



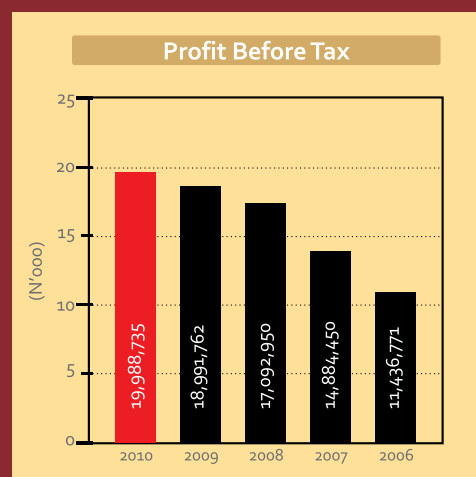
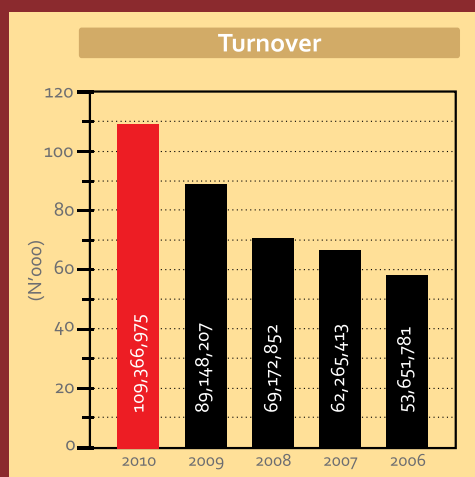
GUINNESS  
NIGERIA



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## Performance Indicators



# Financial Highlights

	2010 N'000	2009 N'000
Turnover	109,366,975	89,148,207
Profit before taxation	19,988,735	18,991,762
Taxation	(6,252,376)	(5,450,573)
Profit after taxation	13,736,359	13,541,189
Declared dividend	(11,061,941)	(18,879,045)
Proposed dividend	(12,168,136)	(11,061,941)
Capital expenditure (Fixed assets and intangible assets)	6,491,203	4,227,008
Shareholders' funds	34,199,119	31,524,701
Earnings per share	931k	918k
Declared dividend per share	750k	1,280k
Net worth per share*	2,319k	2,137k
Share price at year end	15,851k	12,900k

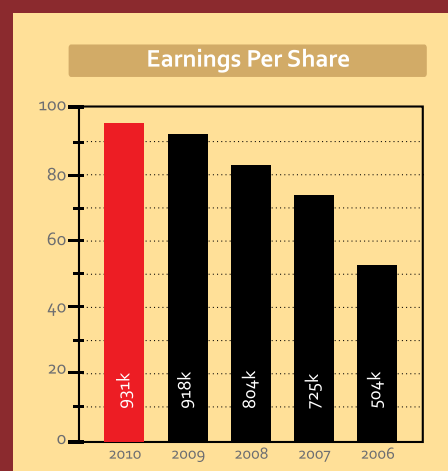
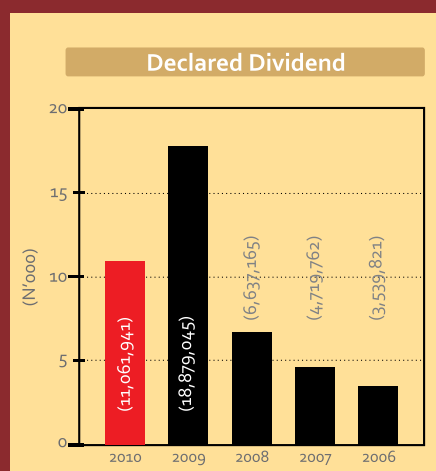
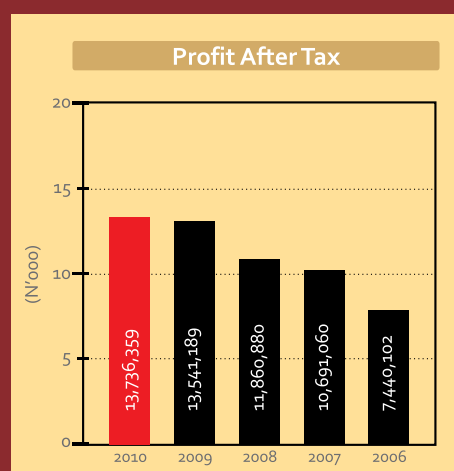
The Directors recommend the payment of a final dividend of N12.2billion, which based on the number of ordinary shares in issue on 30 June 2010, represents a dividend of 825 kobo per ordinary share.

\* Net worth represents shareholders' fund/issued share capital of 1,474,925,519 ordinary shares of 50 kobo each.

## FINANCIAL CALENDAR

## DATE

- 60th Annual General Meeting to receive the audited financial statements for the year ended 30 June 2010 12 November 2010
- Payment of Dividend 15 November 2010



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 60th Annual General Meeting of the Members of Guinness Nigeria Plc will be held in the Congress Hall, Transcorp Hilton Hotel, Abuja on Friday, 12 November 2010 at 10.00 O'clock in the forenoon to transact the following businesses:

## AGENDA

### ORDINARY BUSINESS

1. To receive the Report of the Directors, the Financial Statements for the year ended 30 June 2010 and the Report of the Auditors thereon.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorise Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

### SPECIAL BUSINESS

6. To fix the remuneration of the Directors.

## NOTES:

### PROXY

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member. A form of proxy is enclosed and if it is to be valid for the purposes of the Meeting, it must be completed and deposited at the office of the Registrar, Zenith Registrars Limited, Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos not less than 48 hours before the time for holding the Meeting.

### CLOSURE OF REGISTER

The Register of Members and Transfer Book will be closed from Friday, 08 October 2010 to Friday, 22 October 2010, both days inclusive for the purpose of updating the Register of Members.

### DIVIDEND WARRANTS

If the payment of the dividend is approved, it is intended that the warrants will be posted on 15 November 2010 to holders of shares whose names appear in the Register of Members on Friday, 08 October 2010.

### AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act [cap C20, Laws of the Federation of Nigeria, 2004], a nomination (in writing) by any member or a shareholder for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the date of the Annual General Meeting.

Dated: 02 September 2010

By Order of the Board



**SESAN SOBOWALE**

Company Secretary/Legal Adviser

### REGISTERED OFFICE

The Ikeja Brewery,  
Oba Akran Avenue  
Private Mail Bag 21071,  
Ikeja.

# Board of Directors and Corporate Information

## DIRECTORS

B. A. Savage	-	Chairman
N. B. Blazquez (British)	-	Vice Chairman
D. M. Hainsworth (British)	-	Managing Director
J. O. Irukwu (SAN)		
B. E. Gwadah		
B. J. Rewane		
F. O. Agbonlahor		
I. C. Mafeni (Mrs.)		
T. A. Olagunju		
K. R. Allan (British)		
S. A. Baraz (British) (Appointed with effect from 2 September 2010)		
J. van Lierop (Dutch) (Appointed with effect from 1 October 2010)		
F. A. Ogunbamowo (Resigned with effect from 31 January 2010)		
R. C. Plumridge (British) (Resigned with effect from 2 September 2010)		
J. C. A. Anderson (British) (Resigned with effect from 1 October 2010)		

## COMPANY SECRETARY/LEGAL ADVISER

Sesan Sobowale

## AUDITORS

KPMG Professional Services  
(Chartered Accountants)  
22A, Gerrard Road  
Ikoyi, Lagos.

## SOLICITORS

T. O. Shobowale Benson & Co.  
119, Broad Street  
Lagos.

## REGISTRARS AND TRANSFER OFFICE

Zenith Registrars Limited  
Plot 89A, Ajose Adeogun Street  
Victoria Island, Lagos.

## BANKERS

Diamond Bank Plc  
First Bank of Nigeria Plc  
First City Monument Bank Plc  
Guaranty Trust Bank Plc  
Nigeria International Bank Limited  
Standard Chartered Bank Nigeria Limited  
Union Bank of Nigeria Plc  
United Bank for Africa Plc  
Zenith Bank Plc

## REGISTERED OFFICE

The Ikeja Brewery  
Oba Akran Avenue  
P.M.B. 21071  
Ikeja, Lagos

## REGISTRATION NO

RC 771

## HEAD OFFICE

24, Oba Akran Avenue  
P.M.B. 21071 Ikeja  
Tel: (01) 497 1560-9, 497 6420-9  
497 0560 – 9, 2709100  
Fax: (01) 4970560, 2709338

## BREWERIES

Ogba Brewery	Benin Brewery	Aba Brewery
Acme Road, Industrial Estate Ogba Tel: (01) 497 1560-9, 497 6420-9 Fax: (01) 497 0560	Benin-Asaba Road Oregbeni Industrial Estate Ikpoba Hill, Benin City Tel: (052) 255608-9, 600629-31 Fax: (052) 252129	Osisioma Industrial Layout Aba, Abia State Tel: (082) 350921, 351123

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# The Beer Without Equal.

DRINK RESPONSIBLY



**GUINNESS**   
THE POWER OF NAIJA

THE GOLD STANDARD  
OF QUALITY.



18+

DRINK RESPONSIBLY



# Chairman's Statement

## Introduction

Fellow shareholders, distinguished ladies and gentlemen, on behalf of the Board of Guinness Nigeria Plc, I am very pleased once again to welcome you all to the 60th Annual General Meeting of our great Company and to present to you the financial statements and reports and review the performance of our Company in the course of the financial year ended 30 June 2010.

As you are aware, this Annual General Meeting marks sixty years of Guinness Nigeria Plc's operation as a company of excellence in Nigeria. I would therefore like to congratulate you all, our management and staff on this historic occasion.

As is customary, permit me to review the economic and political environment under which the Company has operated in this significant year of its existence in Nigeria.

## Business Environment

The global financial crisis became full blown in 2008 and continued throughout 2009. With interventions by governments throughout the world to contain the impact of the crisis on their various economies and people, there was some hope that the crisis will abate in the immediate future. However, in Nigeria and other developing economies, the effect of the crisis became increasingly apparent in the financial year under review.

Whilst banks were still trying to adjust to the credit squeeze caused by the global financial crisis, the Central Bank of Nigeria (CBN) under a new leadership carried out an examination of the deposit money banks which resulted in the revelations that the robust financial results being issued by some of the banks were being window dressed to impress the public. The CBN's consequent interventions in the management of eight of the 24 banks and injection of government funds in the tier two capital of the banks resulted in a near absence of credit to the economy. This adversely impacted the

operations of our customers, suppliers and consumers.

The slow down in the country's GDP growth as a result of reduced government revenues led to increased borrowings and reduced expenditure to address budget deficits. Nigeria's external reserves which had in the immediate preceding years, grown at an impressive level, also declined significantly as government made recourse to it to address its funding gaps. This had a major impact on the exchange rate of the naira and affected the cost of input raw materials.

The inability to achieve the target of 6,000 MGW of electric power generation put some pressure on the operations of manufacturing companies. Business closures and severe job losses especially in the banking sector also affected consumer purchasing power appreciably.

Finally, the worsening security situation which led to increase in kidnapping in some parts of the country disrupted social and economic activities. It is hoped that the increasing focus of the political and security leadership on addressing these various challenges will soon begin to yield positive dividends.

## The Brewing Industry

The growth in the total beverage industry slowed in the course of the year largely due to the liquidity squeeze, general economic decline, the effect of the reform in the banking sectors and the disruptions to social activities caused by insecurity in various parts of the country. I am pleased to inform you that even in this challenging environment, Guinness Nigeria Plc strengthened the position of most of its brands and, measured against competition, performed relatively well.

We have invested in our brands and our production capacity as a demonstration of our confidence in the resilience of the Nigerian economy and its people. Using the *Power of Naija* platform, we have continued to position *Guinness Foreign Extra Stout* as the stout drink of choice in the face of aggressive competition in this segment. We have also leveraged our sponsorships of the Super Eagles, the Nigerian National Football team and the English Premier League.

We have continued to drive awareness of our darling beer, *Harp Lager* as the *Real Beer for Real Friends* while maintaining price competitiveness and expanded distribution. *Malta Guinness* has maintained category leadership through increased promotional activities in all our key markets especially through the hugely popular *Malta Guinness Street Dance Africa* competition.

In the face of intense competition from both national and regional brewers, we have embarked on a project to review our route to market and drive increased distribution for all the brands in our portfolio.

The Board has approved various capital expenditure requests from management in the course

of the year to increase both our brewing and packaging capacity across our various plants. I am happy to report to you, fellow shareholders, that these projects are progressing satisfactorily on schedule and, in a short while, will come on stream to enhance our ability to meet the increasing demand for our products throughout Nigeria and contribute to the financial success of the Company.

## Our Performance

The Board is very pleased with the performance of our Company over the last year. We have continued our focus on brilliant execution of our strategic plans and winning in Nigeria. Our progress in achieving our strategic objectives has been encouraging.

Consequent upon this, I am very pleased to report that net sales grew year on year by 23% from N89 billion to N109 billion while profit before tax increased from N18.99 billion to N19.99 billion, representing 5% growth over the prior year's performance.

In recognition of the strong profit and excellent return on investment and, as a sign of confidence in the future, the directors have recommended a dividend of 825 kobo per share.

## Unclaimed Dividend

A review of our financial statement for the year shows that there is still a significant amount in the unclaimed dividend account of the Company. In order to facilitate the effective administration of unclaimed dividend, I will again request all our shareholders to detach and complete the E-Dividend Mandate Form at the back of the Annual Report and Financial Statements booklet and return it to our Registrars either at the venue of this Annual General Meeting or at their offices as soon as is convenient after the conclusion of the meeting.

For ease of administration and cost reduction purpose, I will also ask all our shareholders with multiple accounts to consolidate them into a single account and dematerialise their share certificates to enable the Central Securities Clearing System (CSCS) update its records of your investment. The Registrars are available after the AGM and at their offices to offer appropriate counselling

to shareholders on any of these issues.

It is perhaps appropriate to inform you that in order to satisfy your yearnings in relation to share administration, we have engaged Zenith Registrars Limited as the new registrars to the Company. It is hoped that this appointment from a group with an excellent pedigree in customer service and technology will enhance the service we provide to our shareholders. I urge you to take advantage of the wide branch network of the Registrars to resolve any issue you may have on share administration.

## Corporate Social Responsibility

In the financial year under review, we have widened the coverage of our Corporate Social Responsibility activities by commissioning new Water of Life projects in Nsude, Enugu State, Odigbo, Ondo State, Mararaba, Nasarawa State and Suleja, Niger State.

We have also continued to support our host communities under the Guinness Nigeria Engineering Scholarship programme and the technical education sponsorship of indigent students to the Institute of Industrial Technology, Lagos (IIT). The Guinness Eye Hospitals in Enugu, Lagos and Kaduna also continued to enjoy sponsorship from the Company in the course of the year.

In recognition of the fact that responsible consumption of alcohol beverages can make a positive contribution to the celebration of life everyday for many people, we have continued to promote alcohol education both for our consumers and for our colleagues who market our product using the key principles enshrined in the Diageo Marketing Code (DMC), developed by our parent company, Diageo Plc, for all its businesses. The DMC provides a strict code of practice

## Chairman's Statement



We have created a work environment, which encourages innovation, and creativity and taken appropriate measures to ensure talent retention and employee engagement at all levels.

to guide all our marketing and advertising activities. In pursuance of our Responsible Drinking initiatives during the year, we have continued to train bartenders and engaged in public enlightenment programme on radio and other media especially during the festive seasons.

### The Board

The Board of Directors of Guinness Nigeria Plc is responsible for the direction and oversight of this Company on behalf of our shareholders. Our responsibilities include the consideration of long-term strategy, monitoring the performance of the executive management and the Company, obtaining assurance that the key risks facing the business are identified and that systems of risk

management and control are in place to mitigate these risks.

Your Board keeps these responsibilities in view at all times and tests its effectiveness through a process of annual board/directors' evaluation. I have been impressed by the commitment of the Board of Directors to the highest standards of corporate governance and I am delighted to inform you that this has been validated by the results of the performance evaluation for the financial year under review which concluded that the Board and its Committees are effective relative to the requirements of the Company's Corporate Governance Guidelines which have been drawn up in line with the requirements of the Code of Corporate Governance in Nigeria.

### Our People

Our employees have remained the driving force and source of Guinness Nigeria's

competitive edge. We have continued to align business priorities with the aspirations of these talented people. This has led to the development of an empowered and responsive workforce.

We have created a work environment, which encourages innovation, and creativity and taken appropriate measures to ensure talent retention and employee engagement at all levels.

I am confident that we have invested in the right people to take this Company through these difficult times and I would like to thank all our hardworking people for their contributions.



### The Future

Although the global financial and equity markets have recently shown signs of recovery, we expect the rest of 2010 and most of 2011 to be no less challenging for the economy and the brewing industry than it had been in 2009/10. We have responded, and will continue to respond appropriately in the light of the fundamental changes in the economic and operating environments to maximise shareholder value. We will also continue to maximise efficiencies in our core business processes and systems and make additional investments in areas such as employee training, career development and engagement.

### Conclusion

Permit me to congratulate the executive management led by our very able Managing Director, Mr. D. M. Hainsworth, and all our dedicated employees for their hard work and drive which have made the results we are celebrating today possible in spite of the very challenging climate under which they were delivered.

I would also like to thank my fellow directors for their support and commitment to the success of the Company.

Our special thanks must go to our parent company, Diageo Plc, for its continued support for the growth and success of Guinness Nigeria Plc. We appreciate your support and we look forward to continuing the partnership in the years ahead.

Finally, let me express my appreciation on behalf of the Board of Directors to you, fellow shareholders, for the support and co-operation that the Company and the Board have enjoyed over the years. I trust we can continue to count on your support and co-operation in the years ahead.

May the Almighty God continue to keep and bless you all. Thank you.

**Mr. B. A. Savage**  
Chairman

Signed on 02 September 2010

# Directors' Report

for the year ended 30 June 2010

The Board of Directors have pleasure in submitting to members their Report together with the Financial Statements of the Company for the year ended 30 June 2010.

## Principal Activities

The principal activities of the Company continue to be brewing, packaging and marketing of *Guinness Foreign Extra Stout*, *Guinness Extra Smooth*, *Malta Guinness*, *Harp Lager Beer*, *Gordon's Spark*, *Smirnoff Ice*, *Satzenbrau*, *Top Malt* and *Armstrong Dark Ale*.

## Results

The following is a summary of the Company's operating results:

	<b>2010</b>	<b>2009</b>
	<b>N'000</b>	<b>N'000</b>
Turnover	109,366,975	89,148,207
Operating Profit	20,786,191	19,806,485
Net interest expense	(797,456)	(814,723)
Profit before Taxation	19,988,735	18,991,762
Taxation	(6,252,376)	(5,450,573)
Profit after Taxation	13,736,359	13,541,189
Declared Dividend	(11,061,941)	(18,879,045)

## Dividend

The Directors recommend to the shareholders the declaration of a dividend at the next Annual General Meeting of N12.2 billion, that is, 825k per share. This dividend is subject to deduction of withholding tax.

## Board Changes

Since the last Annual General Meeting, Messrs. F. A. Ogunbamowo, R. C. Plumridge and J. C. A. Anderson have resigned from the Board. On your behalf, we wish to thank them for their invaluable contributions to the Company during their tenures. To fill the vacancies created by these resignations, Messrs. S. A. Baraz and J. van Lierop were appointed to the Board. In accordance with the Articles and the provisions of the Companies and Allied Matters Act, Messrs. Baraz and van Lierop will retire at the forthcoming Annual General Meeting and, being eligible, hereby offer themselves for re-election.

The other Directors to retire by rotation are Messrs. D. M. Hainsworth, F. O. Agbonlahor and I. C. Mafeni (Mrs.) and, being eligible, hereby offer themselves for re-election.

## Record of Directors' Attendance

The Register showing Directors' attendance at Board Meetings will be made available for inspection at the Annual General Meeting as required by Section 258(2) of the Companies and Allied Matters Act.

## Directors and their interests

The interests of Directors in the issued share capital of the Company as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 275 of

the Companies and Allied Matters Act and in compliance with the listing requirements of the Nigerian Stock Exchange are as follows:-

	<b>As at 02 August 2010 No. of shares</b>	<b>As at 30 June 2010 No of shares</b>	<b>As at 30 June 2009 No. of shares</b>
Mr. B. A. Savage	601,263	601,263	601,263
Dr. N. B. Blazquez	Nil	Nil	Nil
Mr. D. M. Hainsworth	Nil	Nil	Nil
Prof. J. O. Irukwu	622,166	622,166	607,866
Mr. B. E. Gwadah	2,082	2,082	2,082
Mr. B. J. Rewane	16,944	16,944	16,944
Mr. F. O. Agbonlahor	7,665	7,665	7,665
Mrs. I. C. Mafeni	10,350	10,350	Nil
Mr. T. A. Olagunju	Nil	Nil	Nil
Mr. K. R. Allan	Nil	Nil	Nil
Mr. S. A. Baraz (Appointed with effect from 02 September 2010)	Nil	Nil	Nil
Mr. J. van Lierop (Appointed with effect from 01 October 2010)	Nil	Nil	Nil
Otunba F. A. Ogunbamowo (Resigned with effect from 31 January 2010)	N/A	N/A	49,351
Mr. R. C. Plumridge (Resigned with effect from 02 September 2010)	Nil	Nil	Nil
Mr. J. C. A. Anderson (Resigned with effect from 01 October 2010)	3,765	3,765	N/A

### Directors Interest in Contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act of any declarable interest in contracts in which the Company is involved.

### Corporate Governance

Guinness Nigeria Plc is guided by a Corporate Governance Guidelines in line with best practice and the requirements of the Nigerian Stock Exchange and in compliance with the Code of Corporate Governance in Nigeria, 2003 ("the Peterside Code").

The Company complied with these corporate governance requirements during the year under review as set out below.

### Board of Directors

The Board is responsible for the oversight of the business, long-term strategy and objectives, and the oversight of the Company's risks while evaluating and directing implementation of Company controls and procedures including, in particular, maintaining a sound system of internal controls to safeguard shareholders, investments and the Company's assets.

The Board consists of the Chairman, 7 non-executive directors and 4 executive directors. The non-executive directors are independent of management and are free from any constraints, which may materially affect the exercise of their judgement as directors of the Company. All directors are selected on the basis of certain core competencies including experience in marketing, general operations, strategy, human resources, technology, media or public relations, finance or accounting, retail, consumer products, international business/markets, logistics, product design, merchandising or experience as a Chief Executive Officer or Chief Financial Officer. In addition to having one or more of these core competencies, candidates for appointment as directors are identified and considered on the basis of knowledge, experience, integrity, diversity, leadership, reputation, and ability to understand the Company's business.

The positions of the Managing Director and that of the Chairman of the Board are occupied by different persons and the Managing Director is responsible for implementation of the Company's business strategy and the day-to-day management of the business.

There are currently four (4) regularly scheduled board meetings during each fiscal year.

# Directors' Report

## Board Committees

As at the date of this report, the Company has in place, the following Board Committees:

### General Purposes Committee

This is a Committee comprising all the executive directors of the Company with delegated responsibility for all businesses, which should be dealt with expeditiously and is not of such a nature as to necessitate consideration by a full meeting of the Directors. In particular, the Committee exercises the approval powers vested in the Board of Directors in the Company's Schedule of Limits and Authorities in between meetings of the Board of Directors.

### Finance and Risk Committee

The Finance and Risk Committee is responsible for monitoring the integrity of the financial statements of the Company and reviewing the effectiveness of the Company's internal control and risk management system, among others. The Committee comprises four non-executive directors selected to provide a wide range of financial, commercial and international experience. Members of the Committee who served during the year are:

Professor J. O. Irukwu, SAN - Chairman  
Otunba F. A. Ogunbamowo  
Mr. R. C. Plumridge  
Mr. B. E. Gwadah

Otunba Ogunbamowo resigned his membership of the Board and the Committee at the beginning of 2010. Mr. B. J. Rewane has now been appointed to replace him on the Committee.

The Committee met four times during the year with an additional meeting with the Company's external auditors, KPMG, in the absence of management. The Company also met with the Company's Business Audit Manager and a representative of the Group Global Audit and Risk department in the absence of management. Each of the Committee's meeting was attended by the Commercial Director/Chief Financial Officer, the Financial Controller, the Business Audit Manager, the Finance Process Improvement and Governance Manager, the Legal Adviser and the Head of Security. The lead partner of the external auditors, KPMG was also present with other key members of his team. Other senior management are invited to attend to brief the Committee on agenda items related to their areas of responsibilities.

The Committee receives information and reports directly from the accountable functional managers and relevant external sources. As part of the Board's annual evaluation process, members were asked whether they have received

sufficient and timely information to enable the Committee discharge its responsibilities effectively. The conclusion was that the process surrounding the reliability and timeliness of information was adequate.

During the year, the Committee received briefing on financial reporting developments, new Securities and Exchange Commission (SEC) regulations relating to Chief Financial Officer (CFO)/Chief Executive Officer (CEO) certifications of quarterly and annual results and quarterly earnings forecasts.

During the year, the Committee reviewed the Company's quarterly financial reports, the annual reports and accounts and the management letter and draft letter of representation before recommending their approval to the Board. The Board reviewed the critical accounting policies, judgements and estimates applied in the preparation of the financial reports. The Committee similarly reviewed reports on key risks affecting the Company's operations and the related controls and assurance processes designed to manage and mitigate such risks.

The Committee reviews the plans of both the internal and external auditors and approves the plan at the beginning of the year.

The Committee has considered the proposed audit fee structure for 2010 and has made a suitable recommendation to the board in this regard. The Board has also recommended to the Board that the re-appointment of the external auditors be proposed to the shareholders at the 2010 Annual General Meeting.

The Board was kept updated and informed at its regular quarterly meetings of the activities of the Finance and Risk Committee through the minutes of the Committee and verbal updates provided to the Board by the Chairman of the Committee.

The Committee participates in the annual review of the performance and effectiveness of the Board, which is facilitated by an external consultant. Part of the evaluation included questionnaires by members and one-on-one interviews with key members of the Committee including the Chairman. This year's evaluation concluded that the Committee was effective in carrying out its duties.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee is charged with instituting a transparent procedure for the appointment of new directors to the Board of Directors and making recommendations to the Board regarding the tenures and the re-appointment of non-executive directors on the Board as well as remuneration of Directors.

The Committee comprised of the following members as at the end of the financial year:

Dr. N. B. Blazquez - Chairman  
Mr. D. M. Hainsworth  
Mrs. I. C. Mafeni

### Code of Business Conduct

The Company has in place a Code of Business Conduct (CoBC) which provides guidance to all its users on the importance of high ethical values in sustainable business growth. The CoBC is subscribed to by all members of the Board of Directors, suppliers and all employees of the Company. The Company mandates strict adherence to the Code in the Company's day-to-day operation.

### Dealings in Securities Code

The Board has approved a Dealings in Securities Code, which prescribes a code of behaviour by directors and senior employees, as well as those in possession of market sensitive information. Affected persons are prohibited from dealing in the Company's securities during closed periods and mandated to obtain consent to deal from appropriate senior executives of the Company. A Code Manager has also been designated to ensure adherence to the provisions of the Code.

### Acquisition of Own Shares

The Company did not purchase any of its own shares during the year.

### Fixed Assets

Information relating to changes in fixed assets is given in Note 9 to the financial statements.

### Distribution

The Company's products are distributed through numerous distributors who are spread across the country.

### Post Balance Sheet Events

There were no post balance sheet events, which could have had a material effect on the financial position of the Company as at the balance sheet date or the financial results for the year then ended on that date, which have not been adequately provided for.

### Employment and Employees

#### (a) Training and Development

It is our policy to equip all employees with the skills and knowledge required for successful performance of their jobs. This entails identifying the training needs of our employees and prioritising implementation of plans to address such needs consistent with the requirements of the business.

#### (b) Dissemination of Information

In order to maintain a shared perception of our goals, we are committed to communicating information to employees in as fast and effective a manner as possible. We consider this critical to the maintenance of team spirit and high employee morale.

Circulars and newsletters are published in respect of significant corporate issues. Information is exchanged by different groups of employees at Joint Consultative Committee meetings. A good communications link with the workforce is also maintained through regular meetings between Union representatives and





## Directors' Report

management. In order to further facilitate the exchange of information, a house journal, 'The Word' is published quarterly featuring contributions from, and about employees of the Company.

**(c) Employment of Disabled Persons**

We do not discriminate against disabled persons in the Company.

**(d) Health and Safety**

All efforts are geared towards providing a safe and conducive working environment for employees. To this end, there is a written health and safety policy supported by systems and procedures for ensuring that safe working practices are followed in the performance of all Company functions. The Company has a Corporate Safety Manager in place to monitor and guide compliance with safety regulations. In the event of accidents or ailments occurring at the work place, there are adequate provisions for medical care in our clinics which are well stocked and competently managed by qualified staff. Furthermore, all employees of the Company are provided free medical care in designated hospitals.

### Donations

	N
Water of Life, Odigbo, Ondo State	26,487,400
Water of Life, Nsude, Enugu State	29,231,400
Water of Life, Mararaba, Nasarawa State	14,884,044
Water of Life, Suleja, Niger State	7,323,300
	<hr/>
	77,926,144

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

### Royalty and Technical Services Agreement

It has been the practice for the Company to maintain a close relationship with Diageo Plc as technical partner and adviser. In this capacity, we receive technical and commercial support under a Technical Services Agreement and Trademark and Quality Control Agreement in respect of *Guinness Foreign Extra Stout*, *Guinness Extra Smooth*, *Harp Lager*, *Malta Guinness*, *Gordon's Spark*, *Smirnoff Ice* and *Satzenbrau Pilsner Lager*.

### Audit Committee

In accordance with Section 359(3) of the Companies and Allied Matters Act, an Audit Committee of the Company was elected at the Annual General Meeting held in Lagos on 03 November 2009 comprising three Directors and three shareholders namely Mr. B. E. Gwadah, Mr. F. O. Agbonlahor, Mr. T. A. Olagunju, Mr. G. O. Ibhadde, Dr. M. O. Ojinka and Mr. N. Ezechukwu.

### Auditors

KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, 1990.

BY ORDER OF THE BOARD

**Mr. D. M. Hainsworth**

Managing Director

Signed: 02 September 2010

# Statement of Directors' Responsibilities

## in relation to the Financial Statements

### for the year ended 30 June 2010

In accordance with the provisions of the Companies and Allied Matters Act, the Directors are responsible for the preparation of annual financial statements, which give a true and fair view of the financial position of the Company at the end of the financial year and of the financial results for the year then ended.

The responsibilities include ensuring that:

- i. the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act of Nigeria;
- ii. appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;
- iii. the Company prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. it is appropriate for the financial statements to be prepared on a going concern basis.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the Nigerian Statements of Accounting Standards and the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Company and of its financial results.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

BY ORDER OF THE BOARD

DEVLIN HAINSWORTH



Signature

Date: 02 September 2010

JAMIE ANDERSON



Signature

Date: 02 September 2010

# Board of Directors



**Mr. Babatunde Abayomi Savage**

- Chairman

Mr. Savage holds a Bachelor of Science degree from the University of Ibadan. He had his accountancy training with Coopers & Lybrand (now PricewaterhouseCoopers) from 1978 to 1983. Mr. Savage has attended various overseas management training including a stint at the Cranfield School of Management and the Harvard Business School. He is a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Taxation of Nigeria (CITN).

Mr. Savage joined the Board of Guinness Nigeria Plc in 1996. He was the company's Director of Finance and later Corporate Planning Director. He was appointed the Corporate Affairs Director in 1998 and the Deputy Managing Director in 2005.

Upon his retirement from the Company in June 2009, Mr. Savage was appointed Chairman of the Board of Directors of the Company with effect from 1st July 2009.

He is a member of Council of the International Chamber of Commerce (ICC) and the Manufacturers Association of Nigeria (MAN).



**Dr. Nick Blazquez**

- Vice Chairman

Dr Blazquez was appointed as a Director of the company in September 2004 and Vice-Chairman in February 2004. He is the Managing Director of Diageo Africa and a member of the Diageo Executive Committee. He has worked with Diageo for 20 years in a number of senior roles in Asia and Europe. He is also the Chairman of Private Investors in Africa and a non-executive Director of Mercy Corps. He holds a Bachelor of Science from the University of Aberdeen and a Ph.D. from the University of Bristol.



**Mr. Devlin Marc Hainsworth**

- Managing Director/CEO

Mr Devlin Hainsworth, a British citizen born in Birmingham holds a BA honours degree in History from the prestigious Cambridge University.

Upon leaving the University, he joined the IDV Graduate Training programme and progressed to become Brand Manager for the Jack Daniel's Brand. Prior to joining Diageo he spent 9 years in the UK in marketing roles for 3 FMCG companies – Smithkline Beecham, HJ Heinz and Dalgety Spillers, gaining experience in Drinks, Food and Pet Food. He has been in employment with Diageo since 1999 when he was appointed Managing Director of Guinness Ghana Limited, a position which he held for 7 years before moving on to be the African Business Systems Transformations Director with responsibility for the implementation of SAP/SBM in East Africa and later in Ghana and Nigeria.

Until his appointment as the Managing Director of Guinness Nigeria Plc, he was the Commercial Projects Director with focus on key sales and marketing activities for Guinness Nigeria Plc.



**Prof. J. O. Irukwu, SAN**

- Non-Executive Director

Professor Irukwu holds MBA and Ph.D. degrees as well as several honorary doctorate degrees. He is a Fellow of the Corporation of Insurance Brokers, a past president of the West African Insurance Companies Association and the Founding President of the Professional Reinsurers Association of Nigeria. He is a Professor of Law and Insurance

A Senior Advocate of Nigeria, Professor Irukwu is also President Ohaneze Ndigbo, a socio-cultural group representing the third largest ethnic group in Nigeria. Professor Irukwu joined the board of the company as a non-executive director in December 1996.

Professor Irukwu is the current Chair of the Finance and Risk Committee of the Board.

Mr. Bitrus Gwadah has an honours degree in Law and has been admitted to the Nigerian Bar as a Barrister and Solicitor.

He was Managing Director/CEO, NIDB Trustees Limited, a subsidiary of Nigerian Industrial Development Bank Limited.

In addition to being a Director of Guinness Nigeria, he is also engaged in private legal practice and consultancy. He joined the Board of Guinness Nigeria in 2000 as a Non-Executive Director.

Mr. Gwadah represents the Board on the Audit Committee. He is also a member of the Finance and Risk Committee of the Board.



**Mr. Bitrus Edward Gwadah**

- Non-Executive Director

Mr Rewane graduated from the University of Ibadan with a Bachelors and Honours degree in Economics (1972). He worked at several blue-chip financial institutions within Nigeria and abroad holding various senior management positions.

Between 1981 and 1989, he was with International Merchant Bank Nigeria Limited, where he held such positions as General Manager, Assistant General Manager, Head of Development Finance Manager & Divisional and Credit Manager. He has also worked with the First National Bank of Chicago, Barclays Bank of Nigeria and Barclays Bank International Plc, United Kingdom.

An Associate of the Institute of Bankers, (England & Wales), Rewane has served on the board of several organisations, including Navgas (a Vitol Group subsidiary), NLNG Prize Award Foundation, UNIC Insurance Plc, Nigeria Economic Summit Group, UBA Custodian Limited, Virgin Nigeria Airways Limited, Fidelity Bank Plc, First City Monument Bank Plc and Top Feeds Nigeria Limited.

Bismarck Rewane joined the Board of Guinness Nigeria as a Non-Executive Director in 2008.



**Mr. Bismarck Jemide Rewane**

- Non-Executive Director

Mr Francis Agbonlahor has a Bachelor of Science degree in Industrial Chemistry from the University of Benin Nigeria, a foundation certificate from the Institute of Chartered Accountants of Nigeria (ICAN) and a Master's Brewer qualification from the Institute of Brewing and Distilling (IBD) United Kingdom.

Mr Agbonlahor has a wealth of experience that spans over 17 years in areas such as Brewing, Packaging, Inventory management, Research and Development, Integrated Demand and Supply Planning, Project Management, Business Strategy, Customer Services and Logistics and Brewery Management.

He joined Guinness Nigeria in 1990 and has served in different capacities which include Shift Brewer, Project Brewer, Production Materials Manager, Brewing Manager, Packaging Manager, Head of Supply Planning and Head of customer Services.

Until his appointment as the Supply Director of Guinness Nigeria Plc on 1st September 2008, he was the Plant Manager of Guinness Nigeria Benin Brewery.



**Mr. Francis Osemwegie Agbonlahor**

- Supply Director (Executive)

## Board of Directors



**Mrs. Ifeoma Claire Mafeni**

Human Resources Director (Executive)

Mrs. Mafeni holds a law degree from the University of Nigeria, Nsukka. She began her HR career with Glaxo SmithKline in 1994 (then called SmithKline Beecham) as a Graduate Management Trainee in Human Resources and held diverse roles in Human Resources and Legal, before she resigned in 2002 as Company Secretary/ Head of Legal.

She joined Accenture where she worked as Human Resources Lead before joining Guinness Nigeria. Until her current appointment to the board as Human Resources Director, she was the Director of Human Resources. Prior to that, she was the Talent Manager, Guinness Nigeria Plc.



**Mr. Timothy Akinbowale Olagunju**

- Non-Executive Director

Mr. Akinbowale Olagunju graduated from the University of Ife (now the Obafemi Awolowo University), with a Bachelors and Honours degree in Economics (1972) and a Master of Banking and Finance from the University of Lagos (1995). He has worked in several renowned institutions like Akintola Williams & Co. (now Deloitte) where he served as an audit trainee and an audit senior after his professional qualification as a chartered accountant, Ugochukwu Nwankwo & Co. and the Financial Institutions Training Centre (FITC), the pre-eminent institution for training professionals in the financial services industry. At FITC, Mr. Olagunju was at different times, Director of Training and Research, Director of Manpower Development and Acting Director-General/CEO. Mr. Olagunju is a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Taxation of Nigeria (CITN).

Mr. Olagunju joined the Board of Guinness Nigeria as a Non-Executive Director in May 2009.



**Mr. Kenneth Allan**

- Non-Executive Director

Mr. Ken Allan holds a Bachelor of Arts Degree in Business Administration from the University of Strathclyde, Glasgow (1981) and started a remarkable 27-year career in Sales as a Sales Representative at Golden Wonder Limited. He subsequently worked for such global players like Colgate-Palmolive Limited, Smithkline Beecham, Crookes Healthcare Ltd (UK subsidiary of BHI), The Boots Company Plc, and GlaxoSmithkline Plc before joining Diageo in 2004 as Commercial Director, Republic of Ireland. After a four-year stint in Dublin, Allan joined Diageo Africa in March 2009 as Commercial Director.

He was appointed to the Board of Guinness Nigeria Plc in May 2009 as a Non-Executive Director.

Mr. Selim Baraz holds a Bachelor's degree in Economics and Politics from the University of Kent at Canterbury and an MBA in Finance and Strategic Management from the Carlson School of Management, Minneapolis, United States. He joined Pillsbury/Grand Metropolitan in 1993 in the Finance Department and has held several senior leadership positions in Diageo Plc spanning several key markets including Great Britain, Northern Europe and Russia and Eastern Europe. He was appointed the Finance Director of Diageo Africa in August 2010 and joined the Board of Guinness Nigeria Plc as a non-executive director in September 2010.



**Mr. Selim Baraz**  
- Non-Executive Director

Mr. Johannes van Lierop holds a Bachelor's Degree in Business Economics from the Amsterdam School of Economics and Business Studies and qualified as a Certified Public Accountant from the University of Amsterdam. He started his professional career at Ernst & Young, Netherlands and had a stint as Finance Director of the Dutch Development Agency in Republic of Benin. He joined Diageo Plc as Risk Manager, West and South Africa based in Lagos in 2000 and had since then held several leadership positions in Diageo's Finance Function in several markets including Jamaica, United Kingdom, Hungary and the Netherlands. He joined the Board of Guinness Nigeria Plc as Commercial Director in September 2010.



**Johannes (Hans) van Lierop**  
- Commercial Director (Executive)

Mr. Sesan Sobowale qualified as a Solicitor and advocate of the Supreme Court of Nigeria and was admitted to the Bar in December 1990. Sesan has over 19 years of commercial legal experience in Nigeria's leading commercial law firms including G. M. Ibru & Co., Udo-Udoma & Bello-Osagie and The Law Union. He is an Associate member of the Chartered Institute of Taxation of Nigeria (CITN) and the Institute of Chartered Secretaries and Administrators (Nigeria and UK). Mr. Sobowale is a member of Council of the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN).

He was appointed Regulatory Advisor at Nigeria's MTN Nigeria Communications Limited in August 2004 from where he was appointed as Legal Adviser in Guinness Nigeria Plc on 18th April 2005.

Mr. Sobowale was appointed by the Board as Company Secretary/Legal Adviser in September 2006.



**Sesan Sobowale**  
- Company Secretary/Legal Adviser





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GUINNESS

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CLASSIC MALT DRINK



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Goodness!

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**GUINNESS** 

THE POWER OF NAIJA

DRINK RESPONSIBLY

18+

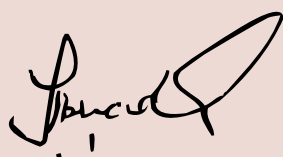
# Report of the Audit Committee

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In compliance with Section 359(6) of the Companies and Allied Matters Act, we have:

- (a) reviewed the scope and planning of the audit requirements;
- (b) reviewed the external auditors' Memorandum of Recommendations on Accounting Policies and Internal Controls together with management responses; and
- (c) ascertained that the accounting and reporting policies of the Company for the year ended 30 June 2010 are in accordance with legal requirements and agreed ethical practices.

In our opinion, the scope and planning of the audit for the year ended 30 June 2010 were adequate and management responses to the auditors' findings were satisfactory.



**Mr. G. O. Ibhadé**

Chairman, Audit Committee

30 August 2010

## Members of the Audit Committee

Mr. G. O. Ibhadé	-	Shareholder/Chairman
Dr. M. A. Ojinka	-	Shareholder
Mr. N. Ezechukwu	-	Shareholder
Mr. B. E. Gwadah	-	Director
Mr. F. O. Agbonlahor	-	Director
Mr. T. A. Olagunju	-	Director



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# Independent Auditor's Report

## to the Members of Guinness Nigeria Plc

### Report on the Financial Statements

We have audited the accompanying financial statements of Guinness Nigeria Plc (the Company), which comprise the balance sheet as at 30 June 2010, the profit and loss account, statement of cash flows, value added statement for the year then ended, the statement of accounting policies, notes to the financial statements and the five year financial summary as set out on pages 28 to 47.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards applicable in Nigeria and the manner required by the Companies and Allied Matters Act of Nigeria. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

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

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

### Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Guinness Nigeria Plc (the Company) as at 30 June 2010 and of the Company's financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and the manner required by the Companies and Allied Matters Act of Nigeria.

### Report on Other Legal and Regulatory Requirements

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

In our opinion, proper books of accounts have been kept by the Company, so far as appears from our examination of those books and the Company's balance sheet and profit and loss account are in agreement with the books of account.

**KPMG**

Lagos, Nigeria  
 2 September 2010



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Abayomi D. Sanni  
 Adetola P. Adiyemi  
 Chibuzor N. Anyanechi  
 Oladapo R. Okubadejo  
 Oluseyi T. Bickersteth  
 Adebisi O. Lamikanra  
 Adewale K. Ajayi  
 Goodluck C. Obi  
 Oladimeji I. Salaudeen  
 Victor U. Onyenkpa  
 Adokunle A. Elebute  
 Ayodole H. Oritanwa  
 Joseph O. Tsgbe  
 Oluamide O. Olayinka

# Statement of Accounting Policies

A summary of the principal accounting policies, all of which have been consistently applied throughout the current and preceding years, is set out below:

## (a) Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties, plant and machinery.

## (b) Turnover

Turnover represents the value of beer, ready-to-drink and malt beverages despatched to third parties inclusive of excise duty but exclusive of VAT and net of trade discounts and volume rebates.

## (c) Fixed Assets

- i. Fixed assets are stated at cost or valuation less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition of the asset.
- ii. The costs of the day to day servicing of fixed assets are recognised in the profit and loss account as incurred.
- iii. On disposal of previously revalued fixed assets, an amount equal to the revaluation surplus attributable to that asset is transferred from revaluation reserve to revenue reserve.
- iv. Fixed assets being constructed or developed for future use are disclosed as assets in progress.
- v. Gains or losses on the disposal of fixed assets are determined by reference to their carrying values and are included in the profit and loss account.

## (d) Depreciation of Fixed Assets

Depreciation is calculated to write off the cost or valuation of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold land and buildings	- 2% or period of lease, whichever is lower
Plant and machinery	
- Heavy	- 5%
- Light	- 10%
- Chillers and generators	- 33.33%
Furniture and equipment	- 20%
Motor vehicles	- 25% (2009: 33.33%)

Depreciation is not calculated on fixed assets until they are available for use.

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

## (e) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangibles are amortised on a straight line basis over their estimated useful lives from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortisation is recognised in the profit and loss account.

The estimated useful lives for intangible assets are as follows:

- Computer Software – SAP	-	5½ years
- Computer Software – Others	-	3 years

## (f) Stocks

Stocks are valued at the lower of cost and net realisable value and are stated net of allowances for obsolete, slow moving or defective items, where appropriate. Cost incurred in bringing each stock item to its present location and condition is derived as follows:

- |      |  |   |   |
|------|--|---|---|
| i.   | Raw materials, packaging materials (excluding bottles and crates) and engineering spares | - | Purchase costs on a weighted average basis including transportation and applicable handling charges.  |
| ii.  | Bottled beer and beer in process   | - | Average cost of direct materials and labour plus the appropriate amount attributable to production overheads based on normal production capacity. |
| iii. | Stock in transit   | - | Purchase cost incurred to date.   |

Weighted average and average cost are reviewed periodically to ensure they consistently approximate historical cost.

The net realisable value of bottles and crates is deemed to be their prevailing deposit value. Gains or losses arising from a change in the valuation of bottles and containers (principally as a result of changes in the deposit value which are below cost) are taken to the profit and loss account.

### **(g) Debtors**

Debtors are stated after deduction of allowances for debts considered bad or doubtful of recovery. Sale of debtor balances to third parties is recorded as a reduction to the debtor balance when there is no recourse to the Company. Loss on the sale of debtor balances is recorded in the profit and loss account as part of interest expense.

### **(h) Provisions**

A provision is recognised only if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that a transfer of economic benefits will be required to settle the obligation.

#### **i. Restructuring**

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan and the restructuring has either commenced or been formally communicated.

#### **ii. Onerous Contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than unavoidable costs of meeting obligations under the contract. The provision is measured at the present value of the lower of expected costs of terminating the contract and the expected net costs of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

### **(i) Foreign Currencies**

Transactions denominated in foreign currencies are translated into Naira and recorded at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Naira at the rates of exchange ruling at the balance sheet date or where appropriate, at the contracted rate of exchange if the balance is to be settled at a contracted rate. Any gain or loss arising from a change in exchange rates, subsequent to the dates of transactions, is included as an exchange gain or loss, in the profit and loss account

### **(j) Employees Benefits**

#### **i. Pension**

In line with the provisions of the Pension Reform Act 2004, the Company instituted a defined contribution Pension Scheme for its management and non-management staff. Staff contributions to the schemes are funded through payroll deductions while the Company's contribution is charged to the profit and loss account. The Company contributes 10% and 12.5% for management and non-management staff respectively while employees contribute 10% of their insurable earnings (basic, housing and transport allowance).

#### **ii. Gratuity**

##### **(a) Defined Benefit Scheme**

Lump-sum benefits payable upon retirement or resignation of employment are fully accrued over the service lives of management and non-management staff. Independent actuarial valuations are performed

## Statement of Accounting Policies

---

periodically on a projected unit credit basis. Actuarial gains or losses and curtailment gain or losses arising from valuations are charged in full to the profit and loss account. The Company ensures that adequate arrangements are in place to meet its obligation under the scheme.

(b) **Defined Contribution Scheme**

The Company has a defined contribution gratuity scheme for management and non-management staff, which is planned to be funded. Under this scheme, a specified amount is contributed by the Company and charged to the profit and loss account over the service life of the employees.

**iii. Other Long Term Employee Benefits**

These are Long Service Awards payable upon completion of certain years in service and accrued over the service lives of the employees. The charge to the profit and loss account is based on independent actuarial valuation performed using the projected unit credit method. Actuarial gains or losses arising from the valuation are charged in full to the profit and loss account.

**(k) Income Tax**

Income tax expenses/credits are recognised in the profit and loss account.

Current income tax is the expected amount of income tax payable on taxable profits for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Education tax is assessed at 2% of assessable profits while capital gains tax is assessed at 10%, where applicable, of the capital gain.

**(l) Deferred Taxation**

Deferred taxation, which arises from differences in the timing of recognition of items in the accounts and by tax authorities, is calculated using the liability method. Deferred tax is provided on all timing differences at the rates of tax likely to be in force at the time of reversal.

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

**(m) Leases**

**i. Operating leases:**

Lease rental income/expense is recognised in the profit and loss account on a systematic basis in line with the time pattern of the benefit provided/received by the Company.

**ii. Finance leases:**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. At the beginning of the lease term, the leased asset is measured at an amount equal to the fair value of the leased asset less the present value of un-guaranteed or partially guaranteed residual value, which would accrue to the lessor at the end of the lease term. Subsequent to recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance lease are apportioned between finance expenses and a reduction of the outstanding liability. Finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments (where applicable) are accounted for by revising the minimum lease payments over the remaining term of the lease, when the lease adjustment is confirmed.

Where the Company is the lessor, the Company recognises simultaneously in its books the gross investments in the lease and the unearned finance income from the lease at their fair value at the inception of the lease. Where it is not possible to determine the fair value, they are carried at the present value of minimum lease

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payments at the inception of the lease. Unearned finance income is deferred and allocated to the profit and loss account over the lease term based on a pattern reflecting a constant periodic rate of return on the outstanding net investment.

**(n) Impairment**

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

Impairment losses are recognised in the profit and loss account except where they relate to previously revalued assets, in which case, they are recognised directly against any revaluation surplus to the extent that an amount is included in the revaluation reserve account for the related assets, with any remaining loss recognised in the profit and loss account.

**(o) Revaluation Reserve**

Surpluses/(deficits) arising on the revaluation of individual fixed assets are (credited)/debited to a non-distributable reserve known as the fixed assets revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses on the same assets are charged to the profit and loss account.

On disposal of a previously revalued fixed asset, an amount equal to the revaluation surplus attributable to that asset is transferred from the fixed assets revaluation reserve to general reserve.

**(p) Cash and cash equivalents**

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, cash balances with banks, and short-term deposits with original maturities of three months or less.

**(q) Unclaimed Dividends**

Unclaimed dividends are amounts payable to shareholders in respect of dividend previously declared which have remained unclaimed by the shareholder. In compliance with section 385 of the Companies and Allied Matters Act, dividends unclaimed after twelve (12) years are transferred to general reserves.

**(r) Government Grant**

Export expansion grants, which compensate the Company for expenses incurred in making exports, are recognised when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

**(s) Segment Reporting**

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Segment information is required to be presented in respect of the Company's business and geographical segments, where applicable. The Company's primary format for segment reporting is based on geographical segments. The geographical segments are determined by management based on the Company's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(t) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset over the period up to the time such an asset is substantially ready for its intended use. All other borrowing costs are amortised over the tenor of each loan.

# Profit and Loss Account

for the year ended 30 June 2010

	Note	2010 N'000	2009 N'000
<b>TURNOVER</b>	1	109,366,975	89,148,207
Cost of Sales		(61,672,051)	(45,763,035)
<b>GROSS PROFIT</b>		47,694,924	43,385,172
Advertising and Promotion Expenses		(8,567,584)	(7,795,558)
Distribution Expenses		(8,591,894)	(6,712,829)
Administrative Expenses		(10,204,146)	(8,039,293)
Other Income	2	780,033	231,760
Exceptional Item	3	(325,142)	(1,262,767)
<b>OPERATING PROFIT</b>		20,786,191	19,806,485
Interest Income	4 (b)	254,047	1,211,538
Interest Expense	4 (c)	(1,051,503)	(2,026,261)
<b>PROFIT BEFORE TAXATION</b>	4 (a)	19,988,735	18,991,762
Taxation	6 (a)	(6,252,376)	(5,450,573)
Profit After Taxation		13,736,359	13,541,189
<b>APPROPRIATION:</b>			
Transfer to general reserve	22	13,736,359	13,541,189
Earnings per share (kobo)	8	931	918
Declared Dividend per share (kobo)	8	750	1,280

The Directors propose a final dividend of 825 kobo per share (2009: 750 kobo per share) on the issued share capital of 1,474,925,519 ordinary shares of 50 kobo each subject to approval by the shareholders at the next Annual General Meeting.

The accounting policies on pages 28 to 31 and accompanying notes on pages 35 to 45 form an integral part of these financial statements.

# Balance Sheet

as at 30 June 2010

	Note	2010 N'000	2009 N'000
<b>NON CURRENT ASSETS</b>			
Fixed assets	9 (a)	38,244,541	35,897,959
Intangible assets	10	1,382,080	1,806,834
Long term debtors and prepayments	11	442,530	399,293
<b>TOTAL NON CURRENT ASSETS</b>		<b>40,069,151</b>	<b>38,104,086</b>
<b>CURRENT ASSETS</b>			
Stocks	12	16,152,706	16,847,699
Debtors and prepayments	13	9,094,299	9,104,844
Deposits for imports		375,534	3,991,114
Cash and cash equivalents	14	12,705,186	5,820,994
<b>TOTAL CURRENT ASSETS</b>		<b>38,327,725</b>	<b>35,764,651</b>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	15	(23,628,073)	(17,957,642)
Taxation	6 (b)	(6,229,669)	(5,492,788)
Dividend payable	7 (b)	(790,635)	(794,294)
Bank overdraft	16	-	(6,897,234)
<b>NET CURRENT ASSETS</b>		<b>7,679,348</b>	<b>4,622,693</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>47,748,499</b>	<b>42,726,779</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liability	17	(8,356,106)	(8,093,952)
Provision for gratuity and other long term employee benefits	18	(3,894,619)	(3,108,126)
Finance lease obligation	19 (a)	(1,298,655)	-
<b>NET ASSETS</b>		<b>34,199,119</b>	<b>31,524,701</b>
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	20	737,463	737,463
Share Premium Account		1,545,787	1,545,787
Revaluation Reserve	21	3,296,114	3,303,146
General Reserve	22	28,619,755	25,938,305
<b>Total Equity (Shareholders' Funds)</b>		<b>34,199,119</b>	<b>31,524,701</b>

Signed on behalf of the Board of Directors by:



MR. D. M. HAINSWORTH



MR. J. C. A. ANDERSON

)  
)  
) Directors  
)  
)

Approved by the Board of Directors on 02 September 2010.

The accounting policies on pages 28 to 31 and accompanying notes on pages 35 to 45 form an integral part of these financial statements.

# Statement of Cash Flows

for the year ended 30 June 2010

	Note	2010 N'000	2009 N'000
<b>Cash Flows from Operating Activities</b>			
Operating profit		20,786,191	19,806,485
Adjusted for:			
Depreciation of fixed assets	9 (a)	4,053,300	3,565,316
Write-off of fixed assets	9 (a)	-	728,036
Amortisation of intangible assets	10	483,030	211,000
Gain on disposal of fixed assets		(426,026)	(5,095)
Curtailed gain on change in gratuity scheme	18(a)	-	(2,031,796)
Curtailed loss arising from restructuring exercise	18(a)	-	188,231
Provision for gratuity	18(a)	886,261	1,324,299
Provision for long service awards	18(b)	360,803	225,363
(Increase)/ decrease in long term debtors and prepayments		(43,237)	134,530
		<b>26,100,322</b>	<b>24,146,369</b>
Operating Profit before Working Capital Changes			
Working capital changes:			
Decrease/ (increase) in stocks	12	694,993	(3,980,257)
Decrease/ (increase) in debtors and prepayment		10,545	(2,529,874)
Decrease/ (increase) in deposits for imports		3,615,580	(3,882,858)
Increase in creditors and accruals		8,762,848	5,827,432
		<b>39,184,288</b>	<b>19,580,812</b>
Gratuity paid	18(a)	(384,303)	(1,133,957)
Long service awards paid	18(b)	(76,268)	(53,057)
Tax paid	6(b)	(5,253,341)	(3,731,345)
VAT paid		(4,805,217)	(3,380,723)
		<b>28,665,159</b>	<b>11,281,730</b>
<b>Net cash provided by operating activities</b>			
<b>Cash Flows from Investing Activities</b>			
Interest received		254,047	1,134,643
Purchase of fixed assets	9 (a)	(3,318,448)	(3,378,378)
Acquisition of intangible assets	10	(35,716)	(706,368)
Proceeds from sale of fixed assets		459,071	67,734
Proceeds from finance lease receivable		-	30,845
		<b>(2,641,046)</b>	<b>(2,851,524)</b>
<b>Net cash used in investing activities</b>			
<b>Cash Flows from Financing Activities</b>			
Interest paid	4(c)	(1,051,503)	(2,026,261)
Dividend paid	7(b)	(11,065,600)	(18,883,089)
Term Loan obtained		-	2,507,371
Term Loan paid		-	(2,507,371)
(Decrease)/ increase in bank overdraft		(6,897,234)	3,192,158
Payment of finance lease obligation		(125,584)	-
		<b>(19,139,921)</b>	<b>(17,717,192)</b>
<b>Net cash used in financing activities</b>			
Net increase/ (decrease) in cash and cash equivalents		6,884,192	(9,286,986)
Cash and cash equivalents, beginning of year		5,820,994	15,107,980
		<b>12,705,186</b>	<b>5,820,994</b>
<b>Cash and Cash Equivalents</b>			
This comprises:			
Cash at Bank and in Hand		10,914,551	2,915,346
Short-term deposits with Banks		1,790,635	2,905,648
		<b>12,705,186</b>	<b>5,820,994</b>

The accounting policies on pages 28 to 31 and accompanying notes on pages 35 to 45 form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2010

## 1. Analysis of Turnover and Operating Profit

The analysis of turnover and operating profit by geographical area is as follows:

	Turnover		Operating Profit	
	2010 N'000	2009 N'000	2010 N'000	2009 N'000
Nigeria	108,801,257	88,339,610	20,692,732	19,545,604
Export	565,718	808,597	93,459	260,881
	<u>109,366,975</u>	<u>89,148,207</u>	<u>20,786,191</u>	<u>19,806,485</u>

## 2. Other Income

Other Income comprises:

	2010 N'000	2009 N'000
Operating lease income	335,144	226,335
Gain on disposal of fixed assets	426,026	5,095
Sundry income	18,863	330
	<u>780,033</u>	<u>231,760</u>

## 3. Exceptional Item

	2010 N'000	2009 N'000
Write off of old Malta bottles (Note (a))	325,142	-
Employee related restructuring costs (Note (b))	-	534,731
Write off of fixed assets- Restructuring costs (Note (c))	-	728,036
	<u>325,142</u>	<u>1,262,767</u>

(a) Provisions made for the net book value of old Malta bottles earmarked for the packaging of other innovation brands considered to be in excess of business requirements.

(b) Employee related restructuring costs include termination benefits paid amounting to N346.5 million and curtailment losses on their gratuity entitlements amounting to N188.2 million. No employee related restructuring exercise was conducted during the year.

(c) Write-off of fixed assets – Restructuring costs relates to impairment losses arising from the write-off of the net book value of certain fixed assets as part of a restructuring programme. The Company did not write-off fixed assets during the year.

Notes to the Financial Statements  
for the year ended 30 June 2010

**4. Profit before Taxation**

	2010 N'000	2009 N'000
(a) Profit before taxation is arrived at after charging/(crediting):		
Staff costs (Note 5(a))	7,921,507	7,317,750
Directors' emoluments (Note 5(d))	94,722	92,619
Auditor's remuneration	24,162	21,965
Depreciation of fixed assets	4,053,300	3,565,316
Amortisation of intangible assets	483,030	211,000
Write-off of fixed assets	-	728,036
Actuarial loss	825,414	731,618
Royalties, technical service and management fees (Note 25)	2,833,665	2,947,739
Gain on disposal of fixed assets	(426,026)	(5,095)
Loss on foreign exchange, net	1,081,018	1,777,377
Curtailment gain on gratuity scheme (Note 18(a))	-	(2,031,796)
Curtailment loss arising from restructuring exercise (Note 18(a))	-	188,231
	<u>                    </u>	<u>                    </u>
(b) Interest income comprises:		
	2010 N'000	2009 N'000
- Interest on short-term deposits	193,528	952,354
- Interest on loans	7,373	13,115
- Other interest income	53,146	246,069
	<u>                    </u>	<u>                    </u>
	254,047	1,211,538
	<u>                    </u>	<u>                    </u>
(c) Interest expense comprises:		
	2010 N'000	2009 N'000
- Interest on term loans	-	(23,267)
- Interest on overdraft	(818,534)	(1,623,085)
- Finance lease charges	(77,492)	-
- Other interest expense	(155,477)	(379,909)
	<u>                    </u>	<u>                    </u>
	(1,051,503)	(2,026,261)
	<u>                    </u>	<u>                    </u>

## 5. Staff Costs and Directors' Emoluments

	2010 N'000	2009 N'000
(a) Staff costs		
- Salaries, wages and allowances	6,037,317	5,274,008
- Pension fund contribution	309,072	282,727
- Current year gratuity charge (Note 18(a))	886,261	1,324,299
- Defined contribution charge (Notes 15)	328,054	211,353
- Long service award (Note 18 (b))	360,803	225,363
	<u>7,921,507</u>	<u>7,317,750</u>
(b) Average number of employees		
	2010 Number	2009 Number
- Average number employed	<u>1,133</u>	<u>1,170</u>
- Operations and Technical	646	700
- Sales and Distribution	346	304
- Commercial	63	84
- Corporate Affairs and Human Resources	58	60
- Marketing	20	22
	<u>1,133</u>	<u>1,170</u>
(c) The number of employees of the Company who earned over N350,000 (excluding pension costs and certain benefits) in the period fell within the bands stated below:		
	2010 Number	2009 Number
N 350,000 - N 450,000	2	16
N 450,001 - N 550,000	6	43
N 550,001 - N 650,000	60	122
N 650,001 - N 750,000	112	122
N 750,001 - N 850,000	121	145
N 850,001 - N 950,000	110	97
N 950,001 - N1,050,000	99	109
N1,050,001 - N1,150,000	74	76
N1,150,001 - N1,250,000	91	64
N1,250,001 - N1,350,000	73	37
N1,350,001 - N1,450,000	43	38
N1,450,001 - N1,550,000	33	22
N1,550,001 - N1,650,000	32	27
N1,650,001 - N1,750,000	23	31
N1,750,001 - N2,000,000	51	41
N2,000,001 - N2,250,000	37	23
N2,250,001 - N3,000,000	57	57
N3,000,001 and above	109	100
	<u>1,133</u>	<u>1,170</u>
(d) Emoluments of directors of the Company who discharged their duties wholly or mainly in Nigeria:		
	2010 N'000	2009 N'000
- Fees paid to Non-Executive Directors	13,617	3,657
- Fees and emoluments paid to the Chairman	15,012	3,662
- Emoluments paid to Executive Directors	66,093	85,300
	<u>94,722</u>	<u>92,619</u>
- The emoluments (excluding pension contributions) of the highest paid Director amounted to	<u>29,232</u>	<u>37,810</u>

## Notes to the Financial Statements for the year ended 30 June 2010

The table below shows the number of Directors of the Company (excluding the Chairman) whose remuneration excluding pension contributions (in respect of services to the Company) fell within the bands shown below:

		2010 Number	2009 Number
N	N		
200,001 -	1,000,000	-	4
1,000,001 -	2,000,000	8	1
4,000,001 -	5,000,000	1	1
5,000,001 -	6,000,000	-	1
7,000,001 -	8,000,000	1	-
10,000,001 -	30,000,000	2	3
		<u>12</u>	<u>10</u>

### 6. Taxation

	2010 N'000	2009 N'000
(a) Tax charge (per profit and loss account)		
Income tax	5,471,146	4,828,223
Education tax	519,076	414,862
	<u>5,990,222</u>	<u>5,243,085</u>
Charge for the year	5,990,222	5,243,085
Deferred tax charge (Note 17)	262,154	207,488
	<u>6,252,376</u>	<u>5,450,573</u>
(b) Tax liability (per balance sheet)		
Balance, beginning of year	5,492,788	3,981,048
Charge for the year	5,990,222	5,243,085
Payment during the year	(5,253,341)	(3,731,345)
	<u>6,229,669</u>	<u>5,492,788</u>

## 7. Dividend

	2010 N'000	2009 N'000
(a) Charge for the year:		
Ordinary dividend declared	11,061,941	8,849,553
Special dividend declared	-	10,029,492
Dividend declared (Note 22)	<u>11,061,941</u>	<u>18,879,045</u>

Dividend declared comprises:

- (i) Ordinary dividend declared at the Annual General Meeting held on 3 November, 2009 amounting to N11,062 million in respect of the 2009 financial year (2008 financial year: N18,879 million).

Subject to approval by the shareholders at the next Annual General Meeting, the Directors propose an ordinary dividend of 825 kobo per share (2009: 750 kobo per share) on the issued share capital of 1,474,925,519 ordinary shares of 50 kobo each being the number of ordinary shares in issue and ranking for dividend.

	2010 N'000	2009 N'000
(b) Per balance sheet:		
Balance, beginning of year	794,294	798,338
Declared dividend (Note (a))	11,061,941	18,879,045
Payments during the year	(11,065,600)	(18,883,089)
Balance, end of year	<u>790,635</u>	<u>794,294</u>

- (c) Dividend payable of N791 million (2009: N794 million) was held in a separate bank account (Note 14(a)). Unclaimed dividends (numbers 74 to 80) amounting to N4,162 million (2009: N3,127 million) was also held by the registrars at the year end.

## 8. Earnings and Declared Dividend Per Share

Earnings and declared dividend per share are based on profit after taxation of N13,736,359,000 (2009: N13,541,189,000) and declared dividends of N11,061,941,000 (2009: N18,879,045,000) respectively and on 1,474,925,519 (2009: 1,474,925,519 ) ordinary shares of 50 kobo each, being the number of ordinary shares in issue and ranking for dividend.

## Notes to the Financial Statements for the year ended 30 June 2010

### 9. Fixed Assets

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

	Leasehold Land and Buildings N'000	Plant and Machinery N'000	Furniture and Equipment N'000	Motor Vehicles N'000	Assets in Progress N'000	Total N'000
<b>Cost or Valuation:</b>						
At 1 July 2009	8,426,651	33,939,667	2,881,481	3,907,321	4,593,178	53,748,298
Additions	16,281	255,463	21,508	318,041	5,844,194	6,455,487
Transfers	111,818	3,881,894	137,214	1,178,384	(5,331,870)	(22,560)
Reclassifications	(29,292)	806,091	(776,799)	-	-	-
Disposals	(25,049)	(1,659)	(15,385)	(196,412)	-	(238,505)
At 30 June 2010	8,500,409	38,881,456	2,248,019	5,207,334	5,105,502	59,942,720
<b>Depreciation:</b>						
At 1 July 2009	1,101,561	12,428,875	1,735,686	2,584,217	-	17,850,339
Charge for the year	145,215	3,037,047	181,330	689,708	-	4,053,300
Disposals	(5,601)	(857)	(15,385)	(183,617)	-	(205,460)
At 30 June 2010	1,241,175	15,465,065	1,901,631	3,090,308	-	21,698,179
<b>Net Book Value:</b>						
At 30 June 2010	7,259,234	23,416,391	346,388	2,117,026	5,105,502	38,244,541
At 30 June 2009	7,325,090	21,510,792	1,145,795	1,323,104	4,593,178	35,897,959

(b) Certain leasehold land and buildings, plant and machinery were revalued on 2 January 1997 by Messrs Knight Frank (Nigeria) – Chartered Surveyors, on the basis of their depreciated replacement cost. The values were incorporated in the books at that date. Surpluses arising on revaluation were credited to the fixed assets revaluation reserve. Additions subsequent to revaluations are stated at cost. Fixed assets are revalued periodically as dictated by prevailing economic conditions. The net book value of revalued assets included in the above was as follows:

	Leasehold Land and Buildings N'000	Plant and Machinery N'000	Total N'000
Net Book Value of revalued assets at 30 June 2010	1,250,276	838,205	2,088,481
Net Book Value of revalued assets at 30 June 2009	1,292,292	931,344	2,223,636

(c) Included in fixed assets are motor vehicles and plant and machinery purchased under finance lease arrangements (Note 19(b)) as follows:

	Motor Vehicles N'000	Plant and Machinery N'000	Total N'000
Cost	1,174,084	750,955	1,925,039
Accumulated depreciation	(39,715)	(62,944)	(102,659)
	1,134,369	688,011	1,822,380

(d) Included in fixed assets are motor vehicles, which the company has let out to third parties, under operating lease arrangements. The cost of these vehicles was N2,851 million (2009: N1,673 million) with corresponding accumulated depreciation charges of N1,397 million (2009: N1,048 million) at the balance sheet date.

(e) The Company changed depreciation rates for motor vehicles for the sales team from 33.33% to 25% during the year. The change in depreciation rates resulted in a decrease of N73 million to depreciation charge for the year.

(f) Included in fixed assets are assets purchased during the year amounting to N1,212 million (2009: N142 million) that had not been paid for, which are included in creditors and accruals.

## 10. Intangible Assets

At Cost	N'000
At 1 July 2009	2,565,935
Additions	35,716
Transfers from fixed assets	22,560
At 30 June 2010	<b>2,624,211</b>
<b>Amortisation:</b>	
At 1 July 2009	759,101
Charge for the year	483,030
At 30 June 2010	<b>1,242,131</b>
<b>Net carrying amount:</b>	
At 30 June 2010	1,382,080
At 30 June 2009	<b>1,806,834</b>

## 11. Long-Term Debtors and Prepayments

	2010 N'000	2009 N'000
Long-term receivable (Note (a))	-	27,173
Due from employees (Note (b))	313,874	251,412
Long-term prepayments	128,656	120,708
	<b>442,530</b>	<b>399,293</b>
(a) This represents amount receivable in respect of a finance lease due from one of the company's suppliers and is analysed as follows:		
Amount receivable	27,173	84,122
Less: current portion included in current debtors (Note 13)	(27,173)	(56,949)
Long-term portion	-	27,173

The unguaranteed residual value in respect of the leased asset at year-end was Nil (2009: Nil).

- (b) Due from employees represents the long term component of loans granted to employees which are secured by their gratuity benefits. No interest is charged on these loans.

Notes to the Financial Statements  
for the year ended 30 June 2010

**12. Stocks**

	2010 N'000	2009 N'000
Bottled beer	66,914	820,853
Beer in process	672,584	469,864
Raw and packaging materials	5,110,472	4,656,503
Empty bottles and containers	6,729,215	5,258,741
Engineering spares	2,559,043	2,799,778
Stock in transit	1,014,478	2,841,960
	<u>16,152,706</u>	<u>16,847,699</u>

**13. Debtors and Prepayments**

	2010 N'000	2009 N'000
Trade debtors	6,685,976	6,347,527
Other debtors	633,588	994,114
Interest receivable	3,618	76,895
Export expansion grant receivable	632,053	700,928
Prepayments	734,425	370,272
Current portion of long-term debtors (Note 11 (a))	27,173	56,949
Amount due from related companies	377,466	558,159
	<u>9,094,299</u>	<u>9,104,844</u>

**14. Cash and cash equivalents**

	2010 N'000	2009 N'000
Cash and Bank balances	10,914,551	2,915,346
Short-term deposits	1,790,635	2,905,648
	<u>12,705,186</u>	<u>5,820,994</u>

(a) Included in cash and cash equivalents are unclaimed dividends amounting to N791 million (2009: N794 million) (Note 7(c)) held in a separate bank account in accordance with guidelines issued by the Securities and Exchange Commission. This amount is restricted from use by the Company.

**15. Creditors and Accruals**

	2010 N'000	2009 N'000
Trade creditors	6,946,570	5,992,045
Other creditors	3,061,827	4,307,418
Accruals	3,536,698	4,220,615
Defined contribution accruals	539,407	211,353
Amount due to related companies	9,042,771	3,226,211
Finance lease obligation- short term portion (Note 19(a))	500,800	-
	<u>23,628,073</u>	<u>17,957,642</u>

## 16. Bank Overdraft

Bank overdraft comprises various facilities obtained by the Company to meet import financing and working capital requirements. Total available lines at the year end amounted to N15.5 billion (2009: N18.6 billion). Some of the overdrafts are secured by a negative pledge on present and future assets of the Company while others do not have any security. Interest rates charged on these facilities range between 11% and 15% per annum (2009: 18% and 21% per annum).

## 17. Deferred Taxation

The movement on the deferred tax account was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	8,093,952	7,886,464
Charge for the year (Note 6(a))	262,154	207,488
Balance, end of year	<u>8,356,106</u>	<u>8,093,952</u>

## 18. Provision for Gratuity and Other Long Term Employee Benefits

Provision for gratuity and other long term employee benefits comprises:

	2010 N'000	2009 N'000
Provision for gratuity (Note (a))	3,268,919	2,766,961
Provision for long service awards (Note (b))	625,700	341,165
	<u>3,894,619</u>	<u>3,108,126</u>

Employee gratuities and other long term benefit provisions are based on independent actuarial valuation done by HR Nigeria Limited. The principal assumptions i.e. discount rates, average pay increases, notional interest rate and average rates of inflation used for the purpose ranged between 5% and 9% per annum. The gratuity scheme for management and non-management staff was discontinued and frozen on 31 December 2008. Interest accrues to beneficiaries at a rate of 5% per annum until the staff resigns, retires or is paid.

(a) Actuarial valuation was done for the defined benefit scheme as at 30 June 2010. The movement on the gratuity provision account was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	2,766,961	4,420,184
Current year charge	886,261	1,324,299
Curtailment gain on change in scheme (Note 4(a))	-	(2,031,796)
Curtailment loss arising from restructuring exercise (Note 3 (b) and 4(a))	-	188,231
Payments during the year	(384,303)	(1,133,957)
Balance, end of year	<u>3,268,919</u>	<u>2,766,961</u>

The charge for discounted gratuity provisions for the year is made up of interest charges and actuarial loss of N315 million and N571 million respectively (2009: N434 million and N697million).

(b) The movement on the provision for long service awards was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	341,165	168,859
Provision for the year	360,803	225,363
Payment during the year	(76,268)	(53,057)
Balance, end of year	<u>625,700</u>	<u>341,165</u>

Included in the long service awards provisions are interest charges and actuarial loss of N42 million and N254 million respectively (2009: N38 million and N35 million) during the year.

The provision was based on independent actuarial valuation performed using the projected unit credit basis as at 30 June 2010.

## Notes to the Financial Statements for the year ended 30 June 2010

### 19. Finance lease obligation

(a) Commitments for future minimum lease payments on finance lease are as follows:

	Future value of minimum lease payments N'000	Interest N'000	Present value of minimum lease payments 2010 N'000
Between 0-1 year (Note 15)	726,028	225,228	500,800
Between 1- 3 years	1,548,608	249,953	1,298,655
	<u>2,274,636</u>	<u>475,181</u>	<u>1,799,455</u>

(b) The movement in finance lease obligations was as follows:

	2010 N'000	2009 N'000
Finance lease obtained during the year	1,925,039	-
Payments made during the year	(125,584)	-
	<u>1,799,455</u>	<u>-</u>

The leases are secured by legal ownership of the leased assets. The lease agreements stipulate that the Company may exercise the option to own the leased assets after the lease period.

### 20. Share Capital

	2010 N'000	2009 N'000
Authorised: 2.5 billion ordinary shares of 50k each	1,250,000	1,250,000
Called up, allotted and fully paid: 1,474,925,519 ordinary shares of 50k each	737,463	737,463

### 21. Revaluation Reserve

This represents the surplus arising on revaluation of certain leasehold properties, plant and machinery.

The movement on the account was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	3,303,146	3,737,615
Transfer to General Reserve in respect of assets disposed/written off (Note 22)	(7,032)	(434,469)
Balance, end of year	<u>3,296,114</u>	<u>3,303,146</u>

## 22. General Reserve

	2010 N'000	2009 N'000
Balance, beginning of year	25,938,305	30,841,692
Transfer from Revaluation Reserve (Note 21)	7,032	434,469
Declared dividend (Note (7(a)))	(11,061,941)	(18,879,045)
Transfer from profit and loss account	13,736,359	13,541,189
Balance, end of year	<u>28,619,755</u>	<u>25,938,305</u>

## 23. Capital Commitments

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

	2010 N'000	2009 N'000
Contracted	1,627,904	28,775
Not contracted	5,421,277	1,704,010
	<u>7,049,181</u>	<u>1,732,785</u>

## 24. Contingent Liabilities

- Contingent liabilities at the balance sheet date arising in the ordinary course of business from assessment raised by government agencies, which are being contested and guarantees, amounted to N11,538 million (2009: N12,803 million). No material loss is expected to arise from these assessment and guarantees.
- No provision has been made in the financial statements for contingent capital gains tax of N63 million (2009: N76 million) which might arise on disposal of revalued leasehold land and buildings at their present net book values as it is not the Directors' present intention to sell these assets.
- The Company is subject to various claims arising in the normal course of business. Contingent liabilities in respect of pending litigation and other possible claims amounted to N2,577 million as at 30 June 2010 (2009: N2,018 million). Based on legal advice, no material loss is expected to arise from these claims.

## 25. Transactions with Related Companies

The Company sources certain raw materials, engineering spares and fixed assets from companies related to its ultimate holding Company, Diageo Plc. Additionally, the Company pays Technical Service fees and Royalties to companies within the Diageo Group. At the year end, the total amount due to other companies within the Diageo Group was N9,043 million (2009: N3,266 million) (Note 15), of which N4,053 million (2009: N1,785 million) represents unpaid Technical Service, Royalties and Management Fees. The charge for Technical Service, Royalties and Management Fees for the year is disclosed in Note 4(a).

Similarly, the Company incurs certain expenses on behalf of related companies, such as staff exchange programmes, workshops and training. At the year end, the total amount receivable from other companies within the Diageo Group was N377 million (2009: N558 million) (Note 13).

## 26. Ultimate Holding Company

The ultimate holding Company is Diageo Plc, a company incorporated in the United Kingdom.

## 27. Segment Reporting

The Company's primary geographical segment is Nigeria. Over 99% (2009: 99%) of the Company's sales are made in Nigeria. Also, all of the Company's products have identical risks and returns. No further business or geographical segment information is therefore reported.

## 28. Post Balance Sheet Events

There are no significant post balance sheet events, which could have had a material effect on the financial position and performance of the Company as at 30 June 2010, which have not been adequately provided for.

## 29. Comparative Figures

To ensure consistency, certain prior year comparative amounts have been reclassified to conform with the current year's presentation format.

# Value Added Statement

for the year ended 30 June 2010

	<b>2010</b>		<b>2009</b>	
	<b>N'000</b>	<b>%</b>	<b>N'000</b>	<b>%</b>
<b>Turnover</b>	109,366,975		89,148,207	
Bought in materials and services				
- Imported	(20,192,521)		(16,366,451)	
- Local	(47,430,987)		(33,404,218)	
	<u>41,743,467</u>		<u>39,377,538</u>	
Interest income	254,047		1,211,538	
Other income	780,033		231,760	
	<u>42,777,547</u>	<u>100</u>	<u>40,820,836</u>	<u>100</u>
<b>Distribution of Value Added</b>				
<b>To Government as:</b>				
Tax on Company profit	6,252,376	15	5,450,573	13
Excise duty	9,279,472	22	8,708,747	21
<b>To Employees:</b>				
Salaries, wages and fringe benefits	7,921,507	19	7,317,750	18
<b>To Providers of Finance:</b>				
Interest paid	1,051,503	2	2,026,261	5
<b>Retained in the Business:</b>				
To replace fixed assets	4,053,300	9	3,565,316	9
To replace intangible assets	483,030	1	211,000	1
To pay proposed dividend	12,168,136	28	11,061,941	27
To augment Reserves	1,568,223	4	2,479,248	6
	<u>42,777,547</u>	<u>100</u>	<u>40,820,836</u>	<u>100</u>

# Five-Year Financial Summary

	2010 N'000	2009 N'000	2008 N'000	2007 N'000	2006 N'000
<b>Results</b>					
Turnover	109,366,975	89,148,207	69,172,852	62,265,413	53,651,781
Operating profit	20,786,191	19,806,485	15,799,575	14,227,302	12,223,864
Profit before taxation	19,988,735	18,991,762	17,092,950	14,884,450	11,436,771
Profit after taxation	13,736,359	13,541,189	11,860,880	10,691,060	7,440,102
Dividend declared	(11,061,941)	(18,879,045)	(6,637,165)	(4,719,762)	(3,539,821)
<b>Employment of Funds</b>					
Fixed assets	38,244,541	35,897,959	36,733,310	30,124,847	29,531,969
Intangible assets	1,382,080	1,806,834	1,311,466	-	-
Long term debtors and prepayments	442,530	399,293	533,823	268,260	181,775
Net current assets	7,679,348	4,622,693	10,759,465	14,848,004	14,186,201
Deferred tax liability	(8,356,106)	(8,093,952)	(7,886,464)	(6,646,775)	(6,968,521)
Finance lease creditors	(1,298,655)	-	-	-	-
Provision for gratuity and long term employee benefits	(3,894,619)	(3,108,126)	(4,589,043)	(3,455,494)	(2,763,880)
Term loan	-	-	-	(3,500,000)	(8,500,000)
<b>Total Net Assets</b>	<b>34,199,119</b>	<b>31,524,701</b>	<b>36,862,557</b>	<b>31,638,842</b>	<b>25,667,544</b>
<b>Funds Employed</b>					
Share capital	737,463	737,463	737,463	737,463	589,970
Bonus issue reserve	-	-	-	-	147,493
Share premium	1,545,787	1,545,787	1,545,787	1,545,787	1,545,787
Revaluation reserve	3,296,114	3,303,146	3,737,615	3,751,089	3,790,263
General reserves	28,619,755	25,938,305	30,841,692	25,604,503	19,594,031
<b>Total Equity (Shareholders' Funds)</b>	<b>34,199,119</b>	<b>31,524,701</b>	<b>36,862,557</b>	<b>31,638,842</b>	<b>25,667,544</b>
Per 50k share data (unadjusted):					
Earnings per share	931k	918k	804k	784k	631k
Declared dividend per share	750k	1,280k	450k	346k	300k
Net worth per share	2,319k	2,137k	2,499k	2,321k	2,175k
Per 50k share data (adjusted):					
Earnings per share	931k	918k	804k	725k	504k
Declared dividend per share	750k	1,280k	450k	320k	240k

# Shareholders' Information

## Share Capital History

The share capital history of the Company is as shown below. The issued and paid-up share capital of the Company as at 30 June 2010 is:

Date	Authorised Share Capital		Issued And Fully Paid		Consideration Shares
	Value (N)	Shares	Value(N)		
31-08-72	3,000,000	6,000,000	3,000,000	6,000,000	Conversion to Naira
14-12-72	5,000,000	10,000,000	5,000,000	10,000,000	Scrip Issue (2:3)
30-03-76	8,000,000	16,000,000	8,000,000	16,000,000	Scrip Issue (3:5)
05-11-76	10,000,000	20,000,000	10,000,000	20,000,000	Public Issue
11-03-77	15,000,000	30,000,000	15,000,000	30,000,000	Scrip Issue (1:2)
28-09-78	25,000,000	50,000,000	25,000,000	50,000,000	Scrip Issue (2:3)
21-02-80	37,500,000	75,000,000	37,500,000	75,000,000	Scrip Issue (1:2)
25-02-82	50,000,000	100,000,000	50,000,000	100,000,000	Scrip Issue (1:3)
15-03-84	75,000,000	150,000,000	75,000,000	150,000,000	Scrip Issue (1:2)
13-03-84	100,000,000	200,000,000	100,000,000	200,000,000	Scrip issue (1:3)
26-07-90	150,000,000	300,000,000	150,000,000	300,000,000	Scrip Issue (1:2)
18-07-90	200,000,000	400,000,000	180,000,000	360,000,000	Rights Issue(1:5)
29-09-95	350,000,000	700,000,000	270,000,000	540,000,000	Right Issue (1:2)
02-01-97	350,000,000	700,000,000	339,519,721	679,039,441	Conversion of ICLS to shares
19-06-97	400,000,000	800,000,000	350,519,721	679,039,441	
16-07-97	400,000,000	800,000,000	350,733,576	701,467,151	Scrip Dividend to Shares
13-07-98	400,000,000	800,000,000	353,982,125	707,964,249	Scrip Dividend to Shares
20-11-02	1,000,000,000	2,000,000,000	353,982,125	707,964,249	Increase in authorised share capital
20-11-03	1,000,000,000	2,000,000,000	589,970,207	1,179,940,415	Bonus issue (2:3)
16-11-06	1,000,000,000	2,000,000,000	737,462,759	1,474,925,519	Bonus issue (1:4)
10-07-08	1,250,000,000	2,500,000,000	737,462,759	1,474,925,519	Increase in authorised share capital

## Substantial Interest in Shares:

According to the Register of Members, the following persons held more than 5% of the issued share capital of the Company on 30 June 2010:

Shareholders	Number of Shares	Percentage
Guinness Overseas Limited	678,958,195	46.03%
Atalantaf Limited	114,613,969	7.77%

## Statistical Analysis of Shareholding

- a) The shares of the Company are held in the ratio of 46% by Nigerians and 54% by offshore investors.  
 b) The Company's issued shares of 1,474,925,519 as at year end are held by shareholders as follows:

Range	No. of Holders	%	Units	%
1 - 1,000	29,054	37.62	12,362,982	0.84
1,001 - 5,000	33,435	43.29	86,473,019	5.86
5,001 - 10,000	8,038	10.41	58,299,700	3.95
10,001 - 50,000	5,561	7.20	107,428,945	7.28
50,001 - 100,000	554	0.72	38,907,355	2.64
100,001 - 500,000	473	0.61	98,545,736	6.68
500,001 - 1,000,000	75	0.10	53,543,784	3.63
1,000,001 and above	47	0.06	1,019,363,998	69.11
Grand Total	77,237	100.00	1,474,925,519	100.00

## Ten – Year Dividend History Dividend in the last ten years

Year	Profit After Taxation	Dividend Proposed (N)	Dividend Proposed per Share (k)
2000	3,094,570,000	1,699,114,000	240
2001	4,105,879,000	2,123,893,000	300
2002	4,149,536,000	2,654,866,000	375
2003	6,636,335,000	5,604,717,000	475
2004	7,913,503,000	6,194,687,000	525
2005	4,859,019,000	3,539,821,000	300
2006	7,440,102,000	4,719,762,000	400
2007	10,691,060,000	6,637,164,836	450
2008	11,860,880,000	8,849,553,000	600
2009	13,541,189,000	11,061,941,393	750
**2010	13,736,359,000	12,168,136,000	825

\*\* Dividend has not been declared by shareholders

Dividends declared were gross as they were subject to deduction of withholding tax at the appropriate rates.

## Unclaimed Dividends and Share Certificates

Members are hereby informed that some dividend warrants and share certificates have been returned to the Registrars' office unclaimed because the addresses could not be traced. This notice is to request all affected shareholders to contact:

**(a) In the case of unclaimed dividends**

The Company Secretary  
Guinness Nigeria Plc  
24, Oba Akran Avenue  
P.M.B. 21071  
Ikeja  
Lagos

**(b) In the case of share certificates**

Zenith Registrars Limited,  
Plot 89A,  
Ajose Adeogun Street,  
Victoria Island,  
Lagos

Those applying to the Company Secretary for payment of unclaimed dividends should also include either the original dividend warrants or photostat copies of their certificates to facilitate payment.

The Company Secretary's office  
Guinness Nigeria PLC  
24, Oba Akran Avenue  
Ikeja.

## Unclaimed Dividend With Dates

Dividends	Date Declared
68	10/12/98
69	18/11/99
70	24/11/00
71	22/11/01
72	20/11/02
73	20/11/03
74	23/11/05
75	24/11/05
76	15/11/06
77	15/11/07
78	10/07/08
79	28/11/08
80	03/11/09



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# Notes



# Proxy Form

**ANNUAL GENERAL MEETING OF THE MEMBERS OF GUINNESS NIGERIA PLC TO BE HELD  
AT THE CONGRESS HALL, TRANSCORP HILTON HOTEL, ABUJA, FCT  
ON FRIDAY, 12 NOVEMBER 2010 AT 10.00 O'CLOCK IN THE FORENOON**

I/We\* ..... being a member/members of GUINNESS NIGERIA PLC, hereby appoint

..... or failing him, MR. B. A SAVAGE or failing him, MR. D. M. HAINSWORTH or failing him, DR. N. BLAZQUEZ as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 12 November 2010 and at any adjournment thereof.

Dated this ..... day of ..... 2010

Shareholder's signature.....

\*Delete as necessary

- (i) A member (Shareholder) entitled to attend and vote at the General Meeting is entitled to appoint a proxy in his stead. All proxies should be deposited at the Registrar's Office not less than 48 hours before the time for holding the Meeting.
- (ii) In the case of joint Shareholders, any of such may complete the form, but the names of all joint Shareholders must be stated.
- (iii) If the Shareholder is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorised.
- (iv) Provision has been made on this form for some Directors of the Company to act as your proxy, but if you wish, you may insert in the blank space on the form (marked \*\*) the name of the person whether a member of the Company or not, who will attend the meeting and vote on your behalf instead of any of the Directors.
- (v) The proxy must produce the Admission Card sent with the Notice of Meeting to obtain entrance to the meeting.

NUMBER OF SHARES		
RESOLUTION	FOR	AGAINST
To declare a dividend		
To re-elect as Director, Mr. D. M. Hainsworth		
To re-elect as Director, Mr. F. O. Agbonlahor		
To re-elect as Director, Mrs. I. C. Mafeni		
To re-elect as Director, Mr. S. A. Baraz		
To re-elect as Director, Mr. J. van Lierop		
To fix the remuneration of the Auditors		
To elect members of the Audit Committee		
To fix the remuneration of the Directors		
Please indicate with an 'X' in the appropriate box how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.		



# Admission Card

PLEASE ADMIT ..... to the Annual General Meeting of Guinness Nigeria PLC which will be held at the Congress Hall, Transcorp Hilton Hotel, Abuja, FCT on Friday, 12 November 2010 at 10.00 o'clock in the forenoon.

This admission card must be produced by the Shareholder or his proxy in order to obtain entrance to the Annual General Meeting.

  
**SESAN SOBOWALE**  
Company Secretary/Legal Adviser

.....  
Name of Shareholder

.....  
Address of Shareholder

.....  
Number of Shares held

*Second fold here*

---

*please affix postage*

Zenith Registrars Limited,  
Plot 89A,  
AJose Adeogun Street,  
Victoria Island,  
Lagos

*First fold here*

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*Third fold here and insert*





# THE BEER WITHOUT EQUAL

For over 250 years,  
Guinness has been hailed as the  
most recognized beer in the world.

Its dark mysterious appearance  
belies the smooth, rich distinctive  
flavour within.

Brewed like no other to a secret  
recipe, Guinness has many  
imitators but certainly no equal.



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