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Nigerian Breweries Plc

2013 Annual Report and Accounts

Nigerian Breweries Plc
RC: 613

2013 Annual Report and Accounts

Our Brands | Our People | Our Passion


MILLIONS OF
REFRESHING
BUBBLES
STAR
Cold Filtered
Shine On
18+


NEW YORK • PARIS
LONDON • LAGOS
HEINEKEN LAGER
TRADE MARK
Heineken
MEDAILLE D'OR PARIS 1875
GRAND PRIX PARIS 1889
Heineken
open your world


NB


Savour
Success
Gulder
18+
Drink Responsibly
...the Ultimate

CONTENTS

MISSION STATEMENT, VISION AND CORE VALUES

MISSION STATEMENT

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

VISION

"To be a World-Class Company."

CORE VALUES

Respect
Quality
Enjoyment
Performance


18+
Drink Responsibly
Confam!
Same Real Legend Taste
LEGEND
EXTRA STOUT
LEGEND
EXTRA STOUT
the real deal.


Share the happiness
MALTINA
classic
MULTI - VITAMIN
ENRICHED
NON-ALCOHOLIC
MALT DRINK

COMPANY PROFILE

Nigerian Breweries Plc, the pioneer and largest brewing company in Nigeria was incorporated in 1946. In June 1949, the Company recorded a landmark when the first bottle of STAR lager beer rolled off its Lagos Brewery bottling lines. This first brewery in Lagos has undergone several optimisation processes.

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

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

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

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

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

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

The Company was listed on the floor of The Nigerian Stock Exchange (The NSE) in 1973. As at 31st December, 2013, it had a market capitalisation of ₦1.3 trillion, making it the second largest company in Nigeria. It has consistently been honoured with awards relating to capital market matters including amongst others, The NSE President's Merit Award in the Brewery Sector, the NSE Quoted Company of the Year Award and the NSE CEO's Distinguished Award (Compliance) for Listed Companies.

Nigerian Breweries Plc is also a recipient of many other awards for its operations and high-quality brands, including the Nigerian Industrial Standards Award.

NATIONWIDE PRESENCE

Headquarters

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

Brewery/Malting Plant Locations

Lagos Brewery
Abebe Village Road, Iganmu
P.O. Box 86, Apapa-Lagos
Tel: + 234-1- 2717400-20 Ext: 2734

Ibadan Brewery
Ibadan/Ife Road
P.O. Box 12176, Ibadan
Tel: + 234-1- 2717400 Ext: 5717

Kudenda (Kaduna) Brewery
1A, Kudenda Industrial Area
Plot A4-C2, P.O. Box 6010
Kaduna South
Tel: + 234-1- 2717400 Ext: 87101

Aba Brewery
Industry Road,
P.o. Box 496, Aba,
Abia State.
Tel: + 234-1-2717400 Ext: 3995

Ama Brewery
Amaeke Ngwo. 9th Mile Corner
P.M.B. 01781, Enugu
Tel: + 234-1- 2717400 Ext: 7134

Onitsha Brewery
87/97 Port Harcourt Road
P.O. Box 5417
Onitsha
Tel: + 234-1- 2717400 Ext: 88101

Kakuri (Kaduna) Brewery
Industrial Layout, Kakuri
P.M.B. 2116, Kaduna
Tel: + 234-1- 2717400 Ext: 4717

Ota Brewery
Km 38 Lagos/Abeokuta Expressway
Sango Ota
Tel: + 234-1-2717400 Ext: 86734

Aba Malting Plant
Ohuru Village
Ogbor Hill Industrial Layout
Obingwa, Aba
Tel: + 234-1- 2717400 Ext: 6411

Sales Regions

Lagos Business Unit
Headquarters Annex
Abebe Village Road, Iganmu
P.O. Box 86, Apapa, Lagos
Tel: + 234-1- 2717400 Ext: 2816

West Business Unit
KM 3, Ibadan-Ife Road
P.O. Box 813, Ibadan
Tel: + 234-1- 2717400 Ext: 5807

Mid-West Business Unit
42, Ihama Road
GRA, Benin City
Tel: + 234-1- 2717400 Ext: 6508

Central Business Unit
Plot 413,
District Industrial Area 1,
Abuja, FCT
Tel: + 234-1- 2717400 Ext: 6210

North Business Unit
Industrial Layout,
Kakuri, Kaduna
Tel: + 234-1- 2717400 Ext: 4807

East Business Unit
Plot 10, Ebeano Estate
New Haven
Enugu.
Tel: + 234-1- 2717400 Ext: 6306

South Business Unit
Industry Road
P.O. Box 496, Aba
Tel: + 234-1- 2717400 Ext. 3805

DIRECTORS AND OTHER CORPORATE INFORMATION

Directors:	Chief Kolawole B. Jamodu, OFR	- Chairman
	Mr. Nicolaas A. Vervelde *(Dutch)*	- Managing Director/CEO
	Mr. Olusegun S. Adebanji	- Non-Executive
	Mr. Walter L. Drenth *(Dutch)*	- Marketing Director
	Mr. Hubert I. Eze	- Sales Director
	Mr. Victor Famuyibo	- Human Resource Director
	Mr. Jasper C. Hamaker *(Dutch)*	- Finance Director
	Mr. Sijbe Hiemstra *(Dutch)*	- Non-Executive
	Mr. Thomas A. de Man *(Dutch)*	- Non-Executive
	Mr. Frank N. Nweke II	- Non-Executive
	Mrs. Ifueko M. Omoigui Okauru *(appointed wef 20/2/13)*	- Non-Executive
	Mr. Atedo N.A. Peterside, CON	- Non-Executive
	Mr. Hendrik A. Wymenga *(Dutch)*	- Technical Director

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

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

Registration No: RC: 613

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

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


THE
LOW
SUGAR
MALT DRINK
1870
AMSTEL
MALTA
ENRICHED WITH PURE VITAMINS AND MINERALS
NO ALCOHOL - LOW SUGAR
AMSTEL BROUWERIJ EST. 1870
PRODUCED WITH THE BEST QUALITY INGREDIENTS


We find beauty in the oddest places
Whatever I see, touch or hear spurs my imagination for craft
it's the only way I know to express my creativity, a way to make
an original statement and it all come naturally...
Be
Original
fayrouz
Premium Soft Drink
FLAVOURED WITH
PEAR
Refreshingly Different
www.facebook.com/fayrouznigeria
@fayrouznigeria

RESULTS AT A GLANCE

	2013	2012	% Difference
In millions of Naira			
Revenue	268,614	252,674	6.3
Results from operating activities	69,171	64,612	7.1
Profit for the year	43,080	38,043	13.2
*Declared dividend**	22,688	22,688	-
Share capital	3,781	3,781	-
Total equity	112,359	93,448	20.2
Data per 50 kobo share in Kobo			
Earnings	570	503	13.3
*Declared dividend**	300	300	-
Net Assets	1,486	1,236	20.2
Dividend per 50 kobo share in respect of current year results only (in kobo)			
*Final dividend proposed***	450	300	50
Stock Exchange Information:			
Stock Exchange quotation in Naira per share	167.90	147	14.2
Number of shares issued (in millions)	7,563	7,563	-
Market capitalisation in ₦: million	1,269,778	1,111,718	14.2
Number of employees	3,195	3,214	-0.6
Ratio:			
Dividend coverage (Earnings per share/declared dividend per share)	1.90	1.68	13.1
Current assets/current liabilities	0.45	0.65	-30.8
Interest coverage (Results from operating activities/interest paid)	14.17	8.80	61

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

****The directors propose a final dividend of 450 kobo per share (2012: 300 kobo per share) on the issued share capital of 7,562,704,432 ordinary shares of 50 kobo each subject to approval by the shareholders at the Annual General Meeting fixed for 14th May 2014.**

BOARD OF DIRECTORS

Mr. Walter L. Drenth
Marketing Director

Mr. Frank N. Nweke II
Non-Executive

Mr. Jasper C. Hamaker
Finance Director

Mr. Victor Famuyibo
Human Resource Director

Mr. Atedo N. A. Peterside, CON
Non-Executive

Mr. Sijbe Hiemstra
Non-Executive

Chief Kolawole B. Jamodu, OFR
Chairman

Mr. Nicolaas A. Vervelde
Managing Director/CEO

Mrs. Ifueko M. Omoigui-Okauru
Non-Executive

Mr. Thomas A. de Man
Non-Executive

Mr. Hubert I. Eze
Sales Director

Mr. Olusegun S. Adebanji
Non-Executive

Mr. Hendrik A. Wymenga
Technical Director

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

BOARD OF DIRECTORS' PROFILE

Chief Kolawole B. Jamodu, OFR
Chairman
Chief Jamodu was appointed to the Board of Directors as a Non-Executive Director effective the 1st of March, 2006 and became the Chairman of the Board of Directors effective the 1st of January, 2008. He is a chartered accountant, an industrialist and a former Minister of Industry of the Federal Government of Nigeria. He is a former Chairman and Group Chief Executive of the PZ Group as well as a former Chairman of Universal Trust Bank Plc. He is the President of the Manufacturers' Association of Nigeria (MAN) and also sits on the Board of United Bank for Africa Plc. Chief Jamodu is a member of the National Economic Management Team of the Federal Government of Nigeria.

Mr. Nicolaas A. Vervelde
Managing Director/CEO
Mr. Vervelde was re-appointed a member of the Board of Directors effective the 1st of August, 2010 as well as the Managing Director/CEO effective same date. He was previously on the Board of Directors as a Non-Executive Director between 2001 and 2003 while as Deputy Director and later Director, Heineken Africa/Middle East. Mr. Vervelde started his career with Heineken in 1984 and held increasingly senior management positions in commercial and general management functions in Europe, Africa, Bahamas, Caribbean and Central America. He was, until his current appointment to the Board of Directors, the Managing Director for Heineken Caribbean, Central America and Latin America.

Mr. Olusegun S. Adebanji
Non-Executive Director
Mr. Adebanji was re-appointed to the Board of Directors as a Non-Executive Director effective 28th February, 2007. He was initially on the Board as an Executive Director between 1996 and 1998 when he was the Company's Finance Director. His career path took him through Unilever and Heineken companies in Europe and Africa. He was at different times, the Managing Director of Ghana Breweries Limited and Namibian Breweries Limited.

Mr. Walter L. Drenth
Marketing Director
Mr. Drenth was appointed to the Board of Directors effective 15th January, 2012. He joined the Heineken N.V. Group in December, 2003 as Global Marketing Communication Manager Heineken Brand. Before joining Heineken, he had worked with ABN Amro Bank N.V. in Hong Kong, Unilever N.V., and FHV/BBDO Creative Marketing Agency as International Strategic Planning Director. Mr. Drenth was the Marketing Director, Heineken Ireland and Northern Ireland prior to his joining our Board.

Mr. Hubert I. Eze
Sales Director
Mr. Eze joined the services of our Company in 1992 in the Sales Department and subsequently rose through the ranks to become a Senior Manager. In 2007, he went on internationalisation to Heineken Caribbean and Central America where he was the Commercial Excellence Manager and later the Marketing and Commercial Excellence Director. Prior to his appointment to the Board of Directors effective the 1st of September, 2010, Mr. Eze was the General Manager, Heineken Latin America Export.

Mr. Victor Famuyibo
Human Resource Director
Mr. Famuyibo was appointed to the Board of Directors effective the 8th of September, 2008. A lawyer and Human Resource expert, he joined the Company in 1986 and has performed various Human Resource functions within the Company. He was on internationalisation at Heineken International B.V., The Netherlands, prior to his appointment to the Board.

Mr. Jasper C. Hamaker
Finance Director
Mr. Hamaker was appointed to the Board of Directors effective the 24th of July, 2010. He joined the Heineken N.V. Group in 1996 and has worked in various finance functions in Europe, Nigeria and Indonesia. Mr. Hamaker had previously served as the Financial Control Manager of our Company when he had his first stint with Nigerian Breweries Plc. Before his appointment to the Board of Directors, he was the Finance Director and Corporate Secretary of Multi Bintang Indonesia TBK (a Heineken company).

Mr. Sijbe (Siep) Hiemstra
Non-Executive Director
Mr. Hiemstra joined the Board of Directors effective the 1st of August, 2011 after becoming the Heineken Regional President for Africa and Middle East. He started his Heineken career in January 1978 holding commercial, general management and technical positions in different parts of Europe, Africa and Asia/Pacific. Until his current appointment, he was the Heineken Regional President for Asia Pacific.

Mr. Thomas A. de Man
Non-Executive Director
Mr. de Man joined the Board of Directors of Nigerian Breweries Plc effective the 27th of February, 2003. He joined the Heineken N.V. Group in 1971 and has worked in Europe, Asia and Africa including Malayan Breweries Limited, Singapore, Greher SPA (Heineken Italy) and Brewery Manager of our Aba Brewery. He is the immediate past Heineken Regional President for Africa and Middle East.

Mr. Frank Nweke II
Non-Executive Director
Mr. Nweke II was appointed to the Board of Directors effective the 19th of October, 2011. Mr. Nweke II has a rich public service experience at both the state and federal levels. He was Chief of Staff to the Enugu State Governor and also served variously as Minister of Information & Communications and Minister of Inter-Government Affairs, Youth Development & Special Duties amongst others. He is currently the Director-General of the Nigerian Economic Summit Group (NESG). He also has considerable private sector experience and interests.

Mrs. Ifueko M. Omoigui Okauru
Non-Executive Director
Mrs. Omoigui Okauru was appointed to the Board of Directors effective the 20th of February, 2013. She has over three decades of work experience with proven leadership ability at board and executive management levels in both private and public sectors. In 2004, she became the first female Executive Chairman of the Federal Inland Revenue Service (FIRS) which she led meritoriously for two consecutive terms. Mrs. Omoigui Okauru was also a member of the National Economic Management Team headed by the President of the Federal Republic of Nigeria. She is currently the Managing Partner of Compliance Professionals Plc, a consultancy company and also sits on the boards of Diamond Bank Plc and Central Securities Clearing System Plc.

Mr. Atedo N. A. Peterside, CON
Non-Executive Director
Mr. Peterside was appointed to the Board of Directors effective the 21st of August, 2008. He is the founder and Chairman of Stanbic IBTC Bank Plc as well as the President and Founder of ANAP Foundation, a non-profit organisation that is committed to promoting Good Governance. He was the Chairman of the Committee that crafted the first Corporate Governance Code for Public Companies in Nigeria. He is the Chairman of Cadbury Nigeria Plc and also sits on the Boards of Flour Mills of Nigeria Plc, Presco Plc and Unilever Nigeria Plc. He is a member of the National Council on Privatisation (NCP) and is the Chairman of the NCP's Technical Committee. He is also a member of the National Economic Management Team which is headed by the President of the Federal Republic of Nigeria

Mr. Hendrik A. Wymenga
Technical Director
Mr. Wymenga became a member of the Board of Directors effective the 1st of September, 2010. He started his Heineken N.V. career in 1994 when he joined the Technological Department of Vrumona B.V., a subsidiary of the former. He has subsequently brought his technical expertise to bear in packaging, brewing, production and supply chain within the Heineken N.V. Group in Europe, the Caribbean and the Americas. Before his current appointment to the Board of Directors as the Technical Director, Mr. Wymenga was the Regional Supply Chain Manager, Heineken Americas.

Uaboi G. Agbebaku, Esq.
Company Secretary/Legal Adviser
Mr. Agbebaku was appointed as Secretary to the Board of Directors effective the 1st of January, 2008. He joined the Company in January, 2003 as the Legal Affairs Manager. Before joining the Company, he was in private practice as a legal practitioner with the law firm of David Garrik & Co.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 68th Annual General Meeting of Nigerian Breweries Plc, will be held in the Shell Hall, Muson Centre, Onikan, Lagos, on Wednesday, 14th May 2014, at 10.00 a.m. for the following purposes:

A ORDINARY BUSINESS

1. To lay before the meeting, the Report of the Directors and the Statement of Financial Position as at 31st December 2013, together with the Income Statement for the year ended on that date and the Reports of the Independent Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Independent Auditors
5. To elect members of the Audit Committee.

B. SPECIAL BUSINESS

6. To fix the remuneration of the Directors

NOTES:

(a) PROXIES

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

(b) AUDIT COMMITTEE MEMBERS

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

(c) DIVIDEND

A total dividend of **₦34,032,169,944 (thirty four billion, thirty two million, one hundred and sixty nine thousand and nine hundred and forty four naira only)** that is **₦4.50 (four naira fifty kobo)** per share has been recommended by the Board for approval. If approved, the payment of the dividend will be made on Thursday, **15th May, 2014**, to shareholders whose names appear on the Company's Register of Members at the close of business on Wednesday, **5th March, 2014**.

(d) CLOSURE OF REGISTER

The Register of Members and Transfer Books of the Company will be closed from **Thursday, 6th March, 2014** to **Wednesday, 12th March 2014** (both dates inclusive), for the purpose of preparing an up-to-date Register of Members.

Dated the 12th of February, 2014.

By Order of the Board.

Uaboi G. Agbebaku, Esq.
Company Secretary/Legal Adviser
Iganmu House
Abebe Village Road
Iganmu, Lagos
Nigeria.
FRC/2013/NBA/00000001003

CHAIRMAN'S ADDRESS

Chief Kolawole B. Jamodu, OFR
Chairman

My fellow shareholders, distinguished ladies and gentlemen, I am pleased to welcome you to our Company's 68th Annual General Meeting (AGM).

I will start by reviewing some key developments in the operating environment which had significant impact on our operations and performance in 2013 as well as look ahead to 2014.

Business/Operating Environment

The 2013 operating environment was a continuation of the second half of 2012. The Gross Domestic Product (GDP) growth was reported at about 6.8% supported by robust performances in agriculture, services and trade. The manufacturing sector also witnessed some marginal improvement in capacity utilisation and contribution to the GDP growth largely due to activities in the food and beverages sector. Inflation rate declined to less than 8% while exchange rate remained relatively stable. However, the number of citizens living in poverty remains very high.

According to the Government, there were challenges with the full implementation of the 2013 budget especially in the area of capital expenditure due mainly to revenue shortfall arising from lower oil production and vandalism. The escalation of insurgency activities, especially in the North East, posed serious security challenges with the consequent negative impact on social, economic and business activities in that region. The issue of insecurity especially in the North East remains a big concern for businesses. Social and business activities in that part of the country have been seriously hampered.

During the year under review, Government continued with its efforts at transforming the Nigerian economy. The massive investment in infrastructure projects especially transportation (road, rail and aviation) are noted and appreciated. We expect that more will be done. It was reported that about 1.6 million jobs were created in 2013 mostly from the Subsidy Reinvestment and Empowerment Programme (SURE - P). The current effort at backward integration should be heightened in order to further create employment opportunities considering the high number of unemployed citizens.

CHAIRMAN'S ADDRESS (Cont'd)

In 2013, one of the biggest events in the nation's economy took place. The privatisation exercise in the power sector became a reality with the handing over of the successor companies created out of the former Power Holding Company of Nigeria (PHCN) to the successful bidders. The Government generated over $3 billion from the privatisation exercise though the bulk of that had to go into settling the severance package of the affected PHCN workers. While it is still early days, the much anticipated succour in the power sector as a result of the privatisation is yet to materialise. Businesses and homes continue to generate their own power at huge cost. Stable power supply remains a key factor for economic and business development. It is therefore expected that the new owners will bring the needed respite to this critical area of the nation's economy.

The equities market was generally bullish in 2013. Information available from The Nigerian Stock Exchange (The NSE) shows that the equities market closed the year with a market capitalisation of ₦13.23 trillion, a huge improvement on the ₦8.98 trillion recorded in 2012. Indeed, the ₦13.23 trillion surpassed the market peak of ₦12.62 trillion recorded in 2008. This shows that investors have gradually re-embraced the stock market; it is also a testament to the efforts of the current management of The NSE to deepen the market. For our Company, the market capitalisation equally rose from about ₦1.1 trillion at the end of 2012 to about ₦1.3 trillion at the end of 2013.

The tight monetary policy reform of the Central Bank of Nigeria (CBN) aimed at sustaining a single digit inflation rate and stable exchange rate amongst others, continued in 2013. It was able to maintain the stability of the naira to a large extent and also kept inflation low at a single digit level. Further, the CBN was able to facilitate business confidence. However, access to financial services for small and medium size enterprises which is key to the achievement of the desired inclusive growth, is an area that needs to be improved upon. High cost of capital remains a disincentive to the type of investment that would help to reduce unemployment.

Generally, the cost of doing business in the country remained high in 2013. Inefficient and high cost of power supply as well as multiple taxes were some of the key factors that contributed to the high cost of running businesses. The challenges in the transportation sector especially with regard to production and distribution of goods did not improve. The federal road infrastructure remains in a bad state.

The Brewed Product Market

The total brewed product market recorded a modest growth in 2013 with the value for money segment playing a significant role in that growth. As stated above, the poverty level remained high and that obviously led to down-trading in the market with a shift to the savings segment by some consumers. The market has therefore become extremely competitive. The investments that we have made over the years (and most recently with the acquisitions and subsequent merger of the acquired companies) together with our Cost Leadership programme have placed us in the best position to compete. Therefore, despite the difficult operating environment, we recorded growth in all segments of the market and indeed out-performed the market. We sustained our enviable leadership position in the market.

Review of Operations

2013 was the first full year of the larger company following the merger process we undertook in 2012. The merger enabled us to successfully play in all the segments of the market as well as gave us a wider geographical footprint across the country leading to amongst other benefits, lower distribution cost.

One of the reasons for our success over the years is innovation. During the year under review, we again raised the bar with the introduction of the *Nation's No 1 malt drink*, **Maltina**, in PET bottles, the first of its kind in Nigeria. **Fayrouz**, our *premium sparkling soft drink* rolled out a new **Exotic** flavour, adding to the existing Pineapple and Pear flavours. With **Star**, it was another year to *Shine On* with the launch of a limited edition of the **Star Music Bottle** (same great Star taste) as well as a special edition **Star Magnum** to celebrate the 2013 Cross-Over in collaboration with the Lagos State Government.

The tempo of our brand support activities in sports, entertainment, youth empowerment, community involvement and other areas heightened in 2013. **Star** had the biggest National Consumer Promotion in 2013 with 100 **Star** consumer events nation-wide to reward consumers. Season 7 of **Maltina Dance-All**, the family-bonding reality television show, recorded an increased number of participation and followership. We celebrated the tenth anniversary of our reality television show, **Gulder Ultimate Search (GUS)**, with the introduction of a unique Fan's Edition which turned out to be very popular. The main GUS itself recorded a participation of over 42,000 youths! **Heineken**, the

CHAIRMAN'S ADDRESS (Cont'd)

international premium lager continued with its sponsorship of the UEFA Champions League; five lucky consumers went on an all-expense paid trip to London to see the final match live at the Wembley Stadium. For loyal consumers of **Legend Extra Stout**, the only truly brewed stout in Nigeria, it was reward galore during the National Consumer Promotion with twenty five of such consumers each being rewarded with a shopping trip to Dubai. **Amstel Malta**'s support for the movie industry was taken to another height when it sponsored the biggest movie award event in Africa, the *Africa Magic Viewers' Choice Award*. **Goldberg** and **Life Continental** lager were there to celebrate with the people of Osogbo and Onitsha respectively during the Osun Osogbo and Ofala festivals.

Continuous investment in our production facilities as well as our distribution and sales network has kept us constantly on top in making our quality products available to our teeming consumers. We did not relent in those areas of our operations during the year under review. It was the same for our brands, our people as well as our systems. The expansion project in our Aba Brewery was completed during the year under review and today, that brewery has become new all over. The automation of our sales force was concluded in 2013 and it has enabled us to be more efficient and effective in our sales operation.

Irrespective of the processes, systems and facilities we put in place, our number one asset has always been our people. Thus, people development will always be part of our DNA. More than 2,000 employees received one form of training or the other, either locally or abroad in the year 2013. Our people have made it possible for us to consistently be on top since we commenced operations in 1946 and they are the ones that will keep us on top into the foreseeable future. Therefore, we see the investment in training as not only necessary for the immediate but also for sustainable future. Our exchange programme with Heineken International continued during the year under review with eighteen of our Nigerian employees being employed in different Heineken operating companies across the globe. The benefits to be derived from the exchange programme for the Company in particular and the country in general, cannot be over-emphasised.

Still on training, we commissioned a world-class, ultra-modern learning centre, **"The Star Academy"**, in 2013. Apart from giving us the opportunity to conduct our trainings in the most conducive environment, it will aid our Cost Leadership programme as we will no longer need to organise our training programmes in rented external facilities/locations. Our collaborative efforts with the Industrial Training Fund and the Nigeria Employers' Consultative Association on capacity development for the country were strengthened during the year under review - a total of 62 craft trainees graduated from our training facilities under that collaboration.

One of the results of running an excellent operation is recognition. In 2013, our Company received different awards/recognition. Some of the major recognitions include the Heineken Global Innovation Award for our **"Low Energy Cooler"** and for being the Operating Company with the **"Highest Number of Innovative Ideas"**. We retained the Pearl Award for **"Sectoral [Brewery] Leadership"** as well as the Manufacturers Association of Nigeria, Apapa Branch Award for the **"Best kept Industrial Premises"**. Also, our excellence in marketing and brand building was recognised with various awards at the 2013 Advertisers Association of Nigeria (ADVAN) and the Lagos Advertising and Ideas Festival (LAIF) awards.

A Corporate Social Responsibility (CSR) report detailing our key initiatives and activities in the area of CSR during the year under review is set out on page 39 of the Annual Report and Account.

Company Performance

Notwithstanding the challenging and competitive environment of 2013, we were able to record improvements over the previous year in our results. The improvements were due in part to the various activities stated under **Review of Operations** above. We closed the year with an increased turnover of **₦269 billion**, a rise of 6.3% over the **₦253 billion** recorded in the corresponding period of 2012. Results from Operating Activities, that is Operating Profit, went up by 7.1% from **₦65 billion** to **₦69 billion** in 2013 helped by our internal efficiencies. Our lower financing cost in 2013 positively impacted our Profit After Tax as this grew by 13.2% from **₦38 billion** in 2012 to **₦43 billion**.

CHAIRMAN'S ADDRESS (Cont'd)

Dividend

As a result of the above performance, the Board is pleased to recommend for shareholders' approval at the AGM, the payment of a total dividend of **₦34,032,169,944 (thirty four billion, thirty two million, one hundred and sixty nine thousand and nine hundred and forty four naira only)**. That will translate to a dividend of **₦4.50 (four naira fifty kobo)** per share, which represents an increase of 50% over the **₦3.00 (three naira only)** per share paid in the 2012 financial year. If the proposed dividend is approved, it will be subject to the deduction of withholding tax at the appropriate rate and shareholders entitled to it will be those who were recorded in the Register of Members as at close of business on the **5th of March, 2014**. The payment date is the **15th of May, 2014**. Let me use this opportunity to once again request any shareholder who has not chosen the e-dividend payment option to do so. This will not only lead to a quicker receipt of the shareholder's dividend, it will equally help in the long run to eliminate cases of unclaimed dividends. An e-dividend form for the use of any such shareholder is on page 105 of the Annual Report and Accounts.

Board of Directors

In accordance with our Articles of Association, the Directors to retire by rotation at the AGM and who, being eligible, have offered themselves for re-election are Messrs. Walter Drenth, Victor Famuyibo, Sijbe Hiemstra and Atedo Peterside, CON.

Looking Ahead

Operating Environment

The Government has proposed a 13% reduction in the 2014 budget compared to that of 2013. It has also projected tighter expenditure aiming for about 10% reduction compared to the 2013 estimates. This, which is a reflection of the economic trends of the previous year, is a welcome departure from the normal incremental budget approach. The Government has identified fighting corruption in the civil service and reducing the cost of governance as the two focus areas in its efforts to eliminate inefficiencies in government expenditure. To enhance the revenue, it intends to stem leakages in oil revenue and do more in the area of non-oil revenue especially in tax generation. These are laudable plans; it is expected that more revenue would translate to more resources being available for developmental projects.

Government has identified some key factors that will help to shape the economy in 2014. These include the challenging political environment especially in the run-up to the 2015 elections, security and infrastructure development. Others include the full implementation of the budget and creating jobs/strengthening the social safety nets.

Going forward, growth in the economy will depend more or less on the continued implementation of reforms to strengthen institutions, improve efficiency and prioritise quality infrastructure investments. With the reduced oil revenue recorded in 2013 coupled with the emergence of new competitors (in oil) such as Ghana and Tanzania, the need for the economy to be diversified towards industrialisation has become more compelling. There are lots of potential in the agriculture sector and taking advantage of the transformation in that sector is one way to diversify the economy.

Brewed Product Market

The usual pre-election spending, as well as increased political activities as part of the run-up to the 2015 elections is expected to translate into more consumer spend in 2014. It is anticipated that the brewed product market would benefit from that. The stiff competition experienced in the year under review is expected to continue in 2014 with the launch of new brands and brand extension by the different players. Already, we have taken the lead by launching a line extension for the **Star** brand in February, 2014. The new product, **Star Lite**, is an exciting addition to our ever expanding brand portfolio. We have again scored a first by being the pioneer in bringing such an innovative product to the Nigerian market. **Star Lite** is a clean, crisp and ice cold refreshing lager beer. It is extra cold brewed and iced cold filtered with a temperature indicator on the label. **Star Lite** has been well received by consumers. We have other innovations in the pipeline. The Board remains confident that with our brands, our people and our passion for excellence as well as for the consumer, we are well placed to maintain and build on our leadership position in the market.

CHAIRMAN'S ADDRESS (Cont'd)

Conclusion

Let me thank our parent company, Heineken N.V. for its unwavering support for our Company. Heineken N.V. is surely one company that is committed to Winning With Nigeria.

Appreciation goes also to our key partners (transporters, distributors, customers, suppliers, agencies and others) for their support during the year under review.

I thank my colleagues on the Board, the Management and Staff for being passionate about the Company. Your support and commitment during the year under review made it possible for us to deliver once more on our targets. I have no doubt that together, we will continuously deliver superior returns to our shareholders on their investment. Let us keep the flag flying at full mast.

To my fellow shareholders, I cannot thank you enough. Your faith in the Board, Management and Staff has remained strong. We will not disappoint you. Once more, thank you.

Above all, all glory be to God.

God bless you all.

CHIEF KOLAWOLE B. JAMODU, OFR
Chairman, Board of Directors.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2013

The Directors are pleased to present their annual report together with the audited financial statements of the Company for the year ended 31st December 2013.

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

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

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

4 **The Nigerian Breweries-Felix Ohiwerei Education Trust Fund**
The Nigerian Breweries-Felix Ohiwerei Education Trust Fund was incorporated by the Company and is a sponsored charitable Trust. The proceeds from its investments are disbursed solely for the promotion of education. See Note 32 (c) to the financial statements.

5 **Review of Operations**
The operating environment was challenging in 2013. Nevertheless the Company maintained its leadership position in the market. Results from Operating Activities increased by 7.1% while Profit After Tax (up 13.2%) was further positively impacted by lower financing costs. The following is a summary of the operating results as at 31st December 2013:

	2013 ₦'000	2012 ₦'000	% change
Revenue	268,613,518	252,674,213	6.3
Results From Operating Activities	69,171,377	64,611,589	7.1
Profit Before Taxation	62,240,317	55,624,366	11.9
Taxation	(19,159,968)	(17,581,652)	9.0
Profit After Tax	43,080,349	38,042,714	13.2

Mr. Nicolaas A. Vervelde
Managing Director/CEO

DIRECTORS' REPORT (Cont'd)

6. Dividend

The Directors are pleased to recommend to shareholders at the forthcoming Annual General Meeting, the declaration of a total dividend of **₦34,032,169,944 (thirty four billion, thirty two million, one hundred and sixty nine thousand, nine hundred and forty four naira only)**, that is, **₦4.50 (four naira and fifty kobo only)** per ordinary share of fifty kobo each. If the proposed dividend is approved, it will be subject to deduction of withholding tax at the appropriate rate and the dividend will be payable on the **15th of May, 2014**, to all shareholders whose names appear on the Company's Register of Members at the close of business on the **5th of March, 2014**.

7. Shareholding and Substantial Shareholders

The issued and fully paid-up Share Capital of the Company is 7,562,704,432 Ordinary Shares of 50 kobo each. The Register of Members shows that three companies, Heineken Brouwerijen B.V. holding 37.73%, Distilled Trading International B.V. holding 16.36% and Stanbic Nominees Nigeria Limited holding 15.53% held more than 10% of the Company's issued share capital as at 31st December, 2013. The remaining 30.38% were held by Nigerian and foreign individuals and institutions. Aside the said three companies, no other shareholder held more than 5% of the issued share capital of the Company as at 31st December 2013. Heineken Brouwerijen B.V. and Distilled Trading International B.V. are part of the Heineken N.V. group.

8. Distributors

The Company delivers most of its products nationwide through an extensive network of key distributors, wholesalers, bulk breakers and major retail stores. The names of the major customers are listed on page 99 of this Annual Report and Accounts.

9. Board of Directors

The Board of Directors is as shown on page 9 hereof. The Board is at present made up of six (6) Executive Directors and seven (7) Non-Executive Directors (including the Chairman).

The Directors to retire by rotation at the forthcoming Annual General Meeting in conformity with the Articles of Association of our Company and who, being eligible, have offered themselves for re-election at the meeting are: Messrs Walter L. Drenth, Victor Famuyibo, Sijbe Hiemstra and Atedo Peterside, CON.

10. Statement of Directors' Responsibilities

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 43 to 91 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, Cap C20, Laws of the Federation of Nigeria, 2004 (hereinafter referred to as "CAMA") and the Financial Reporting Council of Nigeria Act, 2011.

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

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

11. Record of Directors' Attendance

Further to the provisions of Section 258(2) of CAMA, the Record of Directors' Attendance at Board Meetings during the year under review will be available at the Annual General Meeting for inspection. See also, item 22(a) below.

DIRECTORS' REPORT (Cont'd)

12. Directors' Interest in Shares

The interest of each current Director in the issued share capital of the Company as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 275 of CAMA and disclosed in accordance with Section 342 also of CAMA and the requirements of the Listing Rules of The Nigerian Stock Exchange, is as follows:

Name	As as 12th February, 2014	As at 31st December, 2013	As at 31st December, 2012
Chief Kolawole B. Jamodu, OFR	431,704	431,704	431,704
Mr. Nicolaas A. Vervelde	Nil	Nil	Nil
Mr. Olusegun Adebanji	200,000	200,000	200,000
Mr. Walter L. Drenth	Nil	Nil	Nil
Mr. Hubert I. Eze	41,383	41,383	41,383
Mr. Victor Famuyibo	16,653	16,653	17,910
Mr. Jasper C. Hamaker	Nil	Nil	Nil
Mr. Sijbe Hiemstra	Nil	Nil	Nil
Mr. Thomas A. de Man	Nil	Nil	Nil
Mr. Frank N. Nweke II **	1,900	1,900	3,400
Mrs. Ifueko M. Omoigui Okauru	35,992	35,992	NA*
Mr. Atedo N.A. Peterside, CON	12,500,000	12,500,000	14,000,000
Mr. Hendrik A. Wymenga	Nil	Nil	Nil

* Not a member of the Board of Directors at that date.
** Also holds 5,119 units via a nominee company

13. Agricultural/raw materials improvements

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

14. Property, plant and equipment

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

15. Gifts and Donations

In 2013, the Company made gifts and donations amounting to ₦207,193,655 (2012: ₦81,674,450) as follows:

Beneficiary/Project	Naira
Iwo Road Project, Ibadan	41,160,000
Lagos Accident & Emergency Centre Badagry	35,000,000
Streetlight on Abebe Village Road	34,166,222
National Arts Competition - Africa Arts Foundation	27,414,400
Creative Writing Workshop - FARAFINA	24,681,826
Toyota Hilux Donation to Lagos State Security Trust Fund	23,310,000
Don't Drink and Drive Campaign/Federal Road Safety Commission	6,094,669
Donation of Toyota Hilux to the Federal Road Safety Commission	5,500,000
Kagoro & Kudenda Water Borehole	5,128,538
Nigeria Academy of Engineering	3,250,000
Bus Donation to National Drug Law Enforcement Agency	1,488,000
	207,193,655

DIRECTORS' REPORT (Cont'd)

In accordance with Section 38(2) of CAMA, 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.

16. Employees and Employment

(a) Employment of Physically-Challenged Persons

Nigerian Breweries Plc is an equal opportunity employer and does not discriminate on any grounds. Thus, we provide employment opportunities to physically-challenged persons. However, this actually goes beyond the need to ensure that there is no discrimination against such persons, but driven by a deep conviction that even in disability, there could be immense ability. At present, we have eight (8) physically-challenged persons in our employment.

(b) Employee Involvement and Training

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

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

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

(c) Health, Safety and Welfare

The Company takes the health, safety and welfare of its employees very seriously, with a strong conviction that a healthy workforce will always be highly productive and will deliver superior performances at all times. Consequently, there are on-site clinics manned by qualified medical personnel in all our brewery locations that provide primary health care round the clock for employees at work. Furthermore, top health care providers have been carefully selected under a managed care scheme to look after the health care needs of employees and their dependants. We comply with relevant statutory provisions and regulations on health, safety and welfare matters as well as providing the education required to enable compliance by employees. As a good corporate citizen, we recognise the threat of HIV/AIDS in sub-Saharan Africa. Hence, as an extension of our medical policy, Nigerian Breweries Plc operates a comprehensive workplace HIV/AIDS programme spanning the continuum of policy to treatment.

17. Food Safety Statement

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

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

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

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

18. Quality Policy Statement

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

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

DIRECTORS' REPORT (Cont'd)

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

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

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

19. Safety, Health and Environmental (SHE) Policy

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

Our policy is to:

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

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

20. Business Conduct

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

(a) Respect for Law

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

(b) Business Integrity

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

(c) Corporate Social Responsibility

As an integral part of the Nigerian society playing varied roles as an employer, supplier, customer, partner, tax payer and competitor all at the same time, the Company impacts the society. Where possible, we aim to establish sustainable partnerships with our stakeholders within our policy guidelines on community involvement. A Corporate Social Responsibility Report detailing some of the ways we partnered with our various stakeholders during the year under review is on pages 39 and 40.

DIRECTORS' REPORT (Cont'd)

(d) Environmental Policy

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

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

i Strive to comply with relevant State and Federal laws and regulations, and also anticipate signals from the society in respect of future legislations;

ii Use available technology and knowledge to prevent pollution, or continue to reduce pollution and seek savings in water and energy in a cost efficient manner;

iii Develop cost effective strategies to ensure that residue/by-products generated in our operations are collected and processed in a manner suitable for recycling and/or disposal with the least possible impact on the environment;

iv Assess the environmental impacts of new products, processes and major projects before development;

v Encourage the necessary awareness among our employees on issues of the environment. This is to engender active involvement in maintaining a clean and tidy working environment and to act in an environmentally responsible way;

vi Promote environmental sustainability by regular dialogue with our immediate communities and the regulating authorities on how to improve on environmental care;

vii Publish a bi-annual environmental report.

21. Conflict of Interests

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

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

22. Corporate Governance

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

(a) The Board of Directors

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

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

DIRECTORS' REPORT (Cont'd)

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

Name	* No. of Meetings Held	No. of Meetings Attended
Chief Kolawole B. Jamodu, OFR	5	5
Mr. Nicolaas A. Vervelde	5	5
Mr. Olusegun S. Adebanji	5	5
Mr. Walter L. Drenth	5	5
Mr. Hubert I. Eze	5	5
Mr. Victor Famuyibo	5	5
Mr. Jasper C. Hamaker	5	5
Mr. Sijbe Hiemstra	5	5
Mr. Thomas A. de Man	5	4
Mr. Frank Nweke II	5	4
Mrs. Ifueko M. Omoigui Okauru	5	2*
Mr. Atedo N.A. Peterside, CON	5	5
Mr. Hendrik A. Wymenga	5	5

* In the course of the year, Mrs. Omoigui Okauru accepted an offer for a resident fellowship programme at Harvard University in the United States of America. She had the Board's approval to go on the programme and so was unable to physically attend subsequent meetings.

(b) Executive Committee

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

Name	No. of Meetings Held	No. of Meetings Attended
Mr. Nicolaas A Vervelde	18	17
Mr. Walter L. Drenth	18	15
Mr. Hubert I. Eze	18	15
Mr. Victor Famuyibo	18	16
Mr. Jasper C. Hamaker	18	15
Mr. Hendrik A. Wymenga	18	13
Mr. Yusuf Ageni	13	12*
Mr. Kufre Ekanem	5	5*
Uaboi G. Agbebaku, Esq.	18	15

* During the time he was a member of the Committee

(c) Nomination Committee

The Nomination Committee is currently composed as follows:

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

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

(d) Remuneration Committee

The Remuneration Committee is composed as follows:

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

This Committee has responsibility for reviewing executive remuneration and determines specific remuneration packages for Directors. The Committee met once during the year under review.

DIRECTORS' REPORT (Cont'd)

(e) Audit Committee

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

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

The statutory functions of the Committee are provided for in Section 359(6) of CAMA.

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

(f) Risk Management Committee

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

The committee is made up as follows:

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

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

The Committee met twice during the year under review. All the members were present.

(g) Board Evaluation

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

(h) Regulations for Dealing in Shares

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

23. Independent Auditors

Messrs KPMG Professional Services served as the Independent Auditors during the year under review.

In accordance with Section 357(2) of CAMA, Messrs KPMG Professional Services have indicated their willingness to continue in office as Independent Auditors to the Company.

Dated the 12th day of February, 2014.

By Order of the Board.

Uaboi G. Agbebaku, Esq.
Company Secretary/Legal Adviser
Iganmu House
Abebe Village Road, Iganmu
Lagos, Nigeria.
FRC/2013/nba/00000001003

His Excellency, Ambassador Nuhu Bagoja, Deputy Governor, Kaduna State with Nicolaas Vervelde, MD/CEO, Nigerian Breweries Plc and Most Rev. (Dr.) Matthew Man-Oso Ndaguso, Proprietor of St. Gerard's Hospital and Catholic Archbishop of Kaduna, at the commissioning of the CT Scan Machine donated by Nigerian Breweries to St. Gerard's Hospital in Kaduna State.

Mrs. Emete Tonukari, CSR and Sustainability Manager,(4th from left) and Mr. Chidi Nkwonta, Lagos State Sector Commander, Federal Road Safety Commission with other stakeholders during one of the NB sponsored 2013 **'Don't Drink and Drive'** campaign.

Mrs. Modupe Ogunrinde, Principal, Eric Moore Senior High School (4th from left) receiving a set of books from Mrs. Clementine Vervelde, Project Champion, during the 2013 Beyond the School programme. With them are Kufre Ekanem, Corporate Affairs Adviser, (2nd from left), Emete Tonukari, CSR/Sustainability Manager (1st from right) and the school senior prefects.

Walter Drenth, Marketing Director (1st Left) and Nicolaas Vervelde, MD/CEO (Centre) with members of the marketing team celebrating the 2013 Advertisers Association of Nigeria (ADVAN) Awards for Marketing Excellence won by Star, Heineken, Legend and Maltina.

Dame Joy Igwe of Ifeoma Chukwuka Nigeria Ltd., NB 2013 National Volume winner and her husband, Sir Gabriel Igwe (centre) with Mr. & Mrs. Vervelde (1st left) and Hubert Eze, Sales Director during the Customer Award event.

(L-R): Mrs. Ethel Uche, Brewery Manager, Lagos; Dr. Tunji Bello, Lagos State Commissioner for Environment and Taofeek Tijani, Lagos State Commissioner for Energy and Mineral Resources, with the MD/CEO, Nigerian Breweries, Nicolaas Vervelde at the official commissioning of the Abebe Village Road Street Light project funded by Nigerian Breweries.

Members of Nigerian Breweries' Finance Division with staff and pupils of Okesuna High School, Lagos after a donation of learning and recreation items by the Finance Team to the school.

Udoh Charles Rapuluchukwu (middle), a participant at the 2013 Nigerian Breweries' sponsored Creative Writing Workshop receiving his certificate from Nicolaas Vervelde, MD/CEO of Nigerian Breweries. Left is Chimamanda Ngozi Adichie, facilitator of the workshop.

(L-R): Samson Aigbedo, Head of Brewery Operations and Engr. Adebola Shabi, General Manager, Lagos State Environmental Protection Agency (LASEPA), planting a tree to commemorate the 2013 Tree Planting Day in Lagos State.

Nuhu Dogo Makama, Senior Special Assistant on Lands to the Kaduna State Governor commissions a block of classrooms donated by Nigerian Breweries to Government Secondary School, Kudenda, Kaduna State. With him are Kufre Ekanem, Corporate Affairs Adviser, Nigerian Breweries and Titus Ezema, Brewery Manager, Kaduna.

Victor Famuyibo, Human Resources Director, Nigerian Breweries, with Engineer Murphy Ipaye, President, Igbobi College Old Boys Association (ICOBA) and Mrs. Omolara Ajayi, Member, Governing Board, ICOBA during the commissioning of a renovated block of classrooms and library donated by Nigerian Breweries.

His Excellency, Mr. Peter Obi, then Governor of Anambra State (4th from left) commissions a block of classrooms donated by Nigerian Breweries to Urban Girls Secondary School, Fegge, Onitsha. With him are Dr. Uju Okeke, commissioner for Education, (5th from left) and students of the School.

(L-R) Members of the NB Golden Pen Award Jury, Gbenga Adefaye and Dr. Yemi Ogunbiyi; winner of the NB 2013 Golden Pen Award, Sylva Emeka Okereke; former Corporate Affairs Adviser, Yusuf Ageni and other members of the Jury, Mrs. Nkechi Ali-Balogun and Professor Ralph Akinfeleye at the 2013 Golden Pen Award.

Mrs. Taba Peterside, Head of Listings, Business Development at The Nigerian Stock Exchange with Mr. Segun Ogunsanya, MD/CEO of Airtel Nigeria flanking Kufre Ekanem, Corporate Affairs Adviser, Nigerian Breweries after presenting the 2013 Pearl Awards for sectoral leadership to Nigerian Breweries for the 18th consecutive year.

Mr. Emmanuel Usiakpor, CEO, Joza Global Logistic Ltd., National Key Transporter of the year 2013 and his wife with Nicolaas Vervelde, MD/CEO of Nigerian Breweries at the 2013 Customer Award event.

Chief Kola Jamodu, Chairman, Nigerian Breweries, Siep Hiemstra, Heineken Regional President for Africa & Middle East and Nico Vervelde, MD/CEO, Nigerian Breweries at the commissioning of The STAR ACADEMY, Nigerian Breweries' ultra-modern training and development centre.

The second season of the Legend Real Deal National Consumer Promotion was indeed rewarding for the loyal consumers of the brand as Legend Extra Stout took consumer promotion to a new dimension, rewarding twenty five lucky consumers with an all-expense paid trip to Dubai and lots of instant gifts.

The plush 'Party for the Originals' event was the official launch of the Fayrouz L'Original Expression Show; the biggest ever Fashion and Lifestyle contest which showcased and celebrated undergraduates with talents in photography, fashion designing, make-up, hair styling and modelling.

TRADE MARK

Heineken®

open your world

In 2013, Heineken challenged 350 consumers to go beyond their borders to get to the UEFA Champions League Final with the 'Race to the Final' Challenge.
Using the latest digital interaction technology, Heineken tasked consumers to solve puzzles through their social media platforms in order to unlock locations in the race.
Five consumers emerged winners of this World Class Experience to see the UCL Final match live in the Wembley Stadium, London.

LOW SUGAR

AMSTEL MALTA

"In March 2013, Amstel Malta, brought together the best of the African entertainment industry through the AMVCA for a night of glamour and celebration of success.
The African Movie Viewers Choice Award AMVCA recognized and rewarded Amstel Malta's very own 2007 AMBO winner, O.C Ukeje and Ivie Okujaye who both leveraged on the brand's message: 'Be the Best You Can Be'.

STAR
SHINE ON

"Celebrations are synonymous with Star! Be it the launch of our music theme 'Rockstar'; an innovative industry first full sleeve limited edition bottle packaging buttressing Star's leadership position or the ushering of 2014 with the special package Star 'Champagne' bottle."

Goldberg Fuji T'o Bam is the first ever Fuji musical talent competition in Nigeria. The competition allows aspiring Fuji Talents/bands to contest for the title of The best Fuji Band in the West (Ekiti, Ondo, Osun and Oyo States). "ANTENNA" became the first winner of The grand prize proudly presented by The King of Fuji Music – KWAM 1.

GUS 10 COURTESY VISIT:
Left Picture: GUS 10 Participants on a courtesy visit to Governor Godswill Akpabio of Akwa Ibom State.

GUS FANS' EDITION:
Right Picture: Mr. Navin Chander (General Manager, CFAO), Comrade Kalu Kalu (first winner GUS Fans' Edition) and Mr. Nicolaas Vervelde (MD/CEO, NB) during the presentation of the keys to a brand new Mitsubishi Pajero.

CARNIRIV, an annual celebration of the remarkable culture and rich heritage of the people of Rivers State.
It is celebrated with its unique blends of culture, music and entertainment.
Maltina was on hand to share in this awesome expression of happiness, and rejoice with the people of Rivers.

CORPORATE SOCIAL RESPONSIBILITY

Our Company's Corporate Social Responsibility policies and activities are defined by our Brewing a Better Future (BaBF) programme. The BaBF programme sets out our long-term integrated approach to creating genuine shared value for all our stakeholders for today and the future. Sustainability is a critical factor in how we manage our business and it is an enabler of our business priorities. Our BaBF ambition spans three strategic imperatives around which we have built our commitments and programmes:

- To continuously IMPROVE the environmental impact of our brands and business.
- To EMPOWER our people and the communities in which we operate
- To positively IMPACT the role of beer in society.

Over the years we have remained focused on these strategic imperatives to support our commitment to *Winning with Nigeria*. In 2013, we reviewed our BaBF priorities and created a more focused sustainability agenda. These are: Protecting Water Sources, Reducing CO_2 Emissions, Sustainable Sourcing and Advocating Responsible Consumption. In 2013, we maintained our strategic initiatives and interventions to remain active in supporting the developmental aspirations of our nation. Highlights of our Sustainability and CSR activities are given below.

Protecting Water Sources:
Our commitment is to reduce our water consumption in our Breweries by 25% to attain 3.7hl/hl by 2020 and to aim for water balancing by our production units in water scarce and distressed areas. In 2013, we achieved a 17% reduction in our water consumption from 5.62hl/hl in 2012 to 4.68hl/hl. Additionally, we constructed and donated solar powered boreholes to communities in Kaduna and Ibadan as part of our water balancing program. We also commenced construction of a wastewater treatment plant in our Aba Brewery which will be completed in 2014.

Reducing CO_2 Emissions:
We are committed to reducing CO_2 emission in our Breweries by 40%, and to reduce CO_2 emission of our fridges by 50% by the year 2020. In 2013, we decommissioned the old diesel fired power plant in our Lagos Brewery and installed a new natural gas-powered power plant with resulting impact of less CO_2 emissions. We also installed solar-powered street lights in our Kaduna Brewery thereby reducing fuel dependent energy requirement for lighting. To support green distribution we introduced lightweight packaging materials in our soft drink brands.

Sourcing Sustainably:
We have a commitment to ensure that the vast majority of our bought in materials and services are generated through local sources and to ensure 100% compliance to our supplier code procedures. In 2013, we strengthened and sustained our Sorghum Value Chain Program through the commercialization of two hybrid seeds previously developed. We are currently working with local agro allied companies to develop glucose syrup for our operations from cassava towards the stated objective of increased local sourcing. As part of our local sourcing agenda 100% of our packaging material requirement is now being fulfilled using local sources.

Advocating Responsible Consumption:
We have committed to making responsible consumption aspirational and developing a measurable partnership aimed at addressing alcohol abuse and delivering on all our industry commitments. In 2013, we continued with the sponsorship of the Don't Drink and Drive public campaign to improve safety on our roads. The programme, executed in partnership with the Federal Road Safety Commission, featured public enlightenment rallies in Lagos, Lokoja, Ado-Ekiti and Ilorin with the full and active participation of the major stakeholders in the country's transport sector.

Youth Empowerment:
The thrust of our youth empowerment agenda is "Youth Empowerment through Talent Development". Our aim is to identify the diverse talents that abound in Nigeria and to nurture and develop them as key national assets. One of the programmes through which we demonstrate our commitment in this area is the Creative Writing Workshop, organised in conjunction with Farafina Trust. The workshop offers a unique platform to budding writers to learn and interact with international writers of repute led by the award-winning Chimamanda Ngozi Adichie. In 2013, the Workshop took place for the fifth consecutive year.

Our collaboration with the African Artistes Foundation continued in 2013 when we sponsored the sixth edition of the National Arts Competition, NAC, with the theme, "IDENTITY: Who Do You Think You Are?" The event, in addition to demonstrating the essence of our youth empowerment strategy, shows our active involvement in the promotion of arts and culture in Nigeria.

Educational Development:
Through the Nigerian Breweries-Felix Ohiwerei Education Trust Fund ("the Trust Fund"), our Company has continued to support the development of education in Nigeria in diverse ways. In 2013, the Trust Fund built, renovated and furnished a total of 35 classrooms and 6 libraries in six states spread across Nigeria and also provided essential text books to the Libraries of an additional 16 schools.

CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

The Trust Fund also sustained the Beyond-The-School program, a career guidance initiative for Senior Secondary Schools launched in 2011 to further expand the frontiers of our support for education. The objective is to expose students to career options and build their understanding of the key issues to consider in making career choices. The Beyond-The-School program entails the organization of Career Talks to students in SSS1-3 and the donation of books among other things.

Health Care Infrastructure:
In conjunction with the Heineken Africa Foundation (HAF), Nigerian Breweries continued to provide vital support to various health institutions across the country. These included; donation of C-T Scan equipment to St. Gerrard Hospital Kaduna, partnering with the Lagos State Ministry of Health to fund the construction of an accident and emergency center in Badagry, renovation and donation medical equipment to Agbala Accident & Emergency Center, Ikorodu, and renovation and donation new medical equipment to Eziama Health Centre in Aba.

Sports Development:
In continuation of our active participation in the development of sports and recreation in Nigeria, we continued our sponsorship of various sporting activities around the country in 2013. These included sponsorship of Lawn tennis tournaments in Ibadan, Aba and Enugu, Polo tournaments in Ibadan and Kaduna, Squash tournaments in Aba and Ibadan, and the sponsorship of the 36th edition of the Nigerian Breweries Plc International Open Chess Championship in partnership with the Nigerian Chess Federation.

Conclusion:
As we work to create value in our business, Corporate Social Responsibility remains a strategic element of our operations; we remain committed to our CSR and sustainability objectives. We are fully focused on making a positive contribution to the development of our society through strategic and constructive engagements with critical stakeholders and critical contribution to our commitments. Going forward, we are poised to show even greater commitment to *Winning with Nigeria* and to further establish that we are indeed more than a brewing company.

AUDIT COMMITTEE'S REPORT

TO THE MEMBERS OF NIGERIAN BREWERIES PLC

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

(a) the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

(b) the scope and planning of both the external and internal audit for the year ended 31st December, 2013 are satisfactory. The internal audit programmes reinforce the Company's internal control system;

(c) having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

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

Members of the Audit Committee are:

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

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

Dated the 12th day of February, 2014

Chief Timothy A. Adesiyan
Chairman, Audit Committee
FRC/2013/IODN/00000003745

Chief Timothy A. Adesiyan | Dr. Victor T. Gugong | Mazi Samuel C. Mpamaugo | Mr. Olusegun S. Adebanji | Mr. Hubert I. Eze | Mr. Sijbe Hiemstra

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Internet	www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

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 statement of financial position as at December 31, 2013, the income statement and statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 91.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position **Nigerian Breweries Plc** ("the Company) as at December 31, 2013, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements

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

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

Signed:
Adetola P. Adeyemi, FCA
FRC/2012/ICAN/00000000620

For: KPMG Professional Services
Chartered Accountants
12 February 2014
Lagos, Nigeria

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER

	Notes	2013 ₦'000	2012 ₦'000
ASSETS			
Property, plant and equipment	12	153,366,133	142,348,420
Intangible assets and goodwill	13	53,563,357	53,987,573
Investments	15	150,000	150,000
Other receivables	16	158,884	148,700
Prepayments	17	235,790	132,309
Non-current assets		**207,474,164**	**196,767,002**
Inventories	18	20,643,153	24,652,723
Trade and other receivables	19	14,212,062	19,929,893
Prepayments	17	764,588	902,910
Deposit for imports	20	136,818	1,866,896
Cash and cash equivalents	21	9,528,848	9,514,205
Current assets		**45,285,469**	**56,866,627**
Total assets		**252,759,633**	**253,633,629**
EQUITY			
Share capital		3,781,353	3,781,353
Share premium		4,567,967	4,567,967
Share based payment reserve		50,114	152,536
Retained earnings		103,959,751	84,946,036
Total equity		**112,359,185**	**93,447,892**
LIABILITIES			
Loans and borrowings	24(a)	9,000,000	45,000,000
Employee benefits	25	9,274,733	5,966,719
Deferred tax liabilities	27	21,830,000	22,384,550
Non-current liabilities		**40,104,733**	**73,351,269**
Current tax liabilities	10(c)	24,086,538	19,493,550
Dividend payable	23(b)	6,376,528	5,648,226
Trade and other payables	28	69,832,649	61,692,692
Current liabilities		**100,295,715**	**86,834,468**
Total liabilities		**140,400,448**	**160,185,737**
Total equity and liabilities		**252,759,633**	**253,633,629**

Approved by the Board of Directors on the 12th of February, 2014 and signed on its behalf by:

) Chief Kolawole B. Jamodu *(Chairman)* FRC/2013/ICAN/00000001617

) Mr. Nicolaas A. Vervelde *(Managing Director/CEO)* FRC/2013/IODN/00000002016

) Mr. Jasper C. Hamaker *(Finance Director)* FRC/2013/IODN/00000001002

The notes on pages 49 to 91 are an integral part of these financial statements.

INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2013 ₦'000	2012 ₦'000
Revenue	5	268,613,518	252,674,213
Cost of sales		(132,136,476)	(127,222,069)
Gross profit		**136,477,042**	**125,452,144**
Other income	6	2,075,411	2,000,263
Marketing and distribution expenses		(42,949,612)	(39,450,652)
Administrative expenses		(26,431,464)	(23,390,166)
Results from operating activities		**69,171,377**	**64,611,589**
Finance income	7(a)	551,250	559,842
Finance costs	7(b)	(7,482,310)	(9,547,065)
Net finance costs		**(6,931,060)**	**(8,987,223)**
Profit before tax	8	**62,240,317**	**55,624,366**
Income tax expense	10(a)	(19,159,968)	(17,581,652)
Profit after tax		**43,080,349**	**38,042,714**
Profit for the year attributable to:			
Owners of the Company		43,080,349	38,042,714
Profit for the year		**43,080,349**	**38,042,714**
Earnings per share			
Basic earnings per share (kobo)	11	**570**	**503**
Diluted earnings per share (kobo)	11	**570**	**503**

The notes on pages 49 to 91 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2013 ₦'000	2012 ₦'000
Profit for the year		**43,080,349**	**38,042,714**
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Actuarial (losses) and gains	25(f)	**(1,581,984)**	**19,353**
Other comprehensive income, net of tax		**(1,581,984)**	**19,353**
Total comprehensive income for the year		**41,498,365**	**38,062,067**
Total comprehensive income for the year attributable to:			
Owners of the Company		41,498,365	38,062,067
Total comprehensive income for the year		**41,498,365**	**38,062,067**

The notes on pages 49 to 91 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	Share capital ₦'000	Share premium ₦'000	Share based payment reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1st January 2013		**3,781,353**	**4,567,967**	**152,536**	**84,946,036**	**93,447,892**
Profit for the year		-	-	-	43,080,349	**43,080,349**
Other comprehensive income for the year		-	-	-	(1,581,984)	**(1,581,984)**
Total comprehensive income for the year		**-**	**-**	**-**	**41,498,365**	**41,498,365**
Transaction with owners, recorded directly in equity						
Share based payment charge	26	-	-	(65,902)	-	**(65,902)**
Share based payment recharge		-	-	(36,520)	-	**(36,520)**
Dividends	23(b)	-	-		(22,688,113)	**(22,688,113)**
Unclaimed dividends written back	23(b)	-	-	-	203,463	**203,463**
Total transactions with owners		**-**	**-**	**(102,422)**	**(22,484,650)**	**(22,587,072)**
Balance at 31st December 2013		**3,781,353**	**4,567,967**	**50,114**	**103,959,751**	**112,359,185**

The notes on pages 49 to 91 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2012

	Notes	Share capital ₦'000	Share premium ₦'000	Share based payment reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1st January 2012		**3,781,282**	**4,568,038**	**94,534**	**69,860,887**	**78,304,741**
Profit for the year		-	-	-	38,042,714	**38,042,714**
Other comprehensive income for the year		-	-	-	19,353	**19,353**
Total comprehensive income for the year		**-**	**-**	**-**	**38,062,067**	**38,062,067**
Transaction with owners, recorded directly in equity						
Issue of ordinary shares		71	(71)	-	-	-
Share based payment charge	26	-	-	80,805	-	**80,805**
Share based payment recharge		-	-	(22,803)	-	**(22,803)**
Dividends	23(b)	-	-	-	(22,687,687)	**(22,687,687)**
Unclaimed dividends written back	23(b)	-	-	-	96,438	**96,438**
Total transactions with owners		**71**	**(71)**	**58,002**	**(22,591,249)**	**(22,533,247)**
Subsidiaries post-acquisition loss		**-**	**-**	**-**	**(385,669)**	**(385,669)**
Balance at 31st December 2012		**3,781,353**	**4,567,967**	**152,536**	**84,946,036**	**93,447,892**

The notes on pages 49 to 91 are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2013 N'000	2012 N'000
Cash flows from operating activities			
Profit for the year		43,080,349	38,042,714
Adjustments for:			
Depreciation and impairment loss	12	21,188,510	18,151,126
Amortization of intangible assets	13	551,928	379,446
Finance income	7(a)	(551,250)	(559,842)
Interest expenses	7(b)	4,882,661	7,261,020
Gratuity, employee benefit charges and share based payment		2,104,688	1,317,125
Gain/(loss) on sale of property, plant and equipment		731,513	(12,613)
Income tax expense	10(a)	19,159,968	17,581,652
		91,148,367	**82,160,62**
Change in:			
Inventories		4,009,570	(2,542,518)
Trade and other receivables		5,707,647	(8,027,084)
Prepayments		34,841	(202,984)
Trade and other payables		20,217,280	14,641,020
Deposit for imports		1,730,078	(733,481)
Cash generated from operating activities		**122,847,783**	**85,295,581**
Income tax paid	10(c)	(14,443,534)	(17,626,681)
Gratuity paid	25(a)	(842,525)	(1,235,030)
Long service awards paid	25(b)	(316,551)	(241,406)
VAT paid*		(12,077,323)	(10,303,876)
Net cash from operating activities		**95,167,850**	**55,888,588**
Cash flows from investing activities			
Finance income		551,250	559,842
Proceeds from sale of property, plant and equipment		59,804	120,250
Acquisition of property, plant and equipment	12	(32,997,540)	(37,896,759)
Acquisition of intangible assets	13	(127,712)	-
Net cash used in investing activities		**(32,514,198)**	**(37,216,667)**
Cash flows from financing activities			
Proceeds from loans and borrowings	24	-	7,000,000
Repayment of loans and borrowings	24(a)	(36,000,000)	(9,000,000)
Interest paid		(4,882,661)	(7,261,020)
Dividends paid	23(b)	(21,756,348)	(21,664,981)
Net cash used in financing activities		**(62,639,009)**	**(30,926,001)**
Net increase/(decrease) in cash and cash equivalents		14,643	(12,254,080)
Cash and cash equivalents at 1st January		9,514,205	20,724,342
Cash and Cash equivalents acquired through merger	14	-	1,043,943
Cash and cash equivalents at 31st December	21	**9,528,848**	**9,514,205**

The notes on pages 49 to 91 are an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

1. Reporting entity

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

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Directors on 12th February 2014.

(a) **Basis of measurement**

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

- Liabilities for equity-settled share-based payment arrangements
- Defined benefit obligations
- Non-derivative financial instruments at fair value through profit or loss

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

(b) **Functional and presentation currency**

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

(c) **Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

Note 13 - Goodwill - key assumptions underlying recoverable amount of CGU
Note 25 - Measurement of defined benefit obligations - key actuarial assumptions
Note 31 - Contingencies - key assumptions about the likelihood and magnitude of an outflow of resources

(d) **Measurement of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair value is included in Financial Risk Management and Financial Instruments (note 29).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as indicated in notes 3(d) (iii) and 3(t).

(a) (i) **Business combinations**

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

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

(ii) **Acquisitions of non-controlling interests**

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

(iii) **Subsidiaries**

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are modified where necessary to align them with the policies adopted by the Company.

(iv) **Structured entities**

Structured entities are entities in which the Company is involved and which are designed so that their activities are not governed by way of voting rights. The Company either holds an interest, or does not hold an interest but is a sponsor. The Company considers itself a sponsor of a structured entity when it facilities the establishment of that structured entity. In assessing whether the company has power over such entities in which it has an interest, the company considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

For additional disclosures on the Company's involvement in unconsolidated structured entities, See notes 15 and 32 (c).

(v) **Loss of control**

On the loss of control, the Company derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or at cost less impairment losses depending on the level of influence retained.

(b) **Foreign currency transactions**

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) **Financial instruments**

(i) **Non-derivative financial assets**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

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

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

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

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

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

(iii) **Share capital**
The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(d) **Property, plant and equipment**

(i) **Recognition and measurement**
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment was determined by reference to the previous (Nigerian) GAAP revaluation on 30th June 1995 by Knight Frank (Nigeria) - Chartered Surveyors.

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

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

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

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

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

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

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

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

- Leasehold Land - Lease period
- Buildings - 15 to 40 years
- Plant and Machinery - 5 to 30 years
- Motor Vehicles - 5 years
- Furniture and Equipment - 3 to 5 years
- Returnable Packaging Materials - 7 to 8 years (note 12 (f))

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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

(e) **Intangible assets**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

(iii) **Other Intangible assets**
Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

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

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

(v) **Amortization of Intangible assets other than goodwill**
Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Goodwill is not amortized. The estimated useful life for the current and comparative period is as follows:

Computer software	-	7 years
Distribution network	-	15 years

(f) **Leases**

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

Raw materials, non-returnable packaging materials, spare parts and purchased finished goods	-	purchase cost on a weighted average basis including transportation and clearing costs.
Brewed finished products and products-in-process	-	weighted average cost of direct materials, labour costs and a proportion of production overheads based on normal operating capacity.
Inventory-in-transit	-	purchase cost incurred to date.

(h) **Impairment**

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(ii) **Non-financial assets**

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

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

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

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

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

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

(i) **Employee benefits**

(i) **Defined contribution plan**

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

Employees contribute 6% of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis. The Company's contribution is 11% and 9% of each employee's Basic salary, Transport & Housing Allowances for non-management and management employees respectively.

(ii) **Gratuity**

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

(a) **Defined benefit gratuity scheme**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(b) **Defined contribution gratuity scheme**

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

(c) **Post-retirement medical benefit scheme**

The company has a post-employment medical benefits scheme for its pensioners and employees, including their spouses.

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

(iii) **Other long-term employee benefits**

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

(iv) **Termination benefits**

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

(v) **Short-term employee benefits**

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

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

(vi) **Share-based payment transactions**

Share-based payment arrangements in which the Company receives goods or services and has no obligation to settle the share-based payment transaction are accounted for as equity-settled share-based payment transactions. All other share based payment arrangements are accounted for as cash settled. As from 1st January 2006 Heineken N.V, the parent

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Company, established a share based payment plan for key management personnel, including certain senior management of Nigerian Breweries Plc. The grant date fair value of the share rights granted is recognized as personnel expenses with a corresponding increase in equity (Share-based payment reserve) as a capital contribution from Heineken N.V, over the period that the employees become unconditionally entitled to the share rights.

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

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

(j) **Provisions and contingent liabilities**

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(m) **Income and deferred tax**

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

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

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

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

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

i. the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future

iii. temporary differences arising on the initial recognition of goodwill.

(n) **Earnings per share (EPS)**

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

(o) **Segment reporting**

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

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

All operating segments' operating results are reviewed regularly by the Executive Committee, which is considered to be the chief operating decision maker for the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
Where applicable, Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(p) **Loans and borrowings**

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(r) **Dividends**
Dividends are recognized as liability in the period they are declared.

Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of the Companies and Allied Matters Act of Nigeria are written back to retained earnings.

(s) **New standards and interpretations not yet adopted**
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The extent of the impact of these standards is yet to be determined. The Company does not plan to adopt these standards early

IFRS 9 Financial Instruments (2010) - Effective for annual periods beginning on or after 1 January 2018.

(t) **Changes in accounting policies**
New IFRS standards and amendments to existing standards that became effective for annual periods commencing on or after 1 January 2013, that have been applied in preparing the financial statements are stated below.

a. IFRS 10 - Consolidated Financial Statements (2011)
b. IFRS 12 - Disclosure of Interests in Other Entities
c. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
d. IFRS 13 – Fair Value Measurement

(i) As a result of IFRS 10, the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investee (see note 3(a) (iii)).

(ii) As a result of IFRS 12, the Company has expanded its disclosures about its interest in subsidiaries and structured entities (see note 3 (a) (iv).

(iii) As a result of the amendments to IAS 1, the Company has modified its presentation of items in Other Comprehensive Income (OCI) to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been represented accordingly (see Statement of Comprehensive Income for the year ended 31 December).

(iv) IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with the transitional provision of IFRS 13, the Company applied the new fair value measurement guidance prospectively (see note 29).

These new and amended standards resulted in additional disclosures as noted above but had no significant impact on the measurements of the Company's assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. See note 29 (g) for basis of determination of fair value for financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) **Property, plant and equipment**

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

(ii) **Intangible assets**

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

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

(iii) **Inventories**

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

(iv) **Trade and other receivables**

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

(v) **Share-based payment transactions**

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

(vi) **Non-derivative financial instruments**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. Revenue

	2013 ₦'000	2012 ₦'000
Nigeria	268,360,206	252,482,817
Export	253,312	191,396
	268,613,518	**252,674,213**

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

6. Other income

	2013 ₦'000	2012 ₦'000
Sale of scrap	278,431	150,824
Contract brewing services	1,796,980	1,849,439
	2,075,411	**2,000,263**

7. Finance income and costs

(a) Finance income represents interest income earned on bank deposits.

	2013 ₦'000	2012 ₦'000
Interest income on bank deposits	**551,250**	**559,842**

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

	2013 ₦'000	2012 ₦'000
Interest expense on loans and borrowings	4,843,729	7,038,678
Interest expense on overdraft	38,932	222,342
Unwinding of discount on employee benefits	773,854	679,558
Net loss on foreign exchange transactions	1,825,795	1,606,487
Finance cost	**7,482,310**	**9,547,065**

In prior year the Company classified unwinding of discount on its obligation for the long term employee benefits as part of administrative expenses. Management believes it is more appropriate to classify the unwinding of discount as part of finance cost. Accordingly the current year unwinding of discount on long term employee benefits has been included in the finance cost and the prior year comparative has been reclassified.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Profit before taxation

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

	Notes	2013 ₦'000	2012 ₦'000
Depreciation of property, plant and equipment	12	21,188,510	16,840,778
Impairment of property, plant and equipment	12	-	1,310,348
Amortization of intangible assets	13	551,928	379,446
Auditors' remuneration		40,043	45,801
Personnel expenses	9	27,645,906	23,919,971
Directors' remuneration	8(b)	432,788	352,333
Loss/(gain) on property, plant and equipment disposed		731,513	(12,613)
Lease rental payments	30	283,806	226,240
Royalty and technical assistance fees		9,366,025	8,302,562

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

	2013 ₦'000	2012 ₦'000
Fees:		
Chairman (non-executive)	2,200	1,983
Other non-executive directors	8,400	8,328
	10,600	10,311
Remuneration as executive directors	422,188	342,022
	432,788	**352,333**

The emolument (excluding pension contributions and certain benefits) of the highest paid director was ₦106,794,623 (2012: ₦97,190,048).

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

	2013 Number	2012 Number
₦300,001 - ₦4,000,000	6	7
₦20,000,001 - ₦30,000,000	-	1
₦30,000,001 and above	5	4

9. Personnel expenses

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

	2013 ₦'000	2012 ₦'000
Salaries, wages and allowances	19,155,265	18,204,079
Contributions to defined contribution plans	2,756,296	2,172,253
Expenses related to defined benefit plans	53,225	522,311
Training, recruitment and canteen expenses	2,109,478	1,944,958
Share based payments (credits)/ expenses	(65,902)	80,805
Medical expenses	645,676	633,468
Other personnel expenses	2,991,868	362,097
	27,645,906	**23,919,971**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	2013 Number	2012 Number
Production	1,926	2,010
Distribution	136	249
Commercial	636	480
General administration	497	475
	3,195	**3,214**

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

	2013 Number	2012 Number
₦500,000 and below	54	26
₦500,001 - ₦600,000	20	237
₦600,001 - ₦700,000	5	325
₦700,001 - ₦800,000	61	60
₦800,001 - ₦900,000	2	56
₦900,001 - ₦1,000,000	16	110
₦1,000,001 - ₦1,100,000	52	66
₦1,100,001 - ₦1,200,000	37	12
₦1,200,001 - ₦1,300,000	11	46
₦1,300,001 - ₦1,400,000	2	83
₦1,400,001 - ₦1,500,000	4	83
₦1,500,001 - ₦1,600,000	29	105
₦1,600,001 - ₦1,700,000	85	67
₦1,700,001 - ₦1,800,000	105	80
₦1,800,001 - ₦1,900,000	62	68
₦1,900,001 - ₦2,000,000	257	77
₦2,000,001 - ₦2,250,000	280	173
₦2,250,001 - ₦2,500,000	192	165
₦2,500,001 - ₦2,750,000	203	174
₦2,750,001 - ₦3,000,000	203	194
₦3,000,001 - ₦3,500,000	359	199
₦3,500,001 - ₦4,000,000	227	155
₦4,000,001 - ₦5,000,000	296	206
₦5,000,001 - ₦6,000,000	165	86
₦6,000,001 - ₦8,000,000	151	140
₦8,000,001 - ₦10,000,000	114	43
₦10,000,001 - ₦15,000,000	91	85
₦15,000,001 - ₦20,000,000	55	55
N20,000,001 - N30,000,000	49	32
₦30,000,001 and above	8	6
	3,195	**3,214**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. Taxation

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

	2013 ₦'000	2012 ₦'000
Current tax expense		
Income tax	17,487,744	15,863,579
Tertiary education tax	1,548,778	1,333,675
	19,036,522	17,197,254
Deferred tax expense		
Origination and reversal of temporary differences	123,446	384,398
	19,159,968	**17,581,652**

(b) **Reconciliation of effective tax rate**

	%	2013 ₦'000	%	2012 ₦'000
Profit before income tax		**62,240,317**		**55,624,366**
Income tax using the statutory tax rate	30.0	18,672,095	30.0	16,687,310
Impact of tertiary education tax	2.5	1,548,778	2.4	1,333,675
Effect of tax incentives and exempted income	(0.6)	(377,454)	(0.9)	(492,798)
Non-deductible expenses	0.1	56,637	0.1	79,985
Other reconciling items	(1.2)	(740,088)	-	(26,520)
	30.8	**19,159,968**	**31.6**	**17,581,652**

(c) **Movement in current tax liability**

	2013 ₦'000	2012 ₦'000
Balance at 1st January	19,493,550	19,922,977
Payments during the year	(14,443,534)	(17,626,681)
Charge for the year	19,036,522	17,197,254
Balance at 31st December	**24,086,538**	**19,493,550**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. Earnings per share

(a) **Basic earnings per share**

Basic earnings per share of 570 kobo (2012: 503 kobo) is based on the profit attributable to ordinary shareholders of ₦43,080,349,000 (2012: 38,042,714,000), and on the 7,562,704,432 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue (2012: 7,562,633,386):

	2013	2012
Weighted average number of ordinary shares		
Issued ordinary shares at 1st January	7,562,704,432	7,562,562,340
Effect of issued shares in July 2012	-	71,046
Weighted average number of ordinary shares	**7,562,704,432**	**7,562,633,386**

(b) **Diluted earnings per share**

Diluted earnings per share of 570 kobo (2012: 503 kobo) is based on the profit attributable to ordinary shareholders of ₦43,080,349,000 (2012: ₦38,042,714,000), and on the 7,562,704,432 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue (2012: 7,562,704,432) after adjustment for the effects of all dilutive potential ordinary shares:

	2013	2012
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares	7,562,704,432	7,562,562,340
Effect of issued shares in July 2012	-	142,092
Weighted average number of ordinary shares	**7,562,704,432**	**7,562,704,432**

(c) **Dividend declared per share**

Dividend declared per share of 300 kobo (2012: 300 kobo) is based on total declared dividend of ₦22,688,113,296 (2012: ₦22,687,687,020) and on 7,562,704,432 ordinary shares of 50 kobo each, being the ordinary shares in issue (2012: 7,562,562,340).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Property, plant and equipment

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

	Leasehold Land ₦'000	Buildings ₦'000	Plant and Machinery ₦'000	Motor Vehicles ₦'000	Furniture and Equipment ₦'000	Returnable Packaging Materials ₦'000	Capital Work-in-Progress ₦'000	Total ₦'000
Cost								
Balance at 1st January 2013	**6,986,709**	**34,032,109**	**108,251,541**	**9,292,345**	**10,049,080**	**69,523,221**	**6,035,851**	**244,170,856**
Additions	2,100	874,226	5,094,406	1,783,066	2,351,114	6,605,833	16,286,795	32,997,540
Disposals	-	(3,461)	(1,449,363)	(596,029)	(4,825)	-	-	(2,053,678)
Transfers from capital work-in-progress	-	2,311,587	2,925,736	22,117	58,077	(212,060)	(5,105,457)	-
Balance at 31st December 2013	**6,988,809**	**37,214,461**	**114,822,320**	**10,501,499**	**12,453,446**	**75,916,994**	**17,217,189**	**275,114,718**
Depreciation								
Balance at 1st January 2013	**631,456**	**8,113,065**	**43,891,722**	**7,186,996**	**3,930,660**	**38,068,537**	**-**	**101,822,436**
Depreciation for the year	236,017	2,009,145	8,256,830	978,845	1,796,294	7,911,379	-	21,188,510
Disposals	-	(3,433)	(737,287)	(517,222)	(4,419)	-	-	(1,262,361)
Balance at 31st December 2013	**867,473**	**10,118,777**	**51,411,265**	**7,648,619**	**5,722,535**	**45,979,916**	**-**	**121,748,585**
Carrying amount								
At 31st December 2012	**6,355,253**	**25,919,044**	**64,359,819**	**2,105,349**	**6,118,420**	**31,454,684**	**6,035,851**	**142,348,420**
At 31st December 2013	**6,121,336**	**27,095,684**	**63,411,055**	**2,852,880**	**6,730,911**	**29,937,078**	**17,217,189**	**153,366,133**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Property, plant and equipment (cont'd)

(b) The movement on these accounts during the year 2012 was as follows:

	Leasehold Land ₦'000	Buildings ₦'000	Plant and Machinery ₦'000	Motor Vehicles ₦'000	Furniture and Equipment ₦'000	Returnable Packaging Materials ₦'000	Capital Work-in-Progress ₦'000	Total ₦'000
Cost								
Balance at 1st January 2012	**1,324,504**	**23,901,880**	**85,727,957**	**6,885,910**	**6,010,554**	**49,856,234**	**3,078,707**	**176,785,746**
Additions	250,451	668,225	9,451,074	1,408,307	2,465,256	17,420,186	6,233,260	**37,896,759**
Acquisitions through merger	5,411,813	8,931,163	11,208,773	1,490,131	658,374	2,251,921	186,970	**30,139,145**
Disposals	(59)	(44,330)	(48,656)	(501,303)	(51,326)	(5,120)	-	**(650,794)**
Transfers from capital work-in-progress	-	575,171	1,912,393	9,300	966,222	-	(3,463,086)	-
Balance at 31st December 2012	**6,986,709**	**34,032,109**	**108,251,541**	**9,292,345**	**10,049,080**	**69,523,221**	**6,035,851**	**244,170,856**
Depreciation and impairment								
Balance at 1st January 2012	**109,830**	**6,711,866**	**36,491,299**	**5,574,072**	**2,565,693**	**28,714,445**	**-**	**80,167,205**
Depreciation for the year	145,863	994,955	6,093,094	862,268	1,268,499	7,476,099	-	**16,840,778**
Acquisitions through merger	375,793	446,821	1,335,543	1,184,933	136,527	567,645		**4,047,262**
Impairment						1,310,348		**1,310,348**
Disposals	(30)	(40,577)	(28,214)	(434,277)	(40,059)			**(543,157)**
Balance at 31st December 2012	**631,456**	**8,113,065**	**43,891,722**	**7,186,996**	**3,930,660**	**38,068,537**	**-**	**101,822,436**
Carrying amount								
At 1st January 2012	**1,214,674**	**17,190,014**	**49,236,658**	**1,311,838**	**3,444,861**	**21,141,789**	**3,078,707**	**96,618,541**
At 31st December 2012	**6,355,253**	**25,919,044**	**64,359,819**	**2,105,349**	**6,118,420**	**31,454,684**	**6,035,851**	**142,348,420**

(c) The Company holds various pieces of land under finance lease arrangements. The maximum tenor of the lease arrangements is 99 years in line with the Land Use Act. The lease amounts were fully paid at the inception of the lease arrangements.

(d) **Capital Work in Progress and borrowing costs**

Additions to Capital Work in Progress during the year is analysed as follows:

	2013 ₦'000	2012 ₦'000
Plant and Machinery	8,152,024	5,396,100
Buildings	8,134,771	837,160
	16,286,795	**6,233,260**

Included in property, plant and equipment is an amount of ₦610 million (2012: Nil), that represents borrowing costs capitalised during the year using a capitalization rate of 11.4 percent (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(e) **Capital commitments**

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

	2013 ₦'000	2012 ₦'000
Approved and contracted	4,527,746	5,496,111
Approved but not contracted	6,706,838	1,728,238
	11,234,584	**7,224,349**

(f) During the year, management performed a review of the useful life of some of the company's returnable packaging materials. The review resulted in the change in the useful life of some of the returnable packaging materials from 5 years to 7 years. The resultant reduction in depreciation charge for this year is ₦823 million and for 2014 ₦825 million.

(13) Intangible assets and goodwill

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

	Goodwill ₦'000	Software ₦'000	Distribution Network ₦'000	Total ₦'000
Cost				
Balance at 1st January 2013	50,021,531	1,580,597	3,469,433	**55,071,561**
Additions	-	127,712	-	**127,712**
Balance at 31st December 2013	**50,021,531**	**1,708,309**	**3,469,433**	**55,199,273**
Amortisation				
Balance at 1st January 2013	-	689,719	394,269	**1,083,988**
Amortisation for the year	-	320,615	231,313	**551,928**
Balance at 31st December 2013	**-**	**1,010,334**	**625,582**	**1,635,916**
Carrying amount				
At 31st December 2012	**50,021,531**	**890,878**	**3,075,164**	**53,987,573**
At 31st December 2013	**50,021,531**	**697,975**	**2,843,851**	**53,563,357**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(13) Intangible assets and goodwill (cont'd)

(b) The movement on these accounts during the year 2012 was as follows

	Goodwill ₦'000	Software ₦'000	Distribution network ₦'000	Work in Progress ₦'000	Total ₦'000
Cost					
Balance at January 1, 2012	**-**	**1,448,027**	**-**	**132,570**	**1,580,597**
Acquisitions through business combination and merger	50,021,531	-	3,469,433	-	53,490,964
Transfers	-	132,570	-	(132,570)	-
Balance at December 31, 2012	**50,021,531**	**1,580,597**	**3,469,433**	**-**	**55,071,561**
Amortization					
Balance at January 1, 2012	**-**	**455,290**	**-**	**-**	**455,290**
Acquisitions through business combination	-	-	249,252	-	249,252
Amortization for the year	-	234,429	145,017	-	379,446
Balance at December 31, 2012	**-**	**689,719**	**394,269**	**-**	**1,083,988**
Carrying amount					
At January 1, 2012	**-**	**992,737**	**-**	**132,570**	**1,125,307**
At December 31, 2012	**50,021,531**	**890,878**	**3,075,164**	**-**	**53,987,573**

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

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

For the purpose of impairment testing, goodwill is allocated to the Company as the Cash Generating Unit (CGU), which represents the lowest level at which the goodwill is monitored for internal management purpose which is not higher than the operating segment.

Goodwill is tested for impairment annually. Impairment is determined by comparing the carrying amount of the (CGU) (excluding goodwill) with the recoverable amount. The recoverable amount of the CGU is the higher of the value in use and the fair value less cost to sell. The value in use in 2012 was determined on a similar basis. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a three year business plan. Cash flows for a further seven year period were extrapolated using expected annual volume growth rates. Management believes that this forecast period is justified due to the long-term nature of the brewery business and past experiences.

- The revenue growth per year after the first three year period is assumed to be at the expected annual long-term inflation, based on external sources.

- A pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the unit.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

- Pre-tax WACC - 20.7%
- Terminal growth rate (2016 - 2022) - 8.6%
- Expected volume growth rates (2016 - 2022) - 3.5%

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). Management's estimate of the fair value less cost to sell is based on the market capitalisation which is dependent on the company's share price.

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

14. Merger

In 2012, the Company sought and obtained shareholders' and regulatory approval to merge with both Sona Systems Associates Business Management Limited and Life Breweries Company Limited, which were acquired from Heineken N.V. in October 2011. The Merger was effected during the year 2012 and the financial and operational integration of the acquired entities was completed in 2012. The assets and liabilities acquired through the merger were as follows:

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

15. Investment

Investment of ₦150,000,000 represents the cost of the Company's 100% equity investment in Progress Trust (CPFA) Limited, incorporated in Nigeria. Progress Trust (CPFA) Limited is an unconsolidated structured entity licensed by the National Pension Commission to conduct the business of a closed pension fund administrator and manages the pension and gratuity funds of employees and former employees of Nigerian Breweries. The activities of Progress Trust (CPFA) Limited are regulated by the National Pension Commission (Pencom) rather than by voting rights and the funds are managed in accordance with the Pencom guidelines. The benefits arising from the activities of Progress Trust (CPFA) Limited accrue principally to members of the pension and gratuity schemes and the Company has no exposure to variable returns arising from its involvement. The Company's residual interest in Progress Trust (CPFA) Limited is immaterial. The funds and assets of both the pension and defined contribution gratuity scheme are held by an Independent Licensed Pension Fund Custodian in line with the Pension Reform Act, 2004. As a result of the above, Progress Trust (CPFA) Limited has not been consolidated.

The company supports the sourcing of resources to Progress Trust (CPFA) Limited at cost and intends to continue to provide support into the future.

16. Other receivables

Non-current other receivables represent loans granted to the Company's employees, which are secured by the employees' retirement benefit obligations. At the year end, the current portion of other receivables amounting to ₦85.7 million (2012: ₦238.5 million) was reclassified to current asset and included in trade and other receivables on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17. Prepayments

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

18 Inventories

	2013 ₦'000	2012 ₦'000
Raw materials	5,876,313	6,700,165
Products in process	2,508,735	2,025,254
Finished products	3,313,792	5,232,002
Non-returnable packaging materials	3,620,162	5,369,942
Spare parts	3,845,080	3,622,025
Goods in transit	1,479,071	1,703,335
	20,643,153	**24,652,723**

The value of raw materials, non-returnable packaging materials, spare parts, changes in finished products and products in process recognized in cost of sales during the year amounted to ₦80.4 billion (2012: ₦117.3 billion.)

19. Trade and other receivables

	2013 ₦'000	2012 ₦'000
Trade receivables	8,035,165	12,518,318
Other receivables	4,191,856	3,669,318
Due from related parties	1,985,041	3,742,257
	14,212,062	**19,929,893**

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

20. Deposit for imports

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

21. Cash and cash equivalents

	2013 ₦'000	2012 ₦'000
Bank balances	7,958,359	6,473,608
Call deposits	1,561,960	3,034,947
Cash in hand	8,529	5,650
Cash and cash equivalents in the statement of cash flows	**9,528,848**	**9,514,205**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Share capital

(a) Authorised ordinary shares of 50k each

In number of shares

	2013	2012
At 1st January	8,000,000,000	8,000,000,000
At 31st December	8,000,000,000	8,000,000,000

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

In number of shares	2013	2012
At 1st January	7,562,704,432	7,562,562,340
Issued during the year	-	142,092
At 31st December	**7,562,704,432**	**7,562,704,432**
Share Value in Naira	**3,781,352,216**	**3,781,352,216**

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

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

23. Dividends

(a) Declared dividends

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

	2013 ₦'000	2012 ₦'000
300 kobo per qualifying ordinary share (2012: 300 kobo)	**22,688,113**	**22,687,687**

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

	2013 ₦'000	2012 ₦'000
450 kobo per qualifying ordinary share (2012: 300 kobo)	**34,032,170**	**22,688,113**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(b) **Dividend payable**

	2013 N'000	2012 N'000
At 1st January	5,648,226	4,721,958
Declared dividend	22,688,113	22,687,687
Payments	(21,756,348)	(21,664,981)
Unclaimed dividend transferred to retained earnings	(203,463)	(96,438)
At 31st December	**6,376,528**	**5,648,226**

(i) Unclaimed dividend transferred to general reserve represents dividend which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with Section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004.

(ii) As at 31st December 2013, ₦1.4 billion (2012: ₦1.5 billion) of the total dividend payable is held with the Company's registrar, First Registrars Nigeria Limited. The remaining dividend payable of ₦5.0 billion (2012: ₦4.2 billion) represents unclaimed dividends, which have been returned to the Company by the Registrar.

24. Loans and Borrowings

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

(a) **Non-current liabilities**

	2013 ₦'000	2012 ₦'000
Opening balance	45,000,000	30,000,000
Bank loans (repaid) / obtained	(36,000,000)	7,000,000
Bank loans acquired through merger	-	8,000,000
Current portion of bank loans (Note (b))	-	-
	9,000,000	**45,000,000**

(b) **Current liabilities**

	2013 ₦'000	2012 ₦'000
Opening balance	-	9,000,000
Bank loans	-	-
Current portion of bank loans (Note (a))	-	-
Repayment	-	(9,000,000)
	-	-

(c) In 2011, the Company entered into loan agreements with six Nigerian banks to finance its working capital. The approved limit of the loan with each of the banks is ₦10 billion (total of ₦60 billion). Each of the loans has a one year revolving tenor for a maximum of five years. Based on the loan agreement, the Company has the option to roll over the loans by giving five days written notice to the banks prior to the anniversary of the final maturity date. The interest rate on the loans during the year ranged from 10 percent to 12.5 percent per annum. As at year end, the total amount drawn down on the facilities by the Company amounted to ₦9 billion (2012: ₦45 billion). The facility is secured by a negative pledge on the assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. Employee benefits

	2013 ₦'000	2012 ₦'000
Recognized liability for defined benefit obligation (Note (a))	6,859,644	4,766,837
Recognized liability for other long term employee benefits (Note (b)(i))	2,415,089	1,199,882
Total employee benefit liabilities	9,274,733	5,966,719

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

	2013 ₦'000	2012 ₦'000
Defined benefit obligations at 1st January	4,766,837	4,421,401
Acquired through merger and business combination	-	720,644
Benefits paid by the plan	(842,525)	(1,235,030)
Current service costs and interest (see below)	675,350	836,003
Actuarial losses recognized in other comprehensive income (see note (f))	2,259,982	23,819
Defined benefit obligations at 31st December	**6,859,644**	**4,766,837**

In 2011, the Company introduced a post-employment medical benefit for pensioners and employees on the defined benefit gratuity scheme including their spouses. The liability for this scheme amounted to ₦2,135 million (2012:₦460.7 million).

Defined benefit expense recognized in income statement for defined benefit obligation.

	2013 ₦'000	2012 ₦'000
Current service costs	53,225	522,311
Interest on obligation	622,125	313,692
	675,350	**836,003**

(b) **Movement in other long-term employee benefits**

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

	2013 ₦000	2012 ₦'000
Obligation at 1st January	1,199,882	969,098
Charge for the year	1,531,758	472,190
Payments	(316,551)	(241,406)
Obligation at 31st December	**2,415,089**	**1,199,882**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	2013 ₦'000	2012 ₦'000
Current and past service costs	526,916	106,324
Interest on obligation	151,729	365,866
Actuarial Losses	853,113	-
	1,531,758	**472,190**

(c) The movement on the defined contribution plan obligation during year was as follows:

	2013 ₦'000	2012 ₦'000
Obligation at 1st January	-	-
Charge for the year	1,089,233	831,768
Payments	(938,193)	(831,768)
Obligation at 31st December	**151,040**	**-**

The obligation represents the amount yet to be remitted at the year end to the defined benefit contribution plan and has been included in trade and other payables.

(d) **Pension payable**

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

	2013 ₦'000	2012 ₦'000
Obligation at 1st January	-	92,976
Charge for the year	1,667,063	1,340,485
Payments	(1,524,209)	(1,433,461)
Obligation at 31st December	**142,854**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(e) The employee benefits related expense are recognized in the following line items in the income statement:

	Cost of sales		Administrative expenses		Total	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Defined benefit obligation expense	33,533	328,514	19,692	193,797	53,225	522,311
Pension expense	1,050,250	844,506	616,813	495,979	1,667,063	1,340,485
Defined contribution plan	686,217	524,014	403,016	307,754	1,089,233	831,768
Long Service awards expense	869,419	66,985	510,610	39,339	1,380,029	106,324
	2,639,419	**1,764,019**	**1,550,131**	**1,036,869**	**4,189,550**	**2,800,888**

The company included ₦774 million (2012: ₦680 million) of unwinding of discount relating to its employee benefits in finance costs (note 7b).

(f) Actuarial gains and losses are recognized in other comprehensive income. The movement on the cumulative amount included in retained earnings as at the year end was as follows:

	2013 N'000	2012 N'000
Cumulative amount at 1st January	**1,076,232**	**1,095,585**
Recognized during the year	2,259,982	(23,819)
Tax (income)/expense	(677,998)	4,466
Recognized during the year net of tax	1,581,984	(19,353)
Amount accumulated in retained earnings at 31st December	**2,658,216**	**1,076,232**

The Company recognized ₦2.3 billion of actuarial losses in other comprehensive income during the period in respect of all its long term employee benefits. These losses primarily relate to the changes in assumptions with regard to future estimated pension increases, observed salary increases and the number of participants expected to be eligible for the medical plan benefits. The actuarial gains and loses recognised during the year are analysed as follows:

	2013 N'000	2012 N'000
Demographic Assumptions - Losses/(gains)	904,756	(210,592)
Financial Assumption - Losses	917,056	186,773
Experience Assumption - Losses	438,170	-
Recognized during the year	**2,259,982**	**(23,819)**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(g) **Actuarial assumptions**

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

	2013	2012
Long term average discount rate (p.a.)	14%	14%
Average pay increase (p.a.)	12%	12%
Average rate of inflation (p.a.)	9%	10%
Weighted average duration of the plan (years)	11	9.45
Average medical rate of inflation	7.5%	10%

These assumptions depict management's estimate of the likely future experience of the Company.

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

Mortality in service

Sample age	2013 Number of deaths in year out of 10,000 lives	2012 Number of deaths in year out of 10,000 lives
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Mortality in Retirement

Sample age	Number of deaths in year out of 10,000 lives			
	Male		Female	
	2013	2012	2013	2012
65	210	210	96	96
70	325	325	165	165
75	499	499	281	281
80	760	760	474	474

Withdrawals/Turnover

It is assumed that all the employees covered by the defined end of service benefit scheme would retire at age 60 (2012: age 60).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(h) **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

		Gratuity ₦'000	Long service awards ₦'000	Post employment medical benefit ₦'000
Discount rate	-1%	830,555	156,831	57,994
	1%	(489,335)	(140,781)	(49,326)
Salary increase rate	-1%	(18,778)	(114,443)	(118,142)
	1%	19,070	125,762	127,676
Inflation rate	-1%	(539,287)	(41,153)	(118,142)
	1%	629,111	45,270	42,006
Mortality rate	-1year	(352,275)	(101,164)	(62,058)
	+1year	122,184	89,605	42,006

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

26. Share-based payment

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Grant date/employees entitled	Number*	Based on share price (Euro)	Vesting conditions	Contractual life of rights
Share rights granted to key management personnel in 2011	2,271	36.69	Continued service, 100% internal performance conditions	3 years
Share rights granted to key management personnel in 2012	5,337	35.77	Continued service, 100% internal performance conditions	3 years
Share rights granted to key management personnel in 2013	7,326	50.47	Continued service, 100% internal performance conditions	3 years

* The number of shares is based on target performance.

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

	Weighted average share price (Euro) 2013	Number of share rights 2013	Weighted average share price (Euro) 2012	Number of share rights 2012
Outstanding at 1st January	35.39	21,056	28.69	16,144
Granted during the year	50.47	10,336	35.77	10,250
Vested during the year	33.27	(2,241)	21.90	(5,338)
Performance adjustment		(26,580)		-
Outstanding at 31st December	**36.69**	**2,571**	**35.39**	**21,056**

Employee expenses	**2013 ₦'000**	**2012 ₦'000**
Share rights granted in 2010	-	11,021
Share rights granted in 2011	(38,385)	42,267
Share rights granted in 2012	(27,517)	27,517
Share rights granted in 2013	-	-
Total (income)/expense recognized as employee costs	**(65,902)**	**80,805**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27. Deferred tax liabilities

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31st Dec. 2013 ₦'000	31st Dec. 2012 ₦'000	31st Dec. 2013 ₦'000	31st Dec. 2012 ₦'000	31st Dec. 2013 ₦'000	31st Dec. 2012 ₦'000
Property, plant and equipment		-	(24,803,501)	(23,694,204)	(24,803,501)	(23,694,204)
Intangible assets		-	(215,254)	(30,160)	(215,254)	(30,160)
Inventories	142,479	138,900		-	142,479	138,900
Employee benefits	2,782,420	1,854,614		-	2,782,420	1,854,614
Other items	263,856	367,643	-	(1,021,343)	263,856	(653,700)
Net tax assets/ (liabilities)	**3,188,755**	**2,361,157**	**(25,018,755)**	**(24,745,707)**	**(21,830,000)**	**(22,384,550)**

Movement in temporary differences during the year

	Balance 1st Jan. 2012 ₦'000	Income Statement ₦'000	Acquired Through Merger ₦'000	Balance 31st Dec. 2012 ₦'000	Income Statement ₦'000	Balance 31st Dec. 2013 ₦'000
Property, plant and equipment	(17,902,193)	18,713	(5,810,724)	(23,694,204)	(1,109,297)	(24,803,501)
Intangible assets	(132,570)	-	102,410	(30,160)	(185,094)	(215,254)
Inventories	154,769	15,869	(31,738)	138,900	3,579	142,479
Employee benefits	1,710,108	4,205	140,301	1,854,614	927,806	2,782,420
Other items	70,878	(423,185)	(301,393)	(653,700)	917,556	263,856
Net tax assets/ (liabilities)	**(16,099,008)**	**(384,398)**	**(5,901,144)**	**(22,384,550)**	**554,550**	**(21,830,000)**

The net movement during the period ended 31st December 2013, includes a credit amount of ₦678 million (2012: debit ₦4.5 million) recorded in other comprehensive income as deferred tax on employee benefits.

28. Trade and other payables

	2013 ₦'000	2012 ₦'000
Trade payables and accrued expenses	47,821,328	44,619,713
Non-trade payables and accrued expenses	10,625,683	10,672,671
Amount due to related parties	11,385,638	6,400,308
	69,832,649	**61,692,692**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29. Financial instruments - financial risk management and fair values

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Operational risk
- Capital management

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

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

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

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

(a) **Credit risk**
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2013 ₦'000	2012 ₦'000
Other receivables (non-current)		158,884	148,700
Trade and other receivables	19	14,212,062	19,929,893
Cash and cash equivalents	21	9,528,848	9,514,205
		23,899,794	**29,592,798**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

	2013 ₦'000	2012 ₦'000
Trade receivables		
- Major customers	8,697,581	12,273,919
- Others	966,398	1,383,648
- Impairment	(1,628,814)	(1,139,249)
	8,035,165	12,518,318
- Other receivables (non-current)	158,884	148,700
- Due from related parties	1,985,041	3,742,257
- Others	4,191,856	3,669,318
	14,370,946	**20,078,593**

Impairment losses

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

	Gross 2013 ₦'000	Impairment 2013 ₦'000	Gross 2012 ₦'000	Impairment 2012 ₦'000
0-30 days	7,887,932	-	12,396,476	-
31-60 days	109,638	36,459	102,002	25,501
61-180 days	211,145	137,091	141,227	95,886
More than 180 days	1,455,264	1,455,264	1,017,862	1,017,862
	9,663,979	**1,628,814**	**13,657,567**	**1,139,249**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	2013 ₦'000	2012 ₦'000
Balance at 1st January	(1,139,249)	(820,863)
Impairment loss recognised	(489,565)	(318,386)
Balance at 31st December	**(1,628,814)**	**(1,139,249)**

The impairment loss as at 31st December 2013 relates to several customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analyses of the underlying customers' credit ratings. The impairment loss is included in administrative expenses in profit or loss.

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

Cash and cash equivalents

The Company held cash and cash equivalents of ₦9.5 billion as at 31st December 2013 (2012: ₦9.5 billion), which represents its maximum credit exposure on these assets.

The company mitigates its credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and a history of strong financial performance.

(b) **Liquidity risk**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	Carrying amount ₦'000	Contractual cash flows ₦'000	6 months or less ₦'000	6-12 months ₦'000	1-2 years ₦'000	2-5 years ₦'000
Non-derivative financial liabilities 31st December 2013						
Unsecured bank loans	9,000,000	11,142,673	513,629	912,989	9,716,055	-
Dividend payable	6,376,528	6,376,528	6,376,528	-	-	-
Trade and other payables	69,832,649	69,832,649	69,832,649	-	-	-
	85,209,177	**87,351,850**	**76,722,806**	**912,989**	**9,716,055**	**-**
31st December 2012						
Unsecured bank loans	45,000,000	59,062,500	2,812,500	2,812,500	28,125,000	25,312,500
Dividend payable	5,648,226	5,648,226	5,648,226	-	-	-
Trade and other payables	61,692,692	61,692,692	61,692,692	-	-	-
	112,340,918	**126,403,418**	**70,153,418**	**2,812,500**	**28,125,000**	**25,312,500**

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

Guarantees

Contingent liabilities in respect of guarantees provided to certain bankers relating to loans obtained by the staff from the banks amounted to ₦3,842,103,120 (2012: ₦3,427,942,650), which represents its maximum liquidity exposure. The guarantee provided by the Company is backed by the employees' gratuity.

(c) **Market risk**

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

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

Currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Exposure to currency risk

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

	31st December 2013			31st December 2012		
In thousands	**EUR**	**GBP**	**USD**	**EUR**	**GBP**	**USD**
Financial asset						
Group receivables	557	-	-	11	-	-
Cash and cash equivalent	325	179	223	47	6	61
Deposit for imports	640	-	-	9,306	-	-
Financial liability						
Group payables	(28,901)	-	-	(16,179)	-	-
Net exposure	**(27,379)**	**179**	**223**	**(6,815)**	**6**	**61**

Sensitivity analysis

A weakening of the Naira, as indicated below, against the EUR, USD and GBP at 31st December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Increase/(decrease) in profit or loss ₦'000
31st December 2013	
EUR (5 percent weakening of the Naira)	(282,240)
GBP (5 percent weakening of the Naira)	2,173
USD (5 percent weakening of the Naira)	1,735
31st December 2012	
EUR (5 percent weakening of the Naira)	(70,160)
GBP (5 percent weakening of the Naira)	70
USD (5 percent weakening of the Naira)	475

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

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2013 ₦	**2012 ₦**	**2013 ₦**	**2012 ₦**
Euro	206.18	199.80	213.73	204.77
GB Pounds	242.80	246.33	256.65	251.06
US Dollar	155.64	155.44	155.2	155.27

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(d) **Interest rate risk profile**

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

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

	Carrying amount	
	2013 ₦'000	**2012 ₦'000**
Fixed rate instruments		
Financial liabilities	(9,000,000)	(45,000,000)

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss. The Company has no variable rate instruments as at the year end.

(e) **Operational risk**

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(f) **Capital management**

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

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

	2013 ₦'000	2012 ₦'000
Total liabilities	140,400,448	160,185,737
Less: cash and cash equivalents	(9,528,848)	(9,514,205)
Net debt	130,871,600	150,671,532
Total equity	112,359,185	93,447,892
Debt to capital ratio	**1.16**	**1.62**

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

(g) **Fair values**

Fair values versus carrying amounts

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

	Note	31st December 2013 Carrying amount ₦'000	31st December 2013 Fair value ₦'000	31st December 2012 Carrying amount ₦'000	31st December 2012 Fair value ₦'000
Assets carried at amortised cost					
Other receivables (non-current)		158,884	158,777	148,700	148,600
Trade and other receivables	19	14,212,062	14,212,062	19,929,893	19,929,893
Cash and cash equivalents	21	9,528,848	9,528,848	9,514,205	9,514,205
		23,899,794	**23,899,687**	**29,592,798**	**29,592,698**
Liabilities carried at amortised cost					
Unsecured bank loans	24	9,000,000	8,999,123	45,000,000	44,995,613
Dividend payable		6,376,528	6,376,528	5,648,226	5,648,226
Trade and other payables	28	69,832,649	69,832,649	61,692,692	61,692,692
		85,209,177	**85,208,300**	**112,340,918**	**112,336,531**

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

The discounted cash flow valuation technique has been used to determine the fair value of the unsecured bank loans and other long term receivables. The valuation model considers the present value of expected cash flows discounted using market related interest rates as follows:

	2013	2012
Other receivables (level 2)	14.0%	14.0%
Unsecured bank loans (level 2)	11.7%	12.5%

The future cash flows are based on contractual amounts and considers the probability of occurrence of the cash flow. There are no significant unobservable inputs. The fair values were determined on the same basis in prior year and there have been no transfers between levels during the year.

30 Operating leases

Leases as lessee

The Company leases a number of offices, warehouse and factory facilities under non-cancellable operating leases. During the year ended 31st December 2013, an amount of ₦284 million was recognized as an expense in profit or loss in respect of operating leases (2012: ₦226 million). Lease rentals are paid upfront and included in prepayments, which are amortised to the profit and loss over the life of the lease.

31. Contingencies

(a) **Guarantees and contingent liabilities**

Contingent liabilities in respect of guarantees provided to certain bankers in respect of loans obtained by the staff from the banks amounted to ₦3,842,103,120 (2012: ₦3,427,942,650). This guarantee is backed by employees' gratuity.

(b) **Pending litigation and claims**

There are certain lawsuits and claims pending against the Company in various courts of law which are being handled by external legal counsels. The contingent liabilities in respect of pending litigation and claims amounted to ₦7,686,764,045 (2012: ₦2,688,438,707) as at 31st December 2013. In the opinion of the Directors and based on independent legal advice, the Company's liabilities are not likely to be material, thus no provision has been made in these financial statements.

(c) **Financial commitments**

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

32. Related parties

(a) **Parent and ultimate controlling entity**

Related parties include the parent company, Heineken N.V. and Heineken group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company are considered as related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

As at the year ended 31st December 2013, Heineken Brouwerijen B.V. and Distilled Trading International B.V. owned 37.73% and 16.36% respectively of the issued share capital of Nigerian Breweries Plc. The ultimate holding company is Heineken N.V.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The Company has transactions with its parent, subsidiaries (Sona Systems and Life Breweries who were merged in 2012 (see Note 14)) and other related parties who are related to the Company only by virtue of being members of the Heineken Group. The total amounts due to related parties by the nature of the transaction are shown below:

	Transaction value		Balance due (to)/from	
	2013 ₦'000	2012 ₦'000	2013 ₦'000	2012 ₦'000
Purchases - other related parties	(19,572,067)	(28,145,445)	(6,111,527)	(3,241,967)
Contract brewing services				
- Other related parties	(1,634,967)	(1,738,567)	1,379,395	1,656,389
Technical Service fees & royalties				
- Parent	(1,023,096)	(702,941)	(542,060)	(733,799)
- Other related parties	(8,342,929)	(7,599,621)	(4,242,175)	(2,134,782)
Sales and others				
- Other related parties	148,773	119,032	115,770	1,796,108

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

(b) **Key management personnel compensation**

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

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

	2013 ₦'000	2012 ₦'000
Short term employee benefits	825,809	625,568
Long term employee benefits:		
Post-employment benefits	30,855	19,823
Termination benefits	-	11,027
Share based payments	-	22,799
	856,664	**679,217**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(c) **The Nigerian Breweries-Felix Ohiwerei Education Trust Fund**

The Nigerian Breweries-Felix Ohiwerei Education Trust Fund (The Trust Fund) is an unconsolidated sponsored structured entity incorporated by Nigerian Breweries Plc in November 1994 as a charitable Trust for the advancement of education at all levels in Nigeria. The company made a capital grant of ₦100 million to The Trust Fund in 1994 which The Trust Fund has continued to invest in quoted shares and fixed deposits. The capital grant was recognised as an expense by the Company in the year it was made. The proceeds from the investments are disbursed solely for the promotion of education in Nigeria. The Company is not exposed to variability of returns from its involvement in The Trust Fund. According to the constitution of The Trust Fund, the Company has no residual interest in The Trust Fund on its dissolution. As a result of the above, The Trust Fund has not been consolidated.

The company provides managerial support to The Trust Fund at no cost and intends to continue to provide the support into the future. During the year, The company paid for certain expenses of The Trust Fund for which it is reimbursed at cost.

As at year end The Trust Fund held 34,293,968 (2012:34,293,968) number of shares in the Company.

33. Subsequent events

There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 31st December 2013 that have not been adequately provided for or disclosed in the financial statements.

ADDITIONAL INFORMATION

Value Added Statement

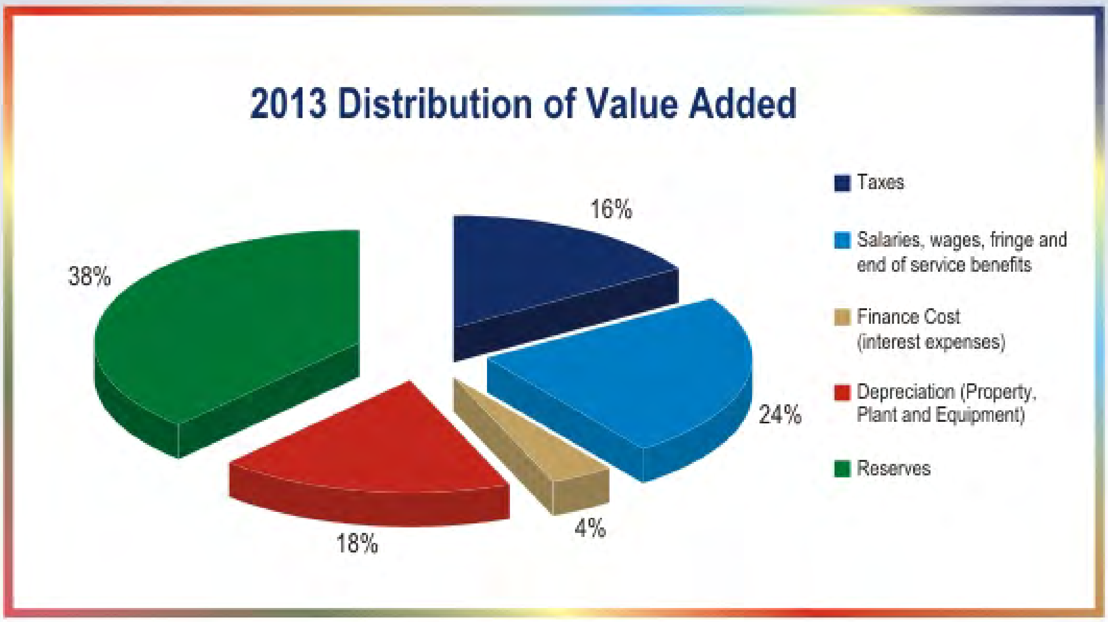
FOR THE YEAR ENDED 31ST DECEMBER

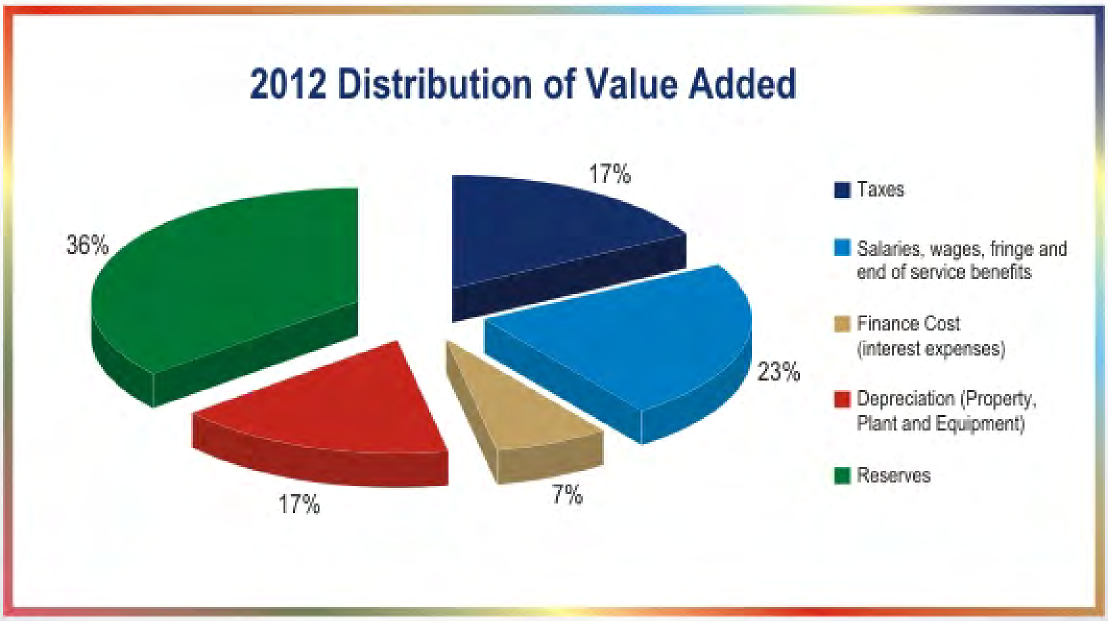
	2013 ₦'000		2012 ₦'000	
Revenue	268,613,518		252,674,213	
Bought in materials and services				
- Imported	(19,572,067)		(28,145,445)	
- Local	(135,158,790)		(121,727,058)	
	113,882,661		102,801,710	
Other income	2,075,411		2,000,263	
Finance income	551,250		559,842	
Value added by operating activities	**116,509,322**		**105,361,815**	
Distribution of Value Added		**%**		**%**
To Government as:				
Taxes	19,159,968	16	17,581,652	17
To Employees:				
Salaries, wages, fringe and end of service benefits	27,645,906	24	23,919,971	23
To Providers of Finance:				
- Finance cost (interest expenses)	4,882,661	4	7,261,020	7
Retained in the Business				
To maintain and replace;				
- Property, plant and equipment	21,188,510	18	18,151,126	17
- Intangible assets	551,928	-	385,979	-
To augment reserves	43,080,349	38	38,062,067	36
Value added	**116,509,322**	**100**	**105,361,815**	**100**
Dividends to shareholders from reserves	**22,688,113**		**22,687,687**	

Value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth between government, employees, providers of capital and that retained for future creation of more wealth.

ADDITIONAL INFORMATION (Cont'd)

Value Added Statement (Cont'd)





ADDITIONAL INFORMATION (Cont'd)

Three-Year Financial Summary

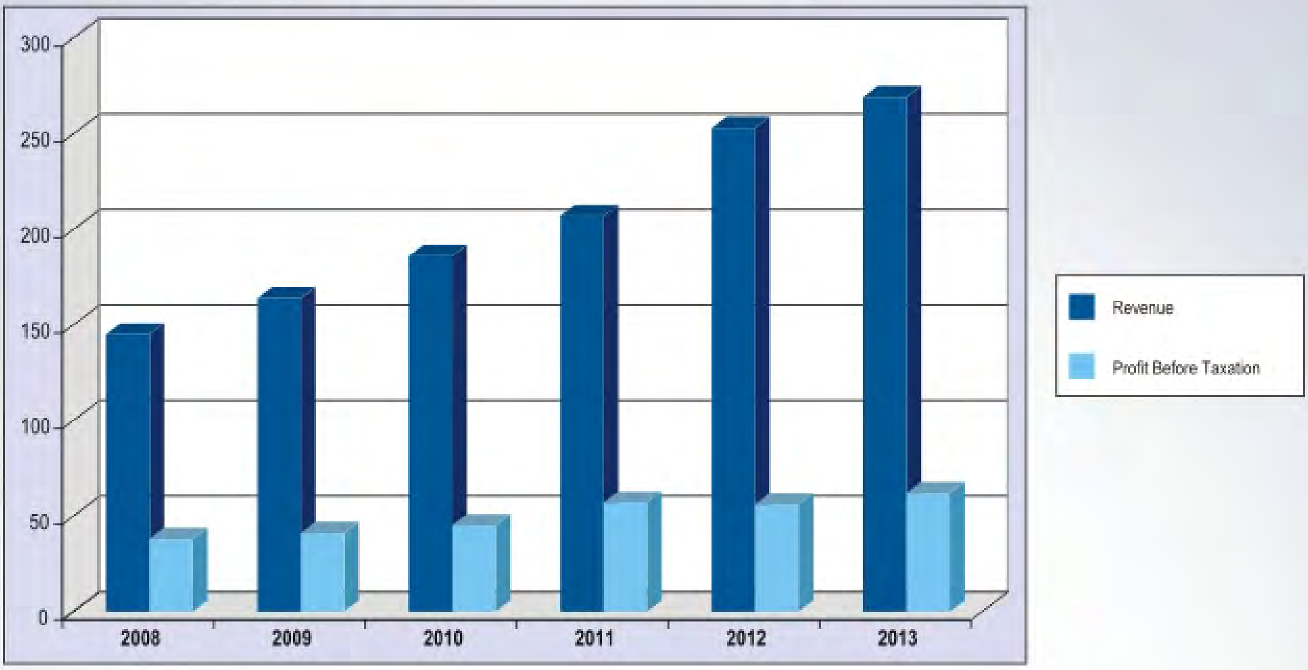
	2013 ₦'000	2012 ₦'000	2011 ₦'000
Statement of comprehensive income			
Revenue	**268,613,518**	**252,674,213**	**207,303,379**
Results from operating activities	69,171,377	64,611,589	56,997,812
Profit before taxation	62,240,317	55,624,366	57,143,228
Profit for the year	43,080,349	38,042,714	38,434,033
Comprehensive income for the year	41,498,365	38,062,067	38,408,847
Ratios			
Earnings per share	570	503	508
Share price at year end (Naira)	167.90	147.00	94.42
Declared dividend per share	300	300	125
Dividend coverage (times)	1.90	1.68	4.06
Net assets per share (kobo)	1,486	1,236	1,035
Statement of financial position			
Employment of Funds			
Property, plant and equipment	153,366,133	142,348,420	96,618,541
Intangible assets	53,563,357	53,987,573	1,125,307
Investments	150,000	150,000	65,385,106
Other receivables	158,884	148,700	64,429
Prepayments	235,790	132,309	110,721
Net current liabilities	(55,010,246)	(29,967,841)	(33,509,856)
Loans and borrowings	(9,000,000)	(45,000,000)	(30,000,000)
Employee benefits	(9,274,733)	(5,966,719)	(5,390,499)
Deferred tax liabilities	(21,830,000)	(22,384,550)	(16,099,008)
Net assets	**112,359,185**	**93,447,892**	**78,304,741**
Funds Employed			
Share capital	3,781,353	3,781,353	3,781,282
Share premium	4,567,967	4,567,967	4,568,038
Share based payment reserve	50,114	152,536	94,534
Retained earnings	103,959,751	84,946,036	69,860,887
	112,359,185	**93,447,892**	**78,304,741**

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.

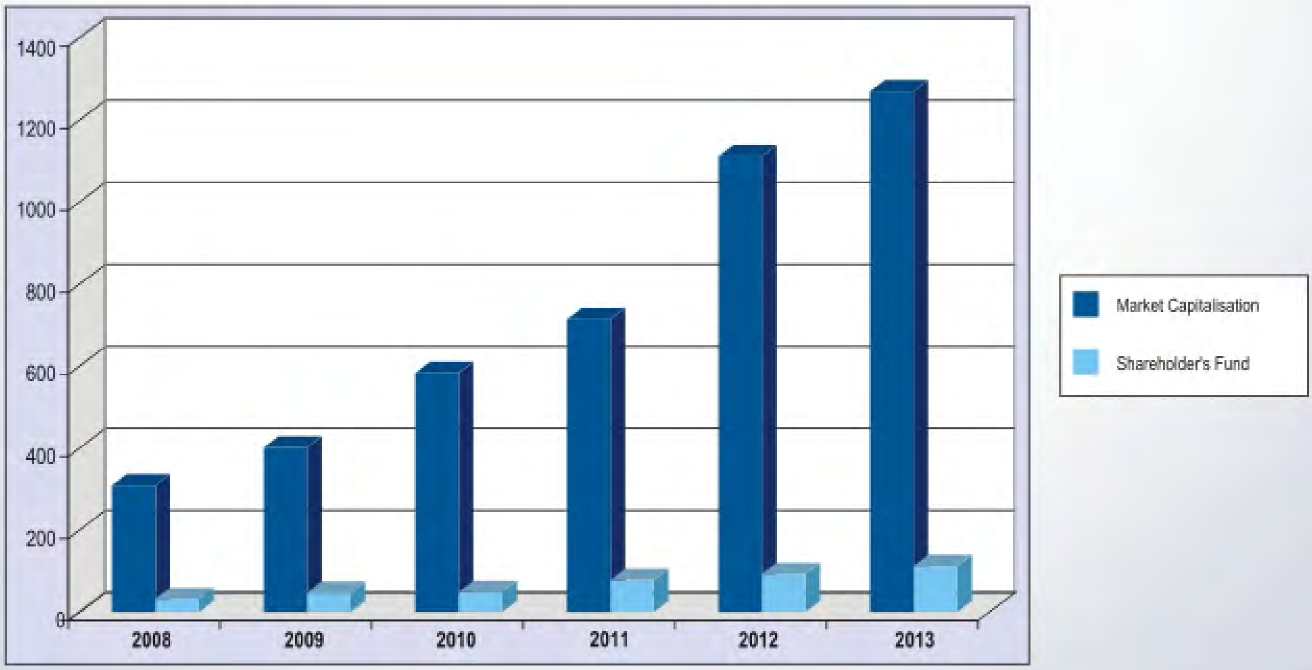
ADDITIONAL INFORMATION (Cont'd)

Performance Indicators

Revenue vs Profit Before Taxation (Billion Naira)



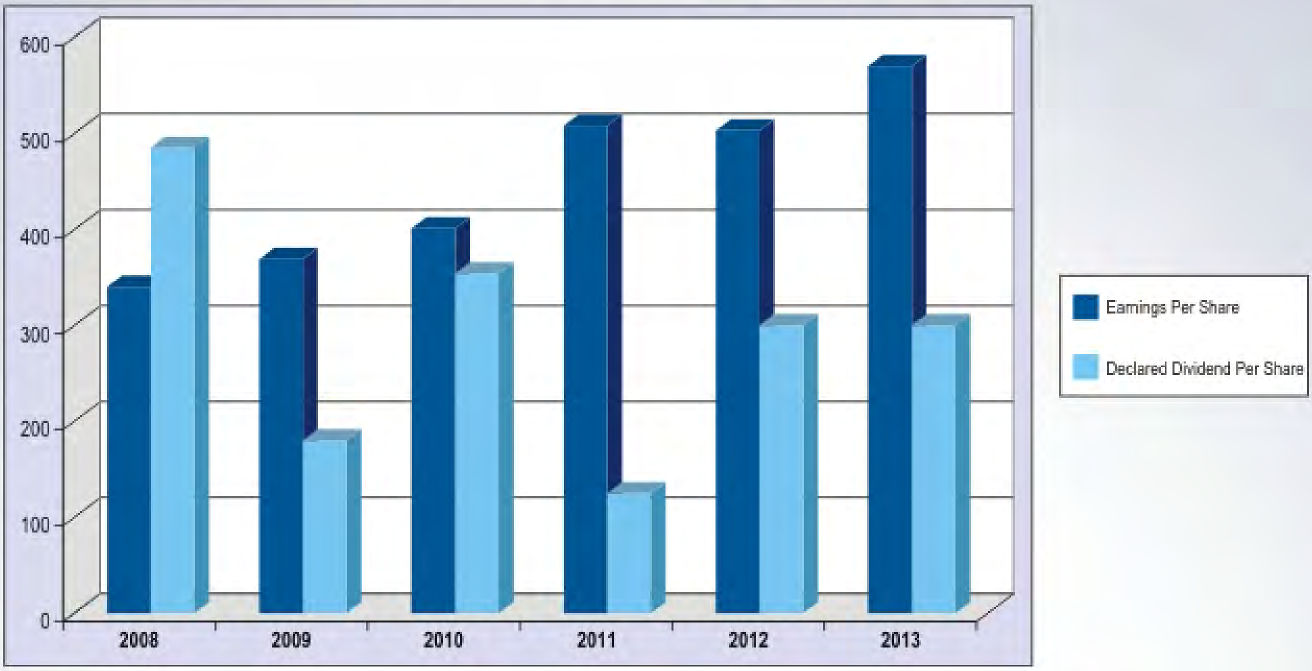
Market Capitalisation vs Shareholders' Fund (Billion Naira)



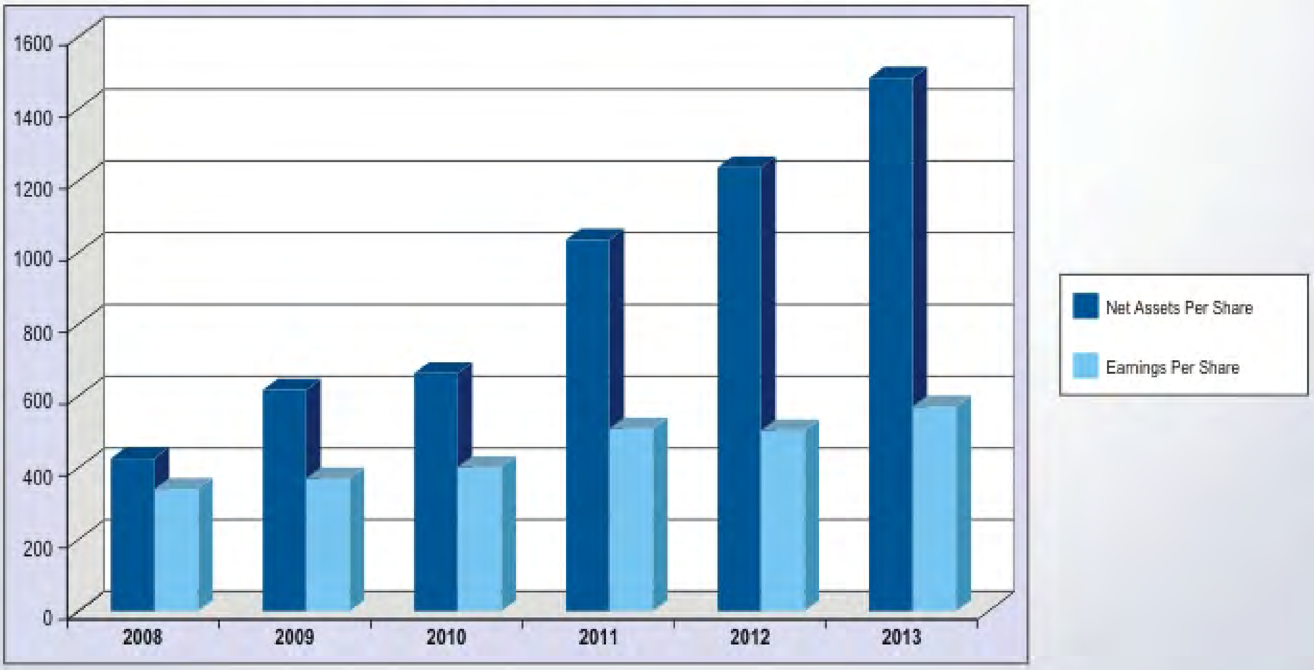
ADDITIONAL INFORMATION (Cont'd)

Performance Indicators (Cont'd)

Earnings Per Share vs Declared Dividend Per Share (kobo)



Net Asset Per Share vs Earnings Per Share (Kobo)



SHAREHOLDERS' INFORMATION

a. Substantial Interest in Shares:

According to the Register of Members, the following shareholders held more than 5% of the issued share capital of the Company on 31st December, 2013.

Shareholders	Number of Shares	Percentage
Heineken Brouwerijen BV	2,853,760,692	37.73
Distilled Trading International BV	1,237,500,160	16.36
Stanbic Nominees Nigeria Limited	1,174,404,081	15.53
Total	**5,265,664,933**	**69.62**

b. Statistical Analysis of Shareholding

i The issued and fully paid-up Share Capital of the Company as at 31st December, 2013 was 7,562,704,432 Ordinary Shares of 50 kobo each. According to the Register of Members, the same three companies listed in the last paragraph above, held more than 10% of the Issued Share Capital as at 31st December, 2013. The remaining 2,297,039,499 shares (representing 30.38%) were held by other individuals and institutions.

ii The Registrars advised that the range of shareholding as at 31st December, 2013, was as follows:

Range			No of Holders	Holders %	Units	Units %
1	-	1,000	44,157	38.41	21,114,123	0.28
1,001	-	5,000	32,262	28.06	81,940,006	1.08
5,001	-	10,000	10,375	9.02	76,723,030	1.01
10,001	-	50,000	20,116	17.49	498,041,034	6.59
50,001	-	100,000	5,390	4.69	386,855,911	5.12
100,001	-	500,000	2,293	1.99	448,796,871	5.94
500,001	-	1,000,000	212	0.18	150,146,643	1.99
1,000,001	-	5,000,000	166	0.14	310,976,154	4.11
5,000,001	-	10,000,000	14	0.01	103,765,463	1.37
10,000,001	-	50,000,000	14	0.01	314,937,674	4.16
50,000,001	-	100,000,000	1	0.00	79,141,412	1.05
100,000,001	-	500,000,000	4	0.00	999,005,259	13.21
500,000,001	-	7,562,704,432	2	0.00	4,091,260,852	54.09
			115,006	**100.00**	**7,562,704,432**	**100.00**

c. Scrip Issues

Date Issued	Ratio	Date issued	Ratio
19-Jun-76	One for two	25-Jun-86	One for two
26-Feb-77	One for one	27-Jun-90	One for three
25-Feb-78	One for five	30-Jun-93	One for one
11-Jul-79	One for three	28-Jun-95	One for one
28-Jun-80	One for four	30-Jun-99	Two for three
19-Jun-81	One for four	27-Jun-02	One for one
29-Jun-83	One for four	30-Jun-04	One for one

SHAREHOLDERS' INFORMATION (Cont'd)

d. Dividend Overview

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

Year	Dividend No.	Profit after taxation ₦'000	Dividend ₦'000	Dividend per share kobo	Date approved
2001	79	4,535,044	4,253,827	225	27th June, 2002
2002	80	7,296,446	7,940,528	210	25th June, 2003
2003	81	7,352,287	4,159,409	110	30th June, 2004
2004	82	5,086,403	3,025,025	40	6th July, 2005
2005	83 (Interim)		2,890,641	25	23rd November, 2005
2005	84	8,254,557	6,050,050	80	3rd May, 2006
2006	85 (Interim)		3,025,025	40	3rd October, 2006
2006	86	10,900,524	7,865,064	104	23rd May, 2007
2007	87 (Interim)		4,159,409	55	19th September, 2007
2007	88	18,942,856	14,746,997	195	28th May, 2008
2008	89 (interim)		7,562,752	100	16th September, 2008
2008	90 (Interim)		14,368,868	190	4th December, 2008
2009	91	25,700,593	3,781,281	50	20th May 2009,
2009	92 (Interim)		9,831,331	130	20th May 2009,
2010	93 (Interim)		11,343,844	150	13th January, 2010
2010	94	27,910,091	6,730,680	89	19th May, 2010
2010	95 (Interim)		8,696,497	115	19th May, 2010
2011	96	30,332,118	9,453,203	125	18th May, 2011
2012	97	38,408,846	22,687,687	300	16th May, 2012
2013	98	38,042,714	22,668,113	300	15th May, 2013

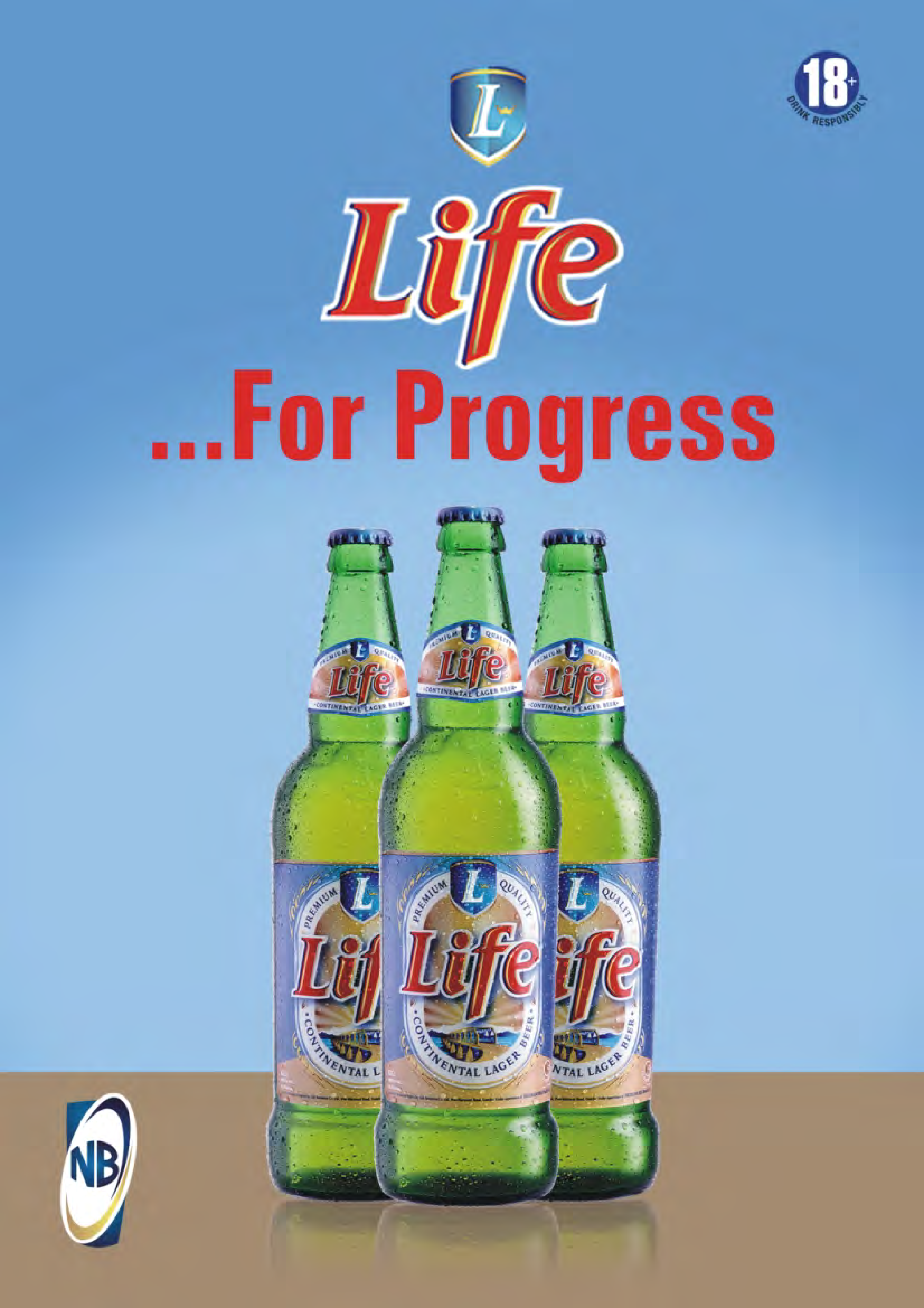
Unclaimed dividend warrants and share certificates.

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

MAJOR CUSTOMERS

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


BREWED TO GOLDEN STANDARD
GOLDBERG
Premium Lager Beer
Brewed to GOLDEN Standard for that QUALITY and REFRESHING taste.
Ẹni Iyì
NB
GOLDBERG
18


18+
DRINK RESPONSIBLY
Life
...For Progress
PREMIUM QUALITY
Life
CONTINENTAL LAGER BEER
NB


NON-ALCOHOLIC MALT DRINK
MALTA
GOLD
NON-ALCOHOLIC MALT DRINK
MALTA
GOLD
ENRICHED WITH VITAMINS AND MINERALS
FOR EXTRA ENERGY
33CL


NEW
ICE COLD FILTERED
STAR
LITE
GREAT TASTE!
18+
Drink Responsibly

E-DIVIDEND FORM

To:

The Registrar
First Registrars Nigeria Ltd
Plot 2, Abebe Village Road, Iganmu
P. M. B. 12692
Lagos, Nigeria.

Only Clearing Banks are acceptable

I/We hereby request that from now on, all dividend warrant(s) due to me/us from my/our holding(s) in **NIGERIAN BREWERIES Plc**, be paid directly to my/our Bank named below.

Shareholder's Full Name:

Surname first

Shareholder's Address:

Shareholder's E-mail:

Shareholder's GSM Number:

Single Shareholder's Signature: ________________

Joint Shareholders'/Company Signatures:

(1) ________________

(2) ________________

Company Seal: ________________

Name of Bank:

Branch Address of Bank :

Bank Account No.

Bank Sort Code:

Bank Authorised Signatures & Stamp:

(1) ________________

Please include Page No.

(2) ________________

Please include Page No.

Nigerian Breweries Plc

PROXY FORM

68th Annual General Meeting to be held in the Shell Hall, Muson Centre, Onikan, Lagos on Wednesday, 14th May, 2014 at 10.00 a.m.

No. of Shares	

I/WE*..

of ....

....being a member/members of NIGERIAN BREWERIES Plc hereby appoint**

....

or failing him **CHIEF KOLAWOLE B. JAMODU, OFR** or failing him **MR. OLUSEGUN S. ADEBANJI** as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 14th May, 2014.

Dated this.............................day of...2014.

Shareholder's signature ....

Delete as necessary.

This Proxy Form should NOT be completed and sent to the address overleaf if the member will be attending the meeting.

Notes:

i. A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy and this Proxy Form has been prepared to enable such shareholder exercise the right to vote despite not physically present at the meeting.

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

iii. Please sign this Proxy Form and post or deliver it to reach the address overleaf not later than 10.00 a.m. on the 12th of May, 2014. If executed by a Corporation, the form must be sealed with the Common Seal or under the hand of an officer or attorney duly authorised.

iv. The proxy must produce the Admission Card (below) to obtain entry to the meeting.

Resolutions	For	Against	Abstain
To declare a dividend.			
To re-elect Mr. Walter L. Drenth as a Director.			
To re-elect Mr. Victor Famuyibo as a Director.			
To re-elect Mr. Sijbe Hiemstra as a Director.			
To re-elect Mr. Atedo N. A. Peterside, CON as a Director.			
To authorise the Directors to fix the remuneration of the Independent Auditors			
To elect members of the Audit Committee			
To fix the remuneration of the Directors			

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

Nigerian Breweries Plc

ADMISSION CARD

Please admit the shareholder named on this Admission Card or his duly appointed proxy to the 68th Annual General Meeting of Nigerian Breweries Plc which will be held in the Shell Hall, Muson Centre, Onikan, Lagos on Wednesday, 14th May, 2014, at 10.00 a.m.

Name of shareholder

Number of shares held

Address of shareholder

Signature of shareholder or proxy

NOTES

(i) This Admission Card must be produced by the shareholder or his proxy in order to obtain entry to the meeting. Thus, tear off and retain it for admission to the meeting.

(ii) Shareholders or their proxies are requested to sign the Admission Card before attending the meeting.

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

SECOND FOLD HERE

Please affix
postage stamp

FIRST FOLD HERE

First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu
P.M.B. 12692
Marina, Lagos

THIRD FOLD HERE AND INSERT