



2005 Annual Report & Accounts



**passion for winning**

**CADBURY NIGERIA PLC**  
*...in pursuit of excellence* RC 4151

# Nourishment

...even more  
essential vitamins  
and minerals  
with a richer  
chocolatey taste



Chocolatey Nourishment for Tomorrow's Leaders - **Bournvita**



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# Our Mission

Our mission in Cadbury Nigeria Plc is to serve the consumer with products of consistently high quality, made readily available at prices which offer real value for the money spent.

In its relations with stakeholders and business associates, the Company is guided by an unwavering commitment to the pursuit of excellence as the basis for current success and future growth.

# Corporate Information



## Chairman

Uduimo Itsueli

## Managing Director & Chief Executive

Olubunmi Oni

## Directors

Ayodele Akadiri  
Andrew Baker (British)  
Tejumola Bogunjoko  
Olatunde Falase  
Raymond Ihyembe  
Abiodun Jaji  
Christopher Okeke  
Gabriel Onabote  
Olusegun Oyewole  
Matthew Shattock (British)

## Alternate Director

Noah Franklin (British) - Alternate to Matthew Shattock

## Secretary

Moudu Ugbodaga

## Registered Office

Lateef Jakande Road,  
Agidingbi, Ikeja,  
Lagos.

## Website

[www.cadburynigeria.com](http://www.cadburynigeria.com)

## Contact Information

Email: [cadburynigeria@csplc.com](mailto:cadburynigeria@csplc.com)

Tel: +234-1-2717777

Fax: 234-1-2717798

## Registrar & Transfer Office

Union Registrars Ltd.  
2, Burma Road,  
Apapa, Lagos.  
Tel: +234-1-5871318, +234-1-5877305  
Fax: +234-1-5450058, +234-1-5803367  
email: [registrar@unionregistrars.com](mailto:registrar@unionregistrars.com)

## Auditors

Akintola Williams Deloitte  
Chartered Accountants,  
235, Ikorodu Road, Ilupeju, Lagos.  
Tel: + 234 1 493 07020-4  
Fax: + 234 1 497 0023



# Description of Business

## 1. Business Overview

### Origins and portfolio development

Cadbury Nigeria plc is owned (as at March 18, 2006) 50.02% by Cadbury Schweppes plc and 49.98% by a highly diversified spread of Nigerian individual and institutional shareholders. A change in ownership structure occurred early 2006 after the conclusion of the Irredeemable Convertible Loan Stock Issue in the fourth quarter of 2005, and subsequent market activity.

The origins of the business stretch back to the 1950s first as an activity to source cocoa beans while simultaneously prospecting for opportunities to serve the local consumer markets with the famous Cadbury products. An initial packing operation established in the early 1960s to pack imported bulk products grew rapidly into a full-fledged manufacturing outfit. The Company was incorporated in January 1965 when the current 42-hectare factory site was also opened, and went public in 1976. The initial staff strength of less than 200 has grown to more than 2000 colleagues who have chosen to make a career in Cadbury. They are the embodiment of the talent, skill, knowledge and other intellectual property behind the success of the business. In turn the beginnings of Cadbury Schweppes go back to the founding of Schweppes, a mineral water business, by Jacob Schweppe in 1783 and the opening of a shop that sold cocoa products by John Cadbury in 1824. The two businesses were merged in 1969 to create Cadbury Schweppes plc, forging a powerful alliance that has become a global player in Confectionery and Beverages categories. With the acquisition of Adams Confectionery in 2003, Cadbury Schweppes is today the world's #1 in Confectionery, and #3 in Beverages.

Cadbury Nigeria has grown to become the leader in Confectionery and Food Drinks; with a portfolio of branded offers that meet real needs of consumers. Our quality brands are enjoyed throughout the entire nation as well as in our exports markets around the world.

This rich heritage of the company has been carefully nurtured over the years and is today recognized across the country as the caring house of quality. We were voted Nigeria's Most Respected Company in 2005, in a survey among CEOs nationwide, facilitated by PriceWaterhouseCoopers.

As part of our strategic focus on the use of local raw materials as much as possible, our pioneering Cereal Conversion Plant processes nearly 30,000 Tonnes of Sorghum grains annually into glucose and malt extract primarily to feed our Confectionery and Food Drinks plants. We also made a major investment to establish a cocoa processing facility – Stanmark Cocoa Processing Company Ltd – to process local cocoa beans into premium quality derivatives mostly for discerning end users in export markets.

The Company has consistently maintained a highly focused portfolio of well-established brands within its core business areas, each of them providing functional benefit to our consumers and handsome reward for our customers. Cadbury is one of the most important of the Group's brands. Many of the other key brands are long established, and reflect the consistent philosophy of functionality, affordability and nourishment. The most notable among these are Bournvita, TomTom, Éclairs, and Trebor Mints.



Side view of Cadbury Nigeria factory



## Creating Brands That People Love....



Our premium brands cut across five key categories in West Africa

S/N	BRAND	YEAR LAUNCHED
1	BOURNVITA <i>(Local Production commenced)</i>	1960 1965
2	GOODYGOODY	1966
3	TOMTOM	1970
4	TREBOR BUTTERMINT	1976
5	MALTA	1979
6	ECLAIRS	1989
7	TREBOR PEPPERMINT	1989 <i>(Acquisition)</i>
8	TREBOR LUCKIES	1989 <i>(Acquisition)</i>
9	TREBOR KOFFSTICKS	1989 <i>(Acquisition)</i>
10	RICHOCO	1996
11	TREBOR KOFFDROPS	2000
12	TREBOR CELEBRATIONS	2003
13	HALLS AHOMKA GINGER	2004
14	BUBBA BUBBLE GUM	2004
15	CHOCKI	2004
16	HALLS TAKE 5	2004
17	PASCALL CRÉME ROLLERS	2005

### The business today

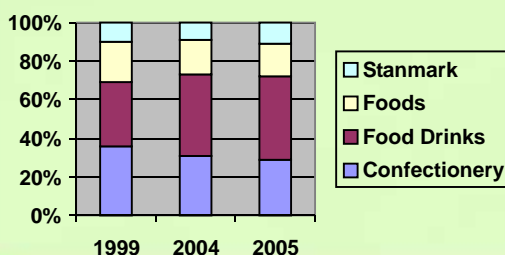
A high degree of focus and consistency of strategy remain the primary drivers of growth over the years. Building a highly integrated business model allows us maintain a tight control of the value chain and considerable resilience to the wide swings in the external environment over the years. We have then been able to respond as appropriate when changes are needed in our infrastructure configuration. The decision to formalize our innovation process with a senior colleague as process leader has paid handsome dividend, keeping the new product development pipeline constantly fed. New products (defined for our purposes as products launched in the last two years) accounted for 12% of our total volume sales in 2005. A world-class consumer insight tool deployed across the Cadbury Schweppes organization backs our innovation agenda, and the effort is concentrated on our core business and adjacent categories. This allows us gain competitive advantage in an increasingly competitive environment.

As more industry and consumer segments open up, businesses face the challenge of the exponentially increasing choice available to the consumer. This development drives our focus on growing organizational and people capability. During the past year we installed proprietary processes to govern strategy development, thus enabling us to raise commercial capability and improve demand forecasting. We also implemented a comprehensive manufacturing system based on the five pillars of

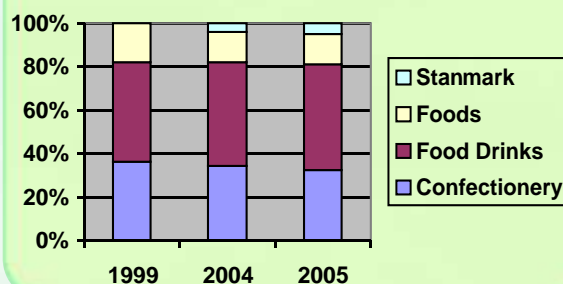
Quality, Cost, Delivery, Safety & Environment and Employee Motivation. We will be leveraging these processes for advantage in 2006 onwards. In 2005, approximately 31% of the company's sales revenue came from Confectionery, and 42% from Food Drinks while Stanmark contribution was 11%.

The philosophy of the business from inception was to build and sustain a solid foundation for providing functional and affordable products that help enhance the quality of life of consumers while developing a long-term mutually beneficial relationship with the community in which we operate. This heritage of caring has been the underlying principle that governs our relationships with consumers, customers, shareholders, suppliers, employees, and the society at large, as well as our policies on the environment, corporate governance, ethical trading, human rights, safety at work, diversity and equal opportunity employment practices. These carefully nurtured traditions enable us to provide brands, products, financial results and management performance

### Composition of Sales Revenue



### Contribution to Gross Profit



that meet the interests of our numerous stakeholders. A rising profile of performance, driven by a robust business model also means increasing taxes to Government

In 2005, the Group recorded a turnover of N29.45 billion and an Underlying Operating Profit (before interest and taxes) of N4.95 billion. Underlying



## Description of Business Cont'd

Operating Profit is used for internal performance analysis and is not intended to be a substitute for the NASB measurements of profit.

### Strategy

The Group strategy is to create robust and sustainable positions in its core segments through focused organic growth of its advantaged brands, creating new consumer offers with distinct winning competitive edge, as well as establishing footholds in adjacent markets and segments. Acquisitions and disposals will be pursued as the opportunity arises, always based on the value-added to the business. In the last five years, the Group has added new products to broaden its range in the core segments, reformulated and repositioned others and exited markets where it believed it did not have, or could not build, sustainable business models or significant advantage based on differentiated offerings. The Group has successfully advanced its drive to serve export markets, particularly in the West Africa sub-region, and many of our brands are now officially exported to markets in the ECOWAS region. Also, our subsidiary undertaking, Stanmark Cocoa Processing Company Limited, a fully export oriented business, processes about 15,000 Tonnes of local cocoa beans into prime pressed cocoa butter, cocoa liquor and cocoa powder annually. Export revenues in 2005 were in excess of \$17 million. The cocoa butter and liquor are exported to Europe and other parts of the world, while most of the powder is consumed in our Food Drinks operation.

A critical element of strategy is to use local raw materials as much as possible, and source packaging materials and other inputs from local companies even if we have to provide technical support to ensure the quality standards that meet our stringent specifications. In doing this we provide support to the vital small and medium scale sector, and we have seen these businesses prosper and grow with us. We are certain that they have a significant role to play in the economic development of the country, and they need the support of companies like ours. Such a relationship further enables us to share our knowledge, values and best practice in management and ethical trading practices. One notable example of this collaboration is the Farmer Led Procurement Initiative, where we partner with cocoa farmer cooperatives, providing inputs in return for prime quality beans. Our offer of a guaranteed minimum price for their beans and the excellent opportunity to engage with and provide support for communities in the areas of their greatest need makes this collaboration truly productive. Examples of this direct CSR involvement have been mostly in education and health awareness activities, especially HIV/AIDS. In this way we also guarantee that human rights, labour, and ethical trading practices accord with international standards.

### Recent changes to our portfolio

As has been reported in our Annual Reports in the last two years, the Knorr franchise lapsed at the end of 2005, when it reverted to its owner. Over the 23 years we nurtured the brand, it grew to #2 in market share, was a major contributor to market growth and constituted 16% of our business. In anticipation of this change, we strengthened our innovation capability in the last two years, which will enable us cover the gap left by the exit of Knorr within a short period. This agenda, which features initiatives in both Supply Chain and Commercial Teams, is still being pursued strongly, and we expect to cover a significant part of the gap in both revenue and profit terms by the end of 2006.

By this development, we are currently essentially a Confectionery and Food Drinks business with the attendant opportunity to further consolidate our market position in these categories. As we have also previously stated, we will be exploring opportunities in adjacent categories as well.

### Route to market

Cadbury's strong distribution network has long been a source of competitive advantage. Product dispatches from our Ikeja factory are carefully monitored through the various channels. Confectionery is largely impulse purchase and quite often we have helped establish new channels, in a socially responsible way, to bring our brands closer to the reach of the consumer where it matters the most. By contrast the Food Drinks category is more planned purchase, and the route to market architecture is designed to ensure success. Modern tools for inventory management enable us track stocks through critical points in the trade, and provide support to customers.

As key players in the food industry, we endeavour to provide leadership in helping consumers make informed choices, especially in view of emerging concerns over health and nutrition. Our commitment covers the full span of product formulation, choice of ingredients, process and technology, disclosure and labeling as well as advertising and communication. The opportunity to serve consumers in this way makes each day an exciting experience as we seek to create brands that people love.



Winning with Customers

## Description of Business Cont'd



We have taken on very ambitious growth targets over the next seven years, and this growth will be driven by an unwavering commitment to five key goals to:

- \* Deliver superior shareowner returns on the back of superior business performance
- \* Profitably increase our share of the markets in which we choose to compete, including especially the Confectionery, Food drinks, and adjacent categories
- \* Expand our brand offerings into new and profitable markets and serve new consumers across the West African sub-region
- \* Ensure that the Group's capabilities and business processes are best in class by deploying leading edge tools, and
- \* Nurture the trust of colleagues and communities, through consistent deepening of our talent pool, increasing diversity and inclusiveness, and social responsibility through our actions and brands.

### 2. Market Environment

#### Competition

The Confectionery, Food Drinks and Foods industries are highly competitive and Cadbury brands compete with other multinational, national and regional companies and private label suppliers. We compete actively in terms of quality, nutritional and other functional benefits, taste and product price; and we seek to develop and enhance brand recognition through the introduction of new products, innovative packaging, responsible advertising and promotional programmes. Cadbury Nigeria is market leader in Confectionery and Food Drinks (AC Nielsen retail audit). We operate essentially in the high quality branded segments of our key markets, though we often have to compete with unbranded products in some of the fragmented segments, especially in the confectionery market.

#### Industry trends

Both the Confectionery and Food Beverages markets in which we operate are growing, and are projected to grow steadily into the future. The main drivers are population growth and demographics, relative outlay per purchase occasion, as well as product and process innovation. The emergence during 2005 of organized trade channels will fundamentally restructure the retail trade over time, and we have developed a partnership with operators for mutual benefit. Growth in the long-term will also come from geographical expansion and rising consumer disposable income.

### 3. Intellectual Property

The Company is owner of a patent and numerous registered trade marks and domain names, and has access to Cadbury Schweppes patented designs, know-how, trade secrets and technology which relate to its products and processes for their production, the packaging used for its products together with associated marketing materials and design and operation of various processes and equipment used in its business. Beyond this, we recognize that our people are the embodiment of the knowledge, values and talent that sets us apart from competition, and we therefore place a high premium on their voluntary decision to make a career with Cadbury.

### 4. Governance Structure and Management

The Board, comprising 7 Executive and 5 Non-Executive Directors, governs the Company. The Company Leadership Team undertakes the day-to-day activities and strategy implementation. The task of managing the business is then shared among three tiers of management – senior, middle and junior – as well as non-management employees.

The Company has adopted the refreshed Leadership Imperatives developed centrally by Cadbury Schweppes. These outline the behaviours that are expected of managers across the business and are built into the performance reviews that occur twice a year. The eight dimensions of Leadership Imperatives are: Accountable, Adaptable, Aggressive, Forward Thinking, Motivating, Collaborative, Growing People and Living Our Values. We have continued to see the positive impact of collaboration based on common understanding of expectations and performance.



Bournvita Children's soccer camp



## Highlights of the Year

	The Group		The Company		% Change (Group)
	2005	2004	2005	2004	
Turnover	Nm 29,454	Nm 22,153	Nm 27,444	Nm 20,083	+32.9
Operating Profit	4,950	4,531	3,937	3,891	+9.2
Profit After Tax	2,711	2,813	2,196	2,498	-3.6
Proposed Dividend	1,303	1,601	1,301	1,601	-18.6
Shareholders' Fund	10,808	9,460	10,320	9,425	+14.2
Net Assets / share (k)	1,086	945	10.3	8.1	+14.9
Earnings per share (k)	270	281	250	250	-3.9
Dividend per share (k)	130	160	130	160	-18.8
Dividend Cover (times)	2	2	2	2	-
Interest Cover (times)	4.61	8.9	4.61	9.7	-48.2
Share Price @ Y.E. (N)	65.52	60.2	65.52	60.2	+8.8
Market capitalization Nm	65,575	60,200	65,575	60,012	+8.9

2005 was the second of our four-year strategic plan in re-defining the path and pace of our future growth. The investment programme which commenced in 2002 started to yield the desired results as we saw the progressive modernization of the Food Drinks plant, and the commissioning of a new state-of-the-art Bubble Gum Factory. This has been followed by the commissioning of a chocolate plant and subsequent launch of the first real chocolate offering in Nigeria. The product format recognizes the climatic conditions that have made chocolate distribution difficult, and the development of Chocki is truly a breakthrough in chocolate offering. The continuous upgrade of our Confectionery plant and facilities has automated more of our operations with direct benefits in quality and efficiency. The recent transformation of our head office facilities underscores the commitment to build an enduring legacy of contemporary work environment, aimed at giving employees a better work life balance. This has been complemented with an upgrade of our Learning Centre, and the creation of a Fitness Centre on site for the use of employees as part of our determined effort to affirm that Cadbury is the place to be for the very best talent.

The installation of a new Powder Plant in Stanmark has helped improve the flexibility of the factory in

addressing the highly volatile market for cocoa derivatives. This continuous and aggressive reinvestment in upgrading capacity and flexibility in our factories reflects our commitment to the long term viability of the Nigerian economy, and positions us to take good advantage of the opportunities in the West African markets. The result in 2005 has been sustained by strong demand for our product range driven by:

- Extension of Distribution and Availability network across the country
- Innovative and focused marketing support as well as increased spending behind advantaged brands
- An increasingly robust business model, which remains the foundation for success and anchor for efficiency improvements
- Improvement in Stanmark profitability in spite of the vagaries of the cocoa trade throughout the year
- Overall profitability: Strong Profit performance, with 15% growth in net assets per share and 14% growth in shareholders' funds.

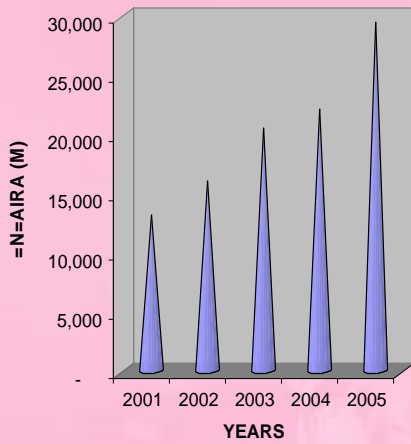


2005 Most Respected Company award presentation.

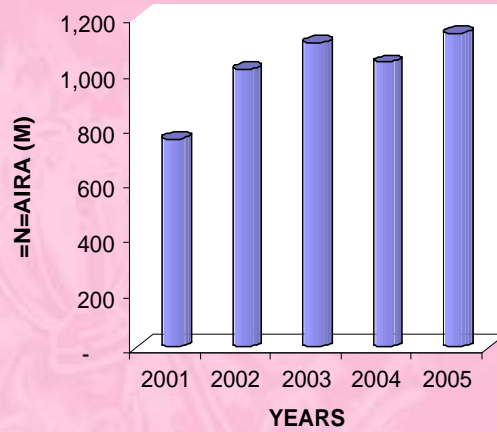
# Five-Year Financial Highlights



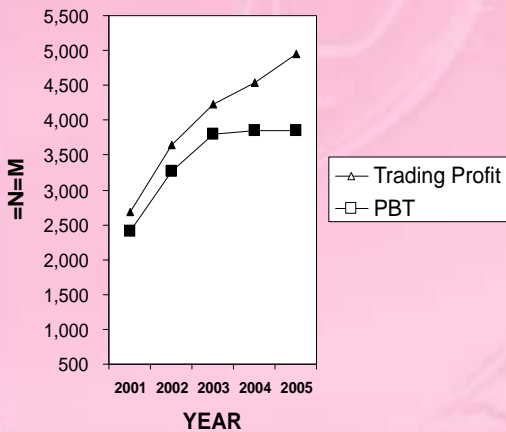
## TURNOVER



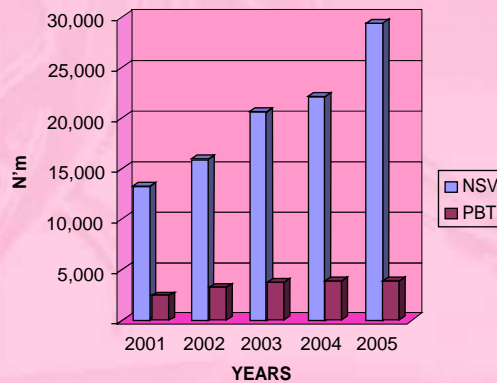
## CORPORATE TAX PAID TO GOVERNMENT



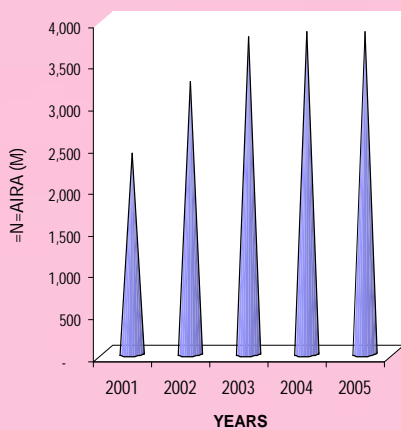
## UOP Vs PBT



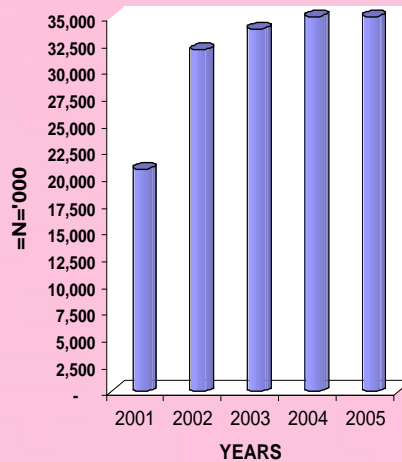
## FIVE-YEAR NSV & PBT OVERVIEW



## PROFIT BEFORE TAX



## HUMAN CAPITAL DEVELOPMENT





Cadbury

Richoco

Full of Energy

Contains:  
■ milk  
■ malt  
■ glucose

*Reach for Everyday Energy*



# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the Forty-first Annual General Meeting of the members of Cadbury Nigeria Plc will be held at the Shell Hall, Muson Centre, Onikan, Lagos on Wednesday June 7th 2006, at 10.30 am for the following purposes:

### ORDINARY BUSINESS

- Resolution 1: To receive the financial statements for the year ended 31st December, 2005 together with reports of the Directors, Auditors, and Audit Committee thereon.
- Resolution 2: To declare a dividend.
- Resolution 3: To elect Directors.
- Resolution 4: To Fix the remuneration of the Directors.
- Resolution 5: To authorize the Directors to fix the remuneration of the Auditors.
- Resolution 6: To elect members of the Audit Committee.

### SPECIAL BUSINESS

Resolution 7: To consider and if thought fit, pass the following resolution as a special resolution:

That the Articles of Association of the Company be and they are hereby altered by deleting clause 53 and substituting thereof the following:

“Save as herein otherwise provided, 25 members present in person or by proxy shall be a quorum; and no business; shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business”.

Dated this 9th day of February, 2006

By Order of the Board

**Moudu Ugbodaga**  
Company secretary

Registered Office:  
Lateef Jakande Road  
Agidingbi, Ikeja

### NOTES

#### PROXIES

A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote in his stead. All instruments of proxy should be completed and deposited at the office of the Registrar, Union Registrars Limited, at 2 Burma Road, Apapa, NOT LATTER than 48 hours prior to the meeting.

#### AUDIT COMMITTEE MEMBERS

In accordance with section 359(5) of the Companies and Allied Matters Act, 1990, “any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting”.

#### CLOSURE OF REGISTER

The Register of members and Transfer Books of the Company will be closed from Monday 3rd April, 2006 to Friday 7th April 2006, both day inclusive, for the purpose of preparing an up to date Register.

#### DIVIDEND

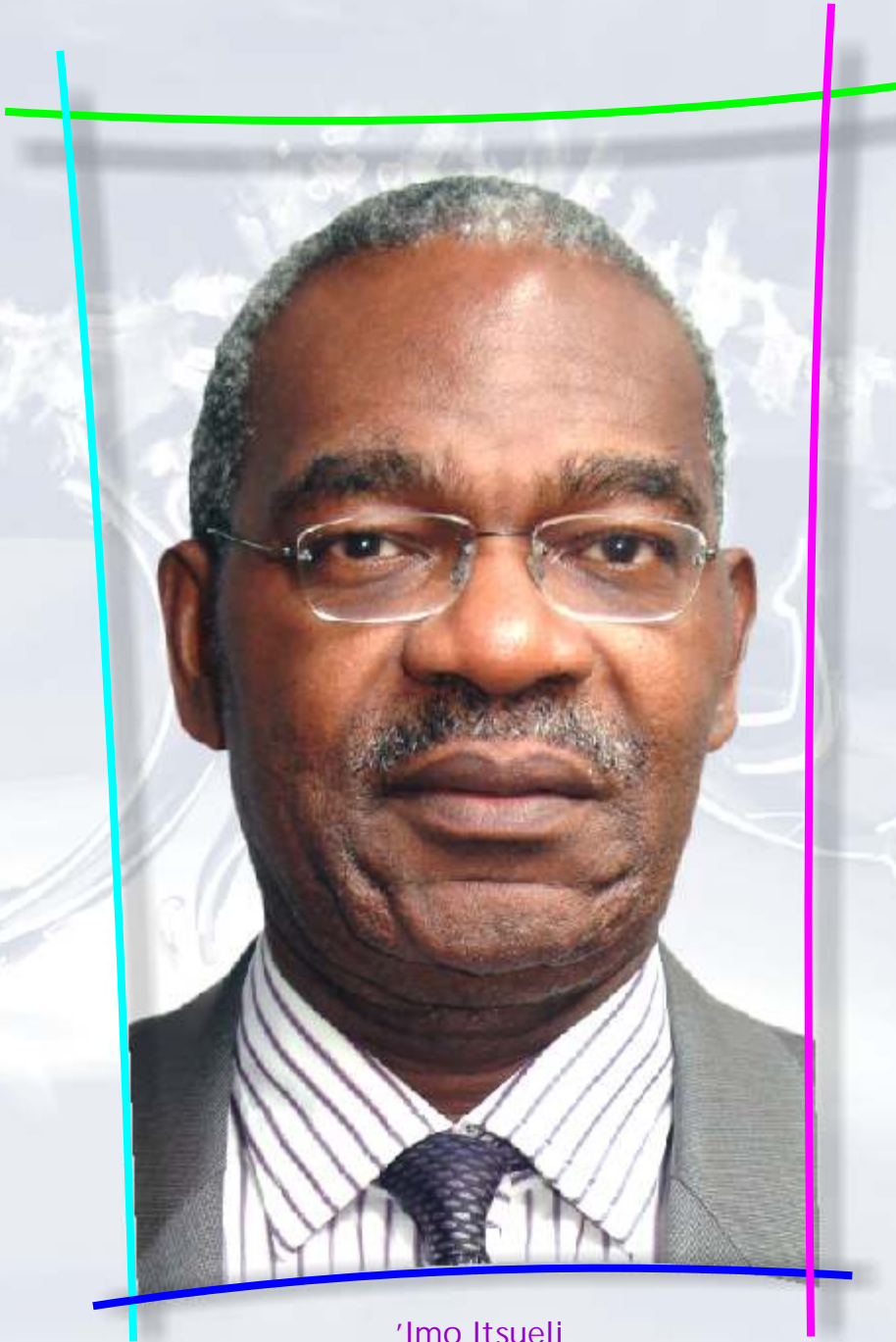
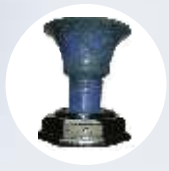
The Board has recommended a dividend of N1.30K per ordinary share of 50K, which if approved, is payable less withholding tax.

#### DIVIDEND WARRANTS

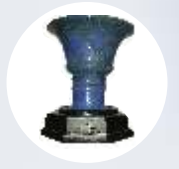
If payment of the dividend is approved at the Annual General Meeting, the warrants will be posted on 9th June 2006 to shareholders whose names appeared on the Register of Members at the close of Business on 31st March, 2006.



**Moudu Ugbodaga**



'Imo Itsueli



Clarity and single-minded pursuit of strategy has been the underpinning strength of the business, and the Board has revalidated our long-term growth target with milestones in the context of opportunities in the growing Nigerian market and the West African sub-region.

### Overview

The primary strategic agenda in 2005 was to consolidate the investments of the preceding three years in plant upgrade, route to market expansion, and business process review, as well as to 'rev up' our innovation capability, create the roadmap for the next generation ERP platform and progress the expansion into West Africa. It was also clear that as the scale of business and the level of operational complexity increased, building capability of our people resource had to assume paramount strategic priority. This agenda meant that the company needed to rigorously review its asset utilization and exploit opportunities for out-sourcing or other cost-effective initiatives. We also commenced implementation of a hub structure especially in Supply Chain architecture and capability. I am pleased to report that we made significant progress on these fronts, though clearly some of the initiatives are still work in progress.

The plant upgrade work continued in 2005, with the commissioning of the first phase of the continuous confectionery plant. The exit of Knorr from the business at the end of 2005 means additional space is created for further development that requires similar infrastructure. Investment in building commercial capability and refining our route to market configuration has led to a full re-organisation of the Sales Team and the acquisition of modern tools and processes for driving our innovation plans for new product introduction. And yet it was important to keep sight of the growth imperatives of the base business and drive for higher levels of efficiency. The Board has been fully conscious that we have taken on and are implementing quite a huge agenda, and this informed the decision to raise additional equity capital during 2005. It was gratifying to note the

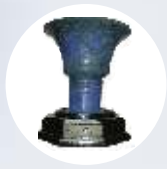
positive response of shareholders to the Irredeemable Convertible Loan Stock Issue, which generated a net injection of N4.75 Billion. As provided for in the prospectus, the total cost of the Issue, including professional fees and duties were paid from the proceeds. Your response has enabled us to continue the investment plan.

The portfolio integration work across West Africa has progressed nicely, and enables us to establish firm market positions in adjacent markets especially with our key brands, though we have had to accept lower margins on account of the overall costs in Nigeria being much higher than other jurisdictions.

We have continued to strengthen our people capability and create a superbly energizing work place environment in pursuit of the initiative to make Cadbury the employer of choice. Our manpower development initiatives have paid handsome dividend, and our participation in the annual Careers Fair has provided opportunity to invite fresh Nigerian talents from the diaspora into our management hierarchy. Many such persons chose to begin their careers with Cadbury last year, and many more will join this year.

#### Business Environment

The general business environment remained challenging as ever. As with every reform programme, the gains depend largely on the diligent implementation of the agenda, based on clear objectives and unambiguous guidelines. While the financial industry reforms and Pension reforms are being carefully implemented, the port reform plan and the change to destination inspection have been far less so. Furthermore, the Common External Tariff implementation with regard to classification of materials in the new tariff structure, and the Export Expansion Grant scheme where



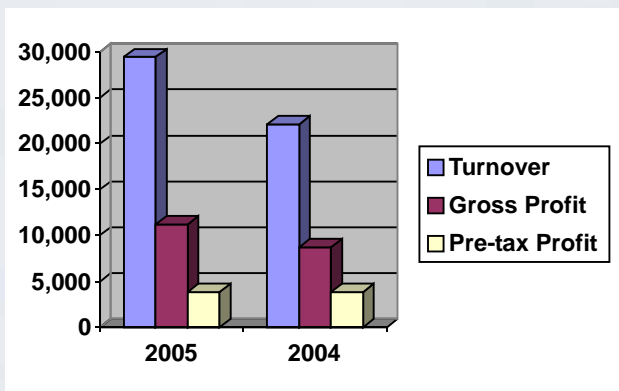
## Chairman's Statement Cont'd

bureaucratic delays in processing documentation causes a diminution in the real benefit. These issues mean that the promise of raising the competitiveness of local industry is sometimes not delivered as expected. We would urge that urgent steps be taken in straightening the implementation of the destination inspection scheme, which is currently in a near-chaotic situation with attendant cost implication for the industry.

These local developments have been compounded on the international front by the soaring commodity prices, especially crude oil, with attendant adverse impact on sugar (used extensively in Brazil for ethanol as alternative fuel), flexible packaging, freight, and sugar. We also know that the primary causes of the galloping oil price during much of 2005 are the developments in the Niger Delta area of Nigeria, and the political situation in Iran. I believe that our economy will make greater progress if we consciously count the cost of actions that produce any dislocations. Also the rapid economic growth in China is raising demand and driving up cost of many other commodities. The rising prices on the international scene are outside our control, but as with most other companies around the world, we seek to manage our business profitably in spite of these developments. The imperative to restructure the economy is not in doubt if the Nigerian economy will attain the potential that it is capable of. Managing macroeconomic balance is important, especially inflation, which tends to be driven by transportation and food costs. The existing reforms in finance and banking, downstream petroleum sector, pension and governance reforms must now be complemented with reforms of the ports, property rights and creation of a viable primary mortgage industry in Nigeria. This will help the process of migrating the informal sector into the formal.

### Performance

Reported sales were N29.5 billion, which on a like for like basis, represented Net Sales Value growth of 33%. Operating margins were 17% and free cash flow before distribution has remained healthy in spite of the high level of capital expenditure during the year.



The impact of third currency exchange has continued to affect business adversely due to the weakening Dollar, though this is mitigated by the stability of the Naira. Many of our imports come from the Euro zone, and the weakness of the Dollar, which is the reference currency, throughout the year shaved 2 points from our underlying profit return. On the same basis, underlying earnings per share were impacted 5 points.

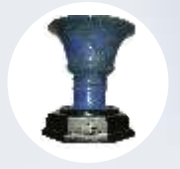
The clarity and single-minded pursuit of strategy has been the underpinning strength of the business, and the Board has revalidated our long-term growth target with milestones in the context of opportunities in the growing Nigerian market and the West African sub-region. Our capital expenditure plan has been sustained and we are delighted to report that these investments are yielding positive results. More new products are in the pipeline, aided by our Integrated Product Management initiative. Service equipment (air compressors, chillers etc) have had to be upgraded as well to meet the expansion in the manufacturing lines, and all investments are executed with a keen eye on our commitment to high standards of safety, health and environment. The engineering workshop is now being upgraded even further to cope with the increasing sophistication of the technology we employ.

We are committed to serving our customers better and faster, and offering our consumers increasing variety in a manner that creates real value. This commitment to shareholder value remains the governing objective, driven by a portfolio of strong brands and an effective route to market structure.

Marketing expenditure as a percentage of sales was increased in 2005 in accordance with plan. A further increase is envisaged in 2006 with the broadening of our product portfolio. The focus of new product development is to create new winners and more occasions to relish our offering whether they be occasions of joy, sharing, fellowship, relaxation or simply as a companion in the busy lifestyles of our young people. The decision to focus on our advantaged brands and to increase marketing spending behind them has yielded good results, as the consumer demand has remained strong in the face of increasing competition. We have in the process gained in our understanding of consumer behaviour, and this knowledge will help us grow.

Our profit distribution policy has been consistently designed to ensure a balance between the need of shareholders for healthy returns and the imperative to invest in the future prosperity and integrity of the business. In this we have an uncompromising desire to safeguard the long term security of future cash flows for the benefit of the investing public.

Cadbury Nigeria has more than tripled shareholders' investment over the last four years, delivering a cumulative growth of about 200% over the period.



### 40th Anniversary

2005 marked the 40th anniversary of the incorporation of Cadbury in Nigeria. In considering the totality of the socio-economic environment, we decided to celebrate in a modest but meaningful way. Our Anniversary Lecture and other events were vintage Cadbury in style and quality, but the high point for us was the Anniversary Charity Walk from which we raised N40m for charitable causes. The anniversary package also included the offer of 2.5k for every unit of Tom Tom sold during the greater part of the year for suitable charity projects. N7.5m was raised from this initiative. Details of the beneficiaries are provided elsewhere in this report.

It was fortuitous that our 40th Anniversary year was also the year Cadbury was voted Nigeria's Most Respected Company in a survey that involved only CEOs and facilitated by PriceWaterhouseCoopers. Such recognition is an endorsement of our Principles and Values and strengthens our resolve to drive for higher standards.

### Dividend

The Board has recommended a dividend of N1.3billion, which is a slight drop from last year's dividend of N1.6 billion, on account of a drop in profit after tax. New Accounting Standard Board regulation stipulates full gratuity provision for serving employees, and this provision depressed the After-Tax Profits. Nevertheless we have maintained our distribution policy as this enables us to assure sustainability while guaranteeing healthy track record of returns to shareholders. The Total Shareholder Return (TSR) for the four-year period to 2005 was somewhat at par with industry average (driven by telecommunications, banking and oil sectors) but well ahead of sector average of 32% per annum.

### Governance

We are constantly seeking to upgrade all aspects of our governance system, and will take every opportunity to do so. Two of such improvements worthy of mention are:

- i. Proposed amendment to our Articles of Association with respect to quorum for our General Meetings. Article 53 currently prescribes a quorum of three, and therefore a meeting is properly constituted if three shareholders are in attendance including the Chairman. We will be seeking to amend this provision to raise the quorum to twenty-five (25) for a General Meeting.
- ii. The Board has also instituted a formal process for evaluating its own effectiveness as a Board, in addition to the current provisions for individual Director assessment. We believe this is the right thing to do, as it provides a formal process for the Board to keep track of its own performance against its objectives and roles, as well as a platform for feedback. This helps support individual and team development.

### The Board

There has been no change in the composition of the Board since the last AGM. In accordance with Article 91 of the Company's Articles of Association, Ayo Akadiri, Teju Bogunjoko, Gabriel Onabote and Tunde Falase will retire by rotation at the AGM. Shareholders will be invited to re-elect these Directors who will present themselves for re-election

### CadburySchweppesPlc

Cadbury Schweppes became the global leader in Confectionery with the acquisition of Adams Confectionery in 2003. That acquisition has made leading brands and their associated technologies available for development in Nigeria, and I am pleased that your company is already exploiting this opportunity. In the last year Cadbury Schweppes has also acquired Green & Black's, the leader in the





## Chairman's Statement Cont'd

fast growing premium organic chocolate segment thus strengthening its market leadership especially in UK. The strategic decision to dispose of the European Beverages business was the result of an exhaustive portfolio review, which has led to similar disposals of the Beverage business in South Africa. In turn, shareholders would have received the media reports on the full acquisition of Dr Pepper/7Up Bottling Group, having previously owned 45% of the business. Cadbury Schweppes now has 95.36% stake in Cadbury Kent, Turkey, previously family owned. Back home, following the conversion of the ICLS into shares and subsequent market activity, Cadbury Schweppes has raised its stake in Cadbury Nigeria from 46.4% to 50.02%. By this development, Cadbury Nigeria will be consolidated in Cadbury Schweppes financial statements and reporting, having been previously reported as an associate.

### Registrars

I note that Union Bank Registrars have performed their task satisfactorily and are desirous to continue in that role. We continue to appreciate the feedback from shareholders on their experiences as such information helps us improve the service level even further.

### Looking Ahead

2006 has started satisfactorily but not without its challenges both those we are now familiar with, and new ones that confront manufacturing industry as a whole. The wider global issues that impact on economies in the developing world have taken a new turn and increasingly coloured by the political developments around the world. The high cost profile in the industry remains a continuing challenge, especially with respect to infrastructure and tariffs.

Our forecast for 2006 maintains the huge strides we have achieved in the last few years. We project acceleration in the pace of growth of our legacy business driven by the strength of our brands, the

robustness of our business model, the dedication of our people, and above all the grace of the Almighty. The growth will be further driven by innovation, where we have deployed considerable resources. Our objective remains that we will have substantially covered the impact of the exit of the Knorr business from our stable by the end of 2006.

Our projection is also a reflection of the view that the economic environment will progressively improve as Government pursues the path of liberalization, deregulation and withdrawal from the commanding heights of economic activity. These are early days in the reform process, and we believe the real benefits will unfold even further in the years ahead, provided the energy and drive behind the reform agenda does not wane. This is the only path to truly paving the way for private investment, job and wealth creation, as well as real growth. Clearly we now must stay the course in restructuring the economy in a manner that grows the non-oil sector, accelerate exports, liberate the energies of the Nigerian people and makes them more economically active. A relentless drive to strengthen the formal processes, build modern governance and institutional systems and achieve a better co-ordination between fiscal and monetary policies will help promote a gradual migration from the informal sector to the formal and a more healthy social structure.

Our core purpose — Working Together to Create Brands People Love—reinforces our belief that our people, through their engagement with other stakeholders, create value for our business. I am confident that this passion for winning, combined with a drive for capability improvement and a focus on our strategy will see the company in sustained leadership for many years ahead.

  
'Imo Itsuelli  
Chairman



Reshaping the way we work



# Chocki

*Flow  
with the  
excitement*



- Delightfully different
- Soft flow chocolate in an exciting pack
- Cadbury Chocki's a great treat for everyone, everyday!
- Available, affordable, thoroughly enjoyable



*...feel the flow of chocolate*



Bunmi Oni



## Preamble

Business has an essential role to play in job creation and growing the talent pool in a progressive society, and must indeed be the engine of economic growth and wealth creation. Business produces goods in relation to which consumers express a choice, it provides employment, pays taxes, and ultimately rewards its shareholders. Our products are purchased in millions around the country and beyond because they fulfill a broad range of needs. Our Food Drinks satisfy the nutritional and physiological need for nourishment, satisfaction and taste. Our confectionery offers functional attributes, taste indulgence, reward and gifting opportunities. These fundamental needs are catered for in a range of high quality products and a wide variety of presentation styles. Consumers have come to develop special relationships with these brands and this makes them the obvious preferred choice. With this choice comes a responsibility on us to offer access to our products, and this informs our investment in distribution networks that provide competitive advantage. Consumers desire to have ready access to their favourite brands whenever they choose. The combination of preference and presence when sustained assures the quality of performance we have delivered. This also makes the protection of their reputation an essential ingredient of our long-term success.

The challenges of operating a manufacturing business are huge, but whatever the challenge managing an efficient supply chain, investing in the important needs of society, working with interested bodies and with government in policy advocacy, education and information in promoting healthy lifestyle and sensible diet in combating malnutrition all these can be addressed in the knowledge that they will be applied within a clear set of operating guidelines.

Our active involvement in a wide range of initiatives proves that freedom and responsibility are no more mutually contradictory in the food and confectionery industry than they are in any other part of our complex lives.

## Business Review

The Chairman's Statement on pages 13-16 and the financial statements on pages 40-51 report on the Group's activities during the year, and its position on Balance Sheet date, as well as the Group's likely future developments. There were no acquisitions or significant business disposals by Cadbury Nigeria in 2005. The major change to our portfolio was the exit of Knorr brand at the end of 2005, when the brand reverted to its owner.

## Business Structure

Cadbury Nigeria plc is owned (as of March 18, 2006) 50.02% by Cadbury Schweppes plc and 49.98% by a highly diversified spread of Nigerian individual and institutional shareholders. The analysis of shareholding structure shows that the top 31 shareholders, other than Cadbury Schweppes, own 9.07% of the equity.

Shareholding Range	No of Holders	%	Total Units	% Holding
1 - 100	6,325	7.44	406,440	0.04
101-1,000	34,316	40.38	16,427,662	1.49
1001 - 5,000	26,855	31.60	66,996,555	6.09
5001 - 10,000	8,040	9.46	58,281,517	5.29
10,001 - 50,000	8,250	9.71	153,279,531	13.92
50,001 - 100,000	676	0.80	46,552,138	4.23
100,001 - 700,000	482	0.57	104,489,775	9.49
700,001 - 1,000,000	12	0.01	9,645,969	0.88
1,000,001 - 10,000,000	29	0.03	59,786,910	5.43
10,000,001 - 50,000,000	2	0.00	40,037,364	3.64
50,000,001 and above	1	0.00	544,936,756	49.50
Total	84,989	100	1,100,840,617	100.00

## Product Range

The brands with which we address consumer markets have held up in each of the three categories we participate in, and our offering in each category has been designed to fulfill specific consumer needs. The relative contributions of the Confectionery, Food Drinks, and Foods businesses in 2005 were 31%, 42% and 16% respectively. Stanmark Cocoa Processing Company accounted for 11% of sales revenue





## Report of the Directors Cont'd

**Confectionery:** Tom Tom, Buttermint, Éclairs, Malta Sweet, Trebor Mints, Jollies Lollipop range and Cadbury chocolate range are the main brands in the confectionery stable. Each one has grown to become a household name, and hold market leadership in their segments.

**Food Drinks:** The lead brands are Bournvita and Richoco, and between them hold market share leadership. These brands offer nutritional benefits that help to supplement the dietary intake of consumers, and in some cases help defray the deficiencies in the routine diet.

These supplements have been offered as part of our social responsibility obligations.

**Foods:** The Foods business is primarily Knorr Seasoning Cubes, which was manufactured and sold under a comprehensive franchise agreement that expired in November 2005.

### Stanmark Cocoa Processing Company

The Stanmark business was created following our strategic decision to gain an entry into the export market, and to take a firmer control of the supply of good quality cocoa powder into our products. This dual purpose has been achieved and in spite of the difficulties of the cocoa trade, the Stanmark business has been consolidated. The Farmer Led Procurement Initiative has been reported elsewhere in this document, especially the opportunity we have created to engage with farmer cooperatives to share learning and transfer our values of ethical trading practices.

### Results for the Year 2005

The audited financial Statements for the year ended December 31, 2005 is presented in the appropriate section of this Report. The summary of the top line performance is as follows:

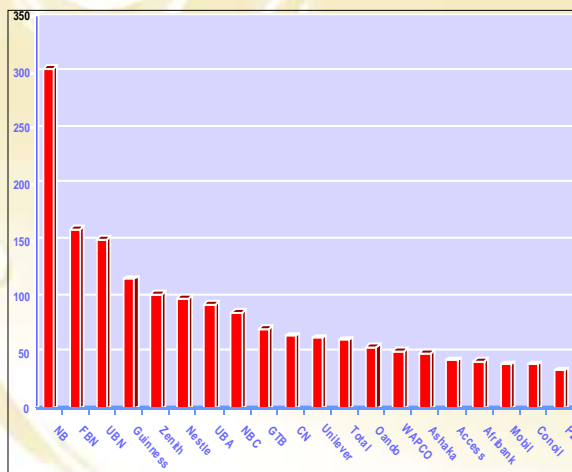
	The Group		The Company		%
	2005	2004	2005	2004	
	Nm	Nm	Nm	Nm	
Turnover	29,454	22,153	27,444	20,083	+33
Operating Profit	4,950	4,531	3,937	3,890	+9.2
Profit Before Tax	3,853	3,849	3,194	3,534	+0.1
Shareholders' Fund	10,808	9,460	10,320	9,425	+14.2
Proposed Dividend	1,303	1,601	1,601	1,601	-18.6

### Commentary

- The evolution of economic policy progressed somewhat in 2005. This is however not to underrate the significant development with respect to negotiations with Paris Club on Nigeria's sovereign debt. The IMF acceptance of the soundness of the NEEDS initiative provided the basis of their approving the Policy Support Instrument, which in turn has been the premise for the milestone deal with the Paris Club. By end of April 2006, Nigeria had exited the Paris Club of debtor nations, with the final payment of the \$12b in a landmark debt buy-back deal.
- Government took the politically difficult decision to deregulate major economic sectors including, especially, the downstream petroleum sector, but in the same breath

imposed an import ban on some consumer items in a protectionist move. The import ban instrument needs to be complemented with an active promotion of relevant industry sectors.

- Broad money (M2) grew 19%, ahead of the target of 15%, and with GDP growth of 5.5%, inflation level was higher than initial projections.
- The capital market maintained its stride in the year, with total market cap closing just shy of N3 trillion.
- Top 20 companies by capitalization account for 79.8%
- Market capitalization growth of 37% year-on-year, (5-yr CAGR = 25%)
- All-Share Index surged 1% to 24,086. (5-yr CAGR = 29.8%)
- Cadbury market capitalization rose 27% to over N65.6b. Closing Share price N65.52.



Cadbury Nigeria closed 10<sup>th</sup> in the total market, with a capitalization of N65.6 billion, and a five-year average return on investment of 25% compared to market average of 14.6%. Total shareholder return for the same period was 41%.

### Performance measurement

The Company has defined three key medium term financial performance targets under the Managing for Value (MFV) agenda. Two of these, Operating Profit Return and Earnings Per Share growth, are measures of the internal results of the Group, while the third is a measure of Total Shareholder Return.

#### a) Underlying Operating Profit Return

The table below isolates the movement of Underlying Trading Profit Return as a percentage of Sales. The strong profitability of the business, along with sustained capital expenditure profile, is in accord with the strategic intent in the long term. The intent for the medium term future is to improve the Trading Profit Return still.

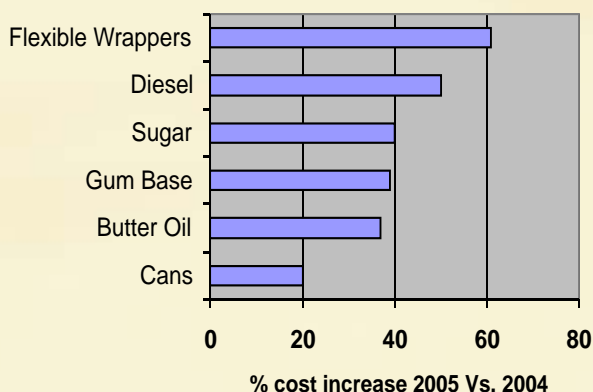
# Report of the Directors Cont'd



Measure	2005	2004	% Change	2003
Turnover Nm	29,454	22,153	+33	20,567
Operating Profit Nm	4,950	4,531	+9.2	4,232
Operating Profit Return %	16.8%	20.5%		20.6%

The drop in Operating Profit return in 2005 was due primarily to the provision for gratuity in accordance with new Accounting Standards Board requirement. This provision effectively dipped profits in the short term, and is expected to be a three-year impact. Some of the factors that impacted profitability in 2005 (and what action we are taking to mitigate the impact) include:

- i. New Accounting Standards Board regulation on provision for gratuity for all serving employees. A total provision of N500m has been charged against profit in compliance with this regulation. This is only a provision, and not expenditure since our labour turnover is extremely low. However this provision will impact the profits for another two years.
- ii. Materials cost escalation.
  - a. The soaring price of crude oil had a huge impact on all commodity prices and freight costs. Those that affected us the most were
    - \* Flexible packaging materials: The international price of the base resins rose 40% during the year, with significant effect on local suppliers. We are collaborating with other industry leaders to advocate for the removal of import duty on base resins for a period of time to help local industry.
    - \* Sugar: The large-scale use of sugar cane for production of ethanol in Brazil (one of the largest producers of the commodity in the world) in their quest for alternative fuel for motorcars caused the astronomical rise in the world sugar price. The increase in import duty on refined sugar to 50% did not help matters.
    - \* Tin plate: The impact of high oil prices (tin plate manufacture uses furnaces which consumes energy) was compounded by high demand in China

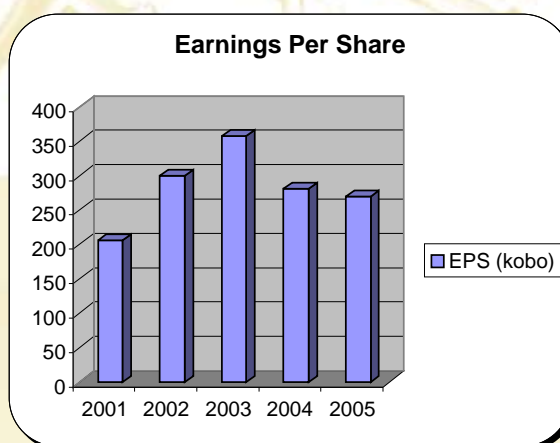


Some key input materials and the cost increases in 2005 over 2004. The scale of the increases is such that cannot be recovered in product pricing.

- b. Tariff structure: The classification of materials under the new Common External Tariff structure obviously needs to be reviewed to align with the principle that raw materials attract 5% duty, intermediate products 10% and finished products 20%, with the scope to raise duty on special items where local industry needs protection.

Some of the initiatives to contain the impact of cost escalation include:

- i. Outsourcing of more non-core activities. Many activities have been outsourced over the years, but current efforts take the initiative deeper. In 2006, our entire transport fleet has been outsourced on an operating lease arrangement.
  - ii. Restructuring for higher efficiencies, especially with the increasing automation of the manufacturing process. Unfortunately, this led the departure of 38 colleagues in March 2006. The full reasons for and extent of the rationalization was discussed with the employees, and full redundancy benefits paid instantly.
- b) Earnings Per Share  
The growth of earnings per share is the second key measure, and the chart below shows the net growth over the last four years. The EPS dilution is on account of the increase in the number of shares.



- c) Total Shareholder Return  
The track record of value creation is demonstrated in the TSR chart below. The five-year track record shows a cumulative growth of 200% over five years during which capital gains have been 3,402k Cumulative Dividends of 738k and Bonus impact of 2,158k. The growth in total return has been driven largely by capital gains and the impact of bonus shares issued.

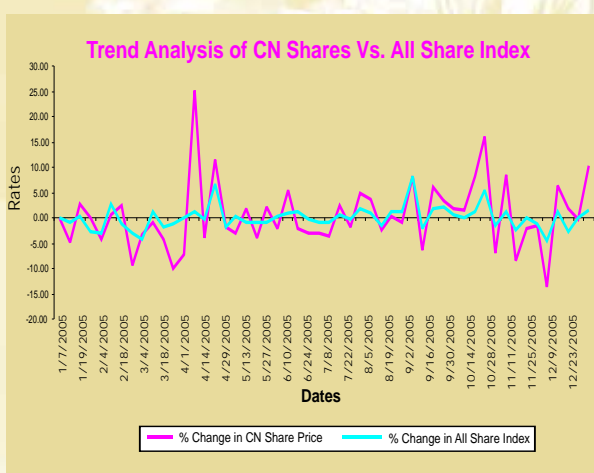


## Report of the Directors Cont'd

Value for the Investor  
5-YEAR SHAREHOLDER RETURNS - 2001 - 2005

Components	KOBO	%
Capital Gain	3,402	54.0
Cum Dividends	738	11.7
Bonus Effect	2,158	34.3
Total	6,298	100.0
	%	199.9

The share price performance is shown in the next chart, which compares movement on a monthly basis with the change in All-Share Index. Cadbury shares performed generally at par with the market.



### Dividend

The directors recommend to shareholders the payment of a dividend in respect of the year ended December 31, 2005 of N1.3 b. or N130 per 50k Ordinary Share (2004: N1.6 b. and N1.6 per share respectively). Payment of dividend is subject to deduction of withholding tax at the appropriate rate.

### Directors

In accordance with Article 91 of the Company's Articles of Association Ayo Akadiri, Teju Bogunjoko, Gabriel Onabote and Tunde Falase will retire by rotation at the AGM. Shareholders will be invited to re-elect Directors presenting themselves for re-election

### Salaries for Executive Directors

The Chairman's Committee comprising the Non-executive Directors and the Chief Executive fixes the remuneration of Directors. The remuneration policy is to ensure that the salaries in the Company are competitive, thereby enabling the Company to attract and retain high caliber executives and at the same time protect the interests of shareholders. In setting the basic salary of each Director, the Chairman's Committee takes into account market competitiveness and the performance of each individual Director, together with any changes in position or responsibility. This structure is consistent with the reward structure in place for executives

below Board level, and that paid by comparable companies. Salary brackets of Directors are indicated later in this report. Of course the CEO does not participate in decisions about the pay.

### Interest of Directors

The direct and indirect interests of directors in the Issued Share Capital of the Company in the Register of Members and as notified by them for the purpose of Section 275 of the companies and Allied Matters Act, 1990 are as stated hereunder. The Company maintains a code that guides Directors for dealing in Cadbury shares. This code prescribes periods within which such trading is not permitted, and required notification to the Company Secretary whenever a Director desires to trade in Cadbury Stock during permitted periods.

	Shares Held At 31/12/05	Shares Held At 10/02/06
'Imo Itsueli Direct	164,557	197,437
* Indirect <sup>1</sup>	42,029	50,389
- * Indirect <sup>2</sup>	40,426	45,426
Bunmi Oni	626,587	293,252
Ayo Akadiri	232,547	751,707
Andrew Baker	Nil	315,742
Teju Bogunjoko	278,031	Nil
Tunde Falase	10,733	378,031
Raymond Ihyembe	Nil	10,733
Biodun Jaji	144,393	Nil
Chris Okeke	Nil	158,773
Gabriel Onabote	20,889	Nil
Segun Oyewole	20,139	122,929
Matt Shattock	Nil	22,079
		Nil

\* Indirect<sup>1</sup> = Catherine Josh Associates

Indirect<sup>2</sup> = The DIL Company Limited

### Directors' interest in Contracts

None of the Directors has notified the Company for the purpose of section 277 of the Companies & Allied Matters Act, 1990, of any declarable interest in contracts with which the Company was involved as at 31st December, 2005.

### Record of Directors' attendance at meetings.

The record of Directors' attendance at Board meetings during the year under review is disclosed in the Corporate Governance section of this Report.

### Accounting for People

We employ over 2000 colleagues in the Group including 40 in the executive and senior management categories. 12 employees have served the company consistently for over 30 years, and one in every three employees has served for ten years or more. The increasing number of our staff who are staking their working life with the company gives us both encouragement and continuous challenge to provide an environment that enables them to exercise their God-given talent, and to achieve the best for the company and for themselves. We are an equal opportunity employer, and endeavour to sharpen our employment practices in line with international standards. Women constitute 27.4% of our management staff, but current statutory restriction on shift work limits



the proportion of women in the non-management category to 11.2%. Staff turnover is generally low at less than 1% per annum over the last five years. We take special pride in our people, because they are the embodiment of the skills, talent and knowledge that make the difference for our business. They are our competitive advantage.

#### a. Talent management

We pay special attention to talent management and to ensure that we have the right skills to meet the growth targets we have committed to. The process involves contemporary methods of performance management, including a 360° feedback mechanism. We pursue a policy of making Cadbury an employer of choice.

#### b. Remuneration

The analysis of the staff remuneration for the year forms part of the notes to the Accounts.

The aggregate gross remuneration to persons employed in the Company was =N=3,367.4m (2004: =N= 2,896.4m). The company maintains a policy of competitive remuneration for all grades of employees.

A review of our pay structure in 2005 meant that we had to raise salaries across all cadres as this is a key factor among others in employee retention. The rapid growth of the telecommunications, banking, services and oil industries has meant increasing competition for talent. Furthermore, as we deploy higher automation technologies and business processes, the higher calibre of employees must be rewarded adequately. This increase reflects in Directors' pay as well.

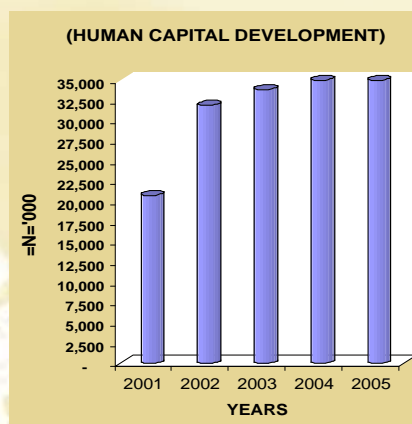
The average number of employees in the Company is summarized below:

	2005	2004
Executive	7	7
Management	275	259
Non-Management	1,886	1,782
<b>Total</b>	<b>2,168</b>	<b>2,048</b>

Temporary workers were used for certain non-recurring tasks intermittently during the year as required.

#### c. Learning and Development

The Company's ability to sustain a competitive advantage over the long term is determined to a large extent by the continuous development and empowerment of employees. We therefore see investment in people as a major part of strategy development, and have maintained a consistent policy of training, both locally and abroad, to enhance skills and competence. As opportunity arises, deserving employees are offered international exposure within the Cadbury Schweppes Group through carefully planned programmes. The Company is committed to providing an environment which values continuous learning and which provides development opportunities.



Development is a shared responsibility and employees for their part must possess the drive, initiative and motivation to take advantage of the available learning and development opportunities. Indeed, we believe that the individual employee is the most powerful agent in the course of his or her own learning and development.

#### d. Employee Involvement

The Company's on-going success in achieving its commercial objectives depends on the contribution of employees throughout the business. Employees are encouraged to participate in Company affairs on a routine basis wherever they happen to work.

Also several formal channels and consultative committees exist for participation, and the Company communicates with its employees about its activities through many platforms created for that purpose. One recent innovation has been the concept of "town hall" meetings where employees have ample opportunity to contribute to policy before they are finalized.

#### e. From Commitment to Engagement

In the continued effort to demonstrate our passion for people, we make every effort to move our teams up the maturity scale in terms of collaboration. Our Working Better Together and Growing Our People agenda have opened up new horizon in moving higher on the scale of commitment and engagement.

A company-wide Climate Survey conducted by international experts in October, 2005 specifically underscored our progress. In that survey which covered 100% of employees, 80% or more:

- know what is expected of them in their job.
- are committed to the success of their teams.
- are proud to work for Cadbury Nigeria.
- feel they have an opportunity to support local community activities.
- feel they have opportunity to develop new skills.
- feel new ideas are welcome.
- believe their teams work effectively with other teams in the organisation.



## Report of the Directors Cont'd

With the degree of rigour in the independent survey process, these results are heart-warming and represent a positive trend from a similar survey conducted in 2004 but on a pilot scale.

### f. Equal Opportunity Statement

The Company is committed to providing equal opportunities to individuals within its business in all aspects of employment. In support of this, policies, procedures and practices focus on ability and do not discriminate on any other basis.

### g. Disabled Persons

The Company has in its employment 5 disabled persons who have served between 4 and 23 years. They are offered jobs on the basis of their skills and sometimes the jobs have to be modified to suit their particular circumstances.

### h. Health, Safety and Environment

Apart from the Company's maintenance of a set of high-standard health and safety rules, it accords the greatest priority to their implementation, as a leading company in the food-processing sector. The work environment is kept conducive, with less safe areas clearly marked and labeled. The use of safety/protective materials (goggles, shoes, ear muffs, etc) is strictly enforced. Furthermore, all employees participate in a safety-training seminar at least once a year, while Company safety personnel attend seminars run by external consultants regularly and frequently.

Good health services are provided through the Company's operation of its own modern Clinic manned by a full-time Medical Officer, working with a team of competent nurses and other staff along with the use of other health centres on retainership basis. Good food is also provided free at the staff canteen for management and non-management staff.

The Medical department conducts annual medical checks for Management and Staff, as well as health seminars and counseling for various groups.

The company has adopted international GMP (Good Manufacturing Practice) standards in all of its factory operations. We also pay special attention to the safety of vulnerable groups such as Salesmen who drive under various conditions.

Full time Safety and Environment professionals help us develop policies and standards that meet Cadbury Schweppes reporting standards. They conduct audits routinely, and present maturity profiles on performance measured against published criteria.

### i. HIV/AIDS

We have a robust work place programme for ensuring that employees are fully informed about the scourge of this disease, including causes and prevention. Our documented policy statement is widely circulated among employees, guaranteeing absolute confidentiality and forbidding any form of

discrimination. Disclosures may only be made with the consent of the employee, and hotlines are provided for those who desire more counseling in complete anonymity. The trained volunteer steering committee members organize frequent activities. Slogans designed by employees and reminders through various means, including prints on monthly pay slips, are used to keep HIV/AIDS awareness level top of mind. As part of our community engagement programme, we are working with the local community to design communication and awareness programmes. Clearly we accept that it is the business of business to actively participate in checking the spread of this disease. In this we are glad to note that the national prevalence rate has dropped from 5.8% to 4.4% due to the collaborative efforts of government and the business community.

### J. Housing Scheme

The Company runs a very active Housing policy, which encourages employees to embark on construction of homes for themselves.

Facilities are provided to enable qualified persons to raise funds through Company-guaranteed Bank loans for this purpose. An increasing number of employees at all levels are benefiting from this scheme. Home ownership is a vital motivational factor, and the Company is in the vanguard of promoting this concept.

### Productivity

The Company has continued to pursue a vigorous productivity improvement programme, using the internationally acclaimed concepts and tools.

This accords with the corporate philosophy of the pursuit of excellence and has produced results in tangible cost reduction and efficiency improvement.

Our Value Based Management (VBM) programme provides new horizon for advancing our quest for international standards.

### Risk Assessment

Risk is an integral part of any commercial operation. All assets are competitively insured, and our business continuity planning procedures are reviewed regularly. Documented procedures are made available to contractors who work on site.

### Distributors

The Company's products are distributed nationally through an extensive network. The principal partners are in the key categories of Trading Companies, Key Accounts, Institutional customers and numerous customers and channels who are served through our Depots across the nation. Products reach the ultimate consumer through a chain of wholesalers and Retailers. The emergence of organised retail chains will progressively streamline the channel structure over time. Stocks are adequately covered by insurance throughout the supply chain; with responsibilities clearly demarcated.

## Report of the Directors Cont'd



### Royalties and Technical Service Agreement

Cadbury Nigeria Plc continues to receive technical support from Cadbury Schweppes Overseas Limited, provided under a Technical Services and Royalty Agreements. The Agreements are made with the approval of the National Office for Technology Acquisition and Promotion.

### Technology absorption

Continued thrust in the area of product, packaging and process development yielded good results. Modern technology is readily deployed and on-going development work reflects a substantial absorption of leading edge manufacturing technology. New product development activity is geared to meeting the needs of the Nigerian and other West African consumers.

### Audit Committee

In accordance with the provision of Section 359(3) of the Companies & Allied Matters Act, 1990, the Audit Committee was elected at the last Annual General Meeting comprising three Directors and three shareholders namely, Ayo Akadiri, Andrew

Baker, Chris Okeke, Ayorinde Thomas, Zeloyi Enunwa and Sarata Balogun. The Committee functioned effectively throughout the year and their report is presented elsewhere in this presentation.

The functions of the Committee are as provided in Section 359(6) of the Companies & Allied Matters Act, 1990, and the Committee will be reconstituted as prescribed by law at the AGM

### Auditors

In accordance with Section 357(2) of the Companies & Allied Matters Act, 1990, the Auditors, Messrs Akintola Williams Deloitte will continue in office as Auditors of the company.

By order of the Board

Moudu Ugbodaga  
Company Secretary

**FRESH TASTE WITH**  
**BIG**  
**BUTTER**  
**MINT**

- Rich Buttery Taste
- Minty Freshness
- Long Lasting
- 38 Units per bag
- 24 Bags per carton

MADE BY CADBURY NIGERIA PLC

*...for a fresher taste*



## Corporate Governance

The Board's policy is to manage the affairs of the Group in accordance with the most appropriate standards of good corporate governance. The Board, early in 2003, approved a revised Code of Conduct for Directors and Senior Managers, aimed at ensuring that our executives are brought up to date on their obligations and have openly communicated this to our Auditors and the Audit Committee. Executives have to formally subscribe to the Code and are held accountable for their compliance. The Company Code conforms to the guidelines contained in the Code of Corporate Governance in Nigeria issued by the Securities and Exchange Commission.

### Compliance with the Code

1. Cadbury Nigeria policy conforms to the Code in critical areas of governance and Board activities. Specifically the structure of the Board featuring independent Directors, separation of Chairman and Chief Executive Officer roles, Board processes and reporting/control mechanisms comply with the Code.
2. The Auditors, Messrs Akintola Williams Deloitte do not provide any other remunerative service to Cadbury Nigeria
3. Even though we did not have designated Remuneration and Nomination Committees, the Chairman's Committee comprising all non-executive Directors and the Chief Executive Officer cover these responsibilities and report at the full Board.

4. The Board provides direction in matters of policy and strategy. In both of these, the Chief Executive Officer with the Executive Team initiates and agrees details and specifics with the Board.
5. Investments and capital expenditure proposals, as well as borrowing limits and authorizations are exclusively decided by the Board.

The development in our Corporate Governance work in 2005 was to create a formal Board evaluation process by which the Board evaluates its own performance and effectiveness. The same process allows individual Directors receive a feedback on their contribution to the work of the Board. We see this as an important step to further sharpen our governance structures and procedures.

Furthermore, we have begun a whole initiative around Sarbanes-Oxley compliance, especially the provisions of section 404 of the Act. This demands an even deeper level of rigour, and we have designated a compliance manager to lead the initiative to the next level

The Board comprises an almost equal mix of executive and non-executive Directors, with a non-executive Chairman. Every effort is made to maintain this balance, without jeopardizing the standards for which the Company has come to be known.

The meetings of the Board are scheduled well in advance and a folder containing the agenda and



A cross section of shareholders at the last AGM.



reports covering full business review, highlights from Audit Committee meetings and subcommittees of the Board, is circulated to all Directors. The Board meets four times a year. The record of attendance of Directors at Board meetings during 2005 is detailed below:

Director	Meetings attended out of 4	Attendance at 2005 AGM
'Imo Itsueli	4	Yes
Bunmi Oni	4	Yes
Ayo Akadiri	4	Yes
Andrew Baker	4	Yes
Teju Bogunjoko	4	Yes
Tunde Falase	4	Yes
Raymond Ihyembe	4	Yes
Biodun Jaji	4	Yes
Chris Okeke	4	Yes
Gabriel Onabote	4	Yes
Segun Oyewole	4	Yes
Matt Shattock	4	Yes

We affirmed our commitment to the revised Cadbury Schweppes Business Principles, and the updated Code of Values. These are comprehensive codes that guide the decisions relating to all aspects of the business.

#### Ethical Trading and Human Rights

Cadbury Nigeria has always been in the vanguard of advancing the ideals of ethics and high standards in its commercial relationships as well as promoting accountability in the internal operations. The openness implied in the philosophy has often been a great assistance to

employees in taking the right decisions when confronted with challenging situations in their routine responsibilities. We subscribe to the Convention on Business Integrity, and endeavour to keep our commercial activity within the ambit of the law at all times, while ensuring that we respond openly to legitimate demands of regulatory authorities particularly with regard to product manufacture and sale, capital procurement, environmental protection and taxation.

Even though we hold significant market share positions in some areas of our business, we are conscious to ensure that we respect competition, and insist on fairness in all our business dealings.

We continue to work with our supply chain partners, sharing knowledge and technical advice to help them assure quality and ethical standards. We are involved in the procurement of cocoa beans from various farmer associations, and have championed a Farmer Led Procurement Scheme, which allows us to partner with Farmer Co-operatives through supply of key inputs and chemicals. In exchange we are assured better quality beans for which we commit to pay a fair price, often with a minimum guaranteed. The scheme also creates opportunity to engage with farmer communities and provide support for priority development needs identified by such communities. This also raises our confidence about farming and labour practices behind cocoa beans supplied to our factory in Ondo.

Bunmi Oni

For Minty Mouth Freshness

Now in PILLLOW PACK

THE MINT Celebrations

MADE BY CADBURY NIGERIA PLC

... Real Mouth Freshness



# Board of Directors & Company Secretary



### 1. Imo Itsueli

Imo Itsueli, 56, joined the Board of the Company as a non-Executive Director on 1<sup>st</sup> February 2001 and was appointed Chairman of the Board also in a non-Executive capacity on 13<sup>th</sup> February 2002. An accomplished entrepreneur, Imo is Chairman/Managing Director of Dubri Oil Ltd, Africa's first indigenous Crude Oil Producing Company, and a member of the Board of the Nigerian Economic Summit Group amongst other Directorships.

### 2. Bunmi Oni

Bunmi Oni, 52, is a past winner of Cadbury Nigeria Award for Excellence (1987), and past chairman of the Nigerian Economic Summit Group. He began his career in the Company in 1977 as management trainee, and has held a succession of leadership roles in Cadbury Nigeria and Cadbury India, including Personnel Director (1988), Planning Director (1990), Sales & Marketing Director (1991), and Vice President Marketing, Cadbury India

(1992). Bunmi became Managing Director of Cadbury Nigeria in December 1992, Chief Executive on 12<sup>th</sup> June 1995, and is a member of the Regional Executive Team of Africa, Middle East and Turkey Business Unit of Cadbury Schweppes. He is a Director of Berger Paints Plc.

### 3. Ayo Akadiri

Ayo Akadiri, 58, was appointed to the Board on 20<sup>th</sup> July, 1987 in the position of Finance Director. Before joining the Company, he had acquired wide and varied experience in banking and the industrial worlds. Ayo is well respected in industry, and was a recipient of the 1995 Nigerian National Productivity Merit Award in the individual category.

### 4. Andrew Baker

Andrew Baker, 47, was appointed a non-executive Director on 19<sup>th</sup> June, 2003. He first joined Cadbury Schweppes in 1982, and left in 1986 with a management buy-out of Premier Brands. Over the next

fourteen years, he managed significant confectionery and foods businesses in UK, Canada, the Netherlands and France. Andrew rejoined Cadbury Schweppes in 2000, and was appointed Managing Director, Africa Middle East and Turkey Business unit in March 2003.

### 5. Teju Bogunjoko

Teju Bogunjoko, 55, joined the Company in January, 1984 as Process Development Scientist. A many-sided Scientist, and first winner of the Cadbury Nigeria Award for Excellence, he has since joining the Company successfully undertaken many development projects, including the Cereal Conversion Plant, for which the Company holds a patent. Teju was appointed to the Board on 10<sup>th</sup> April, 1991 as Technical Director, the first Nigerian to occupy that position, and became Operations Director in July, 1995, and Operations Development Director in November 2004. He was a recipient of the Nigerian National Productivity Merit Award (1991).

### 6. Tunde Falase

Tunde Falase, 40, joined the Company in 1990 as a Management Trainee, and is a past winner of the Company Award for Excellence (1999). Tunde was appointed Business Development Controller in 2000, and has held a succession of senior positions in the Company and within Cadbury Schweppes, including VBM Manager, Africa and Middle East sub-region. He was invited to the Board on 12<sup>th</sup> December 2003 as Human Resources Director, and became Marketing Director in February 2006.

### 7. Raymond Ihyembe

Raymond Ihyembe, 56, joined the Board on 16<sup>th</sup> September, 2004 in a non-executive capacity. He had at various times held a succession of senior positions in Shall Petroleum Development Company, Nigerian Bank for Commerce and Industry, and AfribanK Plc, where he was Group Managing Director & Chief Executive between 1999 and 2002. He serves on the Board of many Companies

including Central Insurance Company Plc and also runs his thriving business in Lagos.

### 8. Biodun Jaji

Biodun Jaji, 50, joined the Company in August, 1982 as a Management Trainee and is a past winner of the Company's Award for Excellence (1990). Biodun has held a succession of leadership roles within the Company including Materials Management Controller (1991), and was elevated to the Board in December 1992 as Sales & Marketing Director. He was appointed Sales Director in February 2006.

### 9. Chris Okeke

Chris Okeke, 54, was invited to join the Board on 19<sup>th</sup> June, 2003 as a non-executive Director. Chris is a Legal Practitioner and partner in the firm of Ajumogobia & Okeke, one of the largest and well-known commercial law firms in Nigeria. He serves on the board of a number of companies, including Assets and Resources Management Company Ltd. and

Nigerian Starch Mills Limited. He also acts as Adviser to SOS Kinderdorf International.

### 10. Gabriel Onabote

Gabriel Onabote, 50, joined the Company in February 1986 as Engineering Inventory Manager. A past winner of the Company's Award for Excellence, Gabriel was at various times, Departmental Engineer, Business Unit Manager, and Planning Controller, before he was invited to the Board in December 2002 as Logistics Director. He was appointed Manufacturing Director in November 2004.

### 11. Segun Oyewole

Segun Oyewole, 56, joined the Company in 1981 as Planning Accountant. A first class graduate of physics and a fellow of ICAN, he is a past winner of the company's Award for Excellence (1992). Segun was at various times Finance Director, Stanmark Cocoa Processing Company Limited and General Manager IT, Cadbury Nigeria, before his appointment as Managing Director of

Stanmark (1996), and elevated to the Board of Cadbury Nigeria on 18<sup>th</sup> February, 1998.

### 12. Matt Shattock

Matt Shattock, 43, was appointed a non-executive Director on February 10<sup>th</sup>, 2005. He joined Cadbury Schweppes in early 2003 as President Americas Confectionery, from Unilever Best Foods where his career spanned marketing and general management roles across a number of businesses, including Birds Eye and Lipton. He is currently President, Europe, Middle East and Africa Confectionery, and a member of the Chief Executive's Committee of Cadbury Schweppes.

### 13. Moudou Ugobodaga

Moudou Ugobodaga, 40, was appointed Company Secretary in January 2003. He joined the Company in April 1994 as Legal Officer, and became Manager, Legal & Secretarial Services in 1999. Moudou also serves as Company Secretary of Stanmark Cocoa Processing Company Limited.

Cadbury Nigeria Plc  
MINT

TREBOR PEPPERMINT  
ORIGINAL





As we grow our business we face increasing expectations for the highest standards of business integrity, risk and uncertainty as well as increasing competition. We are persuaded that growing shareowner value is compatible with increased accountability for social and environmental performance. To meet this we are implementing policies and processes that clearly align business growth with a strong sense of our obligations to society.

#### Living Our Values

Our focus on social responsibility spans the continuum from high quality product offerings that offer real value for money. We pioneered the fortification of Food Drinks products by adding body building vitamins and minerals to our offering Bournvita in order to help raise the quality of the dietary intake of the Nigerian consumer. This concept is being extended to our confectionery offerings with the introduction of Halls Take 5, a vitamin-enriched sweet. Community involvement is at the heart of many initiatives we undertake, and some examples include the Tom Tom Zebra Crossing sponsorship to make our roads safer, the Bournvita Magic Flight to offer real leadership development exposure to kids, the Bournvita Teachers Award, for which we have received recognition from national and international authorities. We encourage our employees to participate in community programmes on a volunteer basis, that involve teaching in schools, and environmental sanitation exercises in neighbourhoods, and in this endeavour we collaborate with Junior Achievement Nigeria, AIESEC and many others. In early 2006, we subscribed to an audit of our Human rights, Employment and Ethical Sourcing practices, which further assured us that our benchmarks meet international standards

#### Human Rights and Employment Standards

We have derived tremendous benefit from the knowledge and resources in Cadbury Schweppes in developing our formal policy on Human Rights and employment standards. The policy covers core labour rights and dignity at work, health and safety in the workplace, fair remuneration, diversity and inclusion, as well as respect for differences and opportunity to develop. The policy has been developed taking into account international standards such as the International Labour Organization conventions and the Universal Declaration of Human Rights as well as cultural and industry best practice locally in Nigeria. It applies to all employees and we have commenced action to extend this to our suppliers and customers.

#### Ethical Sourcing & Procurement

We have also developed channels for actualizing our ethical sourcing standards, underpinned by a system of supplier evaluation, training for employees and a programme of engagement with suppliers. One area this has been pioneered is in cocoa buying through Stanmark Cocoa Processing Company, where our Farmer Led Procurement Scheme has started to yield great results. Our partnership with farmer co-operatives provides a platform for engagement with communities, and to offer relevant support where it matters most to such communities. We provide inputs and commit to a guaranteed minimum price for top grade cocoa beans each season, based on market trends. In return farmers in the co-operatives are able to nurture the crop and supply good quality beans since they can expect a handsome premium for such hard work.

#### Marketing Food and Consumer Issues

One more area of activity is the policy on consumer issues relating to the role of food in public health and the marketing of our products. These include a



## Corporate & Social Responsibility Report cont'd

marketing code of practice with particular reference to children, obesity prevention, enhanced labeling to facilitate informed decision making by consumers, portion size review, guidelines on vending in schools, withdrawal of embedded toys in products, added trans-fats in products, genetically modified ingredients and bubble gum disposal. Some of the standards we have adopted are ahead of the local legislation but we are committed to playing an active part, working with government, industry and concerned organizations in finding longer term solutions to problems posed by the current lack of Education and understanding about the appropriate role of food and activity in public health.

### Environment, Health and Safety

Cadbury Nigeria subscribes to the Cadbury Schweppes new integrated Environmental Health and Safety (EHS) Policy with supporting standards. This policy deals with environmental issues related to the manufacture of our products, protecting biodiversity and the ecosystems from which the company sources raw materials, the management of its supply chain and the distribution sale and consumption of its products. The EHS standards incorporate management system requirements based on the ISO 14001. The annual audit of our site ensures we can pace our advancement on these standards, and the rigorous reporting requirements mean that we adopt the strictest safety standards. Where accidents occur, these are widely reported, to provide the appropriate learning opportunity. We see sound and responsible environmental management as an integral part of achieving our goal to grow the value of our business for the shareholders and in the interest of all stakeholders. As a matter of policy, we shall:

- a) Conduct our business in compliance with environmental laws and with our guidelines, which set standards for our operations;
- b) Maintain systems to manage our environmental responsibilities
- c) Set clear targets for continuous improvement, and monitor these targets to ensure that they are met;
- d) Establish and enable employee accountability for our environmental performance;
- e) Strive to prevent pollution and to minimize the environmental costs and impact of our operations;
- f) Assess the impact of new operations and products and see ways to contribute positively to their environmental performance;
- g) Train and motivate our employees to understand their environmental responsibilities and to actively support our environmental programmes;

- h) Work with our supply chain and business partners to improve our collective environmental performance, to protect the ecosystems that provide our raw materials and to minimize the impact from transportation;
- i) Review and update this policy regularly.

In furtherance of this policy, we have embarked on a comprehensive programme to install the leading edge Hazard Analysis & Critical Control Point mechanism to further enhance our manufacturing processes, and enable us to serve the wider international markets without hindrance.

### Cadbury in the Community

The company has maintained its leadership role in the business community and society at large. The increasing level and quality of dialogue between the public and private sector leaders is a reflection of the consensus to see the economy blossom. Our corporate giving has continued to be targeted at areas of the greatest need, and in 2005 we reached out on various platforms as dictated by our policy on corporate social responsibility. These platforms, which have a clear orientation towards children, the youth and women, include Education, Sports, The Arts and Health awareness



40th Anniversary Charity Walk

Two of the key events to mark our 40<sup>th</sup> Anniversary were designed to create added opportunity to give towards some of the greatest needs in society. The Anniversary Charity Walk raised N40m, and we acknowledge the contribution of some of our corporate associates and employees who gave towards the target fund. The company provided N26m of this sum and the beneficiaries are listed elsewhere in this report. The Charity Walk was also a great keep-fit exercise for employees and our friends. Also we offered 2.5k for every unit of our lead Confectionery brand (Tom Tom) sold in 2005. This raised a further N7.5m that went to charity in 2005.

Our commitment to children is in recognition of the imperative to build the leadership of the future. These activities are in addition to major Brand activities, notably the Bournvita Children's Magic Flight, the Bournvita Brain match contest among schools in the primary and secondary categories, the Bournvita Teachers' Awards, the Tom Tom Zebra Crossing sponsorship initiative and other innovative activities.

We have continued to collaborate with relevant bodies to bring critical health issues to the consciousness of the population.



The areas of focus in 2005 and the principal collaborating bodies are:

- a) Education. We have sought to expand the platform for our work on helping to build leaders. Partnering with Junior Achievement of Nigeria, an increasing number of managers offer to teach in schools on volunteer basis, as part of the partnership with Junior Achievement of Nigeria.
- b) Advocacy and help organizations. There has been an increasing need to support advocacy organizations that work to curb women and child trafficking as well as HIV/AIDS awareness

Our corporate membership of The Nigerian Economic Summit Group, the Nigerian Conservation Foundation, Manufacturers Association of Nigeria, Association of Food, Beverage and Tobacco Employers, and Junior Achievement of Nigeria provides the platform for us to offer contribution and share knowledge and experience for the public good.

We have continued to provide support for Agidingbi community, and stepped up our involvement with the sanitary and environmental cleanliness within the community, as well as the Agidingbi Grammar School. This school has a student population of 2000, and we have



'TomTom Lend a Hand' initiative

commenced initial work to help ensure that infrastructure standards are upgraded.

**Energy Conservation, Emissions & Effluent Management.**  
The factory operation continues to run 100% on our own power station, and have been so for many years. This raises significant issues about energy management, and emissions. Some key installations are now fuelled by natural gas, thus improving standards of energy efficiency and quality of emissions. Planning work is at an advanced stage to improve the recycling of heat energy generated from the power plant, with the deployment of modern technology in tri-generation.

We have completed the replacement of refrigeration plant that run on refrigerant based on Chlorofluorocarbon, CFC, material, with the installation of the a further 600T capacity

Absorption Chiller. This makes our manufacturing facility free of CFC-based refrigerants completely, well ahead of the 2010 deadline set by the Montreal Protocol. We have also taken conclusive steps to ensure that our electrical installations, especially oil-cooled power transformers, capacitors and high power motors, conform to international standards with regard to Polychlorinated Biphenyls (PCB).

Our effluent plant remains a reference point in the manufacturing industry, ensuring that all discharges meet the standards stipulated by the environmental protection authorities.

### Brands people love

Our Confectionery, Food drinks, and Foods products are safe and wholesome, delicious and enjoyable, and offer pleasurable affordable nutrition to users. We ensure consumer advice, while information and labeling are of the highest industry standards and conform to regulatory prescription. It's a matter of trust. We have also commenced the introduction of simultaneous French translations on labels in view of our West Africa scope.

For this reason, our CSR agenda now reflects a growing consumer interest on issues of diet, nutrition, and healthy lifestyle, including sponsorship of health awareness campaigns. We have created a consumer relations desk to provide consumer information in a proactive manner, and to respond openly and fairly to consumer complaints received from time to time. In addition we have a Research and Documentation position to help build our knowledge base on emerging diet concerns of population segments.

### Corporate Giving

The Company maintains a clearly defined and focused policy in the area of corporate giving, and the three main thrusts of this policy are:

- a) Corporate responsibility to stakeholders for good governance, ethical conduct of business, and the environment
- b) Support for society's important activities and needs in the areas of Education, Health awareness, Research and technology development, Sports, The Arts etc



Rewarding excellence in teaching



Bournvita Magic Flight: Exposing children to new climes, promoting & developing leadership skills.

c) Social development including cultural expression, interests of the disadvantaged or otherwise physically challenged, or vulnerable people especially children, population control activities etc.

The expenditure is funded by the income from an endowment investment, and the amount available has tended to vary with the interest rates in the market. The summary of the expenditure in 2005 is as follows:

Platform	2005	2004	Remarks
The Arts	1,469,251	450,529	Upscale of sponsorship
Education	2,528,522	1,287,239	Donations to development projects and schools
Health and environment	1,662,552	993,458	Focus on cancer and HIV/AIDS awareness programmes
Sports	12,255,230	15,196,146	
Charity	5,362,523	4,243,707	Numerous charitable causes
40 <sup>th</sup> Anniversary Charity Walk	26,000,000	-	One-off Anniversary giving
40 <sup>th</sup> Anniversary Tom Tom Lend-a-Hand activity	7,500,000	-	Community engagement initiative by our lead confectionery brand
<b>Total</b>	<b>56,778,078</b>	<b>22,171,079</b>	

These figures exclude the value of the employee time committed to volunteer community programmes, and the activities are separate from direct marketing activities or brand communication, many of which relate to the educational and leadership development of young people as well as sports.

The major, not the sole, beneficiaries in each category include the following.

- The Arts:** Association of Nigerian Authors  
Nigerian Guild of Editors  
Lagos State Council of Arts & Culture
- Education:** NSE National Essay Competition  
Agidingi Grammar School  
Secondary & Tertiary Institutions  
Professional Institutes
- Sports:** The Cadbury Golf Tournament  
Grassroots Women Football Championship
- Charity:** National Council of Women's Societies  
SOS Villages  
Nigerian Red Cross Society  
New Era Foundation  
Spinal Cord Injuries Association of Nigeria
- Health:** C.O.P.E.  
Colostrum International  
Nigeria Heart Foundation  
Genotype Foundation  
Nutrition Society of Nigeria



Beneficiaries of the proceeds from the 40<sup>th</sup> Anniversary Charity Walk who received N10m each are:

- a. Pacelli School for the Blind
- b. Kanu Heart Foundation
- c. Sight Savers international
- d. Lagos Children Development Centre

The following organizations received N2.5m each from the Tom Tom Lend-a-Hand initiative:

- i. SOS Children's Village
- ii. Old People's home, Yaba
- iii. Spinal Cord Injuries Association of Nigeria

In some cases donations were in the form of products where this was perceived to be the greater need, and the cash value of such gifts has been incorporated in the summary above at ex-factory price. Product donations were to a large number of educational and health institutions, NGOs, and community relations organizations across the country.

We are guided in our CSR activities by the principle of collaboration. First we ensure that we build a sound, profitable business foundation in order to secure a predictable stream of profits and establish strong market positions in the segments we participate in. Our contribution begins by producing needed goods, purchasing locally produced raw materials, and offering gainful employment to many. Secondly, we promote co-operation among employees so that management and non-management see each other as vital to the success of the organization, and also inculcates in staff members a spirit of selfless giving. Thirdly we co-operate outside the company with suppliers, customers, civil society and various non-governmental groups working in the interest of a better Nigeria through



The Cadbury/ANA prize for Poetry has been one of the most sought after literary prizes in Nigeria in its 2 decades of existence.

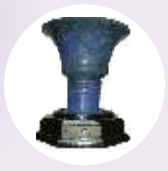
sponsorships and collaboration. Fourthly, we are active at the transnational level in working with international organizations to promote the well being of the Nigerian society. This collaboration brings us closely with UNESCO, UNIDO, UNICEF and other international bodies, as well as broad based professional management organizations such as The Conference Board. Working with these bodies allows us access to wider knowledge, but enables us to make contributions into their agenda. The work with UNICEF in developing Vitamin A supplements for our Bournvita was altogether a productive collaboration. In this arena too, we help improve the trade imbalance through our export activities, which also reduces our dependence on national resources when we earn foreign exchange to finance some of our imports. Finally we actively engage in policy advocacy work to promote the rapid development of the economy. These phases are depicted in the diagram in page 31, which serves as template for our CSR activities.



A Cadbury Nigeria sponsored Arts festival for the physically challenged.



Andrew Baker appreciates one of the paintings of Idowu Akinrolabu.

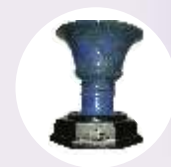


The Company has continued to pursue a vigorous productivity improvement programme, using internationally acclaimed concepts and tools.

This accords with the corporate philosophy for the pursuit of excellence and has produced results in tangible cost reduction and efficiency improvement. Our Value Based Management (VBM) programme provides new horizon for advancing our quest for international standards.

# Financial Report

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## Report of the Audit Committee to the members of Cadbury Nigeria Plc

We, the Audit Committee Members of Cadbury Nigeria PLC, in compliance with the statutory requirements of section 359(6) of the Companies & Allied Matters Act 1990, have carried out the following functions on the documents and information made available to us:

- Reviewed with Management the Business plan for the year ended 31st December 2005 (the year).
- Confirmed that the scope and planning of both the External and Internal Audit programmes for the year were adequate and satisfactory.
- Confirmed that the accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.
- Confirmed the independence and objectivity of the statutory Auditors.

The statutory Auditors were NOT engaged in any non-audit work for the Company, neither was any payment made to them therefor.

AYORINDE THOMAS  
Chairman, Audit Committee  
13th February, 2006

### MEMBERS

1. Ayorinde Thomas	-	Chairman
2. Ayo Akadiri	-	Member
3. Andrew Baker	-	"
4. Sarata Balogun	-	"
5. Zeloje Enunwa	-	"
6. Chris Okeke	-	"

Moudu Ugboaga served as Secretary to the Committee.



# Report of the Auditors to the members of Cadbury Nigeria Plc

Akintola Williams Deloitte  
Chartered Accountants  
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Lagos, Nigeria.

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## Deloitte.

We have audited the consolidated financial statements of Cadbury Nigeria Plc as at 31 December 2005 set out on pages 39 to 51 which have been prepared on the basis of the accounting policies set out on pages 39.

### Respective responsibilities of Directors and Auditors

In accordance with the Companies and Allied Matters Act, 1990, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with the international standards on auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary, in order to provide us with sufficient evidence, to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the Company's books of account have been properly kept. We have obtained all the information and explanations we required for the purpose of our audit.

### Opinion

In our opinion, the Group has kept proper books of account and the consolidated financial statements are in agreement with the books. The consolidated financial statements drawn up in conformity with generally accepted accounting standards in Nigeria, give a true and fair view of the state of affairs of the Group at 31 December 2005 and of the profit and cash flows for the year ended on that date, and have been properly prepared in accordance with the Companies and Allied Matters Act, 1990.

Chartered Accountants  
Lagos, Nigeria

9 February 2006



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List of Partners' names is available at 235, Ikorodu Road, Ilupeju, Lagos.

# Significant accounting policies



- 1. Basis of Accounting**  
The financial statements are prepared under the historical cost convention.
- 2. Basis of Consolidation**  
The group financial statements include the financial statements of the holding company and Stanmark Cocoa Processing Company Limited, its subsidiary, for the year ended 31 December 2005.
- 3. Turnover**  
Turnover comprises the net invoice value of sales to external customers.
- 4. Fixed Assets**  
Fixed assets are stated at cost less accumulated depreciation.
- 5. Depreciation**  
Depreciation of fixed assets is calculated to write off their cost/valuation on a straight-line basis over the expected useful lives of the assets concerned at the following rates:

	%
Land	Nil
Leasehold buildings	2 <sup>1</sup> / <sub>2</sub>
Plant and machinery	10
Furniture and fittings	15
Motor vehicles	20

- 6. Investments**  
Investments are stated at cost and net realisable value.
- 7. Stocks**  
Finished goods, work-in-progress, raw materials and goods in transit are valued at lower of cost and net realisable value.
- 8. Debtors**  
Debtors are stated after deduction of specific provision for debts considered doubtful of recovery.
- 9. Research and Development Costs**  
Research and development costs are written off in the year incurred.
- 10. Deferred Taxation**  
Deferred taxation is provided by the liability method at the current tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that a liability or asset may crystallise in future in line with SAS 19.
- 11. Foreign Currencies**  
Transactions in foreign currencies are recorded in Naira at the rate of exchange ruling at the time they arise. Assets and liabilities denominated in currencies other than the Naira are converted at the rates of exchange ruling as at the balance sheet date. Profits and losses arising therefrom are included in the Profit and Loss Account.
- 12. Employees Retirement Benefits**  
The company operates a gratuity scheme for its permanent staff, the benefits under which is related to employees' length of service and remuneration.

The company also operates a defined provident fund scheme for its employees. The scheme which is funded by contributions from the company and the employees, is managed by a board of trustees.



# Consolidated Profit and loss account

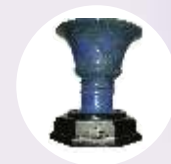
Year Ended 31 December, 2005

	Note	The Group		The Company	
		2005 N'000	2004 N'000	2005 N'000	2004 N'000
Turnover	2	29,454,185	22,152,651	27,444,419	20,083,559
Cost of sales		(18,235,111)	(13,448,206)	(17,465,203)	(12,264,519)
Gross profit		11,219,074	8,704,445	9,979,216	7,819,040
Interest receivable		179,960	354,916	179,960	354,916
Distribution expenses		(890,847)	(755,246)	(890,847)	(755,246)
Administrative expenses		(5,563,238)	(3,772,741)	(5,331,014)	(3,527,990)
Operating profit		4,944,949	4,531,374	3,937,314	3,890,720
Interest expense and similar charges		(1,091,855)	(682,101)	(743,215)	(356,180)
Profit on ordinary activities before taxation	3	3,853,094	3,849,273	3,194,099	3,534,540
Tax on profit on ordinary activities	5	(1,142,173)	(1,036,650)	(997,920)	(1,036,650)
Profit on ordinary activities after taxation		2,710,921	2,812,623	2,196,179	2,497,890
Minority interest		(6,434)	(3,934)	-	-
Profit attributable to members		2,704,487	2,808,689	2,196,179	2,497,890
Appropriations :					
Proposed dividend		(1,303,154)	(1,601,345)	(1,301,093)	(1,601,345)
Retained profit transferred to general reserve		1,401,333	1,207,344	895,086	896,545
PER SHARE DATA (KOBO)					
Earnings per share		270	281	219	250
Dividend per share		130	160	130	160

The accounting policies on page 39 and the notes on pages 43 to 49 form part of these financial statements.

# Consolidated Balance Sheet

Year Ended 31 December, 2005



		The Group		The Company	
	Note	2005 N'000	2004 N'000	2005 N'000	2004 N'000
<b>FIXED ASSETS</b>	6	<b>7,964,695</b>	6,230,817	<b>6,657,669</b>	5,034,031
<b>LONG TERM INVESTMENTS</b>	7	<b>-</b>	-	<b>1,088,267</b>	1,088,267
<b>CURRENT ASSETS</b>					
Stocks	8	5,367,437	5,494,651	4,901,250	4,911,406
Trade debtors		9,025,132	5,153,826	8,486,414	4,582,146
Other debtors		1,784,942	1,292,846	643,339	446,981
Prepayments		190,660	34,657	189,571	31,946
Due from subsidiary		-	-	469,771	773,102
Bank and cash balances		7,732,276	2,665,215	7,698,545	2,661,206
		<b>24,100,447</b>	14,641,195	<b>22,388,890</b>	13,406,787
<b>CREDITORS: Amounts falling due within one year</b>					
Bank overdrafts and short term borrowings		5,464,350	2,032,431	5,528,375	2,029,416
Trade creditors		3,750,565	2,737,750	2,622,909	2,022,868
Other creditors and accruals	9	4,155,648	5,009,865	3,981,188	4,419,451
Taxation	5	894,347	545,480	750,094	545,480
		<b>14,264,910</b>	10,325,526	<b>12,882,566</b>	9,017,215
<b>NET CURRENT ASSETS</b>		<b>9,835,537</b>	4,315,669	<b>9,506,323</b>	4,389,572
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>17,800,232</b>	10,546,486	<b>17,252,259</b>	10,511,870
<b>DEFERRED TAXATION</b>	10	<b>(1,334,585)</b>	(1,086,759)	<b>(1,334,585)</b>	(1,086,759)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>					
Gratuity provision	11	(597,477)	-	(597,477)	-
<b>CREDITORS: Amounts falling due after more than one year</b>					
Irredeemable convertible loan	12	(5,000,000)	-	(5,000,000)	-
<b>TOTAL NET ASSETS</b>		<b>10,868,170</b>	9,459,727	<b>10,320,197</b>	9,425,111
<b>CAPITAL AND RESERVES</b>					
Share capital	13	500,420	500,420	500,420	500,420
Share premium		2,534,669	2,534,669	2,534,669	2,534,669
General reserve	14	7,813,679	6,411,470	7,285,108	6,390,022
		<b>10,848,768</b>	9,446,559	<b>10,320,197</b>	9,425,111
Minority interest		19,402	13,168	-	-
		<b>10,868,170</b>	9,459,727	<b>10,320,197</b>	9,425,111

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2005 Annual Report & Accounts

) Directors

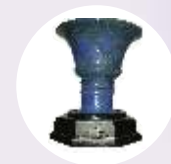
The accounting policies on page 39 and the notes on pages 43 to 49 form part of these financial statements.



# Consolidated Statement of Cash Flows

Year Ended 31 December, 2005

	Note	The Group		The Company	
		2005 N'000	2004 N'000	2005 N'000	2004 N'000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		24,934,780	20,711,509	23,489,499	19,751,765
Cash paid to suppliers and employees		(23,266,798)	(17,349,339)	(22,469,382)	16,916,846
Income tax paid	5	(545,480)	(1,017,545)	(545,480)	(1,017,545)
Net cash provided by operating activities	16	1,122,502	2,344,625	474,637	1,817,374
<b>Cash flows from investing activities</b>					
Proceeds from treasury activities		179,960	354,916	179,960	354,916
Proceeds from sale of equipment		6,863	49,795	3,643	49,795
Purchase of fixed assets	6	(2,163,393)	(2,859,634)	(1,959,770)	(2,640,775)
Net cash provided by investing activities		(1,976,570)	(2,454,923)	(1,776,167)	(2,236,064)
<b>Cash flows from financing activities</b>					
Interest paid		(1,091,855)	(682,101)	(743,215)	(356,180)
Dividend paid		(1,418,936)	(1,258,985)	(1,416,875)	(1,258,985)
Loan received		5,000,000	-	5,000,000	-
Net cash provided by financing activities		2,489,209	(1,941,086)	2,839,910	(1,615,165)
Net increase/(decrease) in cash and cash equivalents		1,635,142	(2,051,384)	1,538,380	(2,033,855)
Cash and cash equivalents at 1 January		632,784	2,684,168	631,790	2,665,645
Cash and cash equivalents at 31 December 17		2,267,926	632,784	2,170,170	631,790



## 1. The Company

Cadbury Nigeria Plc was incorporated on 9 January, 1965 and engages in the food processing business. Its major product lines consist of food, food drinks, sugar confectionery, chocolate and seasoning cubes. The Cadbury Schweppes Group of United Kingdom, which provides the Company with technical services under a Technical Services Agreement approved by National Office for Technology Acquisition and Promotion (NOTAP) held 46.4% of the issued share capital as at December 31, 2005 while the balance is held by the Nigerian public.

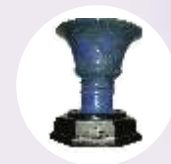
	The Group		The Company	
	2005 N'000	2004 N'000	2005 N'000	2004 N'000
2. Turnover				
This comprises of :				
Domestic sales	27,153,699	19,983,810	27,153,699	19,846,418
Foreign sales	2,300,486	2,168,841	290,720	237,141
	<b>29,454,185</b>	22,152,651	<b>27,444,419</b>	20,083,559
3. Profit on ordinary activities before taxation				
Profit on ordinary activities before taxation is stated after charging/(crediting) -				
Depreciation	425,480	322,270	335,419	248,039
Directors' emoluments	100,428	63,694	100,428	63,694
Auditors' remuneration	14,391	11,675	12,500	8,370
Profit on disposal of fixed assets	(2,828)	(13,887)	(2,930)	(13,887)
Exchange gain	(23,882)	-	-	-
4. Information regarding Directors and Employees				
(a) Directors				
Directors' emoluments are made up of :				
Fees	2,100	2,958	2,100	2,958
Salaries	98,328	60,736	98,328	60,736
	<b>100,428</b>	63,694	<b>100,428</b>	63,694
Included in the above are payments made to the following :-				
Chairman	500	500	500	500
Highest paid Director	21,570	15,006	21,570	15,006



# Notes to the Account

Year Ended 31 December, 2005

		The Group		The Company	
Scale of Directors' emoluments					
		2005	2004	2005	2004
N	N	Number	Number	Number	Number
4,000,001 -	6,000,000	-	3	-	3
7,000,001 -	10,000,000	3	2	3	2
10,000,001 -	12,000,000	-	1	-	1
12,000,001 -	14,000,000	2	-	2	-
14,000,001 -	17,000,000	1	1	1	1
17,000,001 -	25,500,000	1	-	1	-
		7	7	7	7
(b) Employees					
The average number of persons including Directors employed by the Company during the year was		2,429	2,159	2,168	2,048
Staff costs for the above persons were :		N'000	N'000	N'000	N'000
Salaries and allowances		3,224,099	2,868,788	3,166,151	2,803,837
Provident fund contribution		205,555	139,421	201,252	92,523
		3,429,654	3,008,209	3,367,403	2,896,360
Earned more than N60,000 in the year					
N	N	Number	Number	Number	Number
60,001 -	100,000	165	22	-	-
100,001 -	140,000	39	24	-	-
140,001 -	180,000	3	7	-	-
180,001 -	220,000	510	871	499	855
220,001 -	260,000	450	79	440	71
260,001 -	300,000	47	6	37	3
300,001 -	340,000	102	138	102	125
340,001 -	380,000	118	125	118	122
380,001 -	420,000	153	210	145	209
420,001 -	and above	842	677	827	663
		2,429	2,159	2,168	2,048



	The Group		The Company		
	2005 N'000	2004 N'000	2005 N'000	2004 N'000	
5. Taxation					
Tax on profit on ordinary activities					
Income tax based on profit for the year	811,867	468,716	667,614	468,716	
Educational tax	82,480	76,453	82,480	76,453	
Deferred taxation	247,826	491,481	247,826	491,481	
Per profit and loss account	1,142,173	1,036,650	997,920	1,036,650	
Balance at 1 January	545,480	1,017,856	545,480	1,017,856	
Paid in the year	(545,480)	(1,017,545)	(545,480)	(1,017,545)	
Less: Deferred taxation	1,142,173 (247,826)	1,036,961 (491,481)	997,920 (247,826)	1,036,961 (491,481)	
Balance at 31 December	894,347	545,480	750,094	545,480	
6. Fixed assets					
a. The Group					
	Land and buildings N'000	Plant, machinery, furniture and equipment N'000	Motor vehicles N'000	Projects under develop- ment N'000	Total N'000
Cost					
At 1 January 2005	361,366	4,768,593	191,015	3,117,243	8,438,217
Additions	26,737	416,449	26,926	1,693,281	2,163,393
Disposals	-	(8,866)	(45,718)	-	(54,584)
Reclassifications	155,551	1,816,663	-	(1,972,214)	-
At 31 December 2005	543,654	6,992,839	172,223	2,838,310	10,547,026
Depreciation					
At 1 January 2005	83,544	1,978,897	144,959	-	2,207,400
Charge for the year	10,404	393,269	21,807	-	425,480
On disposals	-	(8,317)	(42,232)	-	(50,549)
At 31 December 2005	93,948	2,363,849	124,534	-	2,582,331
Net book value					
At 31 December 2005	449,706	4,628,990	47,689	2,838,310	7,964,695
At 31 December 2004	277,822	2,789,696	46,056	3,117,243	6,230,817



# Notes to the Account

Year Ended 31 December, 2005

6. Fixed assets						
b. The Company		Plant, machinery, furniture and equipment N'000	Motor vehicles N'000	Projects under develop- ment N'000		Total N'000
Cost						
At 1 January 2005	308,197	3,391,015	165,682	2,922,851		6,787,745
Additions	-	246,618	19,871	1,693,281		1,959,770
Disposals	-	(8,442)	(38,465)	-		(46,907)
Reclassifications	148,662	1,629,160	-	(1,777,822)		-
<b>At 31 December 2005</b>	<b>456,859</b>	<b>5,258,351</b>	<b>147,088</b>	<b>2,838,310</b>		<b>8,700,608</b>
Depreciation						
At 1 January 2005	75,293	1,544,854	133,567	-		1,753,714
Charge for the year	8,571	309,327	17,521	-		335,419
On disposals	-	(8,158)	(38,036)	-		(46,194)
<b>At 31 December 2005</b>	<b>83,864</b>	<b>1,846,023</b>	<b>113,052</b>	<b>-</b>		<b>2,042,939</b>
<b>Net Book Value</b>						
<b>At 31 December 2005</b>	<b>372,995</b>	<b>3,412,328</b>	<b>34,036</b>	<b>2,838,310</b>		<b>6,657,669</b>
At 31 December 2004	232,904	1,846,161	32,115	2,922,851		5,034,031



## 7. Long term investments

The Company's Investment of N1.09 billion in Stanmark Cocoa Processing Company represents 98.9% of the equity.

	The Group		The Company	
	2005 N'000	2004 N'000	2005 N'000	2004 N'000
8. Stocks				
Raw materials	1,383,210	1,162,231	1,171,988	899,405
Packaging materials	1,188,690	1,446,701	1,185,845	1,441,672
Work-in-progress	234,747	201,754	176,794	167,396
Finished goods	419,778	397,337	381,353	298,556
Other stocks	1,978,095	1,918,274	1,822,354	1,736,023
Goods-in-transit	162,916	368,354	162,916	368,354
	<b>5,367,437</b>	<b>5,494,651</b>	<b>4,901,250</b>	<b>4,911,406</b>
9. Other creditors				
Accruals	492,746	652,558	466,656	652,558
Dividends	1,826,241	1,942,023	1,826,241	1,942,023
Overseas affiliates	1,227,777	951,957	1,227,777	951,957
Others	608,884	1,463,327	460,514	872,913
	<b>4,155,648</b>	<b>5,009,865</b>	<b>3,981,188</b>	<b>4,419,451</b>
10. Deferred taxation				
Balance at 1 January	1,086,759	595,278	1,086,759	595,278
Charge for the year (Note 5)	247,826	491,481	247,826	491,481
	<b>1,334,585</b>	<b>1,086,759</b>	<b>1,334,585</b>	<b>1,086,759</b>
11. Gratuity provision				
Balance at 1 January	—	—	—	—
Charge for the year	742,893	—	742,893	—
Paid during the year	(145,416)	—	(145,416)	—
	<b>597,477</b>	<b>—</b>	<b>597,477</b>	<b>—</b>

The total staff gratuity liability as at 31 December 2005 amounted to N2,764,106,994 out of which N597,477,303 had been provided for in this financial statements. The balance of N2,166,629,690 will be amortised equally over the next 4 years.

## 12. Irredeemable convertible loan

During the year, the company made a Right Issue of N5billion unsecured zero coupon irredeemable convertible loan stock at par to existing shareholders as at 18 March 2005. This translates to 100 million ordinary shares on conversion.



# Notes to the Account

Year Ended 31 December, 2005

	The Group		The Company	
	2005 N'000	2004 N'000	2005 N'000	2004 N'000
13. Share capital				
.1 Authorised 1,500,000,000 (2004: 1,000,000,000) Ordinary shares of 50k each	750,000	750,000	750,000	750,000
.2 Issued and fully paid 1,000,840,617 (2004: 1,000,840,617) Ordinary shares of 50k each	500,420	500,420	500,420	500,420
14. General reserve				
At 1 January	6,411,470	5,198,766	6,390,022	5,493,477
Goodwill on consolidation	876	5,360	–	–
Profit retained for the year	1,401,333	1,207,344	895,086	896,545
	7,813,679	6,411,470	7,285,108	6,390,022
15. Earnings and dividend per share				
Earnings and dividend per share are based on the issued and fully paid share capital of 1,000,840,617 at 31 December 2005.				
16. Reconciliation of net income to net cash provided by operating activities:				
Net income after tax	2,710,921	2,812,623	2,196,179	2,497,890
Adjustment to reconcile net income to net cash provided;				
Depreciation	425,480	322,270	335,419	248,039
Profit on sales of asset	(2,828)	(13,887)	(2,930)	(13,887)
Goodwill on consolidation	876	5,360	–	–
Changes in assets and liabilities:				
Increase in trade debtors	(3,871,306)	(1,339,797)	(3,904,269)	(1,367,563)
Decrease/ (increase) in stock	127,215	(2,248,972)	10,156	(2,315,871)
(Increase)/decrease in other debtors and prepayments	(648,099)	(101,345)	(50,652)	1,035,767
Increase in trade creditors	1,012,815	1,089,985	600,041	671,720
Increase in other creditors and accrued expenses	106,666	1,963,578	522,822	1,532,389
Increase in interest receivable	(179,960)	(354,916)	(179,960)	(354,916)
Increase in interest payable	1,091,855	682,101	743,215	356,180
Increase/(decrease) in tax payable	348,867	(472,375)	204,614	(472,375)
Net Adjustments	(1,588,419)	(467,998)	(1,721,542)	(680,517)
Net cash provided by operating activities	1,122,502	2,344,625	474,637	1,817,374



	The Group		The Company	
	2005 N'000	2004 N'000	2005 N'000	2004 N'000
17. Cash and cash equivalents				
Cash	7,732,276	2,665,215	7,698,545	2,661,206
Bank overdraft	(5,464,350)	(2,032,431)	(5,528,375)	(2,029,416)
	<b>2,267,926</b>	<b>632,784</b>	<b>2,170,170</b>	<b>631,790</b>

18. Capital commitment  
The total capital commitments at 31 December, 2005 amounted to N 91million (2004: N 665 million) and is made up as follows:

Office refurbishment	N`000 91,000
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19. Employees' retirement benefits  
The Company had a contingent liability of N2,764,106,994 in respect of staff gratuity as at 31 December 2005.

However, a waiver has been obtained from the Nigerian Accounting Standard Board (NASB) in consonance with the Statement of Accounting Standard for employees' retirement benefits (SAS 8) and for the retirement benefit liability to be spread over 4 years starting 2006 at the rate of N541,657,422 per year in addition to any current charge for each of the years, which is charged as due.

20. Contingent liabilities  
The Company had some pending litigations as at 31 December 2005. The Directors are, however, of the opinion that no material liabilities would arise therefrom.
21. Related party transactions  
The company transacted business with some of its related parties during the year, including:  
- Stanmark Cocoa Processing Company Limited
22. Approval of financial statements  
The financial statements were approved by the Board of Directors on 9 February 2006.



# Statement of Value Added

Year Ended 31 December, 2005

	The Group				The Company			
	2005 N'000	%	2004 N'000	%	2005 N'000	%	2004 N'000	%
Turnover	29,454,185		22,152,651		27,444,419		20,083,559	
Interest receivable	179,960		354,916		179,960		354,916	
Bought-in-materials and services - Imported	-		-		-		-	
- Local	(20,840,496)		(14,649,648)		(19,984,242)		(12,836,037)	
	<b>8,793,649</b>	<b>100</b>	<b>7,857,919</b>	<b>100</b>	<b>7,640,137</b>	<b>100</b>	<b>7,035,119</b>	<b>100</b>
<b>VALUE ADDED</b>								
Distribution								
Employee costs	3,429,654	39	3,008,209	37	3,367,403	44	2,896,360	41
Government: - Taxation	894,347	10	545,169	7	750,094	10	545,169	8
Providers of capital: - Dividend	1,303,154	15	1,601,345	20	1,301,093	17	1,601,345	22
Interest on borrowings	1,091,855	12	682,101	9	743,215	10	356,180	6
Maintenance of assets and provision for growth:								
Depreciation	425,480	5	322,270	4	335,419	4	248,039	4
Deferred taxation	247,826	3	491,481	6	247,826	3	491,481	7
Retained profit	1,401,333	16	1,207,344	15	895,086	12	896,545	14
	<b>8,793,649</b>	<b>100</b>	<b>7,857,919</b>	<b>100</b>	<b>7,640,137</b>	<b>100</b>	<b>7,035,119</b>	<b>100</b>

Note: All bought in materials including the imported ones are outsourced and are bought locally through suppliers.

Value added is the wealth created by the efforts of the company and its employees and its allocation between employees, shareholders, government and re-investment for the future creation of further wealth.

# Group Five Year Financial Summary

Year Ended 31 December, 2005



	2005 N'000	2004 N'000	2003 N'000	2002 N'000	2001 N'000
<b>BALANCE SHEET</b>					
Fixed assets	7,964,695	6,230,817	3,759,882	3,337,240	2,245,052
Net current assets	9,835,537	4,315,669	5,078,485	4,033,405	3,893,842
Creditors: Amounts falling due After more than one year	(6,932,062)	(1,086,759)	(595,278)	(505,244)	(2,830,426)
	<b>10,868,170</b>	<b>9,459,727</b>	<b>8,243,089</b>	<b>6,865,401</b>	<b>3,308,468</b>
Share capital	500,420	500,420	375,315	375,315	330,178
Capital reserve	2,534,669	2,534,669	2,534,669	2,551,807	176,636
Reserve for bonus issue	–	–	125,105	–	–
General reserve	7,813,679	6,411,470	5,198,766	3,932,450	2,795,584
Minority interest	19,402	13,168	9,234	5,829	6,070
	<b>10,868,170</b>	<b>9,459,727</b>	<b>8,243,089</b>	<b>6,865,401</b>	<b>3,308,468</b>
<b>TURNOVER, PROFIT AND APPROPRIATIONS</b>					
Turnover	29,454,185	22,152,651	20,576,177	16,014,709	13,246,408
Profit on ordinary activities before taxation	3,853,094	3,849,273	3,792,506	3,259,866	2,405,720
Tax on ordinary activities	1,142,173	1,036,650	1,107,579	1,010,788	757,884
Profit on ordinary activities after taxation	2,710,921	2,812,623	2,684,927	2,249,078	1,647,836
Minority interests	(6,434)	(3,934)	(3,493)	241	(585)
Dividends	1,303,154	1,601,345	1,313,603	1,125,946	959,230
Retained for the year	1,401,333	1,207,344	1,367,831	1,123,373	688,021
<b>PER SHARE DATA (KOBO)</b>					
Earnings per share	270	281	357	300	206
Dividend per share	130	160	175	150	120
Dividend cover (times)	2	2	2	2	2
Net assets per share	1,086	945	1,098	915	414

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NOTE: Earnings and dividend per share are based on the issued and fully paid share capital at 31 December 2005.



# Shareholders' Information

Year Ended 31 December, 2005

Registered Office & Head office  
Lateef Jakande Road  
Agidingbi, Ikeja  
Lagos State  
Nigeria

Company Secretary  
Moudu Ugbodaga  
Website [www.cadburynigeria.com](http://www.cadburynigeria.com)

Financial Calendar  
Ordinary shares Dividend for 2005  
Year end 31<sup>st</sup> December 2005  
Announcement of results 11<sup>th</sup> February 2006  
Closure of Register 3<sup>rd</sup> April 2006  
Re-opening of Register 7<sup>th</sup> April 2006  
Ex-dividend date 3<sup>rd</sup> April 2006  
Dividend payment 9<sup>th</sup> June 2006

Annual General Meeting  
The Annual General Meeting of the Company is on 7<sup>th</sup> June 2006 at 10.30am. Details of the business to be discussed at the Annual General Meeting can be found in the Notice of Annual General Meeting 2006, which has been sent to all shareholders.

Dividends  
The dividend for the year ended 2005 of 1.30 kobo per ordinary share was announced by the Directors on 11 February 2006 and, subject to approval at the Annual General Meeting, will be paid on 9<sup>th</sup> June 2006 to ordinary shareholders on the register at the close of business on 31<sup>st</sup> March 2006.

Registrar  
The Company's share register is maintained by Union Registrars Limited. The Registrar should be notified in writing of changes to name or address details, loss of a share certificate or dividend warrants or a change to or notification of a dividend mandate. Shareholders with more than one account, arising from inconsistencies in name or address details, may avoid receipt of duplicate mailings by asking the Registrar to amalgamate their holdings. The Registrar can be contacted as follows:

Office Address  
Union Registrars Ltd.  
2, Burma Road,  
Apapa, Lagos,  
Nigeria.

Tel: +234-1-5871318, +234-1-5877305  
Fax: +234-1-5450058, +234-1-5803367  
email: [registrar@unionregistrars.com](mailto:registrar@unionregistrars.com)

Since 1976 when Cadbury Nigeria Plc went public, the Company had declared dividends and issued scrip shares as follows:

Dividends No	Date Declared
01	11th July, 1977
02	7th July, 1978
03	14th Sept, 1979
04	18th July, 1980
05	3rd July, 1981
06	2nd July, 1982
07	15th July, 1983
08	13th July, 1984
09	3rd July, 1985
10	25th June, 1986
11	2nd June, 1987
12	14th June, 1988
13	7th June, 1989
14	6th June, 1990
15	5th June, 1991
16	17th June, 1992
17	9th June, 1993
18	8th June, 1994
19	14th June, 1995
20	5th June, 1996
21	11th June, 1997
22	10th June, 1998
23	9th June, 1999
24	14th June, 1999
25	5th June, 2001
26	3rd June, 2002
27	4th July, 2003
28	21st June, 2004
29	20th June, 2005

BONUS	DATE ISSUED	RATIO
01	25th June, 1977	One for three
02	17th June, 1978	Two for five
03	25th June, 1980	One for three
04	29th June, 1982	One for three
05	2nd June, 1987	One for five
06	7th June, 1989	One for four
07	5th June, 1991	One for four
08	17th June, 1992	One for four
09	8th June, 1994	One for one
10	5th June, 1996	One for two
11	9th June, 1999	One for two
12	5th June, 2001	One for four
13	17th June, 2004	One for three

**PROXY  
FORM**

**CADBURY NIGERIA PLC.**

41ST ANNUAL GENERAL MEETING TO BE HELD AT 10.30 A.M.  
ON WEDNESDAY JUNE 7, 2006 AT THE SHELL HALL  
MUSON CENTRE, ONIKAN, LAGOS.

I, We\* \_\_\_\_\_

(Name of shareholder in block letters)

\_\_\_\_\_ being holder(s) of ..... Ordinary Shares of the above named Company hereby appoint 'IMO ITSUELI or failing him BUNMI ONI both Directors of the Company or failing them

\*\* \_\_\_\_\_

\_\_\_\_\_ as my/our Proxy to vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 7th June, 2006 at 10.30 a.m. and at any adjournment thereof.

Date this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Shareholder's Signature \_\_\_\_\_

The manner in which the Proxy is to vote should be indicated by inserting "X" in the appropriate space.

NUMBER OF SHARES			
	RESOLUTIONS	FOR	AGAINST
1.	To receive the Accounts and the Reports thereon.		
2.	To declare a Dividend		
3.	To re-elect as Directors		
	Ayo Akadiri		
	Teju Bogunjoko		
	Tunde Falase		
	Gabriel Onabote		
4.	To fix the remuneration of the Directors		
5.	To authorise the Directors to fix the remuneration of the Auditors		
6.	To elect members of the audit Committee		
7.	To alter the Articles of Association		

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

BEFORE POSTING THE ABOVE FORM, PLEASE TEAR OFF THIS PART AND RETAIN FOR ADMISSION TO THE MEETING.

**ADMISSION FORM**

Annual General Meeting to be held at 10.30 a.m. on Wednesday 7th June, 2006 at MUSON, CENTRE, ONIKAN, LAGOS.

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote on a poll by proxy. The above form has been prepared to enable you to exercise your right to vote, in case you cannot personally attend the Meeting.

Following the normal practice, the names of two Directors of the Company have been entered on the form to ensure that someone will be at the Meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked\*\*) the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf instead of one of the Directors.

**NUMBER OF SHARES**

Please sign the above proxy form and post it, so as to reach the address overleaf not later than 48 hours before the time for holding the meeting.

If executed by a corporation, the proxy form should be sealed with the Corporation's Common Seal.

**IMPORTANT**

The name of the Shareholder must be written in BLOCK CAPITALS on the proxy form where marked. This admission form must be produced by the Shareholder or his proxy, who need not be a member of the Company, in order to obtain entrance to the Annual General Meeting.

Signature of person attending \_\_\_\_\_

Name of shareholder \_\_\_\_\_

Signature of shareholder \_\_\_\_\_



# Notes

Year Ended 31 December, 2005





# Notes

Year Ended 31 December, 2005



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NIGERIA



Nigeria's Most Respected Company, 2005

[www.cadburynigeria.com](http://www.cadburynigeria.com)

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