in equity										
Dividends to equity holders	23(b)	-	-	-	-	(9,453,203)	(9,453,203)	-	(9,453,203)	
Share based payment charge		-	-	-	32,925	-	32,925	-	32,925	
Share based payment recharge		-	-	-	(20,815)	-	(20,815)	-	(20,815)	
Unclaimed dividend written back	23(b)	-	-	-	-	57,711	57,711	-	57,711	
Total contributions by and distributions to owners of the Company		-	-	-	12,110	(9,395,492)	(9,383,382)	-	(9,383,382)	
Changes in ownership interests in subsidiaries										
Acquisition of subsidiary with non-controlling interest		-	-	-	-	-	-	13,211	13,211	
Total transactions with owners of the Company		-	-	-	12,110	(9,395,492)	(9,383,382)	13,211	13,211	
Balance at 31st December 2011		3,781,282	4,568,038	-	94,534	69,319,470	77,763,324	15,585	77,778,909	

The notes on pages 30 to 84 are an integral part of these financial statements

Statement of cash flows
For the year ended 31st December

	Notes	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Cash flows from operating activities				
Profit for the year		38,042,714	38,050,756	38,434,033
Adjustments for:				
Depreciation and impairment loss	12	18,151,126	13,749,267	13,181,395
Amortisation of intangible assets	13	379,446	241,718	165,938
Finance income	7(a)	(559,842)	(1,604,864)	(1,593,871)
Finance costs	7(b)	8,867,507	1,604,177	1,448,455
(Loss)/gain on foreign exchange transactions		(1,606,487)	275,705	275,705
Gratuity charge		1,317,125	1,094,328	1,034,450
(Gain)/loss on sale of property, plant and equipment		(12,613)	60,707	55,474
Income tax expense	10(a)	17,581,652	18,347,122	18,709,195
		82,160,628	71,818,916	71,710,774
Change in inventories		(2,542,518)	(228,418)	(2,391,053)
Change in trade and other receivables		(8,027,084)	(3,795,439)	(4,324,293)
Change in prepayments		(202,984)	(172,656)	(236,615)
Change in trade and other payables		14,641,020	10,342,432	19,829,401
Change in deposit for imports		(733,481)	(1,133,415)	(1,133,415)
Cash generated from operating activities		85,295,581	76,831,420	83,454,799
Income tax paid	10(c)	(17,626,681)	(12,522,833)	(12,522,833)
Gratuity paid	25(a)	(1,235,030)	(574,137)	(574,137)
Long service awards paid	25(b)	(241,406)	(207,916)	(207,916)
VAT paid*		(10,303,876)	(9,197,887)	(8,937,704)
Net cash from operating activities		55,888,588	54,328,647	61,212,209
Cash flows from investing activities				
Finance income		559,842	1,329,159	1,318,166
Proceeds from sale of property, plant and equipment		120,250	35,353	646,710
Acquisition of subsidiary, net of cash acquired		-	(64,298,325)	(65,235,106)
Acquisition of property, plant and equipment		(37,896,759)	(17,419,773)	(17,166,583)
Acquisition of intangible assets		-	(210,609)	(210,609)
Net cash used in investing activities		(37,216,667)	(80,564,195)	(80,647,422)
Cash flows from financing activities				
Proceeds from loans and borrowings	24	7,000,000	47,000,000	39,000,000
Repayment of loans and borrowings	24(b)	(9,000,000)	-	-
Interest paid		(7,261,020)	(1,604,177)	(1,448,455)
Dividends paid	23(b)	(21,664,981)	(9,904,407)	(9,904,407)
Net cash used in financing activities		(30,926,001)	35,491,416	27,647,138
Net decrease in cash and cash equivalents		(12,254,080)	9,255,868	8,211,925
Cash and cash equivalents at 1 st January		20,724,342	12,512,417	12,512,417
Cash and Cash equivalents acquired through merger	14	1,043,943	-	-
Cash and cash equivalents at 31st December	21	9,514,205	21,768,285	20,724,342

The notes on pages 30 to 84 are an integral part of these financial statements.

* Value Added Tax (VAT) paid shown separately above has been adjusted for in deriving the change in trade and other payables.

Notes to the financial statements

	Page		
1. Reporting entity	31	18. Inventories	54
2. Basis of preparation	31	19. Trade and other receivables	54
3. Significant accounting policies	32	20. Deposit for imports	54
4. Determination of fair values	43	21. Cash and cash equivalents	54
5. Revenue	43	22. Share capital	55
6. Other income	44	23. Dividends	55
7. Finance income and finance costs	44	24. Loans and borrowings	56
8. Profit before taxation	44	25. Employee benefits	57
9. Personnel expenses	45	26. Share-based payment	61
10. Taxation	46	27. Deferred tax assets and liabilities	62
11. Earnings per share	47	28. Trade and other payables	64
12. Property, plant and equipment	48	29. Financial risk management and financial instruments	64
13. Intangible assets and goodwill	50	30. Operating leases	71
14. Merger	52	31. Contingencies	71
15. Investments	53	32. Related parties	72
16. Other receivables	53	33. Subsequent events	73
17. Prepayments	53	34. Explanation of the transition to IFRS	73

1. Reporting entity

Nigerian Breweries Plc, a public company quoted on the Nigerian Stock Exchange, was incorporated on the 16th November 1946, under the name, Nigerian Brewery Limited. The name was changed on the 7th January 1957, to Nigerian Breweries Limited and thereafter to Nigerian Breweries Plc in 1990 when the Companies and Allied Matters Act of that year came into effect. The Company is a subsidiary of Heineken N.V. of the Netherlands, the latter having a 54.09% interest in the equity of Nigerian Breweries Plc. The address of the Company's registered office is 1, Abebe Village Road, Iganmu, Lagos. The Company is primarily involved in the brewing, marketing and selling of larger, stout, non-alcoholic drinks and soft drinks.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first set of financial statements prepared in accordance with IFRS and IFRS 1 (First-time Adoption of International Financial Reporting Standards) has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 34.

The financial statements were authorized for issue by the Board of Directors on 20th February 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Liabilities for equity-settled share-based payment arrangements
- Defined benefit obligations

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in naira, which is the Company's functional currency. All financial information presented in naira has been rounded to the nearest thousand unless stated otherwise.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 13 – Intangible assets and goodwill
- Note 25 – Measurement of defined benefit obligations
- Note 26 – Share based payments – Long term incentive plan
- Note 29 – Financial risk management and financial instruments
- Note 31 – Contingencies

(e) Change in accounting policy

Prior to 2011, actuarial gains or losses arising from valuations of defined benefit obligation are charged to the statement of comprehensive income over a period of five years. Effective 2011, actuarial gains or losses are recognised in full in the statement of comprehensive income. As a result of this change, the previously unrecognised actuarial losses amounting to ₦1.1 billion as at 31st December 2010 has been recognised directly in retained earnings net of tax. The tax impact of the change is ₦321.1 million.

The table below summarises the adjustments made to the statement of financial position on the implementation of the new accounting policy:

<i>In thousands of naira</i>	Deferred tax liabilities ₦'000	Employee benefits ₦'000	Retained earnings ₦'000
Balances at 1 st January 2011, as previously reported	15,200,257	4,137,051	34,732,984
Impact of the change in accounting policy	(321,120)	1,070,399	(749,279)
Restated balances at 1st January 2011	14,879,137	5,207,450	33,983,705

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at 1st January 2011 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Basis of consolidation

i. Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

ii. Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

iii. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are modified where necessary to align them with the policies adopted by the Company.

iv. Loss of control

On the loss of control, the Company derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Company retains any interest in the previous subsidiary, then such interest is

measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or at cost less impairment losses depending on the level of influence retained.

(b) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

i. Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash balances with banks and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly

attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

ii. Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

iii. Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment was determined by reference to the previous (Nigerian) GAAP revaluation on 30th June 1995 by Knight Frank (Nigeria) – Chartered Surveyors. The Company elected to apply the optional exemption to use the previous revaluation as deemed cost at 1st January 2011, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized as profit or loss in the statement of comprehensive income.

ii. Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold Land	–	Lease period
• Buildings	–	15 to 40 years
• Plant and Machinery	–	5 to 30 years
• Motor Vehicles	–	5 years
• Furniture and Equipment	–	3 to 5 years
• Returnable Packaging Materials	–	5 to 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. The useful life of motor vehicles was re-assessed from three (3) to five (5) years in 2012. The resultant reduction in depreciation charge for the current and future years is as analysed below:

	2012 N'000	2013 N'000	2014 N'000	2015 N'000	2016 N'000
Administrative expenses	108,808	64,627	60,162	33,349	9,159
Marketing and distribution expenses	27,202	16,157	15,040	8,337	2,290

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(e) Intangible assets

i. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 3a (i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

ii. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development

costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after 1st January 2010. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

iii. Other Intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The Company's intangible assets with finite useful lives comprise acquired software and a distribution network acquired as part of a business combination. The acquired distribution network provides the Company with opportunities for increased market penetration.

iv. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific Intangible asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

v. Amortisation of Intangible assets other than goodwill

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, except Goodwill from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative period is as follows:

Computer software	-	7 years
Distribution network (acquired through merger)	-	15 years

(f) Leases

Leased assets

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

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

Lease payments

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

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

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows:

Raw materials, non-returnable packaging materials, spare parts and purchased finished goods - purchase cost on a weighted average basis including transportation and clearing costs.

Brewed finished products and products-in-process - weighted average cost of direct materials, labour costs and a proportion of production overheads based on normal operating capacity.

Inventory-in-transit - purchase cost incurred to date.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

(h) Impairment

i. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an equity accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(i) Employee benefits

i. Defined contribution plan

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

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 6% each of their Basic salary, Transport and Housing Allowances to the

Fund on a monthly basis. The Company's contribution is 11% and 9% of each employee's Basic salary, Transport & Housing Allowances for non-management and management employees respectively.

ii. Gratuity

The Company currently operates two gratuity schemes, a defined benefit scheme and a defined contribution scheme:

(a) Defined benefit gratuity scheme

The Company has a defined benefit gratuity scheme for certain employees. The Company's net obligation in respect of defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. In determining the liability for employee benefits under the defined benefit scheme, consideration is given to future increases in salary rates and the Company's experience with staff turnover.

The recognised liability is determined by an independent actuarial valuation every year using the projected unit credit method. HR Nigeria Limited was engaged as the independent actuary in the current and prior years. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation are recognised fully in Other Comprehensive Income. The effect of any curtailment is recognised in full in the statement of comprehensive income immediately the curtailment occurs. The discount rate is the yield on Federal Government of Nigeria issued bonds that have maturity dates approximating the terms of the Company's obligation. Although the scheme is not funded, the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

(b) Defined contribution gratuity scheme

The Company has a defined contribution scheme for certain employees which is funded through fixed contributions made by the Company over the service life of the employees and charged accordingly as employee benefit expense in profit or loss. The funds are managed and administered by Progress Trust (CPFA) Limited. Progress Trust (CPFA) Limited is a duly registered closed Pension Fund Administrator whose sole activity is the administration of the pension and gratuity (defined benefit contribution) schemes for employees and former employees of the Company. Nigerian Breweries Plc has no recourse to the funds, which is managed in accordance with the Pension Reform Act of 2004 and regulated by the Pension Commission.

iii. Other long-term employee benefits

The Company's other long-term employee benefits represents Long Service Awards scheme instituted for all permanent employees and post-employment medical benefit for pensioners and employees on the defined benefit gratuity scheme including their spouses. The Company's obligations in respect of these schemes are the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Any actuarial gains and losses are recognised in other comprehensive income.

iv. Termination benefits

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

v. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

vi. Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services and has no obligation to settle the share-based payment transaction are accounted for as equity-settled share-based payment transactions. All other share based payment arrangements are accounted for as cash settled. As from 1st January 2006 Heineken N.V, the parent Company, established a share based payment plan for key management personnel, including certain senior management of Nigerian Breweries Plc. The grant date fair value of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) as a capital contribution from Heineken N.V, over the period that the employees become unconditionally entitled to the share rights.

A recharge arrangement exists between Heineken N.V and Nigerian Breweries Plc whereby vested shares delivered to employees' by Heineken N.V are recharged to Nigerian Breweries Plc. The recharge transaction is recognised as an intercompany liability with a corresponding adjustment in equity for the capital contribution recognized in respect of the share-based payment.

At each reporting date, the estimate of the number of share rights that are expected to vest is revised for internal performance conditions. The impact of the revision of original estimates (only applicable for internal performance conditions), if any, is recognised in profit or loss, with a corresponding adjustment to equity. The fair value of the share plan is measured at grant date using the Monte Carlo model taking into account the terms and conditions of the plan.

(j) Provisions and contingent liabilities

Provisions

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

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(k) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, excise duties, sales returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss. Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets except finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets, are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income and deferred tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in profit or loss account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

- i. the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- iii. temporary differences arising on the initial recognition of goodwill.

(n) Earnings per share (EPS)

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

(o) Segment reporting

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

All operating segments' operating results are reviewed regularly by the Executive Committee, which is considered to be the chief operating decision maker for the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Where applicable, Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(p) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortised cost; any difference between the 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. Loans and borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Loans and borrowings, for which the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, are classified as non-current liabilities.

(q) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while finance income is included in investing activities.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*, which is expected to impact the classification and measurement of financial assets. These standards will become mandatory for the Company's 2013 and 2015 financial statements. The Company does not plan to adopt these standards early.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on the quoted market prices for similar items when available and replacement cost based on independent valuation when appropriate.

(ii) Intangible assets

The fair value of the distribution network acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. For short term trade receivables, no disclosure of fair value is presented when the carrying amount is a reasonable approximation of fair value.

(v) Share-based payment transactions

The fair value of the share based payment plan is measured at the grant date using the Monte Carlo model taking into account the terms and conditions of the plan.

(vi) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Revenue

	Company	Group	Company
	2012	2011	2011
	₦'000	₦'000	₦'000
Nigeria	252,482,817	210,889,230	207,120,805
Export	191,396	182,574	182,574
	252,674,213	211,071,804	207,303,379

Nigeria is the Company's primary geographical segment as over 99% of the Company's sales are made in Nigeria. Additionally, all of the Company's sales comprise of brewed products with similar risks and returns. Accordingly, no further business or geographical segment information is reported.

6. Other income

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Sale of scrap	150,824	345,125	119,267
Contract brewing services	1,849,439	-	-
	2,000,263	345,125	119,267

7. Finance income and costs

(a) Interest income represents income earned on bank deposits.

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Interest income on bank deposits	559,842	1,329,159	1,318,166
Net profit on foreign exchange transactions	-	275,705	275,705
Finance income	559,842	1,604,864	1,593,871

(b) Interest expense represents charges paid on bank loan and overdraft facilities utilised during the year.

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Interest expense on loans and borrowings	7,038,678	1,460,979	1,305,257
Interest expense on overdraft	222,342	143,198	143,198
Net loss on foreign exchange transactions	1,606,487	-	-
Finance cost	8,867,507	1,604,177	1,448,455

8. Profit before taxation

(a) Profit before taxation is stated after charging/(crediting):

Notes	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Depreciation of property, plant and equipment	12 16,840,778	13,749,267	13,181,395
Impairment of property, plant and equipment	12 1,310,348	-	-
Amortisation of intangible assets	13 385,979	241,718	165,938
Auditors' remuneration	45,801	55,964	33,264
Personnel expenses	9 23,919,971	18,324,786	17,230,447
Directors' remuneration	8(b) 352,333	325,962	325,962
(Gain)/loss on property, plant and equipment disposed	(12,613)	60,707	55,474
Lease rental payments	30 226,240	223,695	212,213
Royalty and technical assistance fees	8,302,562	7,315,654	7,315,654

(b) Directors' remuneration

Remuneration, excluding certain benefits of directors of the Company, who discharged their duties mainly in Nigeria, is as follows:

	Company 2012 N'000	Group 2011 N'000	Company 2011 N'000
Fees:			
Chairman (non-executive)	1,983	1,893	1,893
Other non-executive directors	8,328	7,138	7,138
	10,311	9,031	9,031
Remuneration as executive directors	342,022	316,931	316,931
	352,333	325,962	325,962

The emolument (excluding pension contributions and certain benefits) of the highest paid director was ₦97,190,048 (2011: ₦70,844,931).

The number of other directors (excluding the Chairman and highest paid director) who received emoluments excluding pension contributions and certain benefits were within the following ranges:

	Company 2012 Number	Group 2011 Number	Company 2011 Number
₦300,001 - ₦ 4,000,000	7	7	7
₦20,000,001 - ₦30,000000	1	-	-
₦30,000,001 and above	4	5	5

9. Personnel expenses

(a) Staff costs including the provision for gratuity liabilities and other long term employee benefits:

	Company 2012 N'000	Group 2011 N'000	Company 2011 N'000
Salaries, wages and allowances	17,191,201	12,795,125	12,074,377
Contributions to defined contribution plans	2,172,253	1,714,299	1,757,350
Expenses related to defined benefit plans	1,535,189	1,047,524	1,047,524
Training, recruitment and canteen expenses	1,944,958	1,394,700	1,371,452
Share based payments expenses	80,805	32,925	32,925
Medical expenses	633,468	418,707	413,855
Other personnel expenses	362,097	921,506	532,964
	23,919,971	18,324,786	17,230,447

(b) The number of persons employed as at 31st December are:

	Company 2012 Number	Group 2011 Number	Company 2011 Number
Production	2,010	1,914	1,380
Distribution	249	209	122
Commercial	480	579	470
General administration	475	614	329
	3,214	3,316	2,301

- (c) Number of employees of the Company as at 31st December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

	Company 2012 Number	Group 2011 Number	Company 2011 Number
₦ 500,000 and below	26	63	39
₦ 500,001 - ₦ 600,000	237	58	28
₦ 600,001 - ₦ 700,000	325	119	24
₦ 700,001 - ₦ 800,000	60	269	6
₦ 800,001 - ₦ 900,000	56	151	7
₦ 900,001 - ₦ 1,000,000	110	117	11
₦ 1,000,001 - ₦ 1,100,000	66	82	3
₦ 1,100,001 - ₦ 1,200,000	12	76	1
₦ 1,200,001 - ₦ 1,300,000	46	85	29
₦ 1,300,001 - ₦ 1,400,000	83	91	68
₦ 1,400,001 - ₦ 1,500,000	83	97	77
₦ 1,500,001 - ₦ 1,600,000	105	111	99
₦ 1,600,001 - ₦ 1,700,000	67	68	58
₦ 1,700,001 - ₦ 1,800,000	80	91	82
₦ 1,800,001 - ₦ 1,900,000	68	79	74
₦ 1,900,001 - ₦ 2,000,000	77	77	74
₦ 2,000,001 - ₦ 2,250,000	173	210	202
₦ 2,250,001 - ₦ 2,500,000	165	211	205
₦ 2,500,001 - ₦ 2,750,000	174	228	227
₦ 2,750,001 - ₦ 3,000,000	194	182	180
₦ 3,000,001 - ₦ 3,500,000	199	163	154
₦ 3,500,001 - ₦ 4,000,000	155	140	134
₦ 4,000,001 - ₦ 5,000,000	206	155	146
₦ 5,000,001 - ₦ 6,000,000	86	79	75
₦ 6,000,001 - ₦ 8,000,000	140	113	110
₦ 8,000,001 - ₦ 10,000,000	43	51	49
₦ 10,000,001 - ₦ 15,000,000	85	82	79
₦ 15,000,001 - ₦ 20,000,000	55	34	32
₦ 20,000,001 - ₦ 30,000,000	32	27	23
₦ 30,000,001 and above	6	7	5
	3,214	3,316	2,301

10. Taxation

(a) Income tax expense

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Current tax expense			
Income tax	15,863,579	16,996,193	16,996,193
Tertiary education tax	1,333,675	1,295,360	1,295,360
	17,197,254	18,291,553	18,291,553
Deferred tax expense			
Origination and reversal of temporary differences	384,398	55,569	417,642
	17,581,652	18,347,122	18,709,195

The tax expense for the year excludes tax on the defined benefit plan actuarial gains/losses recognised in other comprehensive income.

(b) Reconciliation of effective tax rate

	Company 2012 ₦'000		Group 2011 ₦'000		Company 2011 ₦'000	
	%		%		%	
Profit before income tax		55,624,366		56,397,878		57,143,228
Income tax using the statutory tax rate	30.0	16,687,310	30.0	16,919,363	30.0	17,142,968
Impact of tertiary education tax	2.4	1,333,675	2.3	1,295,360	2.3	1,295,360
Effect of tax incentives and exempted income	(0.9)	(492,798)	(0.1)	(31,794)	0.0	-
Non-deductible expenses	0.1	79,985	0.2	122,288	0.3	187,912
Other reconciling items	(0.0)	(26,520)	0.1	41,905	0.1	82,955
	31.6	17,581,652	32.5	18,347,122	32.7	18,709,195

(c) Movement in current tax liability

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000	Company 1 st January 2011 ₦'000
Balance at 1 st January	19,922,977	14,154,257	14,154,257	13,461,573
Payments during the year	(17,626,681)	(12,522,833)	(12,522,833)	(12,977,404)
Charge for the year	17,197,254	18,291,553	18,291,553	13,670,088
Balance at 31st December	19,493,550	19,922,977	19,922,977	14,154,257

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share of 503 kobo (2011: Group – 503 kobo and Company – 508 kobo) is based on the profit attributable to ordinary shareholders of ₦38,042,714,000 (2011: Group- ₦38,050,756,000 and Company- ₦38,434,033,000), and on the 7,562,633,386 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (2011: 7,562,562,340):

	Company 2012	Group 2011	Company 2011
Weighted average number of ordinary shares			
Issued ordinary shares at 1 st January	7,562,562,340	7,562,562,340	7,562,562,340
Effect of issued shares in July 2012	71,046	-	-
Weighted average number of ordinary shares during the year	7,562,633,386	7,562,562,340	7,562,562,340

(b) Diluted earnings per share

Diluted earnings per share of 503 kobo (2011: Group – 503 kobo and Company – 508 kobo) is based on the profit attributable to ordinary shareholders of ₦38,042,714,000 (2011: Group- ₦38,050,756,000 and Company- ₦38,434,033,000), and on the 7,562,704,432 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (2011: 7,562,562,340) after adjustment for the effects of all dilutive potential ordinary shares:

	Company 2012	Group 2011	Company 2011
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares	7,562,562,340	7,562,562,340	7,562,562,340
Effect of issued shares in July 2012	142,092	-	-
Weighted average number of ordinary shares	7,562,704,432	7,562,562,340	7,562,562,340

(c) Dividend declared per share

Dividend declared per share of 300 kobo (2011: 125 kobo) is based on total declared dividend of ₦22,687,687,000 (2011: ₦9,453,203,000) on 7,562,704,432 ordinary shares of 50 kobo each, being the ordinary shares in issue during the year (2011: 7,562,562,340).

12. Property, plant and equipment

The Company

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

	Leasehold Land ₦'000	Buildings ₦'000	Plant and Machinery ₦'000	Motor Vehicles ₦'000	Furniture and Equipment ₦'000	Returnable Packaging Materials ₦'000	Capital Work- In- Progress ₦'000	Total ₦'000
COST								
Balance at 1 st January 2011	1,315,246	22,562,704	82,441,093	6,221,047	4,573,741	-	2,485,150	119,598,981
IFRS Adjustment	-	-	-	-	-	41,455,807	-	41,455,807
Balance at 1st January 2011 (restated)	1,315,246	22,562,704	82,441,093	6,221,047	4,573,741	41,455,807	2,485,150	161,054,788
Additions	9,258	1,000,588	3,529,729	940,307	951,627	8,400,427	2,334,647	17,166,583
Disposals	-	-	(1,045,540)	(363,316)	(26,769)	-	-	(1,435,625)
Transfers from capital work-in-progress	-	338,588	802,675	87,872	511,955	-	(1,741,090)	-
Balance at 31st December 2011	1,324,504	23,901,880	85,727,957	6,885,910	6,010,554	49,856,234	3,078,707	176,785,746
Balance at 1st January 2012	1,324,504	23,901,880	85,727,957	6,885,910	6,010,554	49,856,234	3,078,707	176,785,746
Acquisitions through merger	5,411,813	8,931,163	11,208,773	1,490,131	658,374	2,251,921	186,970	30,139,145
Additions	250,451	668,225	9,451,074	1,408,307	2,465,256	17,420,186	6,233,260	37,896,759
Disposals	(59)	(44,330)	(48,656)	(501,303)	(51,326)	(5,120)	-	(650,794)
Transfers from capital work-in-progress	-	575,171	1,912,393	9,300	966,222	-	(3,463,086)	-
Balance at 31st December 2012	6,986,709	34,032,109	108,251,541	9,292,345	10,049,080	69,523,221	6,035,851	244,170,856
DEPRECIATION AND IMPAIRMENT								
Balance at 1 st January 2011	96,544	6,206,358	33,997,624	5,121,317	1,457,617	-	-	46,879,460
IFRS Adjustment	-	(250,020)	(1,984,022)	-	-	23,073,833	-	20,839,791
Balance at 1st January 2011 (restated)	96,544	5,956,338	32,013,602	5,121,317	1,457,617	23,073,833	-	67,719,251
Depreciation for the year	13,286	755,528	4,864,082	783,591	1,124,296	5,640,612	-	13,181,395
Disposals	-	-	(386,385)	(330,836)	(16,220)	-	-	(733,441)
Balance at 31st December 2011	109,830	6,711,866	36,491,299	5,574,072	2,565,693	28,714,445	-	80,167,205
Balance at 1st January 2012	109,830	6,711,866	36,491,299	5,574,072	2,565,693	28,714,445	-	80,167,205
Acquisitions through merger	375,793	446,821	1,335,543	1,184,933	136,527	567,645	-	4,047,262
Depreciation for the year	145,863	994,955	6,093,094	862,268	1,268,499	7,476,099	-	16,840,778
Impairment	-	-	-	-	-	1,310,348	-	1,310,348
Disposals	(30)	(40,577)	(28,214)	(434,277)	(40,059)	-	-	(543,157)
Balance at 31st December 2012	631,456	8,113,065	43,891,722	7,186,996	3,930,660	38,068,537	-	101,822,436
Carrying amount								
At 1 st January 2011 (restated)	1,218,702	16,606,366	50,427,491	1,099,730	3,116,124	18,381,974	2,485,150	93,335,537
At 31 st December 2011	1,214,674	17,190,014	49,236,658	1,311,838	3,444,861	21,141,789	3,078,707	96,618,541
At 1 st January 2012	1,214,674	17,190,014	49,236,658	1,311,838	3,444,861	21,141,789	3,078,707	96,618,541
At 31 st December 2012	6,355,253	25,919,044	64,359,819	2,105,349	6,118,420	31,454,684	6,035,851	142,348,420

12. Property, plant and equipment (Cont'd)

The Group

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

	Land N'000	Buildings N'000	Plant and Machinery N'000	Motor Vehicles N'000	Furniture and Equipment N'000	Returnable Packaging Materials N'000	Capital Work- In- Progress N'000	Total N'000
COST								
Balance at 1 st January 2011	1,315,246	22,562,704	82,441,093	6,221,047	4,573,741	-	2,485,150	119,598,981
IFRS Adjustment	-	-	-	-	-	41,455,807	-	41,455,807
Balance at 1st January 2011 (restated)	1,315,246	22,562,704	82,441,093	6,221,047	4,573,741	41,455,807	2,485,150	161,054,788
Additions	11,407	1,232,815	3,210,022	952,119	1,278,336	8,400,427	2,334,647	17,419,773
Acquired through business combination	5,411,813	8,696,787	11,528,480	1,478,319	331,665	1,491,720	186,970	29,125,754
Disposals	-	-	(344,853)	(347,516)	(26,769)	-	-	(719,138)
Transfers from capital work-in- progress	-	338,588	951,370	87,872	511,954	-	(1,889,784)	-
Balance at 31st December 2011	6,738,466	32,830,894	97,786,112	8,391,841	6,668,927	51,347,954	3,116,983	206,881,177
DEPRECIATION AND IMPAIRMENT								
Balance at 1 st January 2011	96,544	6,206,358	33,997,624	5,121,317	1,457,617	-	-	46,879,460
IFRS Adjustment	-	(250,020)	(1,984,022)	-	-	23,073,833	-	20,839,791
Balance at 1st January 2011 (restated)	96,544	5,956,338	32,013,602	5,121,317	1,457,617	23,073,833	-	67,719,251
Depreciation for the year	13,552	770,667	5,330,018	880,383	1,114,035	5,640,612	-	13,749,267
Acquired through business combination	375,793	431,416	697,769	1,088,141	146,788	567,645	-	3,307,552
Disposals	-	-	(299,855)	(300,105)	(23,117)	-	-	(623,077)
Balance at 31st December, 2011	485,889	7,158,421	37,741,534	6,789,736	2,695,323	29,282,090	-	83,700,829
Carrying amount								
At 1 st January 2011 (restated)	1,218,702	16,606,366	50,427,491	1,099,730	3,116,124	18,381,974	2,485,150	93,335,537
At 31 st December 2011	6,252,577	25,672,473	60,044,578	1,602,105	3,973,604	22,065,864	3,116,983	123,180,348

- (c) The impairment loss for the year relates to the Heineken bottles (33cl and 60cl) and Heineken crates for the 60cl bottles which were changed during the year. The impairment loss is included in cost of sales in the statement of comprehensive income.
- (d) The Company holds various pieces of land under finance lease arrangements. The maximum tenor of the lease arrangements is 99 years in line with the Land Use Act. The lease amounts were fully paid at the inception of the lease arrangements.
- (e) Capital Work in Progress and borrowing costs
Additions to Capital Work in Progress during the year is analysed as follows:

	Company 2012 N'000	Group 2011 N'000	Company 1 st January 2011 N'000
Plant and Machinery	5,396,100	2,125,369	2,125,369
Buildings	837,160	209,278	209,278
	6,233,260	2,334,647	2,334,647

No borrowing costs were capitalised during the year as the acquisition of property, plant and equipment was not through borrowings (2011: nil).

(f) Capital commitments

Capital expenditure commitments at the year-end authorised by the Board of Directors comprise:

	Company	Group	Company	Company 1 st January
	2012	2011	2011	2011
	N'000	N'000	N'000	N'000
Approved and contracted	5,496,111	4,209,503	3,987,963	631,943
Approved but not contracted	1,728,238	4,990,902	4,791,656	1,237,269
	7,224,349	9,200,405	8,779,619	1,869,212

13. Intangible assets and goodwill

The Company

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

	Goodwill	Software	Distribution Network	Work in Progress	Total
	N'000	N'000	N'000	N'000	N'000
COST					
Balance at 1st January 2011	-	1,369,988	-	-	1,369,988
Additions	-	75,457	-	135,152	210,609
Disposals	-	-	-	-	-
Transfers	-	2,582	-	(2,582)	-
Balance at 31st December 2011	-	1,448,027	-	132,570	1,580,597
Balance at 1st January 2012	-	1,448,027	-	132,570	1,580,597
Acquisition through business combination and merger	50,021,531	-	3,469,433	-	53,490,964
Additions	-	-	-	-	-
Transfers	-	132,570	-	(132,570)	-
Balance at 31st December 2012	50,021,531	1,580,597	3,469,433	-	55,071,561
AMORTISATION					
Balance at 1st January 2011	-	289,352	-	-	289,352
Amortisation for the year	-	165,938	-	-	165,938
Balance at 31st December 2011	-	455,290	-	-	455,290
Balance at 1st January 2012	-	455,290	-	-	455,290
Acquisitions through business combination	-	-	249,252	-	249,252
Amortisation for the year	-	234,429	145,017	-	379,446
Balance at 31st December 2012	-	689,719	394,269	-	1,083,988
Carrying amount					
At 1 st January 2011	-	1,080,636	-	-	1,080,636
At 31 st December 2011	-	992,737	-	132,570	1,125,307
At 1 st January 2012	-	992,737	-	132,570	1,125,307
At 31 st December 2012	50,021,531	890,878	3,075,164	-	53,987,573

The distribution network was acquired in 2011 through the business combination with Sona Systems Associates Business Management Limited and Life Breweries Company Limited from Heineken International B.V.

13. Intangible assets and goodwill (Cont'd)

The Group

(b) The movement on these accounts during the year was as follows

	Goodwill	Software	Distribution	Work in	Total
	₦'000	₦'000	Network	Progress	₦'000
			₦'000	₦'000	
COST					
Balance at 1st January 2011	-	1,369,988	-	-	1,369,988
Additions	-	75,457	-	135,152	210,609
Acquired through business combination	50,021,531	-	3,469,433	-	53,490,964
Disposals	-	-	-	-	-
Transfers	-	2,582	-	(2,582)	-
Balance at 31st December 2011	50,021,531	1,448,027	3,469,433	132,570	55,071,561
AMORTISATION					
Balance at 1st January 2011	-	289,352	-	-	289,352
Acquired through business combination	-	-	173,472	-	173,472
Amortisation for the year	-	165,938	75,780	-	241,718
Balance at 31st December 2011	-	455,290	249,252	-	704,542
Carrying amount					
At 1 st January 2011	-	1,080,636	-	-	1,080,636
At 31 st December 2011	50,021,531	992,737	3,220,181	132,570	54,367,019

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

(d) Effective 17th October 2011, Nigerian Breweries Plc acquired Sona Systems Associates Business Management Limited and Life Breweries Company Limited from Heineken International B.V. The goodwill arises from numerous synergies that can be harnessed from the breweries acquired to maximise value for the Company's shareholders and other stakeholders.

Goodwill arising from the combination in 2011 was computed as follows:

	17th October
	2011
	₦'000
Purchase consideration	65,235,106
Net identifiable assets and liabilities attributable to Nigerian Breweries Plc as at 17 th October 2011 (See Note (e))	(15,213,575)
Goodwill	50,021,531

(e) The net identifiable assets and liabilities acquired include:

	₦'000
Property, plant and equipment	24,894,127
Intangible assets	3,295,961
Inventory	5,249,943
Receivables and prepayments	1,997,482
Amount due from related parties	321,422
Cash and cash equivalents	936,781
Total assets	<u>36,695,716</u>
Other current liabilities	(3,709,239)
Amounts due to related parties	(10,141,101)
Employee benefits	(1,321,659)
Deferred tax liabilities	(6,296,931)
Total liabilities	<u>(21,468,930)</u>
Net assets	15,226,786
Net assets attributable to non-controlling interest at acquisition date	<u>(13,211)</u>
Adjusted net identifiable assets and liabilities	15,213,575
Goodwill on acquisition	<u>50,021,531</u>
Consideration paid, settled in cash	65,235,106
Cash acquired	<u>(936,781)</u>
Net cash outflow	<u><u>64,298,325</u></u>

For the purpose of impairment testing, goodwill is allocated to the Company as the cash generating unit, which represents the lowest level at which the goodwill is monitored for internal management purpose which is not higher than the operating segment.

Goodwill is tested for impairment annually. The recoverable amount of the CGU is based on value in use calculations and was determined by discounting the future cash flows generated from the continuing use of the unit. The value in use in 2011 was determined on a similar basis. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a three year business plan. Cash flows for a further seven year period were extrapolated using expected annual volume growth rates. Management believes that this forecast period is justified due to the long-term nature of the beer business and past experiences.
- The revenue growth per year after the first three year period is assumed to be at the expected annual long-term inflation, based on external sources.
- A pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the unit.

The values assigned to the key assumptions used for the value in use calculations are as follows:

- Pre-tax WACC – 16.2%
- Expected annual long-term inflation (2016 – 2022) – 7.2%
- Expected volume growth rates (2016 – 2022) – 4.9%

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

The useful life of Goodwill at the reporting date is assessed to be indefinite with no impairment losses.

14. Merger

During the year, the Company sought and obtained shareholders' and regulatory approval to merge with both Sona Systems Associates Business Management Limited and Life Breweries Company Limited,

which were acquired from Heineken N.V. in October 2011. The Merger was effected during the year and the financial and operational integration of the acquired entities has since been completed. The assets and liabilities acquired through the merger were as follows:

	₦'000
Property, plant and equipment	26,091,883
Intangible assets	3,220,181
Inventory	2,403,507
Receivables and prepayments	2,113,925
Amount due from related parties	2,948,458
Cash and cash equivalents	1,043,943
Total assets	<u>37,821,897</u>
Amounts due to related parties	(334,434)
Deferred tax liabilities	(5,901,144)
Employee benefits	(720,644)
Other liabilities	(15,365,566)
Total liabilities	<u>(22,321,788)</u>
Net assets	<u><u>15,500,109</u></u>

15. Investments

Investments comprise the following:

	Company	Group	Company	Company
	2012	2011	2011	1st January
	₦'000	₦'000	₦'000	2011
	₦'000	₦'000	₦'000	₦'000
Sona Systems and Life Breweries (Note 13(c))	-	-	65,235,106	-
Progress Trust (CPFA) Limited*	150,000	150,000	150,000	150,000
	<u>150,000</u>	<u>150,000</u>	<u>65,385,106</u>	<u>150,000</u>

* Investment of ₦150,000,000 represents the cost of the Company's 100% equity investment in Progress Trust (CPFA) Limited, incorporated in Nigeria. Progress Trust (CPFA) Limited is licensed by the National Pension Commission to conduct the business of a closed pension fund administrator and manages the pension and gratuity funds of employees and former employees of Nigerian Breweries. The activities of Progress Trust (CPFA) Limited are regulated by the National Pension Commission (Pencom) and the funds are managed in accordance with the Pencom guidelines. The benefits arising from the activities of Progress Trust (CPFA) Limited accrue principally to members of the pension and gratuity schemes and the Company has no exposure to variable returns arising from its involvement. The Company's residual interest in Progress Trust (CPFA) Limited is immaterial. The funds and assets of both the pension and defined contribution gratuity scheme are held by an Independent Licensed Pension Fund Custodian in line with the Pension Reform Act, 2004.

16. Other receivables

Non-current other receivables represent loans granted to the Company's employees, which are secured by the employees' retirement benefit obligations.

17. Prepayments

Non-current and current prepayments mainly represent rental expenses prepaid by the Company.

18. Inventories

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Raw materials	6,700,165	6,342,610	5,805,733	5,001,228
Product in process	2,025,254	2,119,747	1,873,505	1,738,895
Finished products	5,232,002	2,124,554	1,877,749	1,289,857
Non-returnable packaging materials	5,369,942	4,625,985	3,473,056	3,193,688
Spare parts	3,622,025	4,226,279	3,489,798	3,369,238
Goods in transit	1,703,335	2,671,030	2,671,030	2,514,949
	24,652,723	22,110,205	19,190,871	17,107,855

The value of raw materials, non-returnable packaging materials, spare parts, changes in finished products and products in process recognised in cost of sales during the year amounted to ₦117.3 billion (2011: Group – ₦91.6 billion and Company – ₦88.8 billion).

In 2012 and 2011, write-down of inventory to net realisable value amounted to ₦827.0 million and ₦623.0 million respectively and these were included in administrative expenses on the statement of comprehensive income.

19. Trade and other receivables

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Trade receivables	12,518,318	6,884,985	4,821,531	3,492,079
Other receivables	3,669,318	2,146,402	1,639,007	2,395,512
Due from related parties	3,742,257	2,948,458	3,740,000	-
	19,929,893	11,979,845	10,200,538	5,887,591

The Company's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 29.

20. Deposit for imports

Deposits for imports represent foreign currencies purchased for funding of letters of credit in respect of imported raw materials, spare parts and machinery.

21. Cash and cash equivalents

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Bank balances	6,473,608	11,866,492	10,827,097	5,901,627
Call deposits	3,034,947	9,996,163	9,996,163	6,696,989
Cash in hand	5,650	13,810	9,262	9,109
Cash and cash equivalents	9,514,205	21,876,465	20,832,522	12,607,725
Bank overdrafts used for cash management purposes	-	(108,180)	(108,180)	(95,308)
Cash and cash equivalents in the statement of cash flows	9,514,205	21,768,285	20,724,342	12,512,417

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 29.

22. Share capital

(a) Authorised ordinary shares of 50k each

<i>In number of shares</i>	2012	2011
At 1 st January	8,000,000,000	8,000,000,000
At 31 st December	8,000,000,000	8,000,000,000

(b) Issued and fully paid ordinary shares of 50k each

	2012	2011
At 1 st January	7,562,562,340	7,562,562,340
Issued during the year	142,092	-
At 31 st December	7,562,704,432	7,562,562,340

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

On 10th April 2012, the extra-ordinary general meeting of shareholders resolved to issue 142,092 ordinary shares to the minority shareholders of Life Breweries Company Limited at a price of 50k per share. The total value of the shares issued amounted to ₦71,046 and were issued out of the Company's share premium account.

23. Dividends

(a) Declared dividends

The following dividends were declared and paid by the Company during the year:

	2012	2011
	₦'000	₦'000
300 kobo per qualifying ordinary share (2011: 300 kobo)	22,687,687	9,453,203

After the respective reporting dates, the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	2012	2011
	₦'000	₦'000
300 kobo per qualifying ordinary share (2011: 300 kobo)	22,688,113	22,687,687

(b) **Dividend payable**

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
At 1 st January	4,721,958	5,230,873	5,230,873	4,566,910
Declared dividend	22,687,687	9,453,203	9,453,203	26,771,471
Payments	(21,664,981)	(9,904,407)	(9,904,407)	(26,066,087)
Unclaimed dividend transferred to retained earnings	(96,438)	(57,711)	(57,711)	(41,421)
Acquired through business combination	-	7,721	-	-
At 31 st December	5,648,226	4,729,679	4,721,958	5,230,873

- i. Unclaimed dividend transferred to general reserve represents dividend which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with Section 385 of the Companies and Allied Matter Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004.
- ii. As at 31st December 2012, ₦1.5 billion (2011: ₦0.5 billion) of the total dividend payable is held with the Company's registrar, First Registrars Nigeria Limited. The remaining dividend payable of ₦4.2 billion (2011: ₦4.2 billion) represents unclaimed dividends, which have been returned to the Company by the Registrar.

24. Loans and Borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. The borrowings are unsecured. For more information about the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 29.

(a) **Non-current liabilities**

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Opening balance	30,000,000	-	-	-
Bank loans obtained	7,000,000	46,000,000	38,000,000	-
Acquired through merger	8,000,000	-	-	-
Current portion of bank loans (Note (b))	-	(8,000,000)	(8,000,000)	-
	45,000,000	38,000,000	30,000,000	-

(b) **Current liabilities**

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Opening balance	9,000,000	-	-	-
Bank loans	-	1,000,000	1,000,000	-
Current portion of bank loans (Note (a))	-	8,000,000	8,000,000	-
Repayment	(9,000,000)	-	-	-
	-	9,000,000	9,000,000	-

(c) In 2011, the Company entered into loan agreements with six Nigerian banks to finance its working capital. The approved limit of the loan with each of the banks is ₦10 billion (total of ₦60 billion). Each of the loans has a one year revolving tenor for a maximum of five years. Based on the loan agreement, the Company has the option to roll over the loans by giving five days written notice to the banks prior to the anniversary of the final maturity date. The interest rate on the loans during the year ranged from 11.5 percent to 12.5 percent per annum. As at year end, the total amount drawn down on the facilities by the Company amounted to ₦45 billion (2011: Company – ₦38 billion; Group – ₦46 billion). The facility is secured by a negative pledge on the assets of the Company.

25. Employee benefits

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000	Company 1 st January 2011 ₦'000
Present value of unfunded obligation for gratuity	4,306,086	5,802,938	4,421,401	4,469,523
Unrecognised actuarial losses	-	-	-	35,979
Recognized liability for defined benefit obligation (Note (a))	4,306,086	5,802,938	4,421,401	4,505,502
Post-retirement medical plan (Note (b)(iii))	460,751	-	-	-
Long service awards benefit plan (Note (b)(i))	1,199,882	969,098	969,098	711,682
Unrecognised actuarial gains	-	-	-	(92,158)
Recognized liability for other long employee benefits	1,660,633	969,098	969,098	619,524
Total employee benefit liabilities	5,966,719	6,772,036	5,390,499	5,125,026

(a) Movement in the present value of the defined benefit obligation

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000	Company 1 st January 2011 ₦'000
Defined benefit obligations at 1st January	4,421,401	4,505,502	4,505,502	3,136,206
Acquired through merger and business combination	720,644	1,321,659	-	-
Benefits paid by the plan	(1,235,030)	(574,137)	(574,137)	(173,992)
Current service costs and interest (see below)	375,252	585,894	526,016	472,889
Actuarial (gains)/losses recognised in other comprehensive income (tax inclusive) (see note (e))	23,819	(35,980)	(35,980)	-
Impact of policy change	-	-	-	1,070,399
Defined benefit obligations at 31st December	4,306,086	5,802,938	4,421,401	4,505,502

Prior to 2011, actuarial gains or losses arising from valuations of the defined benefit obligation were charged to the statement of comprehensive income over a period of five years. Effective 2011, actuarial gains or losses are recognised in full in the statement of comprehensive income. As a result of this change, the previously unrecognised actuarial losses amounting to ₦1.1 billion as at 31st December 2010 have been recognised directly in retained earnings net of tax. The tax impact of the change is ₦321.1 million.

Defined benefit expense recognised in the statement of comprehensive income for defined benefit obligation

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Current service costs	61,560	124,982	65,104
Interest on obligation	313,692	460,912	460,912
	375,252	585,894	526,016

(b) Movement in other long-term employee benefits

i. The movement on the long service awards benefit plan liability during the year was as follows:

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000	Company 1 st January 2011 ₦'000
Obligation at 1st January	969,098	619,524	619,524	550,280
Charge for the year for long service awards	472,190	557,490	557,490	110,428
Payments	(241,406)	(207,916)	(207,916)	(41,184)
Obligation at 31st December	1,199,882	969,098	969,098	619,524

Defined benefit expense recognized in the statement of comprehensive income for long service awards obligation

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000
Current service costs	106,324	132,560	132,560
Interest on obligation	365,866	424,930	424,930
	472,190	557,490	557,490

ii. The movement on the defined contribution plan obligation during year was as follows:

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000	Company 1 st January 2011 ₦'000
Obligation at 1st January	-	-	-	-
Charge for the year	831,768	674,867	674,867	748,687
Payments	(831,768)	(674,867)	(674,867)	(748,687)
Obligation at 31st December	-	-	-	-

- iii. During the year, the Company introduced a post-employment medical benefit for pensioners and employees on the defined benefit gratuity scheme including their spouses. The liability for this scheme amounted to ₦460.7 million and this amount was recognised in full in the statement of comprehensive income.

(c) **Pension payable**

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

	Company 2012 ₦'000	Group 2011 ₦'000	Company 2011 ₦'000	Company 1 st January 2011 ₦'000
Obligation at 1st January	92,976	91,579	91,579	-
Charge for the year	1,340,485	1,008,663	1,008,663	623,030
Payments	(1,433,461)	(1,007,266)	(1,007,266)	(531,451)
Obligation at 31st December	-	92,976	92,976	91,579

- (d) The employee benefits related expense are recognised in the following line items in the statement of comprehensive income:

	Cost of sales		Administrative expenses		Total	
	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
Defined benefit obligation expense	233,104	331,390	142,148	194,626	375,252	526,016
Pension expense	844,506	635,458	495,979	373,205	1,340,485	1,008,663
Defined contribution plan	524,014	425,166	307,754	249,701	831,768	674,867
Long Service awards expense	297,480	351,219	174,710	206,271	472,190	557,490
Post-employment medical benefit expense	290,273	-	170,478	-	460,751	-
	2,189,377	1,743,233	1,291,069	1,023,803	3,480,446	2,767,036

- (e) Actuarial gains and losses are recognised in other comprehensive income

	Before tax ₦'000	2012 Tax expense ₦'000	After tax ₦'000	Before tax ₦'000	2011 Tax income ₦'000	After tax ₦'000
Defined benefit plans actuarial (gains)/losses	(23,819)	4,466	(19,353)	35,980	(10,794)	25,186

(f) **Actuarial assumptions**

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

	2012	2011
Long term average discount rate (p.a.)	14%	13%
Average pay increase (p.a.)	12%	12%
Average rate of inflation (p.a.)	10%	10%
Average duration (years)	9.45	5.53

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

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

Mortality in service

Sample age	2012	2011
	Number of deaths in year out of 10,000 lives	Number of deaths in year out of 10,000 lives
25	7	11
30	7	12
35	9	13
40	14	19
45	26	33

Mortality in Retirement

Sample age	Number of deaths in year out of 10,000 lives			
	Male		Female	
	2012	2011	2012	2011
65	210	210	96	96
70	325	325	165	165
75	499	499	281	281
80	760	760	474	474

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

Withdrawals/Turnover

It is assumed that all the employees covered by the defined end of service benefit scheme would retire at age 60 (2011: age 60).

(g) Sensitivity analysis

Below is the sensitivity analysis of the principal actuarial assumptions adopted in determining the employee benefit liabilities:

		Gratuity	Long service awards	Post-employment medical benefit	Net periodic benefit cost
		₦'000	₦'000	₦'000	₦'000
Discount rate	-1%	201,660	80,020	27,155	(722)
	+1%	(184,189)	(71,737)	(24,355)	602
Salary increase rate	-1%	(36,178)	(57,489)	-	-
	+1%	36,982	63,206	-	-
Inflation rate	-1%	-	(21,488)	(29,122)	(4,075)
	+1%	-	23,712	32,280	4,489
Mortality rate	-1 year	46,680	66,360	5,867	613
	+1 year	(47,435)	(69,649)	(6,820)	(660)

26. Share-based payment

As from 1st January 2006 Heineken N.V, the parent Company, established a share based payment plan for key management personnel, including certain senior management of Nigerian Breweries Plc. The grant date fair value of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) as a capital contribution from Heineken N.V, over the period that the employees become unconditionally entitled to the share rights. All equity settled share based payment transactions are accounted for in the share based payment reserve account.

A recharge arrangement exists between Heineken N.V and Nigerian Breweries Plc whereby vested shares delivered to employees' by Heineken N.V are recharged to Nigerian Breweries Plc. The recharge transaction is recognised as an intercompany liability with a corresponding adjustment in the share-based payment reserve for the capital contribution recognized in respect of the share-based payment.

All rights are to be settled by delivery of shares. The terms and conditions relating to the grants of the rights are as follows;

Grant date/employees entitled	Number*	Based on share price (Euro)	Vesting conditions	Contractual life of rights
Share rights granted to key management personnel in 2010	2,916	37.98	Continued service, 100% internal performance conditions	3 years
Share rights granted to key management personnel in 2011	2,271	38.82	Continued service, 100% internal performance conditions	3 years
Share rights granted to key management personnel in 2012	5,337	21.90	Continued service, 100% internal performance conditions	3 years

* The number of shares is based on target performance.

The number and weighted average share price per share is as follows:

	Weighted average share price (Euro)	Number of share rights	Weighted average share price (Euro)	Number of share rights
	2012	2012	2011	2011
Outstanding at 1 st January	28.69	16,144	30.11	8,850
Granted during the year	35.77	10,250	16.05	9,565
Vested during the year	21.90	(5,338)	44.22	(2,271)
Outstanding at 31st December	35.39	21,056	28.69	16,144

Employee expenses

	2012 ₦'000	2011 ₦'000
Share rights granted in 2009	-	20,277
Share rights granted in 2010	11,021	6,979
Share rights granted in 2011	42,267	5,669
Share rights granted in 2012	27,517	-
Total expense recognized as employee costs	80,805	32,925
Total value of liability for vested benefits	117,117	94,534

27. Deferred tax liabilities

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Company

	Assets			Liabilities			Net		
	31 st Dec. 2012 N'000	31 st Dec. 2011 N'000	1 st Jan. 2011 N'000	31 st Dec. 2012 N'000	31 st Dec. 2011 N'000	1 st Jan. 2011 N'000	31 st Dec. 2012 N'000	31 st Dec. 2011 N'000	1 st Jan. 2011 N'000
Property, plant and equipment	-	-	-	(23,694,204)	(17,902,193)	(17,365,361)	(23,694,204)	(17,902,193)	(17,365,361)
Intangible assets	-	-	-	(30,160)	(132,570)	-	(30,160)	(132,570)	-
Inventories	138,900	154,769	135,000	-	-	-	138,900	154,769	135,000
Employee benefits	1,854,614	1,710,108	1,305,715	-	-	-	1,854,614	1,710,108	1,305,715
Other items	367,643	70,878	254,532	(1,021,343)	-	(11,252)	(653,700)	70,878	243,280
Net tax assets/(liabilities)	2,361,157	1,935,755	1,695,247	(24,745,707)	(18,034,763)	(17,376,613)	(22,384,550)	(16,099,008)	(15,681,366)

Group

	Assets 2011 N'000	Liabilities 2011 N'000	Net 2011 N'000
Property, plant and equipment	-	(23,837,052)	(23,837,052)
Intangible assets	-	(132,570)	(132,570)
Inventories	154,769	-	154,769
Employee benefits	1,710,108	-	1,710,108
Other items	70,878	-	70,878
Net tax assets/(liabilities)	1,935,755	(23,969,622)	(22,033,867)

Movement in temporary differences during the year

Company

	Balance 1st January 2011 ₦'000	Recognized statement of comprehensive income ₦'000	Balance 31st December 2011 ₦'000	Recognized in statement of comprehensive income ₦'000	Acquired through merger ₦'000	Balance 31st December 2012 ₦'000
Property, plant and equipment	(17,365,361)	(536,832)	(17,902,193)	18,713	(5,810,724)	(23,694,204)
Intangible assets	-	(132,570)	(132,570)	-	102,410	(30,160)
Inventories	135,000	19,769	154,769	15,869	(31,738)	138,900
Employee benefits	1,305,715	404,393	1,710,108	4,205	140,301	1,854,614
Other items	243,280	(172,402)	70,878	(423,185)	(301,393)	(653,700)
	(15,681,366)	(417,642)	(16,099,008)	(384,398)	(5,901,144)	(22,384,550)

Group

	Balance 1st January 2011 ₦'000	Recognized statement of comprehensive income ₦'000	Acquired through business combination ₦'000	Balance 31st December 2011 ₦'000
Property, plant and equipment	(17,365,361)	-	(6,471,691)	(23,837,052)
Intangible assets	-	(132,570)	-	(132,570)
Inventories	135,000	19,769	-	154,769
Employee benefits	1,305,715	229,634	174,759	1,710,108
Other items	243,280	(172,402)	-	70,878
	(15,681,366)	(55,569)	(6,296,932)	(22,033,867)

There are no unrecognised deferred tax assets and liabilities in current and preceding years.

28. Trade and other payables

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Trade payables and accrued expenses	44,619,713	44,708,508	40,687,567	30,155,049
Non-trade payables and accrued expenses	10,672,671	5,090,844	3,991,014	7,206,239
Amount due to related parties	6,400,308	7,556,196	7,221,179	3,954,812
	61,692,692	57,355,548	51,899,760	41,316,100

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

29. Financial risk management and financial instruments

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities. The Committee is assisted in its oversight role by Internal Audit.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the Risk Management Committee to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit undertakes both regular and ad hoc reviews of compliance with established controls and procedures, the results of which are reported to Senior Management of the Company at Assurance meetings.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount			
		Company 2012 N'000	Group 2011 N'000	Company 2011 N'000	Company 1 st January 2011 N'000
Other receivables (non-current)		148,700	71,664	64,429	53,083
Trade and other receivables	19	19,929,893	11,979,845	10,200,538	5,887,591
Cash and cash equivalents	21	9,514,205	21,876,465	20,832,522	12,607,725
		29,592,798	33,927,974	31,097,489	18,548,399

Trade and other receivables

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's credit assessment process includes specified cash deposits by new customers. Credit limits are established for qualifying customers and these limits are reviewed regularly by the Credit Committee. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Credit Committee reviews each customer's credit limit in line with the customers' performance in the preceding quarter and perceived risk factor assigned to the customer.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a key distributor or retail distributor, geographic location, and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's wholesale customers. Customers with no trading activities for a period of up to one year are placed on a dormant customer list, and future sales are made on a prepayment basis only with approval of management.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, customers with outstanding amounts but have not placed orders/traded for a prolonged period of time (usually one year) and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	Company 2012 N'000	Group 2011 N'000	Company 2011 N'000	Company 1 st January 2011 N'000
Trade receivables				
- Major customers	12,273,919	7,314,654	5,355,953	4,240,309
- Others	1,383,648	391,194	286,441	68,317
- Impairment	(1,139,249)	(820,863)	(820,863)	(816,547)
	12,518,318	6,884,985	4,821,531	3,492,079
- Other receivables (non-current)	148,700	71,664	64,429	53,083
- Due from related parties	3,742,257	2,948,458	3,740,000	-
- Others	364,768	539,958	539,958	572,287
	16,774,043	10,445,065	9,165,918	4,117,449

Impairment losses

The aging of trade receivables for the Company at the reporting date was:

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011	Gross 1 st January 2011	Impairment 1 st January 2011
	N'000	N'000	N'000	N'000	N'000	N'000
0-30 days	12,396,476	-	4,653,617	-	3,427,242	-
31-60 days	102,002	25,501	80,212	20,073	16,399	4,099
61-180 days	141,227	95,886	19,007	22,275	130,094	77,470
More than 180 days	1,017,862	1,017,862	889,558	778,515	734,891	734,978
	13,657,567	1,139,249	5,642,394	820,863	4,308,626	816,547

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

	2012 N'000	2011 N'000
Balance at 1 st January	(820,863)	(816,547)
Impairment loss recognised	(318,386)	(4,316)
Balance at 31 st December	(1,139,249)	(820,863)

The impairment loss as at 31st December 2012 relates to several customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analyses of the underlying customers' credit ratings. The impairment loss is included in administrative expenses on the statement of comprehensive income.

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due by up to 30 days. As at the date of these financial statements, over 90 percent of the trade receivable balance, which includes the amount owed by the Company's most significant customer have been collected.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦9.5 billion as at 31st December 2012 (2011: ₦20.8 billion), which represents its maximum credit exposure on these assets.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a clear focus on ensuring sufficient access to capital to finance growth and to refinance maturing debt obligations. As part of the liquidity management process, the Company has various credit arrangements with some banks which can be utilised to meet its liquidity requirements.

Typically the credit terms with customers are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

	Carrying amount ₦'000	Contractual cash flows ₦'000	6 months or less ₦'000	6-12 months ₦'000	1-2 years ₦'000	2-5 years ₦'000
Non-derivative financial liabilities						
31st December 2011						
Unsecured bank loans	39,000,000	50,125,000	6,437,500	7,187,500	11,750,000	24,750,000
Dividend payable	4,255,395	4,255,395	4,255,395	-	-	-
Trade and other payables	51,899,760	51,899,760	51,899,760	-	-	-
Bank overdraft	108,180	108,180	108,180	-	-	-
	95,263,335	106,388,335	62,700,835	7,187,500	11,750,000	24,750,000
31st December 2012						
Unsecured bank loans	45,000,000	59,062,500	2,812,500	2,812,500	28,125,000	25,312,500
Dividend payable	4,153,636	4,153,636	4,153,636	-	-	-
Trade and other payables	61,692,692	61,692,692	61,692,692	-	-	-
	110,846,328	124,908,828	68,658,828	2,812,500	28,125,000	25,312,500

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts, however, as disclosed in note 24, the Company may, by 5 days written notice prior to the final maturity date of the unsecured bank loans, rollover any outstanding loans. If this written notice is not provided as required, the payment of any outstanding loan amount may fall due immediately on maturity.

Guarantees

Contingent liabilities in respect of guarantees provided to certain bankers relating to loans obtained by the staff from the banks amounted to ₦3,427,942,650 (2011: ₦3,949,470,377), which represents its maximum liquidity exposure. The guarantee provided by the Company is backed by the employees' gratuity.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Currency risk

The Company is exposed to currency risk on sales and purchases and borrowings that are denominated in a currency other than the functional currency of the Company, primarily the Naira. The currencies in which these transactions primarily are denominated are Euro, US Dollars (USD) and Pounds Sterling (GBP). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company's export sales are less than 0.2% of the total sales. Thus the exposure to currency risk in that regard is minimal. The Company's significant exposure to currency risk relates to its importation of various raw materials, spares and other property, plant and equipment. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the

longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's transactional exposure to British Pounds (GBP), US Dollar (USD) and Euro was based on notional amounts as follows:

<i>In thousands</i>	31st December 2012			31st December 2011			1st January 2011		
	Euro	GBP	USD	Euro	GBP	USD	Euro	GBP	USD
Financial asset									
Group receivables	11	-	-	56	-	-	10	-	60
Cash and cash equivalent	47	6	61	140	296	119	29	4	64
Deposit for imports	9,306	-	-	5,033	184	-	-	-	-
Financial liability									
Group payables	(16,179)	-	-	(7,568)	-	-	(16,174)	-	-
Net statement of financial position exposure	(6,815)	6	61	(2,339)	480	119	(16,135)	4	124

Sensitivity analysis

A strengthening of the Naira, as indicated below, against the Euro, Dollar and GBP at 31st December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Increase/(decrease) in profit or loss ₦'000
31st December 2012	
Euro (5 percent strengthening)	70,160
GBP (5 percent strengthening)	(70)
USD (5 percent strengthening)	(475)
31st December 31	
Euro (5 percent strengthening)	23,335
GBP (5 percent strengthening)	(5,841)
USD (5 percent strengthening)	(905)

A weakening of the Naira against the above currencies at 31st December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
	₦	₦	₦	₦
Euro	199.80	211.40	204.77	202.08
GB Pounds	246.33	243.45	251.06	241.56
US Dollar	155.44	151.82	155.27	156.2

(d) Interest rate risk profile

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. Dividend pay-out practices seek a balance between giving good returns to shareholders on one hand and maintaining a solid debt/equity ratio on the other hand.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2012	2011
	₦'000	₦'000
Fixed rate instruments		
Financial liabilities	(45,000,000)	(39,000,000)
Variable rate instruments		
Financial liabilities	-	(108,180)

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

Fair value sensitivity analysis for variable rate instruments

A change of 300 basis points in interest rates would have a nil impact on the profit or loss and equity as the Company has no variable rate instruments as at 31st December 2012 (2011: ₦3.2 million).

Cash flow sensitivity analysis for variable rate instruments

For 2011, a change of 300 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by ₦3.2 million. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(e) Operational risk

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

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

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

- documentation of processes, controls and procedures
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified by the risk management committee
- training and professional development of employees
- appropriate segregation of duties, including the independent authorization of transactions
- monitoring of compliance with regulatory and other legal requirements
- requirements for reporting of operational losses and proposed remedial action
- development of contingency plans for various actions
- reconciliation and monitoring of transactions
- development, communication and monitoring of ethical and acceptable business practices
- risk mitigation, including insurance when this is effective.
- monitoring of business process performance and development and implementation of improvement mechanisms thereof

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

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

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

	Company	Group	Company	Company
	2012	2011	2011	1 st January
	N'000	N'000	N'000	2011
				N'000
Total liabilities	160,185,737	157,922,287	137,142,382	81,602,930
Less: cash and cash equivalents	(9,514,205)	(21,876,465)	(20,832,522)	(12,607,725)
Net debt	<u>150,671,532</u>	<u>136,045,822</u>	<u>116,309,860</u>	<u>68,995,205</u>
Total equity	<u>93,447,892</u>	<u>77,778,909</u>	<u>78,304,741</u>	<u>49,279,276</u>
Debt to adjusted capital ratio	1.62	1.75	1.49	1.40

There were no changes in the Company's approach to capital management during the year.

(g) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	31 st December 2012		31 st December 2011	
		Carrying amount	Fair value	Carrying amount	Fair value
		N'000	N'000	N'000	N'000
Assets carried at amortised cost					
Other receivables (non-current)		148,700	148,600	64,429	64,382
Trade and other receivables	19	19,929,893	19,929,893	10,200,538	10,200,538
Deposit for imports	20	1,866,896	1,866,896	1,133,415	1,133,415
Cash and cash equivalents	21	9,514,205	9,514,205	20,832,522	20,832,522
		31,459,694	31,459,594	32,230,904	32,230,857
Liabilities carried at amortised cost					
Unsecured bank loans	24	45,000,000	44,995,613	39,000,000	38,867,024
Dividend payable		4,153,636	4,153,636	4,255,395	4,255,395
Trade and other payables	28	61,692,692	61,692,692	51,899,760	51,899,760
Bank overdraft	21	-	-	108,180	108,180
		110,846,328	110,841,941	95,263,335	95,130,359

The basis for determining fair values is disclosed in Note 4.

Trade and other receivables, deposit for imports, unsecured bank loans and bank overdrafts are the Company's short term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values.

The interest rates used to discount estimated cash flows, where applicable are based on external sources and were as follows:

	2012	2011
Other receivables	14.0%	13.0%
Unsecured bank loans	12.5%	12.5%

30. Operating leases

Leases as lessee

The Company leases a number of offices, warehouse and factory facilities under non-cancellable operating leases. During the year ended 31st December 2012, an amount of ₦226 million was recognized as an expense in profit or loss in respect of operating leases (2011: Company- ₦212 million, Group- ₦223 million). Lease rentals are paid upfront and included in prepayments, which are amortised to the profit and loss over the life of the lease.

31. Contingencies

(a) Guarantees and contingent liabilities

Contingent liabilities in respect of guarantees provided to certain bankers in respect of loans obtained by the staff from the banks amounted to ₦3,427,942,650 (2011: ₦3,949,470,377). This guarantee is backed by employees' gratuity.

(b) Pending litigation and claims

There are certain lawsuits and claims pending against the Company in various courts of law which are being handled by external legal counsels. The contingent liabilities in respect of pending litigation and claims amounted to ₦2,688,438,707 (2011: ₦2,676,202,181) as at 31st December 2012. In the opinion of the Directors and based on independent legal advice, the Company's liabilities are not likely to be material, thus no provision has been made in these financial statements.

(c) Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

32. Related parties

(a) Parent and ultimate controlling entity

As at the year ended 31st December 2012, Heineken Brouwerijen B.V. and Distilled Trading International B.V. owned 37.74% and 16.36% respectively of the issued share capital of Nigerian Breweries Plc. The ultimate holding company is Heineken N.V.

The Company has transactions with its parent, subsidiaries (Sona Systems and Life Breweries who were merged in the current year (see Note 14)) and other related parties who are related to the Company only by virtue of being members of the Heineken Group. The total amounts due to related parties by the nature of the transaction are shown below:

	Transaction value		Balance due (to)/from		
	2012	2011	2012	2011	1 st January 2011
	₦'000	₦'000	₦'000	₦'000	₦'000
Purchases - other related parties	(28,145,445)	(21,964,422)	(3,241,967)	(551,551)	(1,716,846)
Contract brewing services					
- Subsidiaries	-	928,696	-	-	-
- Other related parties	(1,738,567)	-	1,656,389	-	-
Technical Service fees & royalties					
- Parent	(702,941)	(399,735)	(733,799)	(120,861)	(589,688)
- Other related parties	(7,599,621)	(6,915,919)	(2,134,782)	(6,548,877)	(1,466,292)
Sales and others					
- Subsidiaries	-	1,169,687	-	3,740,000	-
- Other related parties	119,032	(76,187)	1,796,108	-	(181,986)

All outstanding balances with these related parties are to be settled in cash within twelve months of the reporting date. None of the balances are secured nor bear interest.

(b) Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, directors and executive officers retire at age 60 and are entitled to receive post-employment benefits.

Executive officers also participate in the Heineken Group share-based payment plan (see note 26(e)) and the Company's long service awards scheme. This programme awards a certain sum of cash benefit which accrues to the recipient on graduated periods of uninterrupted service. Key management personnel compensation comprised:

	2012	2011
	₦'000	₦'000
Short term employee benefits	625,568	545,946
Long term employee benefits:		
Post-employment benefits	19,823	18,107
Termination benefits	11,027	-
Share based payments	22,799	19,623
	679,217	583,676

33. Subsequent events

There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 31st December 2012 that have not been adequately provided for or disclosed in the financial statements.

34. Explanation of transition to IFRS

As stated in note 2(a), these are the Company's first set of financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31st December 2012, the comparative information presented in these financial statements for the year ended 31st December 2011 and in the preparation of an opening IFRS statement of financial position at 1st January 2011 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Nigerian GAAP. An explanation of how the transition from previous Nigerian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of Nigerian GAAP statements to IFRS as at 1st January 2011

Notes	Nigerian GAAP (SAS) ₦'000	Effect of transition to IFRS ₦'000	IFRS ₦'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	B(iii) 72,719,521	20,616,016	93,335,537
Intangible assets	1,080,636	-	1,080,636
Investments	150,000	-	150,000
Other receivables	53,083	-	53,083
Prepayments	C(ii) -	127,693	127,693
Total non-current assets	74,003,240	20,743,709	94,746,949
<i>Current assets</i>			
Inventories	B(a)(i) 21,231,097	(4,123,242)	17,107,855
Trade and other receivables	C(iii) 6,547,370	(659,779)	5,887,591
Prepayments	C(i) -	532,086	532,086
Cash and cash equivalents	12,607,725	-	12,607,725
Total current assets	40,386,192	(4,250,935)	36,135,257
Total assets	114,389,432	16,492,774	130,882,206
Equity			
Share capital	3,781,282	-	3,781,282
Share premium	4,568,038	-	4,568,038
Share based payment reserve	D -	82,424	82,424
Reserves	A 7,089,858	(7,089,858)	-
Retained earnings	E 33,983,705	6,863,827	40,847,532
Equity attributable to owners of the Company	49,422,883	(143,607)	49,279,276
Non-controlling interests	-	-	-
Total equity	49,422,883	(143,607)	49,279,276
Liabilities			
<i>Non-current liabilities</i>			
Employee benefits	D 5,207,450	(82,424)	5,125,026
Deferred tax liabilities	B(b)(ii) 14,879,137	802,229	15,681,366
Total non-current liabilities	20,086,587	719,805	20,806,392
<i>Current liabilities</i>			
Bank overdraft	95,308	-	95,308
Current tax liabilities	14,154,257	-	14,154,257
Dividend payable	5,230,873	-	5,230,873
Trade and other payables	B(a)(ii) 25,399,524	15,916,576	41,316,100
Total current liabilities	44,879,962	15,916,576	60,796,538
Total liabilities	64,966,549	16,636,381	81,602,930
Total equity and liabilities	114,389,432	16,492,774	130,882,206

Reconciliation of Nigerian GAAP statements to IFRS as at 31st December 2011- Company

	Notes	Nigerian GAAP (SAS) N'000	Effect of transition to IFRS N'000	IFRS N'000
Assets				
<i>Non-current assets</i>				
Property, plant and equipment	B(iii)	73,242,710	23,375,831	96,618,541
Intangible assets		1,125,307	-	1,125,307
Investments		65,385,106	-	65,385,106
Other receivables		64,429	-	64,429
Prepayments	C(ii)	-	110,721	110,721
Total non-current assets		139,817,552	23,486,552	163,304,104
<i>Current assets</i>				
Inventories	B(a)(i)	24,056,210	(4,865,339)	19,190,871
Trade and other receivables	C(iii)	11,096,932	(896,394)	10,200,538
Prepayments	C(i)	-	785,673	785,673
Deposit for imports		1,133,415	-	1,133,415
Cash and cash equivalents		20,832,522	-	20,832,522
Total current assets		57,119,079	(4,976,060)	52,143,019
Total assets		196,936,631	18,510,492	215,447,123
Equity				
Share capital		3,781,282	-	3,781,282
Share premium		4,568,038	-	4,568,038
Share based payment reserve	D	-	94,534	94,534
Reserves	A	7,089,858	(7,089,858)	-
Retained earnings	E	62,997,059	6,863,828	69,860,887
Total equity		78,436,237	(131,496)	78,304,741
Liabilities				
<i>Non-current liabilities</i>				
Loans and borrowings		30,000,000	-	30,000,000
Employee benefits	D	5,485,033	(94,534)	5,390,499
Deferred tax liabilities	B(b)(ii)	15,296,780	802,228	16,099,008
Total non-current liabilities		50,781,813	707,694	51,489,507
<i>Current liabilities</i>				
Bank overdraft		108,180	-	108,180
Current tax liabilities		19,922,977	-	19,922,977
Dividend payable		4,721,958	-	4,721,958
Loans and borrowings		9,000,000	-	9,000,000
Trade and other payables	B(a)(ii)	33,965,466	17,934,294	51,899,760
Total current liabilities		67,718,581	17,934,294	85,652,875
Total liabilities		118,500,394	18,641,988	137,142,382
Total equity and liabilities		196,936,631	18,510,492	215,447,123

Reconciliation of Nigerian GAAP statements to IFRS as at 31st December 2011 -Group

	Notes	Nigerian GAAP (SAS) ₦'000	Effect of transition to IFRS ₦'000	IFRS ₦'000
Assets				
<i>Non-current assets</i>				
Property, plant and equipment	B(iii)	98,428,278	24,752,070	123,180,348
Intangible assets and goodwill		54,367,019	-	54,367,019
Investments		150,000	-	150,000
Other receivables		71,664	-	71,664
Prepayments	C(ii)	-	110,721	110,721
Total non-current assets		153,016,961	24,862,791	177,879,752
<i>Current assets</i>				
Inventories	B(a)(i)	27,533,033	(5,422,828)	22,110,205
Trade and other receivables	C(iii)	12,812,080	(832,235)	11,979,845
Prepayments	C(i)	-	721,514	721,514
Deposit for imports		1,133,415	-	1,133,415
Cash and cash equivalents		21,876,465	-	21,876,465
Total current assets		63,354,993	(5,533,549)	57,821,444
Total assets		216,371,954	19,329,242	235,701,196
Equity				
Share capital		3,781,282	-	3,781,282
Share premium		4,568,038	-	4,568,038
Share based payment reserve	D	-	94,534	94,534
Reserves	A	7,089,858	(7,089,858)	-
Retained earnings	E	62,611,393	6,708,077	69,319,470
Equity attributable to owners of the Company		78,050,571	(287,247)	77,763,324
Non-controlling interests	E(i)	15,600	(15)	15,585
Total equity		78,066,171	(287,262)	77,778,909
Liabilities				
<i>Non-current liabilities</i>				
Loans and borrowings		38,000,000	-	38,000,000
Employee benefits	D	6,866,570	(94,534)	6,772,036
Deferred tax liabilities	B(b)(ii)	21,231,638	802,229	22,033,867
Total non-current liabilities		66,098,208	707,695	66,805,903
<i>Current liabilities</i>				
Bank overdraft		108,180	-	108,180
Current tax liabilities		19,922,977	-	19,922,977
Dividend payable		4,729,679	-	4,729,679
Loans and borrowings		9,000,000	-	9,000,000
Trade and other payables	B(a)(ii)	38,446,739	18,908,809	57,355,548
Total current liabilities		72,207,575	18,908,809	91,116,384
Total liabilities		138,305,783	19,616,504	157,922,287
Total equity and liabilities		216,371,954	19,329,242	235,701,196

Reconciliation of comprehensive income for the year ended 31st December 2011 – Company

	Notes	Nigerian GAAP (SAS) ₦'000	Effect of transition to IFRS ₦'000	IFRS ₦'000
Revenue	G(i)	226,228,791	(18,925,412)	207,303,379
Cost of sales	G(ii)	(117,151,711)	18,925,412	(98,226,299)
Gross profit		109,077,080	-	109,077,080
Other income		119,267	-	119,267
Marketing and distribution expenses		(32,859,716)	-	(32,859,716)
Administrative expenses	F(i)	(19,088,300)	(250,519)	(19,338,819)
Results from operating activities		57,248,331	(250,519)	56,997,812
Finance income	F(iii)	1,318,166	275,705	1,593,871
Finance costs		(1,448,455)	-	(1,448,455)
Net finance (costs)/income		(130,289)	275,705	145,416
Profit before taxation		57,118,042	25,186	57,143,228
Taxation		(18,709,195)	-	(18,709,195)
Profit for the year after tax		38,408,847	25,186	38,434,033
Other comprehensive income				
Defined benefit plan actuarial gain/(loss)		-	(35,980)	(35,980)
Tax on other comprehensive income		-	10,794	10,794
Other comprehensive income for the year, net of tax	F(ii)	-	(25,186)	(25,186)
Total comprehensive income for the year		38,408,847	-	38,408,847
Earnings per share				
Basic earnings per share (kobo)		508	-	508
Diluted earnings per share (kobo)		508	-	508

Reconciliation of comprehensive income for the year ended 31st December 2011 – Group

	Notes	Nigerian GAAP (SAS) ₦'000	Effect of transition to IFRS ₦'000	IFRS ₦'000
Revenue	G(i)	230,123,215	(19,051,411)	211,071,804
Cost of sales	G(ii)	(120,361,199)	19,051,411	(101,309,788)
Gross profit		109,762,016	-	109,762,016
Other income		345,125	-	345,125
Marketing and distribution expenses		(33,020,725)	-	(33,020,725)
Administrative expenses	F(i)	(20,438,706)	(250,519)	(20,689,225)
Results from operating activities		56,647,710	(250,519)	56,397,191
Finance income	F(iii)	1,329,159	275,705	1,604,864
Finance costs		(1,604,177)	-	(1,604,177)
Net finance (costs)/income		(275,018)	275,705	687
Profit before taxation		56,372,692	25,186	56,397,878
Taxation		(18,347,122)	-	(18,347,122)
Profit for the year after tax		38,025,570	25,186	38,050,756
Other comprehensive income				
Defined benefit plan actuarial gain/(loss)		-	(35,980)	(35,980)
Tax on other comprehensive income		-	10,794	10,794
Other comprehensive income for the year, net of tax	F(ii)	-	(25,186)	(25,186)
Total comprehensive income for the year		38,025,570	-	38,025,570
Profit for the year attributable to:				
Owners of the Company		38,023,181	25,186	38,048,367
Non-controlling interests		2,389	-	2,389
Profit for the year		38,025,570	25,186	38,050,756
Total comprehensive income for the year attributable to:				
Owners of the Company		38,023,181	-	38,023,181
Non-controlling interests		2,389	-	2,389
Total comprehensive income for the year		38,025,570	-	38,025,570
Earnings per share				
Basic earnings per share (kobo)		503	-	503
Diluted earnings per share (kobo)		503	-	503

Reconciliation of statement of cash flows for the year ended 31st December 2011 - Company

	Nigerian GAAP (SAS) ₦'000	Effect of transition to IFRS ₦'000	IFRS ₦'000
Cash flows from operating activities			
Profit for the year	38,408,847	25,186	38,434,033
Adjustments for:			
Depreciation and impairment loss	7,540,783	5,640,612	13,181,395
Amortisation of intangible assets	165,938	-	165,938
Finance income	(1,318,166)	(275,705)	(1,593,871)
Finance costs	1,448,455	-	1,448,455
Gain/(loss) on foreign exchange transactions	-	275,705	275,705
Gratuity charge	1,059,636	(25,186)	1,034,450
(Gain)/loss on sale of property, plant and equipment	55,474	-	55,474
Income tax expense	18,709,195	-	18,709,195
	66,070,162	5,640,612	71,710,774
Change in inventories	(2,825,113)	434,060	(2,391,053)
Change in trade and other receivables	(4,560,909)	236,616	(4,324,293)
Change in prepayments	-	(236,615)	(236,615)
Change in trade and other payables	17,503,647	2,325,754	19,829,401
Change in deposit for imports	(1,133,415)	-	(1,133,415)
Cash generated from operating activities	75,054,372	8,400,427	83,454,799
Income tax paid	(12,522,833)	-	(12,522,833)
Gratuity paid	(574,137)	-	(574,137)
Long service awards paid	(207,916)	-	(207,916)
VAT paid	(8,937,704)	-	(8,937,704)
Net cash from operating activities	52,811,782	8,400,427	61,212,209
Cash flows from investing activities			
Finance income	1,318,166	-	1,318,166
Proceeds from sale of property, plant and equipment	646,710	-	646,710
Acquisition of subsidiary, net of cash acquired	(65,235,106)	-	(65,235,106)
Acquisition of property, plant and equipment	(8,766,156)	(8,400,427)	(17,166,583)
Acquisition of intangible assets	(210,609)	-	(210,609)
Net cash used in investing activities	(72,246,995)	(8,400,427)	(80,647,422)
Cash flows from financing activities			
Proceeds from loans and borrowings	39,000,000	-	39,000,000
Interest paid	(1,448,455)	-	(1,448,455)
Dividends paid	(9,904,407)	-	(9,904,407)
Net cash (used)/generated in/(from) financing activities	27,647,138	-	27,647,138
Net decrease in cash and cash equivalents	8,211,925		8,211,925
Cash and cash equivalents at 1 st January	12,512,417	-	12,512,417
Cash and cash equivalents at 31st December	20,724,342	-	20,724,342

Reconciliation of statement of cash flows for the year ended 31st December 2011 - Group

	Nigerian GAAP (SAS) ₦'000	Effect of transition to IFRS ₦'000	IFRS ₦'000
Cash flows from operating activities			
Profit for the year	38,025,570	25,186	38,050,756
Adjustments for:			
Depreciation and impairment loss	8,108,655	5,640,612	13,749,267
Amortisation of intangible assets	241,718	-	241,718
Finance income	(1,329,159)	(275,705)	(1,604,864)
Finance costs	1,604,177	-	1,604,177
Gain/(loss) on foreign exchange transactions	-	275,705	275,705
Gratuity charge	1,119,514	(25,186)	1,094,328
(Gain)/loss on sale of property, plant and equipment	60,707	-	60,707
Income tax expense	18,347,122	-	18,347,122
	66,178,304	5,640,612	71,818,916
Change in inventories	(1,051,992)	823,574	(228,418)
Change in trade and other receivables	(3,968,095)	172,656	(3,795,439)
Change in prepayments	-	(172,656)	(172,656)
Change in trade and other payables	8,406,191	1,936,241	10,342,432
Change in deposit for imports	(1,133,415)	-	(1,133,415)
Cash generated from operating activities	68,430,993	8,400,427	76,831,420
Income tax paid	(12,522,833)	-	(12,522,833)
Gratuity paid	(574,137)	-	(574,137)
Long service awards paid	(207,916)	-	(207,916)
VAT paid	(9,197,887)	-	(9,197,887)
Net cash from operating activities	45,928,220	-	54,328,647
Cash flows from investing activities			
Finance income	1,329,159	-	1,329,159
Proceeds from sale of property, plant and equipment	35,353	-	35,353
Acquisition of subsidiary, net of cash acquired	(64,298,325)	-	(64,298,325)
Acquisition of property, plant and equipment	(9,019,346)	(8,400,427)	(17,419,773)
Acquisition of intangible assets	(210,609)	-	(210,609)
Net cash used in investing activities	(72,163,768)	(8,400,427)	(80,564,195)
Cash flows from financing activities			
Proceeds from loans and borrowings	47,000,000	-	47,000,000
Interest paid	(1,604,177)	-	(1,604,177)
Dividends paid	(9,904,407)	-	(9,904,407)
Net cash (used)/generated in/(from) financing activities	35,491,416	-	35,491,416
Net decrease in cash and cash equivalents	9,255,868	-	9,255,868
Cash and cash equivalents at 1 st January	12,512,417	-	12,512,417
Cash and cash equivalents at 31st December	21,768,285	-	21,768,285

A. Deemed Cost

At 30 June 1995, the Company revalued Buildings and Plant and Machinery under previous Nigerian GAAP. On transition to IFRS the Company elected to apply the optional exemption to use that previous revaluation as deemed cost under IFRS. The revaluation reserve amounting to ₦7.1 billion as at 1 January 2011 and 31 December 2011 were reclassified to retained earnings. Except for the reclassification, this had no impact on the financial statements.

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
Revaluation reserve for property, plant and equipment	7,089,858	7,089,858	7,089,858
Net adjustment to retained earnings	7,089,858	7,089,858	7,089,858

B. Property, plant and equipment (PPE), inventory, and trade and other payables

The effect of transition to IFRS on PPE can be summarized below:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
i RPM reclassified from inventory (Note (a) below)	22,065,864	21,009,773	18,381,974
ii Impact of componentization (Note (b)(i) below)	2,686,206	2,366,058	2,234,042
iii Net impact on NBV of PPE	24,752,070	23,375,831	20,616,016

- (a) Under the previous Nigerian GAAP, the Company's returnable packaging materials (RPM) were classified as inventories. On transition to IFRS, the value of the returnable packaging materials were reclassified from inventories to property, plant and equipment (PPE) and the appropriate liability was recognized in the financial statements for deposits made by customers in respect of returnable packaging materials held by them. Except for the reclassification this had no impact on the financial statements.

The impact of the above is summarized as follows:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
Gross book value of RPM	51,347,954	49,856,234	41,455,807
Accumulated depreciation of RPM	(29,282,090)	(28,846,461)	(23,073,833)
Property, plant and equipment (Note B (i))	22,065,864	21,009,773	18,381,974
i Inventories	(5,422,828)	(4,865,339)	(4,123,242)
ii Trade and other payables - liability for RPM	(18,908,809)	(17,934,294)	(15,916,576)
Net adjustment to retained earnings	(2,265,773)	(1,789,860)	(1,657,844)

- (b) Under the previous Nigerian GAAP, the Company's PPE were not componentised in its asset register. IAS 16 requires a component approach for depreciation when assets comprise individually significant components for which different useful lives or depreciation rates are appropriate. The impact of componentisation on useful life and depreciation of PPE on transition to IFRS is summarized below:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
i Property, plant and equipment (Note B (ii))	2,686,206	2,366,058	2,234,042
ii Tax impact of componentisation of PPE	(802,229)	(802,229)	(802,229)
Net adjustment to retained earnings	1,883,977	1,563,829	1,431,813

- (c) The impact of above is an increase of ₦8.4 billion on the cash generated from 'operating activities' and a reduction of the same amount in the cash used for 'investing activities' on the statement of cash flows.

C. Trade and other receivables

As part of the accounting policies under the previous Nigerian GAAP, prepayments were included as part of trade and other receivables. On transition to IFRS, the value of the short and long term prepayments was reclassified from trade and other receivables. The impact of the above is summarized as follows:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
i Prepayments (current)	721,514	785,673	532,086
ii Prepayments (non-current)	110,721	110,721	127,693
iii Trade and other receivables	(832,235)	(896,394)	(659,779)
	-	-	-

This resulted in a nil impact on the statement of cash flows.

D. Employee benefits

Under the previous Nigerian GAAP, liability for share-based payment transactions with Heineken N.V. was classified as employee benefits. On transition to IFRS, the liability was reclassified from employee benefits to share-based payment reserve. The impact of the above is summarized as follows:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
Employee benefits	94,534	94,534	82,424
Net impact on share-based payment reserve	94,534	94,534	82,424

This has a nil impact on the statement of cash flows.

E. Retained earnings

The above changes decreased/(increased) retained earnings (each net of related tax) as follows:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000	Company 1-Jan-11 ₦'000
Balance per Nigerian GAAP	62,611,393	62,997,060	33,983,705
<i>IFRS Adjustments:</i>			
Reclassification of RPM (Note (B)(a) above)	(2,265,773)	(1,789,860)	(1,657,844)
Impact of componentisation of PPE (Note (B)(b) above)	1,883,977	1,563,829	1,431,813
Reclassification of revaluation reserves (Note (A) above)	7,089,858	7,089,858	7,089,858
i Non-controlling interest	15	-	-
	6,708,077	6,863,827	6,863,827
Balance per IFRS	69,319,470	69,860,887	40,847,532

F. Administrative expenses and finance income

Under the previous Nigerian GAAP, foreign exchange gain and defined benefit actuarial loss was set off from administrative expenses. On transition to IFRS, foreign exchange gain and defined benefit actuarial loss was reclassified to finance income and other comprehensive income respectively. The impact of the above is summarized as follows:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000
i Administrative expenses	250,519	250,519
ii Other comprehensive income	25,186	25,186
iii Finance income	(275,505)	(275,505)
	-	-

G. Revenue and Cost of sales

Under the previous GAAP, Revenue was stated at the value of products delivered to customers, net of value added tax, sales returns, trade discounts and volume rebates. However, on transition to IFRS, Revenue is stated net of Value Added Tax, excise duties, sales returns, trade discounts and volume rebates. As a result of this change, the value of excise duties previously classified as cost of sales has been reclassified to revenue. The impact of the above is summarized as follows:

	Group 31-Dec-11 ₦'000	Company 31-Dec-11 ₦'000
i Revenue	19,051,411	18,925,412
ii Cost of sales	(19,051,411)	(18,925,412)
	-	-

Reclassification within statement of financial position and cash flow statement

The Company previously classified and presented certain items and figures in line with the presentation format under the Nigerian GAAP. Under IFRS, certain comparative figures have been presented as additional line items in the statement of financial position in line with the presentation format adopted under IFRS. These reclassifications had no net impact on the statements of financial position and cash flows.

Additional Information

Value Added Statement For the year ended 31st December

	Company 2012 ₦'000		Group 2011 ₦'000		Company 2011 ₦'000	
Revenue	252,674,213		211,071,804		207,303,379	
Bought in materials and services						
- Imported	(28,145,445)		(31,310,201)		(28,555,556)	
- Local	(99,135,061)		(72,369,931)		(72,391,272)	
	125,953,812		107,391,672		106,356,551	
Other income	2,000,263		345,125		119,267	
Finance income	559,842		1,604,864		1,593,871	
Value added by operating activities	127,953,812		109,341,661		108,069,689	
Distribution of Value Added		%		%	%	
To Government as:						
Taxes and duties	38,567,162	30	37,398,532	34	37,634,607	35
To Employees:						
Salaries, wages, fringe and end of service benefits	23,919,971	19	18,324,786	17	17,230,447	16
To Providers of Finance:						
- Dividends to shareholders	-		-		-	
- Finance cost	8,867,507	7	1,604,177	1	1,448,455	1
Retained in the Business						
To maintain and replace;						
- Property, plant and equipment	18,151,126	14	13,749,267	13	13,181,395	12
- Intangible assets	385,979	0	241,718	0	165,938	0
To augment reserves	38,062,067	30	38,023,181	35	38,408,847	36
Value added	127,953,812	100	109,341,661	100	108,069,689	100

Company Three-Year Financial Summary
For the Year Ended 31st December

	2012	2011	2010
	₦'000	₦'000	₦'000
Revenue	252,674,213	207,303,379	169,845,881
Results from operating activities	63,932,031	56,997,812	45,392,791
Profit before taxation	55,624,366	57,143,228	44,880,248
Profit for the year	38,042,714	38,434,033	30,332,118
Comprehensive income for the year	38,062,067	38,408,847	30,332,118
Employment of Funds			
Property, plant and equipment	142,348,420	96,618,541	93,335,537
Intangible assets	53,987,573	1,125,307	1,080,636
Investments	150,000	65,385,106	150,000
Other receivables	148,700	64,429	53,083
Prepayments	132,309	110,721	127,693
Net current liabilities	(29,967,841)	(33,509,856)	(24,793,297)
Loans and borrowings	(45,000,000)	(30,000,000)	-
Employee benefits	(5,966,719)	(5,390,499)	(5,125,026)
Deferred tax liabilities	(22,384,550)	(16,099,008)	(15,549,350)
Net assets	93,447,892	78,304,741	49,279,276
Funds Employed			
Share capital	3,781,353	3,781,282	3,781,282
Share premium	4,567,967	4,568,038	4,568,038
Share based payment reserve	152,536	94,534	82,424
Retained earnings	84,946,036	69,860,887	40,847,532
	93,447,892	78,304,741	49,279,276
Earnings per share	503	508	401
Share price at year end (Naira)	147.0	94.42	77.10
Declared dividend per share	300	125	115
Dividend coverage (times)	1.68	4.06	1.13
Net assets per share (kobo)	1,236	1,035	652

Shareholders' Information

Substantial Interest in Shares:

According to the Register of Members, the following shareholders held more than 5% of the issued share capital of the Company on 31st December, 2012.

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Percentage</u>
Heineken Brouwerijen BV	2,853,760,692	37.73
Distilled Trading International BV	1,237,500,160	16.36
Stanbic Nominees Nigeria Limited	1,071,386,512	14.17

Statistical Analysis of Shareholding

- (a) The issued and fully paid-up Share Capital of the Company as at 31st December, 2012 was 7,562,704,432 Ordinary Shares of 50 kobo each. According to the Register of Members, two companies within the Heineken NV Group - Heineken Brouwerijen BV (2,853,760,692 shares, representing 37.73%) and Distilled Trading International BV (1,237,500,160 shares representing 16.36%) - and Stanbic Nominees Nigeria Limited (1,071,386,512 shares, representing 14.17%), held more than 10% of the Issued Share Capital as at 31st December, 2012. The remaining 2,400,057,068 shares (representing 31.74%) were held by other individuals and institutions.
- (b) The Registrars advised that the range of shareholding as at 31st December, 2012 was as follows:

Range	No. of Holders	 Holders (%)	Units	Units (%)
1 - 1,000	43,850	37.44	21,297,433	0.28
1,001 - 5,000	33,005	28.18	83,983,631	1.11
5,001 - 10,000	10,713	9.15	79,396,344	1.05
10,001 - 50,000	21,016	17.94	521,143,721	6.89
50,001 - 100,000	5,690	4.86	408,585,985	5.40
100,001 - 500,000	2,427	2.07	470,951,660	6.23
500,001 - 1,000,000	235	0.20	163,485,050	2.16
1,000,001 - 5,000,000	176	0.15	331,314,794	4.38
5,000,001 - 50,000,000	19	0.02	240,757,036	3.18
50,000,001 - 500,000,000	1	0.00	79,141,412	1.06
500,000,001 - 7,562,704,430	3	0.00	5,162,647,364	68.26
	117,135	100.00	7,562,704,430	100.00

Shareholders' Information (Cont'd)

Scrip Issues

Date Issued	Ratio
19 June 1976	One for two
26 February 1977	One for one
25 February 1978	One for five
11 July 1979	One for three
28 June 1980	One for four
19 June 1981	One for four
29 June 1983	One for four
25 June 1986	One for two
27 June 1990	One for three
30 June 1993	One for one
28 June 1995	One for one
30 June 1999	Two for three
27 June 2002	One for one
30 June 2004	One for one

Shareholders' Information (Cont'd)

Dividend Overview

Members are hereby informed that Nigerian Breweries Plc declared the following dividends in the last twelve years:

<u>Year</u>	<u>Dividend No.</u>	<u>Profit after taxation ₦'000</u>	<u>Dividend ₦'000</u>	<u>Dividend per share kobo</u>	<u>Date approved</u>
2000	78	4,254,776	2,985,330	158	20 th June, 2001
2001	79	4,535,044	4,253,827	225	27 th June, 2002
2002	80	7,296,446	7,940,528	210	25 th June, 2003
2003	81	7,352,287	4,159,409	110	30 th June, 2004
2004	82	5,086,403	3,025,025	40	6 th July, 2005
2005	83 (Interim)		2,890,641	25	23 rd November, 2005
2005	84	8,254,557	6,050,050	80	3 rd May, 2006
2006	85 (Interim)		3,025,025	40	3 rd October, 2006
2006	86	10,900,524	7,865,064	104	23 rd May, 2007
2007	87 (Interim)		4,159,409	55	19 th September, 2007
2007	88	18,942,856	14,746,997	195	28 th May, 2008
2008	89 (interim)		7,562,752	100	16 th September, 2008
2008	90 (Interim)		14,368,868	190	4 th December, 2008
2009	91	25,700,593	3,781,281	50	20 th May 2009,
2009	92 (Interim)		9,831,331	130	20 th May 2009,
2010	93 (Interim)		11,343,844	150	13 th January, 2010
2010	94	27,910,091	6,730,680	89	19 th May, 2010
2010	95 (Interim)		8,696,497	115	19 th May, 2010
2011	96	30,332,118	9,453,203	125	18 th May, 2011
2012	97	38,408,846	22,687,687,020	300	16 th May, 2012

Unclaimed dividend warrants and share certificates.

We hereby notify our numerous shareholders that some dividends arising from the list above have remained unclaimed as per our records. Also, a number of share certificates have been returned to us as unclaimed because the addresses on them could not be traced or the shareholders did not collect them from the Post Office in good time. The affected shareholders are hereby requested to contact the Registrars, First Registrars Nigeria Ltd, Plot 2 Abebe Village Road, Iganmu, P.M.B. 12693, Marina, Lagos, Nigeria.

Major Customers

1	A A Aladinbuli & Co Ltd	49	J C Onoh & Co Ltd	97	Usema Trading Company
2	A A Nwaodo & Sons	50	J Egwumba & Sons	98	Valid Technical Services Ltd
3	A N Okonkwo & Co Nig Ltd	51	J Jocac Company Nig Ltd	99	Wilson Obioha & Sons
4	A O Amuta & Sons Trading Co Ltd	52	J O Akushie Enterprises	100	Wisaku Services Ltd
5	A S Yakubu & Sons Nig Ltd	53	J O Azubogu Nig Ltd		
6	Abikka Trading Co. Ltd	54	J Ogungbola & Sons Ltd		
7	Achison Resources Limited	55	Jekok Nigeria Limited		
8	Adukrem Comm. Enterprise	56	Jerry Okonkwo Ent		
9	Akajiugo A O Okeke & Sons limited	57	Jolly Cool		
10	Aust-Verly & Sons Nig Ltd	58	Ken Maduakor Group Ltd		
11	Avutu Trading & Transport Co	59	Langfield Ltd		
12	B I Onyeka & Sons	60	Lexican Investment Limited		
13	Barthosa & Sons Enterprises	61	Magulf Global Enterprises Limited		
14	Benji Business Enterprises	62	Martin Ugwu & Sons		
15	Bufa Investment Co Ltd - EN	63	Mawlat Ventures Ltd		
16	C N Anyoha & Sons Ltd	64	Mekus Stores Nig Ltd		
17	C Nwaubani & Sons Ltd	65	Modafe & Sons Ent		
18	Cas Marine Services	66	Modupe Stores		
19	Cele-Oque Enterprises	67	Muscle Group Of Comp Nig Ltd		
20	Chemek Oparacho	68	ND and NK Investment Ltd		
21	Chidi Ndupu Nig Enterprises	69	Ngozi Stores		
22	Chrisemua & Sons Ltd	70	Nkob & Nfmgbab Stores Ltd		
23	Cryslad Nigeria Ltd	71	Nze Edmund Eze		
24	Dacamca Hotel	72	Oficon Nig Ltd		
25	Dadlams Ventures Limited	73	Ofoma & Bros Trading Co		
26	Dan Development Co Ltd	74	Ogedegbe Abunukeke & Sons Ltd		
27	D-Dey Ltd	75	Onike Stores		
28	De-Chimex Enterprises-ABJ	76	Onna Nig Enterprises		
29	Donrose Nig Ent	77	Oruche Stores Limited		
30	E N Onwugbufor & Sons Nig Ltd	78	Our Line Ltd		
31	Ebony Investment	79	P N Dibor & Company Ltd		
32	Edla Stores	80	Pabikson Nigeria Limited		
33	Emma- Star Enterprises Nig Ltd	81	Paddyman Nig Ltd		
34	Em-Mac Resources Ltd	82	Patrick Telford		
35	Ese & Ehis Ventures Ltd	83	Pauline-Chimex Enterprises Ltd		
36	Eso-Penco Int Ltd	84	R Iloks Trading Co		
37	Esthersons Global Services Limited	85	R N Okeke & Sons		
38	Eze Libra Limited	86	R. Olabo		
39	Ezionye Enterprises Nig Ltd	87	Raifu Olaiya & Sons Ltd		
40	F U Aloma & Sons Nig Ltd	88	Redemption Resources Inter Ltd		
41	G A Dike And Sons Ltd	89	Remcollins Ventures Ltd		
42	Goddy Worlu & Sons	90	Scheme Pack Ltd		
43	High Towers Global Alliance Co. Ltd	91	Spreadout Ventures Ltd		
44	Hotel De James	92	Steve Imafidon & Sons Ltd		
45	Ifekwesi Ventures Ltd	93	Tasho Nig. Ltd		
46	Ifeoma Chukwuka Nig Ltd	94	Tendy Nig Ltd		
47	Innovation Era Nig Ltd	95	Thames Aghedo Enterprises		
48	J A Alagbe & Sons Ltd	96	Uche Development Stores		