

Nigerian Breweries Plc  
RC 613  
Annual Reports and Accounts 2006



Winning with Nigeria

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## Mission Statement

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

# Headquarters, Brewery Locations and Sales Regions

## **HEADQUARTERS**

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

## **BREWERY LOCATIONS**

### **LAGOS BREWERY**

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

### **ABA BREWERY**

Industry Road  
P.O. Box 496, Aba  
Tel: (082) 220621, 220066, 229822, 229833

### **KADUNA BREWERY**

Industrial Layout, Kakuri  
P.M.B. 2116  
Kaduna  
Tel: (062) 231370-4

### **IBADAN BREWERY**

Ibadan/Ife Road  
P.O. Box 12176, Ibadan  
Tel: (02) 8103474, 8103498-9, 8103503-8

### **AMA BREWERY**

Amaeke-Ngwo  
9<sup>th</sup> Mile Corner  
P.M.B. 01781, Enugu  
Tel: (042) 250450, 250840, 250489, 250950

## **SALES REGIONS**

### **LAGOS BUSINESS UNIT**

Headquarters Annex  
Abebe Village Road, Iganmu  
P.O. Box 86, Apapa, Lagos  
Tel: (01) 2717400-20 Ext. 2800, 2808

### **CENTRAL BUSINESS UNIT**

5, Ganges Street  
Off Alvan Ikoku Road  
Maitama District, Abuja  
Tel: (09) 413056

### **EAST BUSINESS UNIT**

Plot 10, Ebeano Estate  
New Haven, Enugu  
Tel: (084) 259335, 255688

### **WEST BUSINESS UNIT**

KLM 3, Ibadan-Ife Road  
P.O. Box 813, Ibadan  
Tel: (02) 8101949, 8103474, 8103477

### **NORTH BUSINESS UNIT**

Industrial Layout, Kakuri  
Kaduna  
Tel: (062) 231316

### **SOUTH BUSINESS UNIT**

Industry Road  
P.O. Box 496, Aba  
Tel: (082) 229822, 229833

## Directors, Officers and Professional Advisers

### Directors:

Mr. F.O.A. Ohiwerei	- Chairman
Mr. P. Hamers	- Dutch, Acting Managing Director/ Chief Executive Officer (CEO) (appointed: 27 <sup>th</sup> May, 2006)
Mr. F.B.O. Odimegwu	- Managing Director/CEO (appointed: 17 <sup>th</sup> November, 2006)
Mr. O.S. Adebajji	- Managing Director/ CEO (resigned: 16 <sup>th</sup> November, 2006)
Dr. O.O. Ajayi	- (appointed: 28 <sup>th</sup> February, 2007)
Prof. (Mrs.) J.O. Akande	
Mr. A.J.M. Blüm	- Dutch
Mr. W. Fijnaut	- Dutch
Mr. D. Hazelwood	- British (resigned: 28 <sup>th</sup> February, 2007)
Mr. M.J. Herkemij	- Dutch (appointed: 28 <sup>th</sup> February, 2007)
Mr. E.E. Imoagene	
Chief K.B. Jamodu	
Mr. Th. A. de Man	- Dutch
Mr. E.J. van Willegen	- Dutch
Mr. I.E. Yamson	- Ghanaian

### Company Secretary/ Legal Adviser:

N. C. Ofo

### Registered Office:

Iganmu House  
1, Abebe Village Road  
Iganmu  
P.O. Box 545, Lagos  
Tel: (01) 2717400-20  
Website: [www.nbplc.com](http://www.nbplc.com)

### Registration No.:

RC: 613

### Auditors:

KPMG Professional Services  
22A, Gerrard Road  
Ikoyi, Lagos  
Tel: (01) 2696040-4

### Registrars:

NB Registrars Limited  
NB Plc Headquarters Annex  
Abebe Village Road  
Iganmu, Lagos  
Tel: (01) 2717435

## Results at a Glance

	2006	2005	% Increase/ (Decrease)
<b>Results in millions of Naira</b>			
Turnover	86,322	80,131	8
Operating profit	16,948	15,454	10
Profit after taxation	10,901	8,255	32
Declared dividend	9,075	4,916	85
Share capital	3,781	3,781	0
Shareholders' funds	36,249	34,724	4
<b>Data per 50 kobo share in Kobo</b>			
Earnings	144	109	32
Dividend			
– Interim	40	25	60
– Final proposed	104	80	30
– Total	144	105	37
Declared dividend	120	65	85
Net Assets	479	459	4
<b>Stock Exchange Information</b>			
Stock exchange quotation as at 31 <sup>st</sup> December in Naira	37.25	38.80	(4)
Number of shares issued	7,562,562,340	7,562,562,340	0
Market capitalization as at 31 <sup>st</sup> December in Nbillion	282	293	(4)
<b>Staff in Numbers</b>			
Number of employees as at 31 <sup>st</sup> December	2,047	2,039	0
<b>Ratios</b>			
Shareholders' funds/fixed assets	0.73	0.66	11
Interest coverage ratio	33	6	450
Current assets/current liabilities	1.04	0.73	42

Declared dividend represents the interim dividend declared during the year plus the final proposed for the preceding year but declared in current year.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the next Annual General Meeting of Nigerian Breweries Plc will be held in the Shell Nigeria Hall, Muson Centre, 8/9 Marina, Onikan, Lagos, on Wednesday, 23<sup>rd</sup> May, 2007 at 10.00 a.m. for the following purposes:

1. To receive the Report of the Directors, the Balance Sheet as at 31<sup>st</sup> December, 2006, together with the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To elect Directors.
4. To fix the remuneration of the Directors.
5. To fix the remuneration of the Auditors.
6. To appoint members of the Audit Committee.

## Notes:

### (1) PROXIES

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

### (2) AUDIT COMMITTEE MEMBERS

In accordance with Section 395(5) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, any member may nominate a shareholder as member of the Audit Committee by giving notice in writing such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting.

### (3) CLOSURE OF REGISTER

The Register of Members and Transfer Books of the Company will be closed from Tuesday, 10<sup>th</sup> April, 2007 to Friday, 13<sup>th</sup> April, 2007, both dates inclusive, for the purpose of preparing an up-to-date Register of Members.

### (4) DIVIDEND

The Board of Directors of the Company has recommended a final dividend of N7,865,064,834, that is, 104 kobo per ordinary share of fifty kobo each, which if approved, is payable less withholding tax. Having paid an interim dividend of N3,025,024,936, that is, 40 kobo per ordinary share of fifty kobo in November 2006, the total dividend payable for the year would be N10,890,089,770, that is, 144 kobo per share.

### (5) DIVIDEND WARRANT

If the dividend recommended is approved, the warrants will be posted on Friday, 25<sup>th</sup> May, 2007 to shareholders whose names appear on the Company's Share Register at the close of business on Monday, 9<sup>th</sup> April, 2007.

Dated this 28<sup>th</sup> day of February, 2007.

By Order of the Board.

**N. C. Ofo**

Company Secretary/Legal Adviser



The Board of  
Directors

IGANMU HO



Front row (left to right): **E. E. Imoagene** (Human Resources)  
Back row (left to right): **E. J. van Wille**

HOUSE



an Resource Director), **P. Hamers** (Out-going Managing Director/Chief Executive), **Prof. (Mrs. C. Willegen** (Supply Chain Director), **N. C. Ofo** (Company Secretary/Legal Adviser), **D. Hazelwood** (Chief Financial Officer), **Th. A. de Man** (Non-Executive Director), **Chief K. B. Jamodu** (Chief Executive)



**O. Akande** (Non-Executive Director), **F. A. O. Ohiwerei** (Chairman), **W. Fijnaut** (Marketing Director), **I. E. Yamson** (Non-Executive Director), **M. J. Herkemij** (In-coming Managing Director), **Dr. O. O. Ajayi** (Sales Director).



ing Director) and **A. J. M. Blüm** (Finance Director).  
g Managing Director/Chief Executive),

## Directors' Report

The Directors have the pleasure to present to members of the Company this Annual Report together with the audited Balance Sheet as at 31<sup>st</sup> December, 2006, and the Profit and Loss Account for the year ended on that date.

### 1. Legal Status

Nigerian Breweries Plc was incorporated on 16<sup>th</sup> November, 1946, under the Companies Ordinance, Cap. 38, as Nigerian Brewery Limited. On 7<sup>th</sup> January, 1957, the name of the Company was changed to Nigerian Breweries Limited. In 1990, when the Company and Allied Matters Act of that year came into force, the name of the Company was further changed to Nigerian Breweries Plc. Nigerian Breweries Plc is a subsidiary of Heineken N.V., which has 54.10% interest in the equity of Nigerian Breweries Plc, a public quoted company.

### 2. Principal Activities

The principal activities of the Company are brewing, marketing and sales of lager, stout, non-alcoholic malt drinks and soft drinks.

### 3. Review of Operations

After the volume decline in 2005, the brewed products market witnessed a rebound in 2006 with 15% growth versus 2005. With the very successful re-launch for Star and Maltina in 2006 and the impressive performance of our other brands, the Company retained its leadership position in the market. Nigerian Breweries Plc's portfolio was further consolidated with the launch of Gulder Max and Fayrouz, the high quality premium soft drink.

The following is a summary of the operating results:

	2006 N'000	2005 N'000
Turnover	86,322,075	80,130,968
Operating profit	16,948,433	15,453,895
Profit before taxation	16,436,255	12,897,746
Taxation	(5,535,731)	(4,643,189)
Profit after taxation	<u>10,900,524</u>	<u>8,254,557</u>

### 4. Dividend

The Directors are pleased to recommend to shareholders at the forthcoming Annual General Meeting, the declaration of a total dividend of N10,890,089,770, that is, one hundred and forty-four kobo (144 kobo) per share.

Having paid an interim dividend of N3,025,024,936, that is, forty kobo (40 kobo) per share in November 2006, a final dividend of N7,865,064,834, that is, one hundred and four kobo (104 kobo) per share is being proposed. If the proposed final dividend is approved, it will be subject to deduction of withholding tax at the appropriate rate and the dividend warrants will be posted on 25<sup>th</sup> May, 2007, to all shareholders whose names appear in the Company's Register of Members at the close of business on 9<sup>th</sup> April, 2007.

### 5. Board of Directors

As at the close of business on 28<sup>th</sup> February, 2007, the Board consists of six (6) Executive Directors and seven (7) non-Executive Directors (including the Chairman). The list of the current Directors of the Company is as published on page 4 of this Annual Report. The Board has a formal schedule of annual meetings and met five (5) times in the course of the year under review.



**E. O. A. Ohiwerei**  
Chairman

## Directors' Report (contd.)

Since the last Annual General Meeting, some changes have taken place in the composition of the Board. Mr. E. B. O. Odimegwu, who joined the Board on 14<sup>th</sup> April, 1994, resigned from the Board with effect from 16<sup>th</sup> November, 2006. Prior to this, he was on study leave from May 2006 during which period Mr. P. Hamers was appointed Acting Managing Director/Chief Executive Officer of the Company. He continued in office as substantive Managing Director/Chief Executive Officer from 17<sup>th</sup> November, 2006 until 9<sup>th</sup> April, 2007.

We thank Mr. Odimegwu for his contributions to the growth and development of the Company during his tenure in office as the Managing Director/Chief Executive Officer and wish him success in his future endeavours.

In accordance with the provisions of the Articles of Association, Mr. M. J. Herkemij was appointed on 28<sup>th</sup> February, 2007, to fill the vacancy existing on the Board and was subsequently appointed the Managing Director/Chief Executive Officer of the Company with effect from Monday, 9<sup>th</sup> April, 2007.

Also, Mr. D. Hazelwood who joined the Board on 21<sup>st</sup> September, 2005, resigned from the Board with effect from 28<sup>th</sup> February, 2007. We thank Mr. Hazelwood for the contributions he made to the growth of the business during his tenure and wish him every success in his future endeavours.

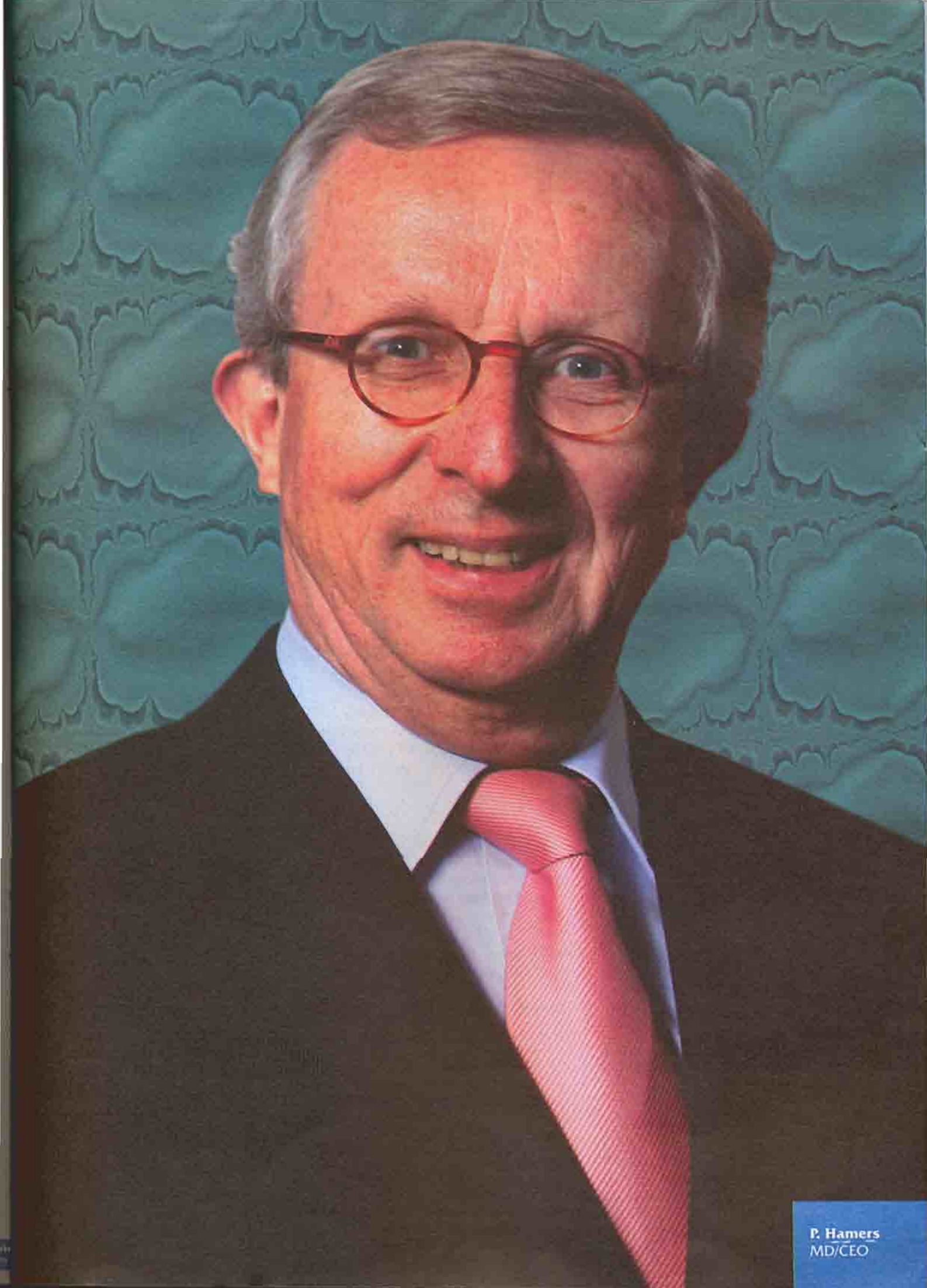
In accordance with the provisions of the Articles of Association, Mr. O. S. Adebajji was appointed on 28<sup>th</sup> February, 2007, to fill the vacancy existing on the Board. Accordingly, Mr. Adebajji will retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

The Directors to retire by rotation at the forthcoming Annual General Meeting in conformity with the Articles of Association of our Company are Messrs O. O. Ajayi, A. J. M. Blüm and E. E. Imoagene, and being eligible, they offer themselves for re-election.

Finally, Mr. E. O. A. Ohiweri, who attained the age of seventy (70) years on 18<sup>th</sup> January, 2007, has notified the Company of this fact and his intention to resign from the Board but at the instance of the Company, he would be proposed for re-election as a Director at the next Annual General Meeting. He would remain on the Board of Directors of the Company until the end of the year.

### 6. **Record of Directors' Attendance**

Section 258(2) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, provides that the Record of Directors' Attendance at Board Meetings during the year under review be exhibited for inspection at the Annual General Meeting. Accordingly, the record is available at this meeting for inspection.



**P. Hamers**  
MD/CEO

## Directors' Report (contd.)

### 7. Directors' Interest in Shares

The interest 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, Cap. C20, Laws of the Federation of Nigeria, 2004, and disclosed in accordance with the Listing Rules of the Nigerian Stock Exchange is as follows:

	<u>As at 28<sup>th</sup> February, 2007.</u>	<u>As at 31<sup>st</sup> December, 2006.</u>
	Number	Number
Mr. F.O.A. Ohiwerei	2,059,636	2,059,636
Mr. P. Hamers	Nil	Nil
Mr. F.B.O. Odimegwu (resigned: 16 <sup>th</sup> November, 2006)	148,522	148,522
Mr. O.S. Adebajji (appointed: 28 <sup>th</sup> February, 2007)	18,000	18,000
Dr. O.O Ajayi	103,760	17,760
Prof. (Mrs.) J.O. Akande	119,972	119,972
Mr. A. J. M. Blüm	Nil	Nil
Mr. W. Fijnaut	Nil	Nil
Mr. D. Hazelwood (resigned: 28 <sup>th</sup> February, 2007)	Nil	Nil
Mr. M.J. Herkemij (appointed: 28 <sup>th</sup> February, 2007)	Nil	Nil
Mr. E.E. Imoagene	129,504	129,504
Chief K.B. Jamodu	286,704	286,704
Mr. Th. A. de Man	Nil	Nil
Mr. E.J. van Willegen	Nil	Nil
Mr. I.E. Yamson	Nil	Nil

### 8. Analysis of Shareholding

The issued and fully paid-up Share Capital of the Company is 7,562,562,340 Ordinary Shares of 50 kobo each. According to the Register of Members, only companies within Heineken N.V., having 4,091,260,852 shares (representing 54.10%), held more than 10% of the Issued Share Capital as at 31<sup>st</sup> December, 2006. The remaining 3,471,301,488 shares (representing 45.90%) were held by Nigerians, foreign citizens and Associations.

### 9. Directors' Interest in Contract

In accordance with Section 277 of the Companies and Allied Matters Act, Cap.20, Laws of the Federation of Nigeria, 2004, Professor (Mrs.) J. O. Akande, a Partner in Debo Akande & Co., Solicitors, Advocates & Notaries Public, declared the interest of the law firm administered by her in a contract in which the Company was involved during the year under review. No other Director notified the Company of any disclosable interest in contracts in which the Company is involved.

### 10. Royalty and Technical Services & Know-How Agreements

The Company has valid and subsisting agreements with the following related party organisations:

- (a) Heineken Technical Services B.V.
- (b) Heineken International B.V.
- (c) Premium Beverages International B.V.
- (d) Amstel Brouwerijen B.V.

### 11. Fixed Assets

Information relating to changes in fixed assets is given in Note 8 to the Financial Statements. In the opinion of the Directors, the fair value of the Company's property is not less than the value shown in the financial statements.

## Directors' Report (contd.)

### 12. Gifts and Donations

In 2006, the Company made gifts and donations amounting to N25,321,540 (2005: N60,133,050) as follows:

<u>Beneficiary</u>	<u>Naira</u>
Nigerian Accounting Standards Board	100,000
Institute of Chartered Secretaries and Administrators	100,000
Navy Sailing Club	250,000
Association of Food, Beverages and Tobacco Employees	300,000
National Institute of Marketing Library	500,000
Nigerian Army Signals Division	1,000,000
Nigerian British Chamber of Commerce	1,400,000
Amaeke Civic Centre	2,333,602
Port Harcourt Club	2,500,000
Umuezeani Water Project	3,659,249
Nsude Secondary School	6,178,689
Institute of Chartered Accountants of Nigeria	7,000,000
Total	<u>25,321,540</u>

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

### 13. Distributors

The Company delivers most of its products through 149 key distributors and wholesalers (2005: 145). The names of the distributors by Sales Regions are listed as an appendix to this report.

### 14. Employment of Physically-Challenged Persons

Nigerian Breweries Plc provides employment opportunities to physically-challenged persons. This goes beyond the need to ensure that there is no discrimination against such persons, but derives from a deep conviction that even in disability, there could be immense ability. At present, we have five (5) physically-challenged persons in employment.

### 15. Employee Involvement and Training

Nigerian Breweries Plc believes that its employees must at all times, possess the right knowledge, skills and abilities to play a key role in its corporate success. Accordingly, it continuously seeks out the best learning and developmental opportunities in and outside the country and exposes its employees to them. This is borne out of our genuine belief that a company cannot deploy an effective business strategy without a progressive strategy for developing its people.

Our educational assistance scheme is aimed at providing financial support to serving employees who wish to pursue higher qualifications through part-time programmes in local tertiary institutions. Similarly, our scholarship schemes are designed to assist the wards of serving, retired or deceased employees.

Many of our employees and their wards have benefited and are still benefiting from above schemes which have been running for many years.

# Directors' Report

(contd.)

## 16. Health, Safety and Welfare

The company takes the health, safety and welfare of its employees seriously. There are on-site clinics manned by qualified medical personnel in all production sites that provide primary health care round the clock for employees at work. Furthermore, top health care providers have been carefully selected under a managed care scheme to look after the health care needs of employees and their dependants. We comply with relevant statutory provisions and regulations on health, safety and welfare matters as well as providing the education required to enable compliance by employees.

As a good corporate citizen, we recognise the threat of HIV/AIDS in Sub-Saharan Africa. As an extension of our medical policy therefore, Nigerian Breweries Plc has a comprehensive workplace HIV/AIDS programme spanning the continuum of policy to treatment.

## 17. Corporate Governance and Corporate Social Responsibility

Nigerian Breweries Plc is at the forefront of adopting a responsible attitude towards Corporate Governance and issues of Corporate Social Responsibility in Nigeria. We conduct our business with integrity and pay due regard to the legitimate interests of all our stakeholders.

## 18. Board Committees

In conformity with the Code of Best Practice in Corporate Governance, the Directors have established the following Committees:

### (a) Executive Committee

The Executive Committee comprises the Executive Directors and is responsible for agreeing priorities, allocating resources, setting overall corporate targets, agreeing and monitoring divisional strategies and plans and has responsibilities for superintending the affairs of the business on a day-to-day basis. It is chaired by the Managing Director/Chief Executive Officer of the Company.

### (b) Remuneration Committee

The Remuneration Committee is composed as follows:

i. Mr. P. Hamers	-	Chairman
ii. Mr. E. E. Imoagene	-	Member
iii. Mr. I. E. Yamson	-	Member

The Committee has responsibility for reviewing executive remuneration and determines remuneration packages for Directors.

### (c) Nomination Committee

The Nomination Committee is composed as follows:

i. Prof. (Mrs.) J. O. Akande	-	Chairman
ii. Mr. E. E. Imoagene	-	Member
iii. Mr. Th. A. de Man	-	Member
iv. Mr. I. E. Yamson	-	Member

The Committee is responsible for making recommendations to the Board on candidates for appointment as Directors.

## 19. Audit Committee

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

The Committee in the conduct of its affairs reviews the Company's overall risk management and control systems, financial reporting arrangements and standards of business conduct. It also provides independent monitoring of internal controls and the functioning of the Internal Audit Department of the Company and as such, its members have direct access to this Department and the External Auditors. The statutory functions of the Committee are stipulated in Section 359(6) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004.

20. **Respect for Law**

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

21. **Our Role in Society**

Nigerian Breweries Plc is an integral part of the Nigerian society. As such, we have many roles. We are an employer, supplier, customer, partner, tax payer and competitor while taking into consideration the interests of the shareholders. In all these roles, we impact the society. We strive to minimise negative impacts deriving from our operations while maximising the positive ones. We seek to do so through an open, meaningful and respectful dialogue with our stakeholders. Where possible, we aim to establish sustainable partnerships with the stakeholders. There is a policy in place to drive and regulate the relationships with the operating environment.

22. **Business Integrity**

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

23. **Conflict of Interest**

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

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

24. **Environmental Policy**

This policy statement serves to demonstrate our responsibility to the environment and the pursuit of world-class vision in all aspects of our operations. We strive to comply with all current and future environmental laws and regulations, continuously improving the effectiveness and efficiency of our operations. In order to meet this commitment, we are guided by the following regulations:

- Compliance with relevant State and Federal laws and regulations;
- Use of available knowledge and technology to prevent or continue to reduce pollution and seek savings in water and energy consumption in a cost effective manner;
- Development of cost effective strategies to ensure that residues/by-products generated in our operations are collected and processed in a manner suitable for recycling and/or disposal with the least possible impact on the environment;
- Assessment of the potential environmental impact of new products, processes and major projects before introduction;

## Directors' Report (contd.)

- Encouragement of the necessary awareness among our employees on environmental issues and thus engender active involvement in maintaining a clean and tidy working environment and to act in an environmentally responsible way;
- Promotion of environmental sustainability by regular dialogue with our immediate communities and the regulating authorities on how to improve on environmental care;
- Publication of this policy, environmental objectives and targets in an annual environmental report which will be issued during 2007;
- The actual implementation of this policy rests with branches of the Company with support of all employees. However, it is the Executive Committee's responsibility to ensure that it is understood and applied by employees at all levels of the Company.

### 25. **Food Safety Policy**

Nigerian Breweries Plc, as a responsible corporate citizen and operating Company of Heineken N.V., is committed to market safe and high quality beverages.

Our Food Safety Management System has incorporated Hazard Analysis Critical Control Points (HACCP) principles, which ensure that our products exceed consumer food safety expectations through:

- The establishment and maintenance of HACCP system, audited by third party internationally recognised certification bodies;
- Identification, evaluation and elimination of potential food hazards;
- Implementation and sustenance of effective hygienic conditions;
- Continuous food safety training and policy education for all staff. On 18<sup>th</sup> November, 2002, our breweries were initially awarded with Certificates of Approval of the HACCP Food Safety Management System by Bureau Veritas Quality International. The new AMA Brewery obtained the initial certification in 2004. In 2006, our breweries were re-certified to the HACCP System which demonstrates the continuous maintenance of the Food Safety Management System. As a result, all our breweries are HACCP certified.

### 26. **Quality Policy**

Nigerian Breweries Plc is fully committed to produce and market consistently high quality brands of beverages for our customers and consumers.

Accordingly, we have established and maintain a quality management system whose design and structure meet the requirements of the international standard (ISO 9001:2000), in compliance with statutory and regulatory requirements, while guaranteeing the ability to meet organizational objectives.

In December 2006, the Quality Management Systems of all our breweries (Aba Brewery planned for 2007) were certified to ISO 9001:2000 by an internationally recognised body, Bureau Veritas Certification.

This Quality Policy shall be reviewed periodically for continuing suitability assisting to ensure that we:

- Improve our ability to consistently meet our customers' and consumers' expectations;
- Increase customers' and other stakeholders' confidence in our company;
- Improve our competitive position;

- Commit employees to continual quality improvement;
- Inculcate in the organisation the importance of meeting statutory and regulatory requirements.

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

### 27. Responsibilities of Directors

In accordance with the provisions of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, the Directors are responsible for the preparation of the annual financial statements, ensuring that the balance sheet gives a true and fair view of the state of affairs of the Company and the profit and loss account gives a true and fair view of the profit or loss of the Company for the financial year.

The Directors' responsibilities include ensuring that:

- (a) Appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- (b) The Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and ensures that the financial statements comply with the requirements of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004;
- (c) The Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed;
- (d) The financial statements are appropriately prepared on a going concern basis.

### 28. Auditors

Messrs 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, Cap. C20, Laws of the Federation of Nigeria, 2004.

**Dated this 28<sup>th</sup> day of February, 2007.**

**By Order of the Board.**

**N. C. Ofo**

**Company Secretary/Legal Adviser**

Iganmu House  
Abebe Village Road  
Iganmu, Lagos  
Nigeria.



### NB Plc Wins Best Heineken Cost Saving Company Award

Nigerian Breweries Plc was in 2006 awarded the trophy for the best Cost Saving Company in the Heineken Group. The excellence award christened "Hunt for Cash" launched in 2005 is to influence cash flow thinking among employees within the Heineken Group worldwide and reduce debts. Nigerian Breweries Plc was awarded the prize for fully embracing the initiative of cash flow thinking in the organization.

Mr. Ton Blom, Finance Director, NB Plc, being congratulated by Mr. Tim de Man, Regional President, Heineken Africa and Middle East.

### 2<sup>nd</sup> NB Plc National Reading Competition Winner Emerges

Adewoye Temidayo, a Senior Secondary student of Shekmatu College, Inisa, Osun State was in 2006 declared winner of the 2<sup>nd</sup> edition of the annual Nigerian Breweries Plc National Reading Competition. At the finals of the competition held at Transcorp Hilton, Abuja, on June 12, Adewoye, a 17 year-old son of a school principal, beat 32 other zonal finalists in the essay and quiz competition to cart home a personal cash prize of N70,000, a personal laptop computer, N300,000 worth of books for his school's library and two sets of desktop computers, complete with UPS and printer, also for his school.



Temidayo being congratulated by Dr. (Mrs.) Chimwe Obaji, the then Honourable Minister of Education.

## NB Plc Lays Foundation For World Class Laboratory At UNN

The University of Nigeria, Nsukka (UNN), is set to have a world-class science laboratory courtesy of Nigerian Breweries Plc. The foundation stone for a N50m laboratory wholly funded by Nigerian Breweries Plc was laid in early 2006. This is part of Nigerian Breweries Plc's commitment to social responsibility and another way of enhancing the quality of learning at UNN and for others who may have need to use this facility.



Mr. Chuma Igwe, Corporate Communications Adviser, NB Plc, performing the foundation stone laying ceremony.

## Maltina Adds Nourishment To Ojude Oba

The Ojude Oba festival, an ancient festival celebrated by citizens of Ijebu land, was in 2006 taken to the next level as Maltina, the nourishing malt drink, added nourishment to the festival. Maltina was named the official drink of the festival, which was held in January at Ijebu Ode. The partnership between Maltina and the Ojude Oba festival no doubt puts some excitement to the colourful ceremony which features citizens of Ijebu land paying homage and respect to their Oba in very colourful attires and traditional displays. The reward for Maltina was a declaration of the brand as the "Ijebu National Drink" by the Oba.



Oba Sikiru Adetona, the Awujale of Ijebu land, receiving a gift from NB Plc's team.

## STAR Quest

### Returns, Bigger And Brighter

Star Quest, the musical talent hunt programme launched by Star in 2002 with a view to developing music talents in Nigeria returned bigger and brighter in 2006. The concept was repackaged into a celebration of Nigeria's music and originality in a new format. Drawing from the abundant talents from all over the country, the new format aims to bring back the band culture by creating the hottest musical band in Nigeria, comprised of members from different parts of Nigeria. At the end, it was D'Accord, a band made up of four males and two females, who emerged winners grabbing the N5m recording deal and N1.5m prize money.



Members of D'Accord displaying their prizes in a group photograph with former MD/CEO of NB Plc, Mr. Festus Odimegwu and his wife.

# WELCOME TO CHAMPIONS PLANET



 **Heineken**<sup>®</sup>

PROUD SPONSOR OF UEFA CHAMPIONS LEAGUE



## Connecting With Consumers: The Heineken Way

As part of a programme to leverage on Heineken's sponsorship of the UEFA Champions League, the brand in Nigeria set up viewing centres in five major cities across the country. The centres in Benin, Onitsha, Port Harcourt, Abuja and Lagos, called the "Heineken Champions Planet" brought football fans closer to the Heineken brand. The mega screen enabled thousands of its loyal consumers and UEFA soccer fans in the country to enjoy the matches in a stadium-like atmosphere. 15 lucky consumers of Heineken lager beer in Nigeria had a rare opportunity of a premium experience dining with and learning some football skills from the then Nigerian National Football, Team Captain, Austin J. Okocha. This brought to an end, the activities marking the 2005/2006 UEFA Champions League by the Heineken brand in Nigeria.

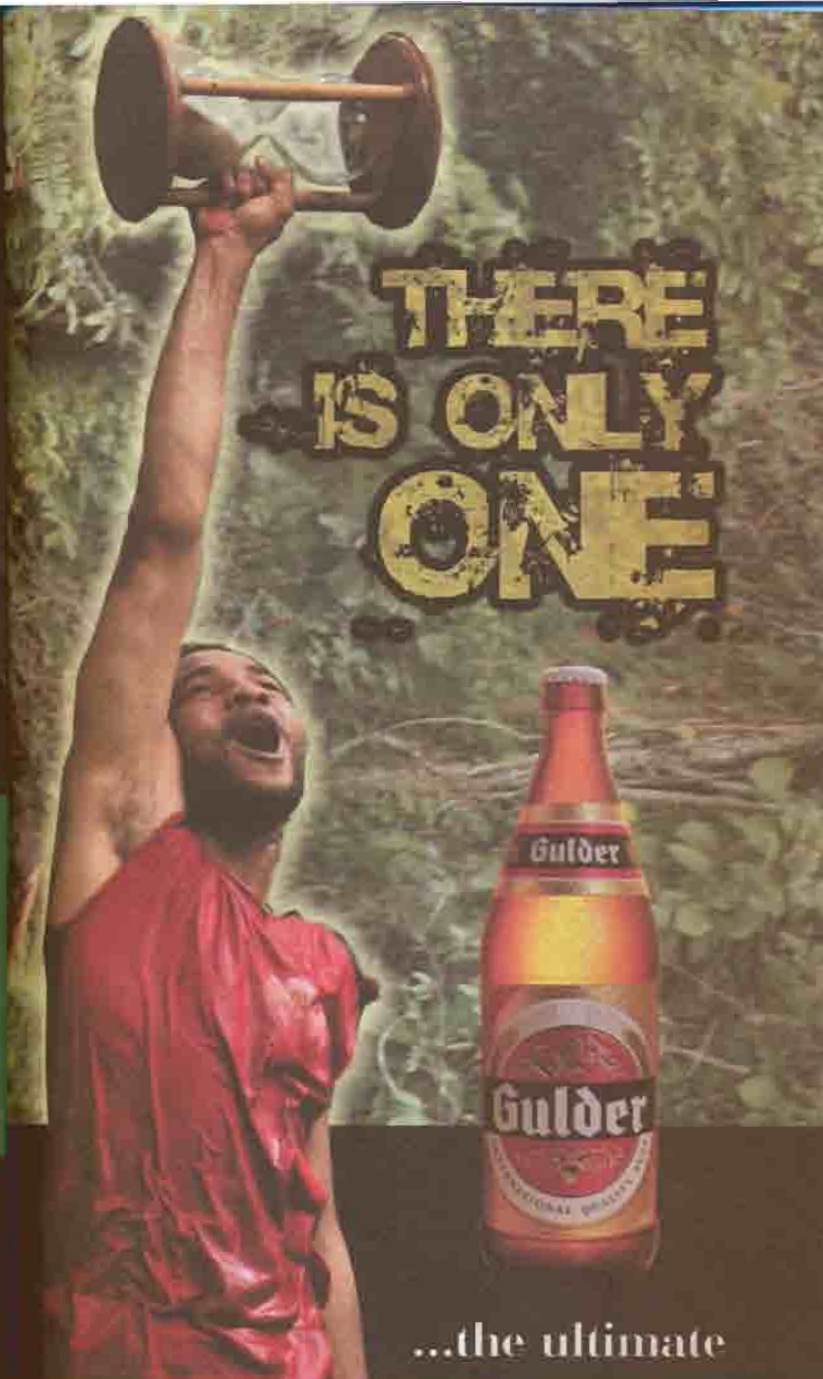
**Strong. Dark.**  
High Gravity Brew.



## **Gulder Max** makes grand entry

To satisfy the growing demand by consumers for an enriched brew that is both strong and dark, Nigerian Breweries Plc in September 2006 introduced Gulder Max into the Nigerian dark beer market. Gulder Max is strong and dark, with 6.5 per cent alcoholic content. It is brewed from the finest selection of malt and aroma hops, with the tagged line, "strong, dark, high gravity brew".

Brewed for the Strong.



**THERE  
IS ONLY  
ONE**



...the ultimate

**Gulder**  
ULTIMATE SEARCH

Blink and you'll miss something.

Enter **Hector:**  
GULDER ULTIMATE MAN III

Hector Oluwaseun Jobarteh, a 28-year-old systems administrator with a Lagos-based IT company was in 2006 confirmed winner of the third edition of Gulder Ultimate Search. At the Search held at the Nigerian Institute for Oil Palm Research (NIFOR), in Edo State, Hector beat 9 other contestants to clinch the coveted prize of N5m and a Ford Explorer SUV.

LL Cool J, AKON Storm  
Nigeria for

**STAR  
MEGA-JAM  
2006**

The multiple Grammy award winner and toast of hip hop, LL Cool J (Ladies Love Cool James), real names James Todd Smith and Triple Platinum and Senegalese born singer, AKON, were the two international music stars featured in the seventh edition of Star Mega Jam which has been adjudged as the best in Star Mega Jam history. The duo performed alongside 13 top Nigerian musical stars at the concert which held in Lagos and Benin.



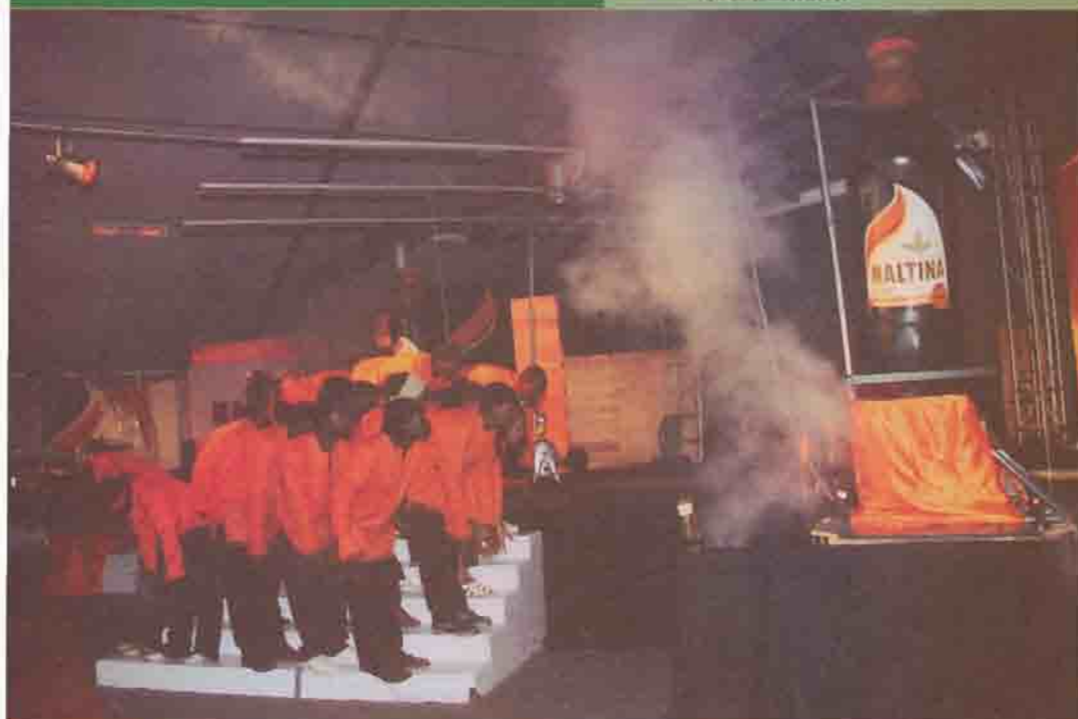
▶ LL Cool J and Akon (inset) performing live at the 2006 Star Mega Jam.

## ★ Heineken® Boosts Nigeria Golf Tourney

As part of its effort to ensure that the Nigeria Cup Golf tournament gets its desired impact, Heineken, one of the quality brands of Nigerian Breweries Plc. In 2006 threw its weight behind the event. Heineken, as one of the main sponsors of the 7-day event also acquired the branding of Hole 2, a partnership which is expected to mark the beginning of a strategy to forge closer relationship with golf courses in Nigeria.



▶ Mr. Ayo Sanusi, Head of Supply Chain Support, NB Plc, teeing-off at the tournament.



▶ The unveiling of the new 33cl bottle.

### Maltina Celebrates

# 30

Years.

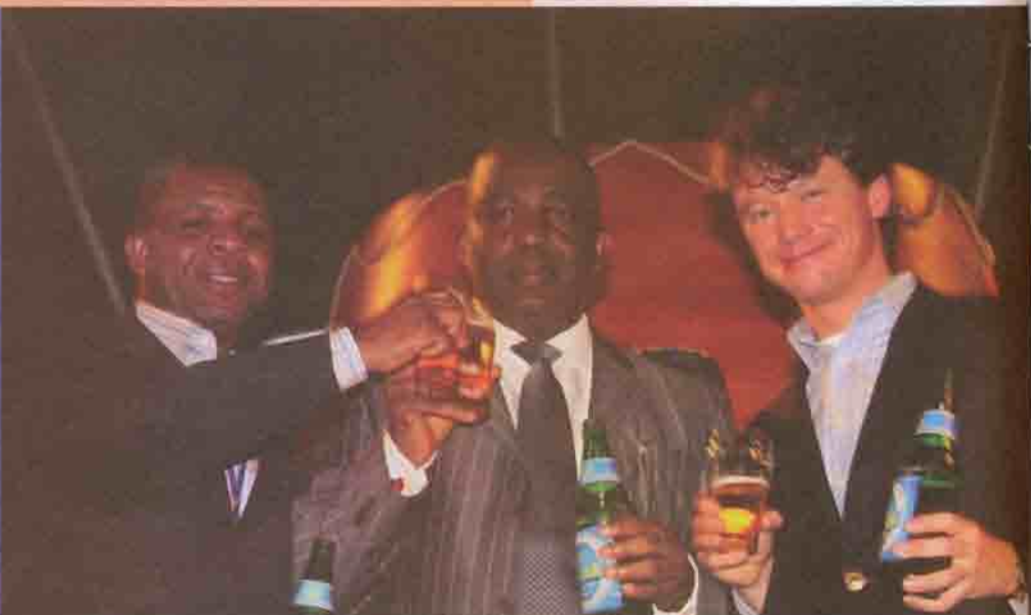
Now 'Big and Bold'

Maltina, the leading non-alcoholic malt drink in Nigeria, in 2006 celebrated 30 years of providing nourishment to Nigerian families with a re-launch. The re-launch featured the introduction of a new 33 cl bottle, new body label, new crown cork and for the first time in malt drinks' history, a back label. A new advertising campaign on the platform of 'nourishment for life' was also introduced. The robust 33 cl. new bottle design for Maltina offers consumers extra five 6 cl. of pure nourishment.

## STAR

Re-launched

Star, the nation's favourite beer was in 2006 re-launched with new labels and advertising campaign. A major feature of the re-launch is the neck label which is now a complete wrap-around. Although Star wears a new look, the content remains same, delivering the same freshness and brightness to millions of its consumers nationwide. The new advertising campaign, still anchored on the brightness proposition, takes membership to the next level.



▶ From right to left: NB Plc's Marketing Director, Mr. Wouter Fijnaut, Corporate Communications Adviser, Mr. Chuma Igwe and Marketing Manager (Lager), Mr. Tony Agenmonmen, toasting to the re-launched Star.

## Fayrouz:

### The Blonde Joins the Family

Nigerian Breweries Plc in 2006 re-entered the carbonated soft drinks market with the launch of Fayrouz, a premium non-alcoholic carbonated soft drink. Brewed in Nigeria under licence from Fayrouz International, the launch of Fayrouz is a huge step in Nigerian Breweries Plc's strategy to consolidate its position as the leading beverage company in Nigeria. Fayrouz is in a class of its own. It combines the richness of natural malt and delicious fruit, with carbonation and a rich foam-head. Targeted mainly at fun-loving 18-24 year-olds, the brand, which Nigerians have come to call THE BLONDE, hinges its marketing and advertising platform on uniqueness, unconventionality and adventurous fun.



▶ Mr. Wouter Fijnaut, Marketing Director, NB Plc, flanked by the Amstel Malta Brand Manager, Mr. Tokunbo Adodo, presenting the key to the car to Okechukwu Ukeje.

## AMBO<sup>2</sup>

discovers more stars  
and another millionaire!

After 21 days of keen competition, the second edition of Amstel Malta Box Office (AMBO) reality TV show which featured 10 young contestants came to an exciting end late 2006 with Abia State born Okechukwu Ukeje emerging winner. He has become an instant star and a millionaire at 25. He was presented with the grand prize of N2.5 million, a Chevrolet car and a Nollywood movie contract.

**Nigerian Breweries Plc  
Gives Facelift to Abe Igi Relaxation Spot.**



**Refurbished Abe-Igi Shops.**

The popular Abe Igi relaxation spot at the National Arts Theatre complex, Iganmu, Lagos, was last December given a facelift by Nigerian Breweries Plc to create a world class ambience where people can gather to enjoy ice cold brands of the company. The facility which had degenerated over the years was completely reconstructed by NB Plc in conjunction with the management of National Arts Theatre complex. A total of N20 million was spent by NB Plc to upgrade aesthetics of the arena and provide basic utilities such as generator, borehole/water treatment plant, kitchen and toilet facilities for the smooth running of the spot whose management remains the responsibility of National Arts Theatre.

**NB Plc Rewards Distributors for 2006  
Performance**

Distributors of Nigerian Breweries Plc who excelled in various categories in the 2006 business year were recently rewarded with various prizes. The top three customers nationally were each rewarded with a brand new 2000kg Hyster forklift and one wooden pallet to facilitate loading and off-loading of products in their outlets. Ide Jerry Okonkwo of Jerry Okonkwo Enterprises, Igbo-Ukwu, Anambra State who attained a new landmark volume of over 2 million crates to emerge the best overall customer won a Gold Trophy. In addition, he received a Mitsubishi Canter for also winning the "National Integrity Award".

Six other customers got a Hilux pick up van each for emerging the "Best Volume Customer" in their respective regions. Eight customers made the exclusive Millionaire Club for selling over one million crates during the same period. Sixteen customers won a desktop computer each for Best District Integrity while five customers won generating sets for completing and commissioning their Demand Centres in 2006. Sixteen retail outlets won DSTV units each for emerging the Highest Volume Outlet in their respective districts.



▶ NB Plc's In-coming MD/CEO, Mr. Michiel Herkempi (left) and Out-going MD/CEO, Mr. Paul Hamers (right) presenting the Gold Trophy to Ide Jerry Okonkwo and his wife.

# Independent Auditors' Report



KPMG Professional Services  
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## To the Members of Nigerian Breweries Plc

### Report on the Financial Statements

We have audited the accompanying financial statements of **Nigerian Breweries Plc** (the Company) which comprise the balance sheet as at 31<sup>st</sup> December, 2006, and the profit and loss account, statement of cash flows and value added statement for the year then ended, and the statement of accounting policies, notes to the financial statements and the five-year financial summary, as set out on pages 30 to 50.

### 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.

### Auditors' 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, the financial statements give a true and fair view of the state of affairs of **Nigerian Breweries Plc** as at 31<sup>st</sup> December, 2006, and of its profit and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in 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 account have been kept by the Company, so far as appears from our examination of the Company's books. The Company's balance sheet and profit and loss account are in agreement with the books of accounts.

Lagos, Nigeria.  
28<sup>th</sup> February, 2007.



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Account D. Banji  
Ajoke O. Adesanya  
Joseph O. Tingle  
Olusegun S. Babalola

Adedun O. Lumbiano  
Adewale K. Ajayi  
David R. F. Olatunji  
Victor U. Ojo

Adekunle A. Ehinola  
Ayubolu H. Olatunji  
Gundun D. Olayinka

## Audit Committee Report

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

- (a) The accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- (b) The scope and planning of both the external and internal audit programmes for the year ended 31<sup>st</sup> December, 2006, are satisfactory and reinforce the Company's internal control system;
- (c) Having reviewed the external auditors' findings and recommendations on management matters, we are satisfied with management responses thereon.

Finally, we acknowledge the cooperation of management in the conduct of these duties.

Members of the Audit Committee are:

- |    |                          |   |                        |
|----|--------------------------|---|------------------------|
| 1. | Mr. U. Bonet             | - | Shareholder/Chairman   |
| 2. | Asiwaju A. Asaliu        | - | Shareholder            |
| 3. | Mr. S.C. Mpamaugo        | - | Shareholder            |
| 4. | Prof. (Mrs.) J.O. Akande | - | Non-Executive Director |
| 5. | Mr. E.E. Imoagene        | - | Executive Director     |
| 6. | Mr. Th. A. de Man        | - | Non-Executive Director |

The Company Secretary/Legal Adviser, Mr. N. C. Ofo, is the Secretary to the Committee.

Dated this 28<sup>th</sup> day of February, 2007.

**Mr. U. Bonet**  
Chairman, Audit Committee.

# Statement of Accounting Policies

The following are the relevant accounting policies, which have been applied consistently throughout the current and preceding years except as described in Notes (m) and (n).

(a) **Basis of Accounting**

The financial statements are prepared under the historical cost convention except for fixed assets which are carried at revalued amounts based on a revaluation in 1995.

(b) **Basis of Consolidation**

A subsidiary is an entity controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing consolidated financial statements.

No consolidation of the financial statements is made where the amounts involved are not material and the business of the Company and that of its subsidiary are so different that they cannot reasonably be treated as a single undertaking.

The effect of the adoption of this accounting policy is shown in Notes 9 (c) and 21 to the financial statements.

(c) **Turnover**

Turnover represents the invoiced value of products delivered to customers during the year, including excise duty, net of VAT and discounts.

(d) **Fixed Assets**

Fixed assets are stated at cost or at the revalued amount less accumulated depreciation.

- i. Borrowing costs that are directly attributable to qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to build. Capitalisation continues up to the date that the assets are capable of producing.
- ii. Fixed assets under construction are disclosed as capital work-in-progress.

(e) **Depreciation**

Depreciation is provided for at the following annual rates such that the cost or valuation, less the estimated residual value of each asset, is written-off on a straight-line basis over its estimated useful life:

Freehold land	-	no depreciation is provided
Leasehold land and buildings	-	equal annual installments over the period of the lease with a minimum of 3% per annum.
Plant and machinery	-	7%
Motor vehicles	-	33.3%
Equipment and office furniture	-	20%
Computer software	-	33.3%

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

Gains or losses on disposal of fixed assets are included in the profit and loss account.

# Statement of Accounting Policies

(contd.)

(f) **Fixed Assets 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 previously revalued fixed assets, an amount equal to the revaluation surplus attributable to that asset is transferred from the fixed assets revaluation reserve to general reserve.

(g) **Investments**

Investments are stated at the lower of cost or net realisable value.

(h) **Stocks**

Stocks are valued at the lower of cost or net realisable value.

Cost base:

Raw, sundry and non-returnable packaging materials and spare parts – landed cost on a weighted average basis.

Finished products and products in process – weighted average cost of direct materials and labour costs plus a proportion of production overheads based on normal level of activity.

Returnable packaging materials – deposit value which is equal to the net realizable value.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Stock values are adjusted for obsolete, slow-moving or defective items.

(i) **Income Tax**

Income tax expenses/credits are recognised in the profit and loss account. Current income tax is the expected income tax payable on the taxable income for the year, using applicable statutory tax rates.

(j) **Deferred Taxation**

Deferred taxation is provided for by the liability method, which represents taxation at the current rate of corporate tax on all timing differences between the accounting values and their corresponding tax values.

Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity.

(k) **Foreign Currencies**

Transactions denominated in foreign currencies are recorded in Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange prevailing at that date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

# Statement of Accounting Policies

(contd.)

(l) **Debtors**

Debtors are stated net of provision for bad and doubtful debts.

(m) **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. This is a new accounting policy adopted in 2006 based on the Statement of Accounting Standard No 23 (SAS 23) issued by the Nigerian Accounting Standards Board on 1<sup>st</sup> June 2006. The effect of the adoption of this standard is shown in Notes 6 and 19 to the financial statements.

(n) **Unclaimed Dividend**

Unclaimed dividend are amounts payable to shareholders in respect of dividend previously declared by the Company which have remained unclaimed by the shareholder. In compliance with Section 385 of the Companies and Allied Matters Act Cap. C20, Laws of the Federation of Nigeria 2004, unclaimed dividend after twelve (12) years are transferred to general reserves.

Consequently, dividend which was unclaimed and previously transferred to general reserve after five (5) years have been re-stated. The effect of the change in accounting policy is shown in Notes 6 and 19 to the financial statements.

(o) **Retirement Benefits**

i. **Pension Fund:**

The Company, in line with the provisions of the Pension Reform Act 2004, has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the profit and loss account.

ii. **Gratuity:**

Benefits payable on retirement or resignation of employment are accrued over the service life of the employees. The past service cost of current pay rises is charged to the profit and loss account as pay rises are awarded. The liability for gratuity represents the present value of the estimated future cash outflows resulting from employees' services provided up to the balance sheet date.

In determining the liability for employee benefits, consideration has been given to future increases in salary rates, and the Company's experience with staff turnover. Liabilities for employee benefits, which are not expected to be settled within 12 months, are discounted using appropriate discount rates.

The recognised liability is determined by an independent actuarial valuation every year. The Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

(p) **Cash and cash equivalents**

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, cash balances with banks, commercial papers and investments in money market instruments.

# Profit and Loss Account

For the year ended 31<sup>st</sup> December, 2006

	<u>Notes</u>	<u>2006</u> <u>N'000</u>	<u>2005</u> <u>N'000</u>
TURNOVER	1	86,322,075	80,130,968
Cost of sales		(41,990,004)	(40,293,428)
<b>GROSS PROFIT</b>		<b>44,332,071</b>	<b>39,837,540</b>
Selling and distribution expenses		(15,010,210)	(12,765,140)
Administrative expenses		(12,496,390)	(11,722,898)
Other Income	2	122,962	104,393
<b>OPERATING PROFIT</b>		<b>16,948,433</b>	<b>15,453,895</b>
Net interest	3	(512,178)	(2,556,149)
<b>PROFIT BEFORE TAXATION</b>	4	<b>16,436,255</b>	<b>12,897,746</b>
Taxation	5(a)	(5,535,731)	(4,643,189)
<b>PROFIT AFTER TAXATION</b>		<b>10,900,524</b>	<b>8,254,557</b>
<b>APPROPRIATIONS</b>			
Declared dividend	6(a)	9,075,075	4,915,666
Transfer to general reserve	19	1,825,449	3,338,891
		<b>10,900,524</b>	<b>8,254,557</b>
Earnings per share (kobo)	7	144	109
Declared Dividend per share (kobo)	7	120	65



The accompanying notes on pages 36 to 48 form an integral part of these financial statements.

# Balance Sheet

As at 31<sup>st</sup> December 2006

	Notes	2006 N'000	2005 N'000
FIXED ASSETS	8(a)	49,677,917	52,428,880
LONG TERM DEBTORS AND PREPAYMENTS	9	1,222,816	1,393,442
<b>CURRENT ASSETS</b>			
Stocks	10	12,671,803	12,342,741
Debtors and prepayments	11	4,772,215	1,782,268
Foreign currencies purchased for imports		150,290	132,978
Bank and cash balances	12	7,162,021	4,318,460
<b>TOTAL CURRENT ASSETS</b>		<b>24,756,329</b>	<b>18,576,447</b>
<b>CURRENT LIABILITIES:</b>			
Taxation	5(b)	(4,288,141)	(2,892,313)
Dividend	6(b)	(3,242,106)	(2,219,431)
Other current liabilities	13	(16,345,228)	(20,856,209)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>880,854</b>	<b>(7,391,506)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>51,781,587</b>	<b>46,430,816</b>
<b>LONG TERM LIABILITIES</b>			
Deferred taxation	14	(8,784,716)	(7,373,907)
Gratuity	15	(6,747,478)	(4,332,668)
<b>NET ASSETS</b>		<b>36,249,393</b>	<b>34,724,241</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	3,781,282	3,781,282
Fixed assets revaluation reserve	17	7,353,600	7,504,208
Share premium	18	4,568,038	4,568,038
General reserve	19	20,546,473	18,870,713
<b>SHAREHOLDERS' FUNDS</b>		<b>36,249,393</b>	<b>34,724,241</b>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

  
  
 } Directors

Approved by the Board of Directors on 28<sup>th</sup> February 2007.

The accompanying notes on pages 36 to 48 form an integral part of these financial statements.

# Statement of Cash Flows

for the year ended 31<sup>st</sup> December, 2006

	Note	2006 N'000	2005 N'000
<b>Cash flow from operating activities</b>			
Operating profit before working capital changes	20(a)	25,864,090	22,476,952
Working capital changes	20(b)	2,154,851	8,748,331
Income tax paid	5(b)	(2,729,094)	(1,187,065)
Gratuity paid	15	(525,190)	(1,555,068)
<b>Net cash inflow from operating activities</b>		<b>24,764,657</b>	<b>28,483,150</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets	8(a)	(3,274,105)	(3,365,167)
Proceeds from sale of fixed assets		49,411	111,257
Interest received	3	13,348	42,084
<b>Net cash outflow from investing activities</b>		<b>(3,211,346)</b>	<b>(3,211,826)</b>
<b>Cash flow from financing activities</b>			
Dividend paid	6(b)	(8,352,697)	(4,040,051)
Interest paid	3	(525,526)	(2,598,233)
Decrease in bank overdraft	13	(1,231,527)	(11,208,898)
Decrease in commercial paper	13	(8,600,000)	(7,750,000)
<b>Net cash outflow from financing activities</b>		<b>(18,709,750)</b>	<b>(25,597,182)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,843,561</b>	<b>(325,858)</b>
<b>Cash and cash equivalents at 1<sup>st</sup> January</b>		<b>4,318,460</b>	<b>4,644,318</b>
<b>Cash and cash equivalent at 31<sup>st</sup> December</b>		<b>7,162,021</b>	<b>4,318,460</b>

The accompanying notes on pages 36 to 48 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006

## 1. Analysis of Turnover

Turnover represents the Invoiced value of products delivered to customers during the year, including excise duty, net of VAT and discounts. All sales were made from brewing activities.

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

	Turnover		Operating Profit	
	2006 N'000	2005 N'000	2006 N'000	2005 N'000
Nigeria	86,123,211	80,053,094	16,879,335	15,461,750
Export	198,864	77,874	69,098	(7,855)
	<u>86,322,075</u>	<u>80,130,968</u>	<u>16,948,433</u>	<u>15,453,895</u>

## 2. Other Income

Other Income represents amount realised from the sale of scrapped engineering spares, raw materials and by-products.

## 3. Net Interest

	Notes	2006 N'000	2005 N'000
Interest expense on commercial paper/overdrafts		525,526	2,598,233
Interest income on bank deposits		(13,348)	(42,084)
Net interest paid		<u>512,178</u>	<u>2,556,149</u>

## 4. Profit Before Taxation

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

Depreciation	8(b)	6,008,826	4,849,100
Auditors' remuneration		20,133	17,507
Directors' remuneration	4(b)	243,958	92,412
Staff costs	4(c)	10,420,320	10,454,012
Royalty and Technical Assistance fees	24	2,430,982	2,191,797
(Profit)/Loss on assets disposed		(33,169)	423,957
Loss in foreign exchange transactions		106,430	154,376

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

(b) Directors' Remuneration:

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

	2006 N'000	2005 N'000
<b>Fees:</b>		
- Chairman (non-executive)	1,250	490
- Other non-executive directors	4,125	936
	5,375	1,426
Remuneration as executive directors	76,583	90,986
Compensation for loss of office	162,000	-
	<u>243,958</u>	<u>92,412</u>

By way of compensation for loss of office with effect from 16<sup>th</sup> November 2006, a sum of N162 million has been paid to the former MD/CEO.

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

	2006 Number	2005 Number
N 300,000 – N4,000,000	6	7
N4,000,001 – N7,000,000	1	2
N7,000,001 – N8,000,000	1	-
N8,000,001 – N9,000,000	1	1
N9,000,001 – N10,000,000	-	2
N10,000,001 – N11,000,000	-	2
N14,000,001 – N15,000,000	2	-
N15,000,001 and above	1	1
Number of directors who had no emoluments	None	None

The emolument excluding pension contributions of the highest paid director was N24,000,000 (2005: N24,000,000).

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

(c) **Staff Costs**

i. Staff costs including the provision for gratuity liabilities:

	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>
Salaries, wages and allowances	5,447,423	5,329,932
Gratuity Charge	2,940,000	1,750,000
Pension fund contribution	280,814	313,100
National Social Security Fund Contribution	-	37,237
Training, recruitment and canteen costs	1,233,208	977,270
Reorganisation and restructuring costs	-	1,349,951
Other remuneration costs	518,875	696,522
	<b>10,420,320</b>	<b>10,454,012</b>

The Pension Fund Contribution represents the Company's contribution to the provident fund Progress Trust Limited during the year. (See Note 9(c)).

ii. The number of persons employed as at 31<sup>st</sup> December are:

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Production	1,131	1,205
Distribution	198	190
Commercial	314	278
General Administration	404	366
Total	<b>2,047</b>	<b>2,039</b>

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

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

	2006	2005
	Number	Number
N240,001 – N360,000	75	256
N360,001 – N370,000	5	103
N370,001 – N380,000	7	51
N380,001 – N390,000	5	46
N390,001 – N400,000	42	38
N400,001 – N410,000	27	46
N410,001 – N420,000	23	34
N420,001 – N430,000	6	52
N430,001 – N440,000	34	96
N440,001 – N450,000	13	46
N450,001 – N460,000	2	90
N460,001 – N470,000	19	50
N470,001 – N480,000	17	40
N480,001 – N490,000	18	45
N490,001 – N500,000	76	32
N500,001 – N550,000	169	177
N550,001 – N600,000	249	108
N600,001 – N650,000	197	94
N650,001 – N700,000	138	159
N700,001 – N750,000	95	26
N750,001 – N800,000	91	15
N800,001 – N850,000	71	25
N850,001 – N900,000	99	25
N900,001 – N950,000	96	25
N950,001 – N1,000,000	21	18
N1,000,001 – N1,050,000	10	14
N1,050,001 – N1,100,000	17	9
N1,100,001 – N1,200,000	37	5
N1,200,001 – N1,500,000	70	47
N1,500,001 – N2,000,000	77	57
N2,000,001 – N3,000,000	65	78
N3,000,000 – N4,000,000	70	68
N4,000,001 – N6,000,000	65	43
N6,000,001 – N8,000,000	27	6
N8,000,001 – N10,000,000	4	10
N10,000,001 and above	10	5
	<b>2,047</b>	<b>2,039</b>

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

## 5. Taxation

	Notes	2006 N'000	2005 N'000
(a) Per profit and loss account:			
Income tax based on the profit of the year		3,630,030	2,435,172
Education tax		494,892	379,436
Deferred tax	15	1,410,809	1,828,581
		<u>5,535,731</u>	<u>4,643,189</u>
(b) Per balance sheet:			
At 1 <sup>st</sup> January		2,892,313	1,264,770
Payments during the year		(2,729,094)	(1,187,065)
		<u>163,219</u>	<u>77,705</u>
Provision for the year			
Income tax based on the year's profit	5(a)	3,630,030	2,435,172
Education tax	5(a)	494,892	379,436
At 31 <sup>st</sup> December		<u>4,288,141</u>	<u>2,892,313</u>

## 6. Dividend

Statement of Accounting Standard No. 23 (SAS 23) was issued by the Nigerian Accounting Standards Board on 1<sup>st</sup> June 2006 and became applicable for financial statements covering periods ending on or after 31<sup>st</sup> December, 2006. Based on this standard, provisions can only be recognised in the financial statements when an entity has a present obligation arising from a past event. Accordingly, proposed final dividends which had previously been recognised as a provision in the financial statements as per 31<sup>st</sup> December of that year will now only be recognised as a provision after such proposed dividends have been declared by the shareholders in the Annual General Meeting. This change in accounting policy has been recognised retrospectively and comparative figures for dividends and general reserves restated as shown below and in Note 19.

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

	2006 N'000	2005 N'000
(a) Per profit and loss account:		
Interim Dividend declared and paid	3,025,025	1,890,641
Final dividend proposed as previously reported	-	6,050,050
	3,025,025	7,940,691
Effect of adoption of SAS 23:		
- add/(deduct) final dividend proposed for 2005 but declared in 2006	6,050,050	(6,050,050)
- add final dividend proposed in 2004 but declared in 2005	-	3,025,025
	9,075,075	4,915,666

The Directors propose a final dividend of 104 kobo per share (2005:80 kobo per share) on the issued share capital of 7,562,562,340 ordinary shares of 50 kobo subject to approval by the shareholders at the next Annual General Meeting.

	Notes	2006 N'000	2005 N'000
(b) Per balance sheet:			
At 1 <sup>st</sup> January as previously stated		2,219,431	4,475,222
Effect of adoption of SAS 23			
- deduct final dividend proposed in 2004 but declared in 2005		-	(3,025,025)
Restated Balance		2,219,431	1,450,197
Interim dividend declared		3,025,025	1,890,641
Final dividend declared	6(a)	6,050,050	3,025,025
Payments		(8,352,697)	(4,040,051)
Transfer from/(to) general reserve	19	300,297	(106,381)
At 31 <sup>st</sup> December		3,242,106	2,219,431

- (c) Unclaimed dividend transferred to general reserve currently represents dividend which have remained unclaimed for over twelve (12) years and are therefore no longer actionable by the shareholders in accordance with Section 385 of the Companies and Allied Matter Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004. Consequently, dividend which were unclaimed and previously transferred to general reserve after five (5) years have been restated.

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

## 7. Earnings and declared dividend per share

Earnings and dividend per ordinary share are based on profit after taxation and total dividend for the year of N10,900,524,000 (2005: N8,254,557,000) and N9,075,075,000 (2005 total dividend: N4,915,666,000) respectively on 7,562,562,340 ordinary shares of 50 kobo each in issue as at 31<sup>st</sup> December, 2006 (2005: 7,562,562,340 ordinary shares of 50 kobo each).

## 8. Fixed Assets

### (a) Summary

	Land and buildings N'000	Plant and machinery N'000	Motor Vehicles N'000	Furniture & equipment N'000	Computer software N'000	Capital work in progress N'000	Total N'000
<b>Cost or Valuation:</b>							
At 1 <sup>st</sup> January, 2006	17,087,079	49,562,935	4,490,960	1,776,302	198,437	502,330	73,618,043
Additions	135,013	815,006	1,529,919	294,711	16,144	483,312	3,274,105
Disposals	-	(241,066)	(305,924)	(15,706)	-	-	(562,696)
Transfers/Reclassifications	-	315	-	1,047	(1,047)	(315)	-
At 31 <sup>st</sup> Dec. 2006	17,222,092	50,137,190	5,714,955	2,056,354	213,534	985,327	76,329,452
<b>Depreciation:</b>							
At 1 <sup>st</sup> January, 2006	2,808,132	14,966,338	2,146,723	1,139,985	127,985	-	21,189,163
Charge for the year	815,562	3,427,801	1,393,263	298,339	73,861	-	6,008,826
Disposals	-	(270,676)	(260,678)	(15,100)	-	-	(546,454)
Transfers/Reclassifications	-	-	-	-	-	-	-
At 31 <sup>st</sup> Dec. 2006	3,623,694	18,123,463	3,279,308	1,423,224	201,846	-	6,651,535
<b>Net Book Value:</b>							
for the year ended							
31 <sup>st</sup> December, 2006	13,598,398	32,013,727	2,435,647	633,130	11,688	985,327	49,677,917
for the year ended							
31 <sup>st</sup> December, 2005	14,278,947	34,596,597	2,344,237	636,317	70,452	502,330	52,428,880

Plant, machinery and buildings were professionally revalued as at 30<sup>th</sup> June, 1995, by Knight Frank (Nigeria) - Chartered Surveyors on the basis of open market values. The values were incorporated in the books at that date. The surplus arising on the revaluation over the written down values is treated in these financial statements as fixed assets revaluation reserve. All subsequent additions are stated at cost.

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

The net book value of the revalued assets included in the above is as shown below:

	2006 N'000	2005 N'000
Land and buildings	1,931,584	1,931,584
Plant and machinery	1,420,211	1,528,775
	<u>3,351,795</u>	<u>3,460,359</u>
(b) Depreciation charge for the year included in -		
Cost of sales	4,740,882	4,055,681
Administration expenses	1,267,944	793,419
	<u>6,008,826</u>	<u>4,849,100</u>

- (c) Capital commitments  
Capital expenditure contracted but not provided for in the financial statements was N665,522,001 (2005: N433,511,808).

Capital expenditure approved by the directors but not contracted was N806,888,348 (2005: N1,465,299,763).

	Notes	2006 N'000	2005 N'000
<b>9. Long term debtors and prepayments</b>			
Long term debtors and prepayments	(a)	826,067	1,014,416
Long term employee loans	(b)	246,749	379,026
Deposit for shares	(c)	150,000	-
		<u>1,222,816</u>	<u>1,393,442</u>

- (a) This represents the long term portion of advances made to suppliers repayable over a period of 5 years at an interest equivalent to the monetary policy rate of interest.
- (b) Included in this amount were upfront payments to Directors of N30,000,000 in 2005. All loans to Directors were re-paid in 2006.
- (c) The Company is currently in the process of finalising the change of name of its former provident fund, Progress Trust Limited (a separate Trust) to Progress Trust (CPFA) Limited ('Progress Trust'). This is by a special resolution and with the authority of the Corporate Affairs Commission. The sole objective of Progress Trust is to conduct the business of a Closed Pension Fund Administrator in line with the approved license issued by the National Pension Commission, during 2006. An amount of N150 million has been paid by Nigerian Breweries Plc

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

as proposed equity holding in Progress Trust (CPFA) Limited. Although the entity is controlled by Nigerian Breweries Plc, the financial statements of Progress Trust have not been separately consolidated with that of the Company as in the opinion of the Directors, the business of the Company and that of Progress Trust are so different that they cannot reasonably be treated as a single undertaking. Furthermore, the amounts involved are insignificant to the financial statements of Nigerian Breweries Plc.

	<b>2006</b>	<b>2005</b>
	<b>N'000</b>	<b>N'000</b>
<b>10. Stocks</b>		
Raw materials	1,033,674	974,695
Finished products and product in process	1,456,426	1,494,599
Returnable packaging materials at deposit values	4,784,480	3,940,971
Non-returnable packaging materials	368,383	721,834
Spare parts	3,650,702	4,211,811
Sundry materials	156,131	291,408
Goods in transit	1,222,007	707,423
	<b>12,671,803</b>	<b>12,342,741</b>
<b>11. Debtors and prepayments</b>		
Trade debtors	4,305,059	1,044,522
Other debtors	195,835	245,465
Prepayments	271,321	492,281
	<b>4,772,215</b>	<b>1,782,268</b>
<b>12. Bank and cash balances</b>		
Cash at bank	4,093,546	4,310,129
Cash in hand	13,481	8,331
Short-term deposits	3,054,994	-
	<b>7,162,021</b>	<b>4,318,460</b>
<b>13. Other current liabilities</b>		
Bank overdraft	-	1,231,527
Commercial papers	-	8,600,000
Creditors and accruals/customer deposits	14,581,791	9,972,753
Due to group company	1,763,437	1,051,929
	<b>16,345,228</b>	<b>20,856,209</b>

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

	Notes	2006 N'000	2005 N'000
<b>14. Deferred taxation</b>			
At 1 <sup>st</sup> January		7,373,907	5,545,326
Charge for the year	5(a)	1,410,809	1,828,581
At 31 <sup>st</sup> December		8,784,716	7,373,907
<b>15. Gratuity</b>			
At 1 <sup>st</sup> January		4,332,668	4,137,736
Charge for the year		2,940,000	1,750,000
Payments during the year		7,272,668 (525,190)	5,887,736 (1,555,068)
At 31 <sup>st</sup> December		6,747,478	4,332,668
<b>16. Share Capital</b>			
(a) Authorised			
At 1 <sup>st</sup> January		4,000,000	4,000,000
At 31 <sup>st</sup> December		4,000,000	4,000,000
8,000,000,000 ordinary shares of 50k each			
(b) Issued and fully paid			
Ordinary shares of 50k each			
At 1 <sup>st</sup> January		3,781,282	3,781,282
At 31 <sup>st</sup> December		3,781,282	3,781,282
7,562,562,340 ordinary shares of 50k each			
<b>17. Fixed Assets Revaluation Reserve</b>			
At 1 <sup>st</sup> January		7,504,208	7,791,540
Transfer to General Reserve in respect of disposals for the year	19	(150,608)	(287,332)
At 31 <sup>st</sup> December		7,353,600	7,504,208

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(conrd.)

	Notes	2006 N'000	2005 N'000
<b>18. Share Premium</b>			
At 1 <sup>st</sup> January		4,568,038	4,568,038
At 31 <sup>st</sup> December		4,568,038	4,568,038
<b>19. General Reserve</b>			
At 1 <sup>st</sup> January as previously stated		18,870,713	12,113,084
Effect of Adoption of SAS 23 – add final dividend proposed in 2004 but declared in 2005	6(b)	–	3,025,025
Restated balance		18,870,713	15,138,109
Transfer from profit and loss account		1,825,449	3,338,891
Transfer (to)/from unclaimed dividend	6(b)	(300,297)	106,381
Transfer from fixed assets revaluation reserve	17	150,608	287,332
At 31 <sup>st</sup> December		20,546,473	18,870,713
Analysed as follows:			
Reserve for Proposed Dividend		7,865,065	6,050,050
Retained in General Reserve		12,681,408	12,820,663
At 31 <sup>st</sup> December		20,546,473	18,870,713

## 20. Notes to the Statement of Cash Flow

The cash flow statement has been drawn up using the indirect method. Working capital comprises stocks, receivables and current liabilities. The cash flow from investing activities relates to the net amount of investments and disposals. The cash flow from financing activities relates to the net amount of payments made for financing business activities in the year and changes in short term borrowings. The net cash position consists of cash in hand and at bank.

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

(a) **Reconciliation of net profit to operating profit before working capital changes**

	Notes	2006 N'000	2005 N'000
<b>Net profit after taxation</b>		10,900,524	8,254,557
Taxation	5(a)	5,535,731	4,643,189
Interest (net)	3	512,178	2,556,149
Operating profit		16,948,433	15,453,895
<b>Adjustment for non-cash items</b>			
Depreciation	8(b)	6,008,826	4,849,100
(Profit)/loss on assets disposed	4(a)	(33,169)	423,957
Provision for gratuity	15	2,940,000	1,750,000
Operating profit before working Capital changes		25,864,090	22,476,952
(b) <b>Working capital changes</b>			
Decrease in long term debtors and prepayments	9	170,626	316,521
(Increase)/decrease in stocks	10	(329,062)	5,782,220
(Increase)/decrease in debtors and prepayments	11	(2,989,947)	1,704,319
Increase in forex purchases		(17,312)	(2,857)
Increase in creditors and accruals/ customers deposits excluding bank overdraft and commercial papers	13	4,609,038	1,118,123
Increase/(decrease) in amounts due to group company	13	711,508	(169,995)
		2,154,851	8,748,331

21. **NB Registrars Limited**

NB Registrars Limited was incorporated on 24<sup>th</sup> August, 2006, by Nigerian Breweries Plc for the purpose of administering and acting as the custodian of the Register of Shareholders of Nigerian Breweries Plc. As at 31<sup>st</sup> December 2006, the administrative costs of NB Registrars Limited were borne by Nigerian Breweries Plc. Although the entity is controlled by Nigerian Breweries Plc, the financial statements of NB Registrars Limited have not been separately consolidated with that of the Company as in the opinion of the Directors, the business of the Company and that of NB Registrars Limited are so different that they cannot reasonably be treated as a single undertaking. Furthermore, the amounts involved are insignificant to the financial statements of Nigerian Breweries Plc.

22. **Guarantees and other Financial Commitments**

(a) **Contingent liabilities**

Contingent liabilities in respect of guarantees given for staff loans amounted to N1,839,815,239 (2005: N1,167,218,190).

# Notes to the Financial Statements

For the year ended 31<sup>st</sup> December, 2006  
(contd.)

(b) **Pending litigations**

There are law suits pending against the Company in various courts of law. The law suits are being handled by competent lawyers. The contingent liabilities in respect of these pending litigation amounted to N1,857,314,564 (2005: N1,523,991,771) as at 31<sup>st</sup> December, 2006. In the opinion of the Directors and based on independent legal advice, the Company's liability is not likely to be significant, thus no provision has been made in the financial statements.

(c) **Financial commitments**

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

23. **Post Balance Sheet Events**

There were no significant post balance sheet events, which could have had a material effect on the state of affairs of the Company as at 31<sup>st</sup> December, 2006, which have not been adequately provided for.

24. **Related Parties**

(a) **Group Companies**

The Company sources part of its raw materials and fixed assets from International Beverages Corporation S.A. a company related to its majority shareholder, Heineken N.V. Purchases from related companies during the year amounted to N5,895,581,516 (2005: N5,956,776,422).

Additionally, the Company has a Technical Service & Know-How contract and Trademark license agreements with its majority shareholder Heineken N.V. and other related companies for which payments are made and/or provided for. Technical Assistance fees are computed as a percentage of net sales and profit before tax as applicable. Royalties payable are computed as a percentage of the net sales of the related product.

	2006	2005
	N'000	N'000
Technical Assistance Fees	2,076,853	1,805,686
Royalties	354,129	386,111
	2,430,982	2,191,797

(b) **Debo Akande & Co.**

Debo Akande & Co. are one of the external counsel used by the Company. Professor (Mrs.) J.O. Akande, a Director of the Company, is also a partner in Debo Akande & Co.

25. **Comparative Figures**

Where necessary, certain comparative prior year figures have been reclassified in line with the presentation format adopted this year.

## Value Added Statement

For the year ended 31<sup>st</sup> December, 2006

	2006 N'000	%	2005 N'000	%
<b>Turnover</b>	86,322,075		80,130,968	
Bought in materials and services				
Imported	(7,632,394)		(8,126,471)	
Local	(31,713,838)		(28,768,566)	
	46,975,843		43,235,931	
Other Income	122,962		104,393	
<b>Valued added</b>	47,098,805	100	43,340,324	100
<b>Applied to pay</b>				
<b>Employees as:</b>				
Salaries, wages, fringe and end of service benefits	10,420,320	22	10,454,012	24
<b>Government as:</b>				
Taxes and duties	19,256,957	41	17,226,506	40
<b>Providers of capital:</b>				
Shareholders as dividends	9,075,075	19	4,915,666	11
Net Interest Paid	512,178	1	2,556,149	6
<b>Amortise the cost of fixed assets</b>				
Depreciation	6,008,826	13	4,849,100	11
<b>For future development :</b>				
Retained earnings	1,825,449	4	3,338,891	8
<b>Value added</b>	47,098,805	100	43,340,324	100

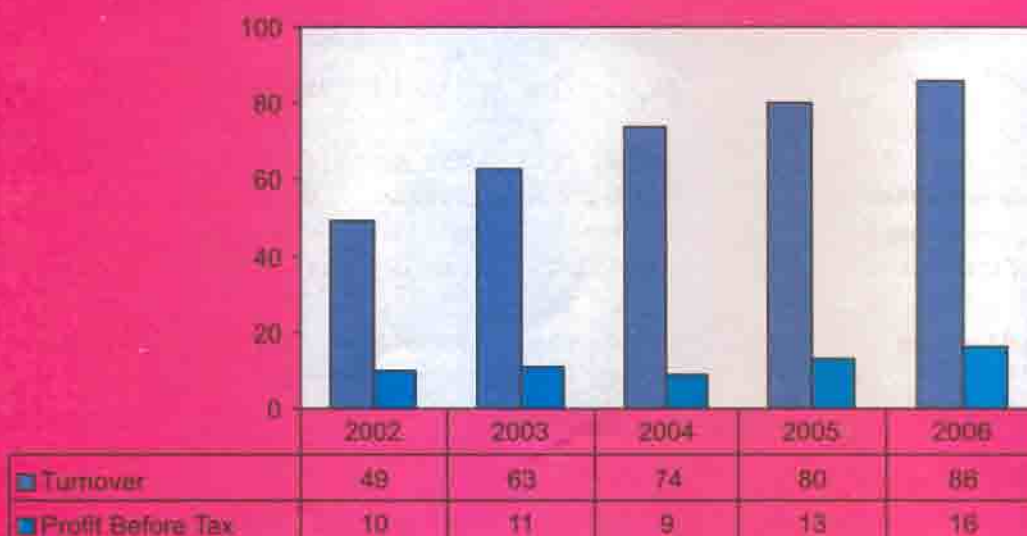
Value added is the wealth the Company has been able to create. This statement shows the allocation of that wealth between employees, shareholders, government and that retained for the future creation of more wealth.

## Five-Year Financial Summary

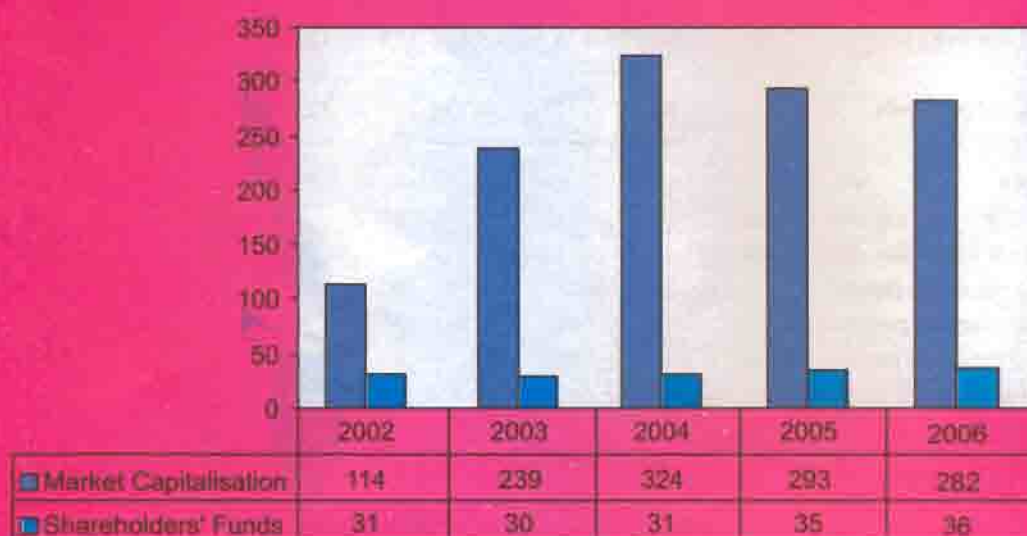
	2006	2005	2004	2003	2002
	N'000	N'000	N'000	N'000	N'000
<b>Turnover</b>	86,322,075	80,130,968	73,594,134	62,974,995	48,564,892
Operating Profit	16,948,433	15,453,895	14,425,769	13,060,877	12,553,245
Profit before taxation	16,436,255	12,897,746	9,148,138	10,992,047	10,382,429
Profit after taxation	10,900,524	8,254,557	5,086,403	7,352,287	7,296,446
Declared Dividend	(9,075,075)	(4,915,666)	(4,159,409)	(7,940,528)	(4,253,827)
<b>Retained Earnings</b>	1,825,449	3,338,891	926,994	(588,241)	3,042,619
<b>Employment of funds</b>					
Fixed assets	49,677,917	52,428,880	54,448,027	50,041,941	37,022,763
Long term debtors and prepayments	1,222,816	1,393,442	1,709,963	1,302,422	1,406,246
Net current (liabilities)/assets	880,854	(7,391,506)	(15,195,959)	(13,895,280)	(4,184,639)
Loan capital	-	-	-	-	(5,280)
Deferred taxation	(8,784,716)	(7,373,907)	(5,545,326)	(3,233,180)	(1,063,152)
Gratuity	(6,747,478)	(4,332,668)	(4,137,736)	(3,869,748)	(2,300,000)
<b>Total Net Assets</b>	36,249,393	34,724,241	31,278,969	30,346,155	30,875,938
<b>Funds Employed</b>					
Share capital	3,781,282	3,781,282	3,781,282	1,890,641	1,890,602
Fixed assets revaluation reserve	7,353,600	7,504,208	7,791,540	8,636,577	8,645,627
Share premium	4,568,038	4,568,038	4,568,038	4,640,154	6,528,684
Reserve for bonus issue	-	-	-	1,890,641	-
General reserve	20,546,473	18,870,713	15,138,109	13,288,142	13,811,025
<b>Shareholders' Funds</b>	36,249,393	34,724,241	31,278,969	30,346,155	30,875,938
<b>Statistics</b>					
Share price at period end (Naira)	37.25	38.80	42.80	63.20	30.20
Market capitalisation (Billion Naira)	282	293	324	239	114
Earnings per share (kobo)	144	109	67	194	193
Adjusted earnings per share (kobo)	144	109	67	97	96
Declared Dividend per share (kobo)	120	65	55	210	112
Adj. Declared dividend per share (kobo)	120	65	55	105	56
Dividend Cover (times)	1.2	1.7	1.2	0.9	1.7
Net worth per share	479	459	414	803	817
Adjusted net worth per share	479	459	414	401	408

## Performance Indicators

**Turnover vs. Profit Before Tax  
(Billion Naira)**

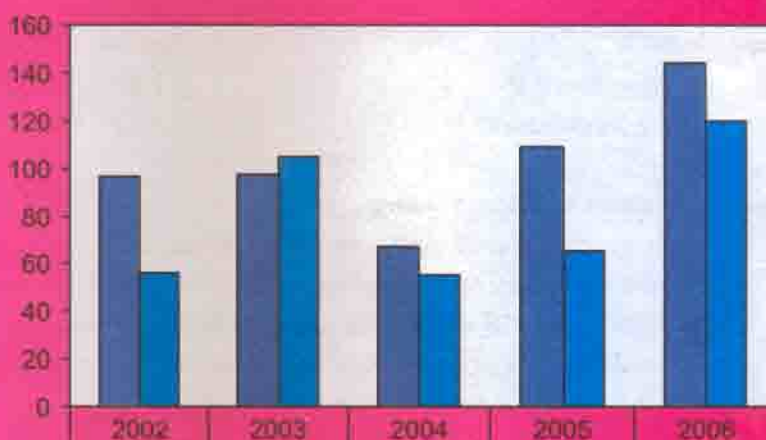


**Market Capitalisation vs. Shareholders' Funds  
(Billion Naira)**



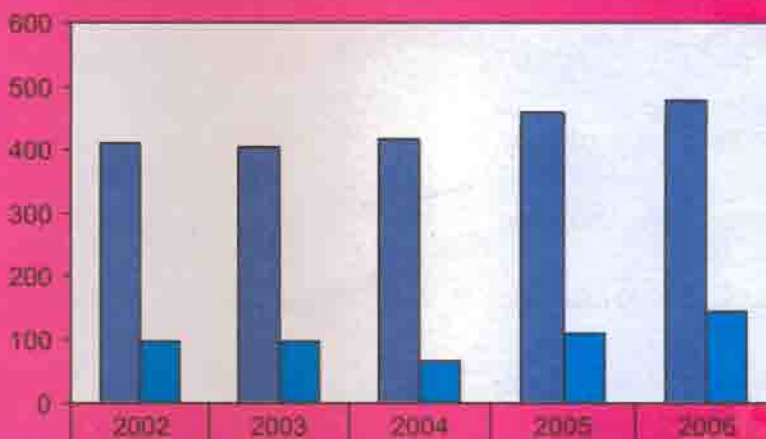
## Performance Indicators (contd.)

### Adjusted Earnings per share vs. Adjusted Declared Dividend per share (Kobo)



	2002	2003	2004	2005	2006
Adj. Earnings per share	96	97	67	109	144
Adj. Declared Div. per share	56	105	55	65	120

### Adjusted Net Assets per share vs. Adjusted Earnings per share (Kobo)



	2002	2003	2004	2005	2006
Adj. Net Assets per share	408	401	414	459	479
Adj. Earnings per share	96	97	67	109	144

## Shareholders' Information

### Substantial Interest in Shares:

According to the Register of Members, the following shareholders held more than 5% of the issued share capital of the Company on 31<sup>st</sup> December, 2006.

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Percentage</u>
Heineken Brouwerijen B.V.	2,853,760,692	37.74
Distilled Trading International B.V.	1,237,500,160	16.36

### Statistical Analysis of Shareholding:

- (a) The Issued and fully paid-up Share Capital of the Company is 7,562,562,340 Ordinary Shares of 50 kobo each. According to the Register of Members, only companies within the Heineken N.V. Group, having 4,091,260,852 shares (representing 54.10%), held more than 10% of the Issued Share Capital as at 31<sup>st</sup> December, 2006. The remaining 3,471,301,488 shares (representing 45.90%) were held by Nigerians, foreign citizens and Associations.
- (b) The Registrar advised that the range of shareholding as at 31<sup>st</sup> December, 2006 is as follows:

<u>Range</u>	<u>No. of Shareholders within range</u>	<u>%</u>	<u>No. of shares</u>	<u>% Shareholding</u>
1 – 1,000	42,216	30.58	22,059,506	0.29
1,001 – 5,000	40,327	29.21	104,391,497	1.38
5,001 – 10,000	14,198	10.28	105,913,906	1.40
10,001 – 50,000	28,831	20.88	722,056,520	9.55
50,001 – 100,000	8,183	5.93	588,268,889	7.79
100,001 – 500,000	3,681	2.67	711,788,111	9.41
500,001 – 1,000,000	366	0.27	252,908,412	3.34
1,000,001 and above	255	0.18	5,055,175,499	66.84
<b>Total</b>	<b>138,057</b>	<b>100.00</b>	<b>7,562,562,340</b>	<b>100.00</b>

## Shareholders' Information (contd.)

### Scrip Issues

#### Date Issued

19<sup>th</sup> June, 1976

26<sup>th</sup> February, 1977

25<sup>th</sup> February, 1978

11<sup>th</sup> July, 1979

28<sup>th</sup> June, 1980

19<sup>th</sup> June, 1981

29<sup>th</sup> June, 1983

25<sup>th</sup> June, 1986

27<sup>th</sup> June, 1990

30<sup>th</sup> June, 1993

28<sup>th</sup> June, 1995

30<sup>th</sup> June, 1999

27<sup>th</sup> June, 2002

30<sup>th</sup> June, 2004

#### Ratio

One for two

One for one

One for five

One for three

One for four

One for four

One for four

One for two

One for three

One for one

One for one

Two for three

One for one

One for one

## Shareholders' Information (contd.)

### Dividend Overview

Members are hereby informed that Nigerian Breweries Plc approved the following dividends during the period, 1994 - 2006:

<u>Year</u>	<u>Dividend No.</u>	<u>Profit after tax N'000</u>	<u>Dividend N'000</u>	<u>Dividend per share Kobo</u>	<u>Date approved</u>
1994	72	1,369,292	686,250	150	June 28, 1995
1995	73	1,778,554	777,750	85	June 26, 1996
1996	74	1,795,193	915,000	100	June 25, 1997
1997	75	1,594,219	915,000	100	July 13, 1998
1998	76	2,135,038	1,235,250	135	June 30, 1999
1999	77	3,476,976	2,287,500	150	June 28, 2000
2000	78	4,254,776	2,985,330	158	June 20, 2001
2001	79	4,535,044	4,253,827	225	June 27, 2002
2002	80	7,296,446	7,940,528	210	June 25, 2003
2003	81	7,352,287	4,159,409	110	June 30, 2004
2004	82	5,086,403	3,025,025	40	July 6, 2005
2005	83 & 84	8,254,557	7,940,691	105	Nov 23 2005/ May 03, 2006
2006	85	10,900,524	3,025,025	40	October 03, 2006

### Unclaimed dividend warrants and share certificates

We hereby notify our numerous shareholders that some dividends have remained unclaimed as per our records. Also, a number of share certificates have been returned to us as unclaimed because the addresses on them could not be traced or the shareholders did not collect them from the Post Office in good time. This is to inform the affected shareholders to write to the Registrar, NB Registrars Limited, NB Plc Headquarters Annex, Abebe Village Road, Iganmu, P.O. Box 545, Lagos.

## Key Distributors

### **Lagos Business Unit**

1. Tasho Stores
2. Aduk-Rem Commercial Enterprises
3. Eunik Nigeria Company Limited
4. Modupe Stores
5. Abikka Trading Company Limited
6. R. Olabo Nigeria Limited
7. Scheme Pack Limited
8. Ikenna Commercial Complex Nigeria Limited
9. Sunny Nigeria Enterprises
10. Nkob & Fumgbab Stores Limited
11. J. O. Ighodalo & Sons
12. Edla Stores Limited.
13. A. N. Okonkwo & Co. Nigeria Limited
14. Daksem Enterprise Nigeria Limited
15. Mattol Enterprises
16. Onike Stores Limited
17. H. Teeto Ventures
18. Alade Iginla & Sons Limited
19. Aidlco-T Nigeria Limited
20. Vicmond Ade Nigeria Enterprises
21. Christiana Dada Trading Company
22. Shade Philomena Stores
23. Funky Stores
24. Disneg Nigeria Limited
25. D'lafa Enterprises

### **South Business Unit**

1. Ifeoma Chukwuka Nigeria Limited
2. Paddyman Nigeria Limited
3. Cas Marine Services Limited
4. C. Ayoro and Sons Limited
5. Nze Edmund Eze
6. Jekok Nigeria Limited
7. Cele-Oque Enterprises Nigeria
8. Mike And Sons Trading Company
9. Eso-Penco International Limited
10. Wilson Obloha & Sons
11. J. O. Ngumoha & Sons Limited
12. Barthosa & Sons Enterprises
13. R. C. Omeaku & Sons Limited
14. Cyramazu Obi & Sons Limited
15. Ogedegbe & Sons
16. Jolly Cool Stores
17. J. O. Akushie Enterprises
18. J. C. Moghalu & Sons Limited
19. Goddy Worlu & Sons Limited
20. Brijant Nig Limited
21. Mevok Ent, Nigeria
22. Ebony Robins Investment
23. G. M. Enterprises
24. Ben Henry's Relaxation Center
25. J. E. Eyiiba & Sons

## Key Distributors (contd.)

### **West Business Unit**

1. Magulf Nigeria Limited
2. J. Ogungbola & Sons
3. Doris Dey Limited
4. A. O. Okeke
5. Raifu Yemi Olaiya
6. Nwoke & Sons Limited.
7. O-Fage Enterprises
8. S. K. Ajayi Nigeria Limited
9. Lexican Investment Limited
10. Donrose Nigeria Enterprises
11. J. I. Efemini & Sons Nigeria Limited
12. J. Jocac Nigeria Limited
13. Oruche Stores
14. Ruth Olowokere Stores
15. Juphil & Company Limited
16. A. S. Yakubu & Sons Nigeria Limited
17. Steve Imafidon & Sons Limited
18. A. A. Aladinbul & Sons
19. S. O. Ekwe & Company Limited
20. Standard Distribution Services
21. V. O. Ekoyata & Sons
22. Steliz Nigeria Limited
23. J. A. Dama & Sons Nigeria Limited
24. Dacamca Hotel
25. Esmak Nigeria Limited

### **North Business Unit**

1. Eze Libra Limited
2. Gorkeens Limited
3. J. A. Alagbe & Sons Limited
4. Danaret Investment Limited
5. Chlmex Enterprises
6. Rosy Stores Limited
7. Itheme & Sons Nigeria
8. P. N. Dibor Commercial Stores
9. D. O. Ononwu & Sons
10. Luke Chukwudi Muoka Ent.
11. Redemption Stores Nigeria
12. Mrs. V. C. Azugbogu Stores
13. Ugonaya Ugonaya & Sons Nig. Limited
14. Edloson Enterprises
15. Mekus Stores
16. F. O. B. I. Ngbakor Trading Stores
17. Monco Commercial Enterprises
18. H. A. Ojukwu & Brothers Enterprises
19. Lollipop Enterprises
20. De Austine & Company
21. S. Nwafor
22. C. Madu.
23. I. J. Obonzuwa & Sons Limited
24. Megseem Enterprises Nig. Limited
25. Santana Enterprises

## Key Distributors (contd.)

### **East Business Unit**

1. Jerry Okonkwo Enterprises
2. C. N. Anyoha & Sons Limited
3. Ofoma & Bros Trading Company
4. Bufa Investment Company Limited
5. Our Line Limited
6. Cletus Aruah & Sons
7. Ezionye Enterprises
8. Ifekwesi Ventures Limited
9. A. A. Nwaodo & Sons
10. J. C. Onoh & Company Limited
11. Elecon Investment Limited
12. R. Ilox Trading Company
13. F. U. Aloma & Sons
14. G. A. Dike & Sons Limited
15. Innovation Era
16. Icemaco Investment Nigeria Limited
17. Emma-Star Enterprises
18. A. O. Amuta & Sons Trading Company
19. Patrick Telford & Company Limited
20. G. O. C. Enterprises
21. Arum Okoh & Sons
22. Ekwenibe & Sons Trading Company Limited
23. Nwakife Stores
24. Abuchi Enterprises Nigeria Limited
25. Tonimas Nigeria Limited

### **Central Business Unit**

1. Innovation Era Nigeria Limited
2. Dan Development Company Limited
3. Martin Ugwu & Sons
4. Oficon Nigeria Limited
5. Chimex Enterprises
6. Tendy Nigeria Limited
7. R. N. Okeke & Sons
8. E. N. Onwugbufor & Sons Nigeria Limited
9. Chidi Ndupu Nigeria Enterprises
10. Langfield Nigeria Limited
11. Benji Business Enterprises
12. B. I. Onyeka & Sons
13. Mazi & Sons Nigeria Limited
14. S. A. Azubuike & Sons
15. Uche Development Stores
16. A. C. Okonkwo
17. Opeec Nigeria Enterprises
18. Mrs. Eucharía Onah Stores
19. C. Y. Okoye Enterprises
20. Wasmak Nigeria Limited
21. K. C. Investment Company
22. King Paddy Investment
23. M. C. Anaduaka & Sons
24. C. S. Ezeh Trading Stores

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