



Nigerian Breweries Plc
RC: 613

2014 Annual Report and Accounts

Contents	Page
Mission Statement, Vision and Core Values	2
Company Profile	3
Nationwide Presence	5
Directors and Other Corporate Information	6
Pro forma Results at a Glance	7
Results at a Glance	8
Board of Director's profile	9
Notice of Annual General Meeting	12
Directors' Report	14
Corporate Social Responsibility Report	26
Audit Committee's Report	28
Independent Auditors' Report	29
Consolidated Statement of Financial Position	30
Consolidated Income Statement	31
Consolidated Statement of Other Comprehensive Income	32
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	35
Notes to the Consolidated Financial Statements	36
Value added statement	82
Four Year Financial Summary	83
Shareholders' Information	84
Major Customers	87

Mission Statement

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

Vision

“To be a World-Class Company”

Core Values

Respect; Passion for Quality; Enjoyment and Performance

COMPANY PROFILE

Nigerian Breweries Plc, the pioneer and largest brewing Company in Nigeria was incorporated in 1946. In June 1949, the Company recorded a landmark when the first bottle of STAR lager beer rolled off its Lagos Brewery bottling lines. This first brewery in Lagos has undergone several 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 interests in two companies, 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 with the Company in the middle of 2012. Another malting plant was acquired in Kaduna (as part of Kudenda Brewery) as a result of the acquisition of Sona Systems. At the end of 2014, an enlarged Nigerian Breweries Plc was emerged from the merger with Consolidated Breweries Plc. Three breweries at Imagbon, near Ijebu Ode, Awo-Omamma and Makurdi were added to the existing eight breweries as a result of the merger.

Thus, from a humble beginning in 1946, the Company has grown to eleven breweries from which its high quality products are produced and distributed to all parts of Nigeria, in addition to the two malting plants in Aba and Kaduna. It also has Sales Offices and Depots 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 increased its portfolio of brands in 2014 with the addition of **Ace Passion** in addition to two line extension of the **Star** brand - **Star Lite** and **Star Radler**. Also in 2014 as a result of the merger with Consolidated Breweries, “**33**” **Export** lager beer, **Williams** dark ale, **Turbo Kings** dark ale, **More** lager beer and two malt drinks, **Maltex** and **Hi Malt** together with **Breezer**, a blend of rum and fruits (three variants) became part of the Company’s product offering.

The Company has an export business which dates back to 1986. The current export destinations are the United Kingdom, the Netherlands, United States of America, other parts of Africa as well as part of the Middle East and Asia.

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

The Company was listed on the floor of The Nigerian Stock Exchange (NSE) in 1973. As at 31st December, 2014, it had a market capitalisation of approximately ₦1.3 trillion, making it the second largest company in Nigeria by market capitalization. It has consistently been honoured with awards relating to capital market matters including, 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 for Compliance.

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

Nationwide Presence

Headquarters

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

Brewery/Malting Plant Locations

Lagos Brewery

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

Aba Brewery

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

Kakuri (Kaduna) Brewery

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

Ibadan Brewery

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

Ama Brewery

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

Ota Brewery

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

Kudenda (Kaduna) Brewery

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

Onitsha Brewery

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

Makurdi Brewery

Km 5, Gboko Road,
Makurdi
Benue State
Tel: 0807 229 2427

Ijebu – Ode Brewery

Epe Road,
Imagbon Village, Ogun State
Tel: 0807 209 1310

Awo-Omama Brewery

Km 24, Owerri/Onitsha Road
Awo-Omamma, Imo State
Tel: 0807 229 0955-6

Aba Malting Plant

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

Sales Regions

Lagos Business Unit

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

Central Business Unit

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

East Business Unit

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

West Business Unit

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

North Business Unit

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

South Business Unit

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

Mid-West Business Unit

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

Directors and Other Corporate Information

Directors:

Chief Kolawole B. Jamodu, CFR	-	Chairman
Mr. Nicolaas A. Vervelde (Dutch)	-	Managing Director/CEO
Mr. Olusegun S. Adebajji	-	Non-Executive
Chief Samuel O. Bolarinde (<i>appointed wef 11/02/15</i>)	-	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) (<i>resigned wef 31/7/14</i>)	-	Finance Director
Mr. Sijbe Hiemstra (Dutch)	-	Non-Executive
Dr. Obadiah Mailafia (<i>appointed wef 5/12/14</i>)	-	Non Executive
Mr. Thomas A. de Man (Dutch)	-	Non-Executive
Mr. Frank N. Nweke II (<i>resigned wef 31/7/14</i>)	-	Non-Executive
Mrs. Ndidi O. Nwuneli, MFR (<i>appointed wef 5/12/14</i>)	-	Non-Executive
Mrs. Ifueko M.O. Okauru, MFR	-	Non-Executive
Mr. Atedo N.A. Peterside, CON	-	Non-Executive
Mr. Mark P. Rutten (Dutch) (<i>appointed wef 1/8/14</i>)	-	Finance Director
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

PRO FORMA RESULTS AT A GLANCE

The pro-forma results at a glance for the respective years ended 31st December, 2014 and 2013 set out below and have been prepared for illustrative purposes only, to show the revenue and results of the combined entities (Nigerian Breweries Plc and Consolidated Breweries Plc) as though the effective merger date had been 1st January, 2013. While this provides some understanding of the combined entities track record, the pro-forma information does not purport to represent what Nigerian Breweries Plc's actual results would have been had the merger actually occurred on 1st January 2013, nor are they necessarily indicative of future results of operations.

<i>In millions of naira</i>	2014	2013	% Change
Revenue	307,226	302,528	1.6
Results from operating activities	69,803	70,094	(0.4)
Net profit for the year	44,596	43,306	2.9
Share capital	3,965	3,965	-
Total equity	170,719	173,598	(1.7)
Data per 50 kobo share in Kobo			
Earnings per share	562	546	2.9
Net Assets	2,153	2,189	(1.6)
Current assets/current liabilities	0.51	0.61	(16.4)
Interest coverage (Results from operating activities/interest expense)	15.65	10.63	47.2

Pro forma results are further analysed as follows:

	2014	Nigerian Breweries Plc	Consolidated Breweries Plc	Merger impact	Total
Revenue		266,372	40,854	-	307,226
Results from operating activities		66,861	4,347	(1,405)	69,803
Net profit for the year		42,520	3,068	(992)	44,596

	2013	Nigerian Breweries Plc	Consolidated Breweries Plc	Merger impact	Total
Revenue		268,614	33,914	-	302,528
Results from operating activities		69,171	2,328	(1,405)	70,094
Net profit for the year		43,080	1,218	(992)	43,306

RESULTS AT A GLANCE
FOR THE YEAR ENDED 31st DECEMBER

<i>In millions of naira</i>	2014	2013	% Change
Revenue	266,372	268,614	(0.8)
Results from operating activities	66,861	69,171	(3.3)
Profit for the year	42,520	43,080	(1.3)
Declared dividend*	43,486	22,688	
Share capital	3,781	3,781	-
Total equity	171,883	112,359	53.0
Data per 50 kobo share in Kobo			
Earnings	562	570	(1.3)
Declared dividend**	575	300	75.0
Net Assets	2,153	1,486	44.9
Dividend per 50 kobo share in respect of current year results only (in kobo)	350	450	
Final dividend proposed**			
Stock Exchange Information:			
Stock Exchange quotation in Naira per share	165.30	167.90	(1.55)
Number of shares issued (in millions)	7,563	7,563	-
Market capitalisation in ₦: million	1,250,115	1,269,778	(1.55)
Number of employees	3,048	3,195	(4.6)
Ratios:			
Declared dividend coverage (Earnings per share/declared dividend per share)	0.98	1.90	
Current assets/current liabilities	0.50	0.45	
Interest coverage			
Interest coverage (Results from operating activities/interest expense)	18.48	14.17	

NOTE:

*Declared dividend represents the final proposed for the preceding year (N34,032 million) but declared in the current year and the interim dividend declared during the year (N9,453 million).

**The Directors propose a final dividend of 350 kobo per share (2013: 450 kobo per share) based on the enlarged issued share capital of 7,929,100,888 ordinary shares of 50 kobo each subject to approval by the shareholders at the Annual General Meeting fixed for 13th May 2015.

Board of Directors' Profile

Chief Kolawole B. Jamodu, CFR

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 was re-appointed as Chairman of PZ Cussons Nigeria Plc in 2014 after a previous stint as Chairman and Group Chief Executive of the PZ Group. He is a former Chairman of Universal Trust Bank Plc. He is the immediate past President of the Manufacturers' Association of Nigeria (MAN) and sits on the Board of United Bank for Africa Plc. Chief Jamodu is a member of the National Economic Management Team headed by the President of the Federal Republic 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 position, the Managing Director for Heineken Caribbean, Central America and Latin America.

Mr. Olusegun S. Adebajji

Non-Executive Director

Mr. Adebajji 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.

Chief Samuel O. Bolarinde

Non-Executive Director

Chief Bolarinde was appointed to the Board of Directors as a Non-Executive Director effective 11th February, 2015. He rose through the ranks to become Managing Director of Vitafoam Nigeria Plc and later Chairman of its Board of Directors. He is an industrialist and currently sits on the Boards of Directors of Toyota Nigeria Limited and Sunlink Petroleum Limited. He was a former Chairman of Wema Bank Plc as well as a former Non-Executive Director of the dissolved Consolidated Breweries Plc.

Mr. Walter L. Drenth

Marketing Director

Mr. Drenth was appointed to the Board of Directors effective the 15th of 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. Famuyibo is the President and Chairman of Council, Chartered Institute of Personnel Management of Nigeria.

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. Before his current position, he was the Heineken Regional President for Asia Pacific.

Dr. Obadiah Mailafia
Non- Executive Director

Dr. Mailafia was appointed to the Board of Directors effective the 5th of December, 2014. Dr. Mailafia is a career economist, banker and international development specialist with over 25 years' experience. He was an official of the African Development Bank Group. He is currently the Chief of Staff of the 80-member African, Caribbean and Pacific (ACP) Group of States based in Brussels, Belgium. He has served the Federal Government of Nigeria in different capacities he was a Deputy Governor of the Central Bank of Nigeria, he was a Special Adviser to the President on Economic and Policy Matters and was a Member of the Economic Management Team headed by the President of the Federal Republic of Nigeria.

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, Heineken Italia and as Brewery Manager in our Aba Brewery. He is the immediate past Heineken Regional President for Africa and Middle East.

Mrs. Ndidi O. Nwuneli, MFR
Non-Executive Director

Mrs. Nwuneli joined the Board of Directors effective the 5th of December, 2014. She is the Founder of LEAP Africa, Co-Founder of AACE Food Processing & Distribution, an indigenous

agroprocessing company, and a Partner at Sahel Capital, an advisory and private equity firm focused on the agribusiness sector in West Africa. She has considerable private sector experience and interests and sits on the Boards of Nestle Nigeria Plc and Cornerstone Insurance Plc.

Mrs. Ifueko M. O. Okauru, MFR
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 Chairman of Stanbic IBTC Holdings 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, Standard Bank Group Limited, The Standard Bank of South Africa Limited and Unilever Nigeria Plc. He is a member of the National Council on Privatisation (NCP) and the Chairman of its (NCP) 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. Mark P. Rutten
Finance Director

Mr. Rutten was appointed to the Board of Directors of the Company effective the 1st of August, 2014. He joined the Heineken N.V. Group in 2000 and has occupied various finance positions in Europe and Africa. Prior to his appointment to the Board, he was the Finance Director of Bralima Brewery (the Heineken operating company in Democratic Republic of Congo).

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 69th Annual General Meeting of Nigerian Breweries Plc, will be held in the Shell Hall, Muson Centre, Onikan, Lagos, on Wednesday, 13th May 2015, 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 2014, together with the Statement of Comprehensive Income for the year ended on that date and the Reports of the Independent Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors including Chief Samuel O. Bolarinde, who is over 70 years old, special notice to that effect having been received by the Company in accordance with Section 256 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004.
4. To appoint the firm of **Akintola Williams Deloitte** as the Independent Auditors for the Company in accordance with Section 357(1) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004.
5. To authorise the Directors to fix the remuneration of the Independent Auditors.
6. To elect members of the Audit Committee.

B. SPECIAL BUSINESS

7. To fix the remuneration of the Directors.

Dated the 11th of February, 2015.

By Order of the Board.

(Signed)

Uaboi G. Agbebaku, Esq.

Company Secretary/Legal Adviser
Iganmu House
Abebe Village Road
Iganmu, Lagos
Nigeria.

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, a 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 **₦37,205,233,648** (thirty seven billion, two hundred and five million, two hundred and thirty three thousand, six hundred and forty eight naira only), that is, **₦4.75** (four naira seventy five kobo) per share for the 2014 financial year, has been recommended by the Board for approval. If approved, the payment of the dividend will be made on Thursday, 14th May, 2015, to shareholders whose names appear on the Company's Register of Members at the close of business on Wednesday, 4th of March, 2015. Having earlier paid an interim dividend of approximately **₦9.5** billion that is **₦1.25** per share which was declared in October 2014, the final dividend will be **₦27,751,853,108** (twenty seven billion, seven hundred and fifty one million, eight hundred and fifty three thousand and one hundred and eight naira only) that is, **₦3.50** per share.

(d) **CLOSURE OF REGISTER**

The Register of Members and Transfer Books of the Company will be closed from **Thursday, 5th March, 2015** to **Wednesday, 11th March 2015** (both dates inclusive), for the purpose of preparing an up-to-date Register of Members.

(e) **INDEPENDENT AUDITORS**

The Code of Corporate Governance released by the Securities and Exchange Commission requires that Independent Auditors be rotated after ten years. The firm of KPMG Professional Services having served as the Independent Auditors to the Company for more than ten years, will thus not continue in office after the Annual General Meeting (AGM). The Board has therefore proposed the appointment of the firm of **Akintola Williams Deloitte** as the new Independent Auditors to the Company effective after the conclusion of the AGM.

Directors' Report

For the year ended 31st December 2014

The Directors are pleased to present their annual report together with the audited financial statements of the Company for the year ended 31st December 2014.

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 held a 54.09% interest in the equity of Nigerian Breweries Plc as at 31st December, 2014.

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 32c to the financial statements

5. Subsidiaries

Following the merger with Consolidated Breweries Plc (see Note 6 below), the enlarged Company obtained an 89.3% majority equity interest in Benue Bottling Company (BBC). The subsidiary, BBC, is an entity with no business activities that holds land, buildings and some idle production assets. The financial position of the subsidiary has been consolidated in these financial statements. As the Company obtained the majority equity interest on December 31, 2014, there was no impact on the Company's result for the year under review (see note 15).

6. Review of Operations

In the course of the year under review, the Company concluded the legal process which culminated in a merger with Consolidated Breweries Plc resulting in an enlarged company. The Statement of Financial Position for the year is therefore a combination of the Financial Position of the old Nigerian Breweries Plc and the dissolved Consolidated Breweries Plc.

Due to the effective date of the merger being 31st December 2014, the Income Statement reflects the results of Nigerian Breweries Plc prior to the merger. The results of Consolidated Breweries Plc prior to the merger has been included in its retained earnings represented by its net assets taken over by Nigerian Breweries Plc on the date of the merger and reflected in the Statement of Financial Position.

2014 was another year of challenges in the operating environment particularly in the areas of declining purchasing power and security with serious impact on businesses. Nevertheless,

the Company was able to achieve strong results due in part to our Cost Leadership and Innovation agenda.

	2014	2013	% Change
	₦'000	₦'000	
Revenue	266,372,475	268,613,518	(0.8)
Results From Operating Activities	66,860,899	69,171,377	(3.3)
Profit Before Taxation	61,461,821	62,240,317	(1.3)
Taxation	(18,941,568)	(19,159,968)	(1.1)
Profit after Tax	42,520,253	43,080,349	(1.3)

7. Dividend

The Directors are pleased to recommend to shareholders at the forthcoming Annual General Meeting, the declaration of a total dividend of **₦37,205,233,648** (thirty seven billion, two hundred and five million, two hundred and thirty three thousand, six hundred and forty eight naira only), that is, **₦4.75** (four naira seventy five kobo) per ordinary share of fifty kobo each. The Company had earlier paid an interim of **₦9,453,380,540** (nine billion, four hundred and fifty three million, three hundred and eighty thousand, five hundred and forty naira only) that is, **₦1.25** (one naira twenty five kobo). Thus, the final dividend will be **₦27,751,853,108** (twenty seven billion, seven hundred and fifty one million, eight hundred and fifty three thousand and one hundred and eight naira only) that is, **₦3.50** per share. If the proposed final dividend is approved, it will be subject to deduction of withholding tax at the appropriate rate and the dividend will be payable on the 14th of May, 2015, to all shareholders whose names appear on the Company's Register of Members at the close of business on the 4th of March, 2015.

8. Shareholding and Substantial Shareholders

The issued and fully paid-up Share Capital of the Company as at 31st December, 2014 was 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 16.27% held more than 10% of the Company's issued share capital as at the said date. The remaining 29.64% of the issued shares were held by other individuals and institutions. Aside the aforementioned three companies, no other shareholder held more than 5% of the issued share capital of the Company as at 31st December 2014. Heineken Brouwerijen B.V. and Distilled Trading International B.V. are part of the Heineken N.V. group.

9. 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 87 of this Annual Report and Accounts.

10. Board of Directors

The Board of Directors (including the changes thereon since the last Annual General meeting) is as shown on pages 5 and 8 thereof. The Board is at present made up of six (6) Executive Directors and nine (9) Non-Executive Directors (including the Chairman).

There have been changes on the Board since after the last Annual General Meeting. The changes include the resignations of Messrs Jasper C. Hamaker and Frank N. Nweke II effective the close of business on the 31st of July, 2014. The Board thanks them for their invaluable contributions to the growth of the Company during their respective tenure on the Board.

The other changes are the appointment of Directors to fill vacancies on the Board in line with the provisions of our Articles of Association. They are, Mr. Mark P. Rutten, Dr. Obadiah Mailafia, Mrs. Ndidi Okonkwo Nwuneli and Chief Samuel O. Bolarinde. While the appointment of Mr. Rutten took effect on the 1st of August, 2014, those of Dr. Mailafia and Mrs. Okonkwo Nwuneli took effect on the 5th of December, 2014. Chief Bolarinde's appointment took effect on the 11th of February, 2015. All four Directors will thus retire at the forthcoming Annual General Meeting and being eligible, have presented themselves for re-election at the meeting.

The Directors to retire by rotation at the forthcoming Annual General Meeting in conformity with the Articles of Association, and who, being eligible, have offered themselves for re-election at the meeting are: Messrs Olusegun S. Adebajji, Hubert I. Eze, Thomas A. de Man and Hendrik A. Wymenga.

11. Statement of Directors' Responsibilities

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 33 to 72 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 the 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.

12. 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 23(a) below.

13. 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 at 11th February, 2015	As at 31st December, 2014	As at 31st December, 2013
Chief Kolawole B. Jamodu, CFR	431,704	431,704	431,704
Mr. Nicolaas A. Vervelde	Nil	Nil	Nil
Mr. Olusegun S. Adebajji	200,000	200,000	200,000
Chief Samuel O. Bolarinde	711,603	NA	NA
Mr. Walter L. Drenth	Nil	Nil	Nil
Mr. Hubert I. Eze	41,383	41,383	41,383
Mr. Victor Famuyibo	16,653	16,653	16,653
Mr. Sijbe Hiemstra	Nil	Nil	Nil
Dr. Obadiah Mailafia	Nil	Nil	NA*
Mr. Thomas A. de Man	Nil	Nil	Nil
Mrs. Ndidi O. Nwuneli, MFR	Nil	Nil	NA*
Mrs. Ifueko M.O. Okauru, MFR	35,992	35,992	35,992
Mr. Atedo N.A. Peterside, CON	Nil**	Nil**	12,500,000
Mr. Mark P. Rutten	Nil	Nil	NA*
Mr. Hendrik A. Wymenga	Nil	Nil	Nil

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

** Has indirect holding of 12.5 million units (shares) via The First ANAP Domestic Trust.

14. 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 Hybrid Sorghum varieties with the potential of increasing the yield/output for sorghum farmers as well as improving the quality of sorghum malt which is a major raw material input in our operations. Two high-yielding hybrid sorghum varieties have been developed and registered by the Company; the process of commercialising their production is on-going. The Company has a subsisting consultancy agreement with a Nigerian Professor on the development of sorghum seeds.

The Company has entered into supply agreements with local cassava starch processors whose activities have impacted positively in the communities where they operate. We have offtake arrangement with a multinational company that has huge investment in sugarcane value chain. This is aimed at replacing imported sugar in our recipe with a local substitute.

15. Property, plant and equipment

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

16. Gifts and Donations

In 2014, the Company made gifts and donations amounting to ₦140,203,543 (2013: ₦207,193,655) as follows:

Beneficiary/Project	Naira
Support for Port Health Authorities at MMIA – Ebola Control	1,121,000
Borehole Rehabilitation in Kaduna Metro polis	2,084,776
Sponsorship of the 20 th Nigerian Economic Summit	2,500,000
Support for the Nigerian Guild of Editors New secretariat Building	5,000,000
Donation of 300KVA Transformer to Onuimiri Community, Aba	5,855,431
Renovation of Maternity Ward of Akerele PH Center	6,045,000
Renovation of Lagos state Environmental Protection Waste water laboratory	6,770,000
Iwo road Horticultural Garden Ibadan	6,997,167
Block of classrooms RCM Primary School, Agbakyor Fiidi, Makurdi	7,778,413
Power project Umuejike, Oru East local government in Imo State	9,379,720
Contribution to Beer Sectorial Group for Drive Alcohol Free campaign	9,660,000
Community Town Hall in Imagbon, Ijebu Ode	9,781,265
Don't drink & Drive Partnership with FRSC	12,315,577
National Arts Competition /African Arts Foundation	26,869,495
Creative writers workshop in Partnership with Farafina Trust	28,045,699
	<hr/>
	<u>140,203,543</u>

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.

17. 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.

18. **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.

19. **Quality Policy Statement**

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

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

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

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

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

20. **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.

21. **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 23 and 24.

(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.

22. **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.

23. 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 nine (9) Non-Executive Directors, including the Chairman, and six (6) Executive Directors. Three of the Non-Executive Directors qualify as Independent Directors. The Board has a formal guideline and process for appointment of persons as *Directors*.

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

The Board has a formal schedule of meetings each year and met five (5) times in the course of the year under review in line with that schedule (there were also two other unscheduled special meetings of the Board). The record of attendance of the current members at the scheduled meetings is set out below:

	12/2/14	14/5/14	18/7/14	22/10/14	3/12/14
Chief Kolawole B. Jamodu, CFR	P	P	P	P	P
Mr. Nicolaas A. Vervelde	P	P	P	P	P
Mr. Olusegun S. Adebajji	P	P	P	P	P
Chief Samuel O. Bolarinde	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Walter L. Drenth	P	P	P	P	P
Mr. Hubert I. Eze	P	P	P	P	P
Mr. Victor Famuyibo	P	P	P	P	P
Mr. Sijbe Hiemstra	P	P	P	P	P
Dr. Obadiah Mailafia	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Thomas A. de Man	P	P	P	P	P
Mrs. Ndidi O. Nwuneli, MFR	N.A.	N.A.	N.A.	N.A.	N.A.
Mrs. Ifueko M.O. Okauru, MFR	A	P	P	P	P
Mr. Atedo N.A. Peterside, CON	P	A	P	P	P
Mr. Mark P. Rutten	N.A.	N.A.	N.A.	P	P
Mr. Hendrik A. Wymenga	P	P	P	P	P

P – Present

A – Absent with Apology

N.A. - Not a member of the Board of Directors as at that date.

(b) **Executive Committee**

The Executive Committee comprises the Executive Directors and two other Senior Managers occupying strategic roles in the business together with the Company Secretary who serves 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	Role	No. of Meetings	No. Attended
Nicolaas A Vervelde	Managing Director/CEO	19	17
Walter L. Drenth	Marketing Director	19	14
Hubert I. Eze	Sales Director	19	17
Victor Famuyibo	Human Resource Director	19	18
Mark P. Rutten	Finance Director	9*	8
Hendrik A. Wymenga	Technical Director	19	13
Kufre U. Ekanem	Corporate Affairs Adviser	19	18
Henk van Rooijen	Director of Logistics	9*	8
Uaboi G. Agbebaku	Company Secretary/Legal Adviser	19	17

* After he became a member of the Committee.

(c) **Nomination Committee**

The composition of the Remuneration Committee and the record of attendance at its meeting are contained in the table below.

		18/7/14
i.	Mr. Thomas A. de Man (Chairman)	P
ii.	Mr. Olusegun S. Adebajji (Member)	P
iii.	Mr. Victor Famuyibo (Member)	P

P – Present.

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 composition of the Remuneration Committee and the record of attendance at its meeting are contained in the table below.

		18/7/14
i.	Mr. Atedo N.A. Peterside, CON (Chairman)	P
ii.	Mr. Victor Famuyibo (Member)	P
iii.	Mr. Thomas A. de Man (Member)	P

P – Present.

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

(e) **Audit Committee**

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

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

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

The Committee met four times (12/2/14, 13/5/14, 22/10/14 and 3/12/14) during the year under review with all the members present. See page 28 for the composition of the Committee.

(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 composition of the Committee as well as the record of attendance at meetings are detailed below:

		13/5/14	3/12/14
i.	Mr. Sijbe Hiemstra (Chairman)	P	P
ii.	Mr. Olusegun Adebajji (Member)	P	P
iii.	Mr. Frank Nweke II* (Member)	A	N.A.
iv.	Mrs. Ifueko M.O. Okauru, MFR* (Member)	N.A.	P

P – Present

A – Absent with Apology

N.A. - Not a member of the Committee as at that date

*Mrs. Omoigui Okauru replaced Mr. Frank Nweke II in the course of the year following the resignation of the latter from the Board.

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 as detailed in the table above.

(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 on 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.

24. Independent Auditors

The firm of KPMG Professional Services served as the Independent Auditors during the year under review.

KPMG Professional Services has served as the Company's Independent Auditors for several years. The Code of Corporate Governance released by the Securities and Exchange Commission requires that Independent Auditors be rotated after ten years; thus, KPMG Professional Services will not continue in office as the Company's Independent Auditors after the conclusion of the forthcoming Annual General Meeting. The Board thanks the firm for the excellent services it rendered to the Company during the time it served as the Independent Auditors.

In accordance with Section 357(1) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, the Board will propose at the forthcoming Annual General Meeting, the appointment of the firm of Akintola Williams Deloitte as the Independent Auditors to the Company effective after the conclusion of the meeting.

Dated the 11th day of February, 2015.

By Order of the Board.

(Signed)

Uaboi G. Agbebaku, Esq.

Company Secretary/Legal Adviser
FRC/2013/NBA/00000001003

Iganmu House
Abebe Village Road
Iganmu, Lagos, Nigeria.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Our company is driven by a desire to create excellent shared value and contribute towards the development of the society at large. The year 2014 was an exciting year for our corporate social responsibility and sustainability agenda. Our sustainability agenda, *Brewing a Better World*, was up scaled during the year to include two new focus areas with increased emphasis on value creation. This sustainability agenda guides the delivery of our commitments with six focus areas in which we can make a difference. These focus areas are Protecting Water Resources, Reducing CO2 Emissions, Sourcing Sustainably, Advocating Responsible Consumption, Promoting Health and Safety and Growing with Communities.

In Protecting Water Resources, we commenced our Water Stewardship programme aimed at reducing water used in our operations/supply chain and compensating for water in water scarce and distressed areas. Water consumption used for production improved by 11.42% from 4.99hl/hl in 2013 to 4.42hl/hl in 2014. Boreholes were rehabilitated in 2 communities while a waste water treatment plant was commissioned in our brewery in Aba, Abia State.

We carried out various initiatives in **Reducing CO2 Emissions** which included the use of compressed natural gas to generate 30% of electricity used by our brewery in Enugu in replacement of LPFO/diesel. The installation of energy efficient motors for our cooling plants in our Lagos and Ota breweries also made a positive impact in our drive to reduce energy. Our combined energy consumption for the year was 125.1mj/hl with an improvement of 10.53% over 2013.

In line with HEINEKEN'S commitment to **Sourcing Sustainably** we signed a Memorandum of Understanding with a Nigerian company, Psaltry International Company Limited and a Dutch NGO, 2SCALE, to facilitate expansion of sourcing of cassava-based inputs thereby strengthening the participation of smallholder farmers in the local economy. We also signed a Memorandum of Understanding with the Federal Ministry of Agriculture and Rural Development on sorghum development in Nigeria. These initiatives are in line with the Agricultural Transformation Agenda championed by the Federal Republic of Nigeria. Almost 100% of our packaging materials are sourced locally and we are committed to the full compliance of our Supplier Code procedure.

As part of our assurance to **Advocating Responsible Consumption**, we signed a Memorandum of Understanding for the next 5 years with the Federal Road Safety Commission (FRSC) on our Don't Drink and Drive Campaign. A special marshal unit of the FRSC was also inaugurated in our Headquarters in Lagos. We also sustained our 'Drink it Right' partnership focused on prevention on consumption of alcohol during pregnancy with the Nigerian Institute of Medical Research and executed the global Heineken Drink More, Dance Slow campaign.

To enhance our commitment to ensuring nil fatality and zero accidents across our operations, we enhanced our companywide **Health and Safety** strategy with the objective to build and reinforce a winning safety culture amongst employees. Our comprehensive workplace HIV and Malaria programmes were sustained. Through our Heineken African Foundation, we partnered with TLPCenter for accurate diagnosis of Autism Disorder Spectrum (ASD) in Nigeria. We also provided materials required by the Ports Health Authorities of the Murtala Mohammed International Airport, Lagos for Ebola control and prevention.

We remain committed in **Growing with Communities**. During the year, we executed an employee volunteer program called EXCO Brewing a Better Future Challenge across all our brewery locations and headquarters for local communities. Projects executed included painting, cleaning, renovation of schools and career counselling sessions for students. In addition, visits were made to orphanages and motherless babies' homes. We also rehabilitated the 9th mile roundabout in Enugu and de silted drainages in Industry road, Aba, Abia state. About 2,784 hours was expended on these activities while 928 persons participated. We hope to sustain this going forward.

Educational projects were executed in both primary and post primary schools in 11 communities across Nigeria through the Nigerian Breweries–Felix Ohiwerei Education Trust Fund. This include construction of 48 new classrooms and 11 libraries as well as renovation of 21 classrooms. All the classrooms and libraries were equipped with furniture and books provided for the libraries. Donation was made to Pan Atlantic University for the construction of her Faculty of Engineering for undergraduate students and scholarships awarded to students of tertiary institutions.

In 2014, we sustained sponsorship of the Creative Writers Workshop and the National Arts Competition which are both in their sixth and seventh years of execution respectively. The Creative Writers Workshop was carried out in conjunction with Farafina Trust and facilitated by international writers led by Chimamanda Ngozi Adichie. The National Arts Competition was also executed in conjunction with the African Artists' Foundation and has evolved to be a benchmark for the development of arts and artistes in Nigeria.

In conclusion, corporate social responsibility and sustainability is at the heart of our strategic business proposition and it defines the way we do business. As a recognition of our CSR/Sustainability programs, our company won the award of the Overall Winner/ Most Socially Responsible Company in Nigeria at the 2014 edition of Social Enterprise and Reports Awards (SERA). Other awards won at the event include Best Company in Infrastructure and Best Company in Supply Chain awards. We will continue to use our goodwill, strong brand name, economic position and good reputation to create shared value in a manner that contributes towards sustainable development for the environment and society at large.

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 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, 2014 are satisfactory. The internal audit programmes reinforce the Company's internal control system;
- c) having reviewed the Independent Auditors' memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

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

Members of the Audit Committee are:

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

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

Dated the 11th day of February, 2015

(Signed)

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

INDEPENDENT AUDITORS 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') and its subsidiary company (together 'the Group'), which comprise the consolidated and separate statements of financial position as at 31 December 2014, and the consolidated and separate income statements and the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 81.

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 Act of Nigeria, 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 of 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 of Nigerian Breweries Plc ('the Company') and its subsidiary (together 'the Group') as at 31 December 2014, and of the Group and 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 Company's statement of financial position, the income statement and the statement of other 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
11 February 2014
Lagos, Nigeria

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER

	Notes	**Group 2014 N'000	*Company 2014 N'000	Company 2013 N'000
ASSETS				
Property, plant and equipment	12(a-b)	193,800,450	193,569,624	153,366,133
Intangible assets and goodwill	13	97,969,253	97,969,253	53,563,357
Investments	15	150,000	829,625	150,000
Other receivables	16	189,710	189,710	158,884
Prepayments	17	187,889	187,889	235,790
Non-current assets		292,297,302	292,746,101	207,474,164
Inventories	18	28,478,459	28,478,459	20,643,153
Trade and other receivables	19	16,357,156	16,357,156	14,212,062
Prepayments	17	1,822,499	1,822,499	764,588
Deposit for imports	20	364,674	364,674	136,818
Cash and cash equivalents	21	5,700,257	5,699,079	9,528,848
Assets held for sale	12(g)	4,208,816	4,208,816	-
Current assets		56,931,861	56,930,683	45,285,469
Total assets		349,229,163	349,676,784	252,759,633
EQUITY				
Share capital	22	3,781,353	3,781,353	3,781,353
Share premium		4,567,967	4,567,967	4,567,967
Share based payment reserve		241,676	241,676	50,114
Retained earnings		102,726,500	102,726,500	103,959,751
Equity contribution reserve	22(c)	60,565,334	60,565,334	-
Equity attributable to owners of the company		171,882,830	171,882,830	112,359,185
Non-controlling interest		81,433	-	-
Total Equity		171,964,263	171,882,830	112,359,185
LIABILITIES				
Loans and borrowings	24(a)	24,670,000	24,670,000	9,000,000
Employee benefits	25	10,735,596	10,735,596	9,274,733
Deferred tax liabilities	27	27,833,732	27,833,732	21,830,000
Non-current liabilities		63,239,328	63,239,328	40,104,733
Bank overdraft	21	230,380	230,380	-
Current tax liabilities	10(c)	22,948,829	22,944,629	24,086,538
Dividend payable	23(b)	7,563,291	7,563,291	6,376,528
Trade and other payables	28	83,283,072	83,816,326	69,832,649
Current liabilities		114,025,572	114,554,626	100,295,715
Total liabilities		177,264,900	177,793,954	140,400,448
Total equity and liabilities		349,229,163	349,676,784	252,759,633

Approved by the Board of Directors on the 11th of February, 2015 and signed on its behalf by:

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

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

_____(Signed)_____) Mr. Mark P. Rutten (Finance Director) FRC/2014/IODN/00000009921

The notes on pages 36 to 81 are an integral part of these financial statements.

*Due to the merger with Consolidated Breweries Plc at the end of the year under review, the 2014 Company numbers are those of the merged entity while the 2013 numbers are those for the Company prior to the merger

** The Group came into existence in 2014; thus, Group comparative figures have not been presented

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

	Notes	Group/ Company *2014 N'000	Company 2013 N'000
Revenue	5	266,372,475	268,613,518
Cost of sales		(130,788,296)	(132,136,476)
Gross profit		135,584,179	136,477,042
Other income	6	1,717,491	2,075,411
Marketing and distribution expenses		(42,200,086)	(42,949,612)
Administrative expenses		(28,240,685)	(26,431,464)
Results from operating activities		66,860,899	69,171,377
Finance income	7(a)	697,320	551,250
Finance costs	7(b)	(6,096,398)	(7,482,310)
Net finance costs		(5,399,078)	(6,931,060)
Profit before tax	8	61,461,821	62,240,317
Income tax expense	10(a)	(18,941,568)	(19,159,968)
Profit after tax		42,520,253	43,080,349
Profit for the year attributable to: Owners of the Company		42,520,253	43,080,349
Profit for the year		42,520,253	43,080,349
Earnings per share			
Basic earnings per share (kobo)	11(a)	562	570
Diluted earnings per share (kobo)	11(b)	562	570

The notes on pages 36 to 81 are an integral part of these financial statements.

* The effective date of the merger with Consolidated Breweries Plc was 31st December 2014. Accordingly, the income statement results of the Company for the year does not include the results of Consolidated Breweries Plc.

Additionally the Group came into existence in 2014; thus, Group comparative figures have not been presented. In 2014 Group and Company figures are the same as the Company only obtained control of the subsidiary, Benue Bottling Company, as at December 31st 2014.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER**

	Notes	Group/ Company *2014 N'000	Company 2013 N'000
Profit for the year		42,520,253	43,080,349
Other comprehensive income: Items that will never be reclassified to profit or loss			
Actuarial losses	25(f)	(415,579)	(1,581,984)
Other comprehensive income, net of tax		(415,579)	(1,581,984)
<u>Total comprehensive income for the year</u>		<u>42,104,674</u>	<u>41,498,365</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		42,104,674	41,498,365
<u>Total comprehensive income for the year</u>		<u>42,104,674</u>	<u>41,498,365</u>

The notes on pages 36 to 81 are an integral part of these financial statements.

* The effective date of the merger with Consolidated Breweries Plc was 31st December 2014. Accordingly, the statement of comprehensive income of the Company for the year does not include the comprehensive income of Consolidated Breweries Plc.

Additionally the Group came into existence in 2014; thus, Group comparative figures have not been presented. In 2014 Group and Company figures are the same as the Company only obtained control of the subsidiary, Benue Bottling Company, as at December 31st 2014.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2014
Group/Company**

	Notes	Share capital N'000	Share premium N'000	Share Based payment reserve N'000	Retained earnings N'000	Equity contribution reserve N'000	Total I N'000	Non- Controlling Interest N'000	Total equity N'000
Balance at 1 st January 2014		3,781,353	4,567,967	50,114	103,959,751		112,359,185		112,359,185
Profit for the year		-	-	-	42,520,253		42,520,253		42,520,253
Other comprehensive income for the year		-	-	-	(415,579)		(415,579)		(415,579)
Total comprehensive income for the year		-	-	-	42,104,674		42,104,674		42,104,674
Transaction with owners, recorded directly in equity									
Contributions and distributions									
Equity contribution reserve	22(c)	-	-	-	-	60,565,334	60,565,334		60,565,334
Share based payment charge	26	-	-	214,238	-	-	214,238		214,238
Share based payment recharge		-	-	(22,676)	-	-	(22,676)		(22,676)
Dividends	23(a)	-	-		(43,485,550)	-	(43,485,550)		(43,485,550)
Unclaimed dividends written back	23(b)	-	-	-	147,625	-	147,625		147,625
Total contributions and distributions		-		191,562	(43,337,925)	60,565,334	17,418,971		17,418,971
Changes in ownership interest									
Acquisition of subsidiary								81,433	81,433
Total transactions with owners of the company				191,562	(43,337,925)	60,565,334	17,418,971	81,433	17,500,404
Balance as at 31st December, 2014		3,781,353	4,567,967	241,676	102,726,500	60,565,334	171,882,830	81,433	171,964,263

The notes on pages 36 to 81 are an integral part of these financial statements

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

	Notes	Share capital N'000	Share premium N'000	Share based payment reserve N'000	Retained earnings N'000	Total equity N'000
Balance at 1 st 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(a)	-	-		(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 36 to 81 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER**

	Notes	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Cash flows from operating activities				
Profit for the year		42,520,253	42,520,253	43,080,349
Adjustments for:				
Depreciation	12	24,062,736	24,062,736	21,188,510
Amortization of intangible assets	13	470,239	470,239	551,928
Finance income	7(a)	(697,320)	(697,320)	(551,250)
Interest expenses	7(b)	3,618,672	3,618,672	4,882,661
Gratuity, employee benefit and share based payment charges		1,251,653	1,251,653	2,104,688
(Gain)/loss on sale of property, plant and equipment	8(e)	(739,951)	(739,951)	731,513
Income tax expense	10(a)	18,941,568	18,941,568	19,159,968
		89,427,850	89,427,850	91,148,367
Changes in:				
Inventories		(1,462,723)	(1,462,723)	4,009,570
Trade and other receivables		764,163	764,163	4,563,345
Prepayments		(661,323)	(661,323)	34,841
Trade and other payables		6,179,049	6,179,049	20,217,280
Deposit for imports		(227,856)	(227,856)	1,730,078
Cash generated from operating activities		94,019,160	94,019,160	121,703,481
Income tax paid	10(c)	(20,154,277)	(20,154,277)	(14,443,534)
Gratuity paid	25(a)	(881,716)	(881,716)	(842,525)
Long service awards paid	25(b)	(366,945)	(366,945)	(316,551)
VAT paid*		(11,756,177)	(11,756,177)	(12,077,323)
Net cash from operating activities		60,860,045	60,860,045	94,023,548
Cash flows from investing activities				
Finance income		697,320	697,320	551,250
Proceeds from sale of property, plant and equipment		939,405	939,405	59,804
Cash contribution through merger with Consolidated Breweries Plc	14	1,776,090	1,774,912	-
Acquisition of property, plant and equipment	12(h)	(31,861,779)	(31,861,779)	(31,587,909)
Acquisition of intangible assets	13	(141,655)	(141,655)	(127,712)
Net cash used in investing activities		(28,590,619)	(28,591,797)	(31,104,567)
Cash flows from financing activities				
Proceeds from loans and borrowings	24	9,000,000	9,000,000	-
Repayment of loans and borrowings	24(a)	-	-	(36,000,000)
Interest paid	7(c)	(3,065,286)	(3,065,286)	(5,147,990)
Dividends paid	23(b)	(42,263,111)	(42,263,111)	(21,756,348)
Net cash used in financing activities		(36,328,397)	(36,328,397)	(62,904,338)
Net (decrease)/increase in cash and cash equivalents		(4,058,971)	(4,060,149)	14,643
Cash and cash equivalents at 1 st January		9,528,848	9,528,848	9,514,205
Cash and cash equivalents at 31st December	21	5,469,877	5,468,699	9,528,848

The notes on pages 36 to 81 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

Due to effective date of the merger being 31st December 2014, the statement of cash flows excludes the cash flows of the dissolved Consolidated Breweries Plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
1 Reporting entity	37
2. Basis of preparation	37
3. Significant accounting policies	38
4. Determination of fair values	50
5. Revenue	51
6. Other income	51
7. Finance income and finance costs	51
8. Profit before taxation	52
9. Personnel expenses	53
10. Taxation	55
11. Earnings per share	56
12. Property, plant and equipment	56
13. Intangible assets and goodwill	59
14. Merger	60
15. Investments	61
16. Other receivables	62
17. Prepayments	62
18. Inventories	62
19. Trade and other receivables	62
20. Deposit for imports	62
21. Cash and cash equivalents	63
22. Share capital	63
23. Dividends	64
24. Loans and borrowings	64
25. Employee benefits	65
26. Share-based payment	69
27. Deferred tax liabilities	70
28. Trade and other payables	70
29. Financial instruments - financial risk management and fair values	70
30. Operating leases	77
31. Contingencies	77
32. Related parties	78
33. Subsequent events	79
34. Condensed financial data of consolidated entities	80

1. Reporting entity

Nigerian Breweries Plc, a public company quoted on the Nigerian Stock Exchange, was incorporated in Nigeria 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.

In the course of the year under review, the Company concluded the legal process which culminated in a merger with Consolidated Breweries Plc resulting in an enlarged company. The statement of financial position for the year is therefore a combination of the financial position of the old Nigerian Breweries Plc and the dissolved Consolidated Breweries Plc.

As a consequence of the merger with Consolidated Breweries Plc (see Note 6 below), the enlarged Company obtained an 89.3% majority equity interest in Benue Bottling Company (BBC). The subsidiary, BBC, is an entity with no business activities that holds land, buildings and some idle production assets. The financial position of the subsidiary has been consolidated in these financial statements. As the Company obtained the majority equity interest on 31st December 2014, there was no impact on the Company's income statement for the year under review (see note 15).

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 11th February 2015.

(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 – fair value
- Defined benefit obligations – present value of the obligation
- Inventory - lower of cost or net realizable value

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 Group/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 and other intangible assets- key assumptions underlying recoverable amount of CGU

Note 14 – Merger accounting

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 Group/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).

In some cases, if the inputs used to measure the fair value of an asset or a liability is 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 Group/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 Instruments – Financial risk management and fair values (note 29).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements,

(a) **Basis of consolidation**

(i) **Business combinations**

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

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

The Company has opted to apply IFRS 3 on business combinations involving entities under common control.

(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.

(ii) **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. Separate disclosure is made for non-controlling interest.

- (iii) Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

- (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 facilitates 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 translation 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 Group/Company initially recognizes financial assets on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) where necessary are recognized initially on the trade date at which the Group/Company becomes a party to the contractual provisions of the instrument.

The Group/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 Group/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 Group/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 following are classes of non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables.

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 Group/Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group/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 and cash and cash equivalents.

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 Group/Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

(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 Group/Company becomes a party to the contractual provisions of the instrument.

The Group/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 Group/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 Group/Company have 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. The use of the share premium account is governed by S.120(3) of CAMA 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.

(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**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group/Company and its cost can be measured reliably. 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 Group/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 and Infrastructure	-	15 to 40 years
• Plant and Machinery	-	5 to 30 years
• Motor Vehicles	-	5 years
• Furniture and Equipment	-	3 to 5 years
• Returnable Packaging Materials	-	5 to 8 years

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

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 commences accordingly.

(e) **Intangible assets**

(i) **Goodwill**

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not 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 Group/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 Group/Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

The Group/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

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) **Leases**

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group/Company determines whether the arrangement is or contains a lease and performs an assessment of whether:

- (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets ; and
- (b) the arrangement conveys a right to use the asset

At inception or on reassessment of an arrangement that contains a lease, the Group/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 Group/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 Group/Company's incremental borrowing rate.

Leased assets

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

Other leases are operating leases and the leased assets are not recognized in the Group/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, -purchase cost on a weighted average basis including spare parts and purchased finished goods transportation and clearing costs.

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

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses

(h) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group/Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Impairment

(i) Non-derivative financial assets

A financial asset subsequently measured at amortised cost, 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 Group/Company on terms that the Group/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 Group/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 Group/Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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

(ii) Non-financial assets

The carrying amounts of the Group/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 Group/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.

(j) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Group/Company pays fixed contributions into a separate entity. The Group/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 Group/Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the Group/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 Group/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 Group/Company currently operates two gratuity schemes, a defined benefit scheme and a defined contribution scheme:

(a) Defined benefit gratuity scheme

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

The 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 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.

(k) **Provisions and contingent liabilities**

Provisions

A provision is recognized if, as a result of a past event, the Group/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 Group/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.

(l) **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.

(m) **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 employee benefits, 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.

(n) **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.

In determining the amount of current and deferred tax, the Group/Company takes into account the impact of uncertain tax positions and whether additional taxes and interest maybe due. The assessment relies on estimates and assumptions and may involve a series of judgements about future event. New information may become available that causes the company to adjust its judgements regarding the adequacy of existing tax liabilities; such changes to the tax liabilities will impact tax expenses in the period that such a determination is made.

(o) **Earnings per share (EPS)**

The Group/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.

(p) **Segment reporting**

An operating segment is a distinguishable component of the Group/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 Group/Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Group/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 Group/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.

(q) **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 Group/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.

(r) **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.

(s) **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.

(t) **Standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Group/Company are set out below. The extent of the impact of these standards is yet to be determined. The Group/Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated

IFRS 9 Financial Instruments (2010)	Effective date 1 January 2018
IFRS 15 Revenue from contracts with customers –	Effective date 1 January 2017
IAS1 – Disclosure initiative –	Effective date 1 January 2016
IAS 27 Equity method in separate financial statements	Effective date 1 January 2016
IFRS 10, 12 and IAS 28 – Investment entities: applying the consolidation exemption	Effective date 1 January 2016

(u) **Standards and interpretations effective 31st December 2014**

New IFRS standards and amendments to existing standards that became effective for annual periods commencing on or after 1st January 2014 have been applied in preparing the financial statements resulted in additional disclosures but had no significant impact on the measurements of the Group/Company's assets and liabilities.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IFRIC 21 Levies

4. Determination of fair values

A number of the Group/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 depreciated 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 are 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 taking into account the terms and conditions of the plan.
- (vi) Non-derivative financial instruments
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Revenue	Company 2014 N'000	Company 2013 N'000
Nigeria	266,127,467	268,360,206
Export	245,008	253,312
	266,372,475	268,613,518

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

6. Other income	Company 2014 N'000	Company 2013 N'000
Sale of scrap	482,440	278,431
Contract brewing services	1,235,051	1,796,980
	1,717,491	2,075,411

7. Finance income and costs

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

	Company 2014 N'000	Company 2013 N'000
Interest income on bank deposits	697,320	551,250

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

	Company 2014 N'000	Company 2013 N'000
Interest expense on loans and borrowings	3,618,672	4,843,729
Interest expense on overdraft	-	38,932
Unwinding of discount on employee benefits	1,349,089	773,854
Net loss on foreign exchange transactions	1,128,637	1,825,795
Finance cost	6,096,398	7,482,310

(c) Finance cost in the cash flow

	Company 2014 N'000	Company 2013 N'000
Finance cost per income statement	6,096,398	7,482,310
Unwinding of discount on employee benefits	(1,349,089)	(773,854)
Loss on foreign exchange	(1,128,637)	(1,825,795)
Finance cost per statement of cash flows	3,618,672	4,882,661
Interest accrual	(856,208)	(345,031)
Capitalised borrowing costs	302,822	610,360
Interest paid per statement of cash flows	3,065,286	(5,147,990)

8. Profit before taxation

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

	Notes	Company 2014 N'000	Company 2013 N'000
Depreciation of property, plant and equipment	12	24,062,736	21,188,510
Amortization of intangible assets	13	470,239	551,928
Auditors' remuneration		43,692	40,043
Personnel expenses	9	28,817,068	27,645,906
Directors' remuneration	8(b)	643,097	432,788
(Gain)/Loss on property, plant and equipment disposed		(739,951)	731,513
Lease rental payments	30	170,109	283,806
Royalty and technical assistance fees	32	9,422,632	9,366,025

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

	Company 2014 N'000	Company 2013 N'000
Fees:		
Chairman (non-executive)	2,200	2,200
Other non-executive directors	7,700	8,400
	9,900	10,600
Remuneration as executive directors	633,197	422,188
	643,097	432,788

The emolument (excluding pension contributions and certain benefits) of the highest paid director was ₦145,925,593 (2013: ₦106,794,623).

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

	Company 2014 Number	Company 2013 Number
N300,001 - N4,000,000	6	6
N20,000,001 - N30,000,000	1	-
N30,000,001 and above	5	5

(c) Analysis of expenses by nature

	Company 2014 N'000	Company 2013 N'000
Raw materials and consumables	66,293,614	69,121,158
Advertising and sales promotion	23,558,010	22,805,957
Depreciation	24,062,736	21,188,510
Amortization	470,239	551,928
Employee benefits (see note 9)	28,817,068	27,645,906
Transportation	18,012,095	19,691,395
Repairs and Maintenance	20,043,335	20,691,448
Royalty and technical service fees	9,422,632	9,366,025
Others	10,549,338	10,455,225
Total cost of sales, marketing & distribution and administration expenses	201,229,067	201,517,552

9. Personnel expenses

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

	Company 2014 N'000	Company 2013 N'000
Salaries, wages and allowances	20,700,513	19,155,265
Contributions to defined contribution plans	3,078,797	2,756,296
Expenses related to defined benefit plans	132,205	53,225
Training, recruitment and canteen expenses	1,884,807	2,109,478
Share based payments expenses/(credit)	214,238	(65,902)
Medical expenses	659,316	645,676
Other personnel expenses	2,147,192	2,991,868
	28,817,068	27,645,906

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

	Company 2014 Number	Company 2013 Number
Production	1,636	1,926
Distribution	141	136
Commercial	804	636
General administration	467	497
	3,048	3,195

The number of persons employed as at 31st December 2014 excludes 1,251 staff of the dissolved Consolidated Breweries Plc joining the Company.

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

	Company 2014 Number	Company 2013 Number
N500,000 and below	85	54
N500,001 - N600,000	9	20
N600,001 - N700,000	-	5
N700,001 - N800,000	5	61
N800,001 - N900,000	25	2
N900,001 - N1,000,000	-	16
N1,000,001 - N1,100,000	22	52
N1,100,001 - N1,200,000	27	37
N1,200,001 - N1,300,000	17	11
N1,300,001 - N1,400,000	38	2
N1,400,001 - N1,500,000	4	4
N1,500,001 - N1,600,000	11	29
N1,600,001 - N1,700,000	28	85
N1,700,001 - N1,800,000	41	105
N1,800,001 - N1,900,000	37	62
N1,900,001 - N2,000,000	57	257
N2,000,001 - N2,250,000	260	280
N2,250,001 - N2,500,000	341	192
N2,500,001 - N2,750,000	166	203
N2,750,001 - N3,000,000	211	203
N3,000,001 - N3,500,000	356	359
N3,500,001 - N4,000,000	274	227
N4,000,001 - N5,000,000	364	296
N5,000,001 - N6,000,000	185	165
N6,000,001 - N8,000,000	184	151
N8,000,001 - N10,000,000	102	114
N10,000,001 - N15,000,000	99	91
N15,000,001 - N20,000,000	44	55
N20,000,001 - N30,000,000	51	49
N30,000,001 and above	5	8
	3,048	3,195

The number of persons employed as at 31st December 2014 excludes 1,251 staff of the dissolved Consolidated Breweries Plc joining the Company.

10. Taxation

(a) Income tax expense

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

	Company 2014 N'000	Company 2013 N'000
Current tax expense		
Income tax	16,886,840	17,487,744
Tertiary education tax	1,510,764	1,548,778
	<u>18,397,604</u>	<u>19,036,522</u>
Deferred tax expense		
Origination and reversal of temporary differences	543,964	123,446
	<u>18,941,568</u>	<u>19,159,968</u>

(b) Reconciliation of effective tax rate

	%	2014 N'000	%	2013 N'000
Profit before income tax		61,461,821		62,240,317
Income tax using the statutory tax rate	30.0	18,438,546	30.0	18,672,095
Impact of tertiary education tax	2.5	1,510,764	2.5	1,548,778
Effect of tax incentives and exempted income	(1.4)	(882,803)	(0.6)	(377,454)
Non-deductible expenses	0.1	50,291	0.1	56,637
Other reconciling items	(0.3)	(175,230)	(1.2)	(740,088)
	<u>30.9</u>	<u>18,941,568</u>	<u>30.8</u>	<u>19,159,968</u>

(c) Movement in current tax liability

	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Balance at 1st January	24,086,538	24,086,538	19,493,550
Payments during the year	(20,154,277)	(20,154,277)	(14,443,534)
Acquired through merger	618,964	614,764	-
Charge for the year	18,397,604	18,397,604	19,036,522
Balance at 31st December	<u>22,948,829</u>	<u>22,944,629</u>	<u>24,086,538</u>

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share of 562 kobo (2013: 570 kobo) is based on the profit attributable to ordinary shareholders of N42,520,253,000 (2013: 43,080,349,000), and on the 7,562,704,432 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue (2013: 7,562,704,432):

	Company 2014	Company 2013
Weighted average number of ordinary shares		
Issued ordinary shares at 1st January	7,562,704,432	7,562,704,432
<u>Weighted average number of ordinary shares at 31st December</u>	<u>7,562,704,432</u>	<u>7,562,704,432</u>

(b) Diluted earnings per share

Diluted earnings per share of 562 kobo (2013: 570 kobo) is based on the profit attributable to ordinary shareholders of N42,520,253,000 (2013: N43,080,349,000), and on the 7,562,704,432 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue (2013: 7,562,704,432) after adjustment for the effects of all dilutive potential ordinary shares:

	Company 2014	Company 2013
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 1 st January	7,562,704,432	7,562,704,432
<u>Weighted average number of ordinary shares at 31st December</u>	<u>7,562,704,432</u>	<u>7,562,704,432</u>

(c) Dividend declared per share

Dividend declared per share of 575 kobo (2013: 300 kobo) is based on total declared dividend of N43,485,550,484 (2013: N22,688,113,296) and on 7,562,704,432 ordinary shares of 50 kobo each, being the ordinary shares in issue (2013: 7,562,704,432).

12. Property, plant and equipment

(a) The movement on these accounts during the year 2014 was as follows:

Group	Leasehold Land N'000	Buildings N'000	Plant and Machinery N'000	Motor Vehicles N'000	Furniture and Equipment N'000	Returnable Packaging Materials N'000	Capital Work-in- Progress N'000	Total N'000
Cost								
Balance at								
1 st January 2014	6,988,809	37,214,461	114,822,320	10,501,499	12,453,446	75,916,994	17,217,189	275,114,718
Additions	500,700	920,808	6,783,194	1,866,896	2,172,075	12,917,330	9,178,330	34,339,333
Acquired through merger	2,325,407	8,645,868	22,888,902	3,180,636	2,494,670	8,876,204	1,834,166	50,245,853
Disposals	(440)	(50,772)	(896,804)	(461,384)	(80,719)	(64,479)	-	(1,554,598)
Transfer to assets held for sale	(1,864,763)							(1,864,763)
Transfers from								
Capital work-in-progress*	-	3,726,813	9,263,082	41,116	67,446	(88,293)	(13,021,718)	(11,554)
Balance at 31st December 2014	7,949,713	50,457,178	152,860,694	15,128,763	17,106,918	97,557,756	15,207,967	356,268,989

Depreciation and impairment

Balance at 1st January 2014	867,473	10,118,777	51,411,265	7,648,619	5,722,535	45,979,916	-	121,748,585
Depreciation for the year	245,714	2,910,630	9,357,713	1,292,050	2,228,806	8,027,823		24,062,736
Acquired through merger	81,210	587,588	10,395,120	2,085,042	1,104,720	3,900,455		18,154,135
Transfer to assets held for sale	(141,773)							(141,773)
Disposals	(136)	(15,976)	(816,913)	(387,621)	(70,019)	(64,479)		(1,355,144)
Balance at 31st December 2014	1,052,488	13,601,019	70,347,185	10,638,090	8,986,042	57,843,715	-	162,468,539

Carrying amount

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
At 31st December 2014	6,897,225	36,856,159	82,513,509	4,490,673	8,120,876	39,714,041	15,207,967	193,800,450

*see note 13

(b) The movement on these accounts during the year 2014 was as follows:

Company

	Leasehold Land N'000	Buildings N'000	Plant and Machinery N'000	Motor Vehicles N'000	Furniture and Equipment N'000	Returnable Packaging Materials N'000	Capital Work-in- Progress N'000	Total N'000
Cost								
Balance at 1st January 2014	6,988,809	37,214,461	114,822,320	10,501,499	12,453,446	75,916,994	17,217,189	275,114,718
Additions	500,700	920,808	6,783,194	1,866,896	2,172,075	12,917,330	9,178,330	34,339,333
Acquired through merger	2,325,407	8,400,614	22,888,902	3,180,636	2,494,670	8,876,204	1,834,166	50,000,599
Disposals	(440)	(50,772)	(896,804)	(461,384)	(80,719)	(64,479)	-	(1,554,598)
Transfer to assets held for sale	(1,864,763)							(1,864,763)
Transfers from capital work-in-progress*	-	3,726,813	9,263,082	41,116	67,446	(88,293)	(13,021,718)	(11,554)
Balance at 31st December 2014	7,949,713	50,211,924	152,860,694	15,128,763	17,106,918	97,557,756	15,207,967	356,023,735

Depreciation and impairment

Balance at 1st January 2014	867,473	10,118,777	51,411,265	7,648,619	5,722,535	45,979,916	-	121,748,585
Depreciation for the year	245,714	2,910,630	9,357,713	1,292,050	2,228,806	8,027,823		24,062,736
Acquired through merger	81,210	573,160	10,395,120	2,085,042	1,104,720	3,900,455		18,139,707
Transfer to assets held for sale	(141,773)							(141,773)
Disposals	(136)	(15,976)	(816,913)	(387,621)	(70,019)	(64,479)		(1,355,144)
Balance at 31st December 2014	1,052,488	13,586,591	70,347,185	10,638,090	8,986,042	57,843,715	-	162,454,111

Carrying amount

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
At 31st December 2014	6,897,225	36,625,333	82,513,509	4,490,673	8,120,876	39,714,041	15,207,967	193,569,624

*see note 13

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

(c) The movement on these accounts during the year 2013 was as follows

	Leasehold Land N'000	Buildings N'000	Plant and Machinery N'000	Motor Vehicles N'000	Furniture and Equipment N'000	Returnable Packaging Materials N'000	Capital Work-in- Progress N'000	Total N'000
Cost								
Balance at 1 st January 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 and impairment								
Balance at 1 st 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

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

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

Closing balance of Capital Work in Progress is analysed as follows:

	Group/ Company 2014 N'000	Company 2013 N'000
Plant and Machinery	10,242,108	10,401,653
Buildings	4,865,358	6,736,813
Others	100,501	78,723
	15,207,967	17,217,189

Included in property, plant and equipment is an amount of 303 million (2013:610million), that represents borrowing costs capitalised during the year using a capitalization rate of 11.4 percent (2013: 11.4 percent).

(f) **Capital commitments**

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

	Group/ Company 2014 N'000	Company 2013 N'000
Approved and contracted	3,758,108	4,527,746
Approved but not contracted	11,991,672	6,706,838
	11,991,780	11,234,584

(g) Assets held for sale

	Group/ Company 2014 N'000	Company 2013 N'000
Cost	1,864,763	-
Accumulated depreciation	(141,773)	-
Carrying amount	1,722,990	-
Acquired through merger	2,485,826	-
Carrying amount	4,208,816	-

Assets held for sale comprises land, buildings and plant and machinery in two locations, where activities have been scaled down. The Company is committed to a plan to sell these assets and a sale is expected during 2015.

(h) Additions in cash flow statement

	Group/ Company 2014 N'000	Company 2013 N'000
Additions per note 12 a – c	34,339,333	32,997,540
Capitalised borrowing costs	(302,822)	(610,360)
Accrued additions to PPE	(2,174,732)	(799,271)
Acquisition of PPE per statement of cash flows	31,861,779	31,587,909

13. Intangible assets and goodwill

(a) The movement on these accounts during the year 2014 was as follows-

Group and Company	Goodwill N'000	Software N'000	Distribution Network N'000	Total N'000
Cost				
Balance at 1 st January 2014	50,021,531	1,708,309	3,469,433	55,199,273
Acquired through merger	30,749,427	133,201	13,912,000	44,794,628
Additions	-	141,655	-	141,655
Transfers from PP&E (note 12)	-	11,554	-	11,554
Balance at 31st December 2014	80,770,958	1,994,719	17,381,433	100,147,110
Amortisation				
Balance at 1 st January 2014	-	1,010,334	625,582	1,635,916
Acquired through merger	-	71,702	-	71,702
Amortisation for the year	-	238,926	231,313	470,239
Balance at 31st December 2014	-	1,320,962	856,895	2,177,857
Carrying amount				
At 31st December 2013	50,021,531	697,975	2,843,851	53,563,357
At 31st December 2014	80,770,958	673,757	16,524,538	97,969,253

13. Intangible assets and goodwill

(b) The movement on these accounts during the year 2013 was as follows

	Goodwill N'000	Software N'000	Distribution Network N'000	Total N'000
Cost				
Balance at 1 st 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 1 st 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

- (c) The amortization charge of all intangible assets is included in administrative expenses in the income statement.
- (d) Effective 31st December 2014, Nigerian Breweries Plc acquired all the shares of Consolidated Breweries Plc through an effected Scheme of Merger. The goodwill arising from this transaction represents synergies that can be derived from increased economies of scale, deepened brand portfolio, access to new markets and enhanced operating and administrative efficiencies.

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.

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 2013 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. The WACC represents the Group/Company's weighted average cost of capital.

The values assigned to the key assumptions (level2 Inputs) used for the value in use calculations are as follows:

2014	2013
- Pre-tax WACC – 20.6%	20.7%
- Terminal growth rate (2015 - 2024) – 5.0%	(2014 – 2023) – 8.6%
- Expected volume growth rates (2015 - 2024) – 5.1%	(2014 – 2023) – 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

Following shareholders and other regulatory approvals, the Federal High Court sanctioned the merger of Nigerian Breweries Plc and Consolidated Breweries Plc (both entities being subsidiaries of Heineken N.V.) effective 31st December 2014 with Nigerian Breweries Plc as the surviving entity.

The assets and liabilities acquired through the merger were as follows:

	N'000
Property, plant and equipment	31,860,892
Intangible assets	13,973,502
Investments	679,625
Inventory	6,372,586
Receivables and prepayments	3,288,770
Assets held for sale	2,485,826
Cash and cash equivalents	1,774,912
Total assets	60,436,113
Loans and borrowings	(6,670,000)
Deferred tax liabilities	(5,637,665)
Employee benefits	(1,055,743)
Current tax liabilities	(614,764)
Dividend payable	(111,949)
Trade and other payables	(11,960,908)
Total Liabilities	(26,051,029)
Net assets	34,385,084
<p>Nigerian Breweries Plc offered 4 of its ordinary shares for every 5 ordinary shares of Consolidated Breweries Plc, with the option for Consolidated Breweries Plc shareholders to elect cash. The value of the newly issued shares and cash surrendered gave a total consideration of ₦65.1 billion which is the deemed purchase price. In total 366,396,456 new ordinary shares of the Company arose to be issued from the merger.</p>	
Consideration for cash election (see note 28)	4,569,177
Equity consideration, fair value of new ordinary shares to be issued (see note 22c)	60,565,334
Total consideration	65,134,511
Net assets acquired	(34,385,084)
Goodwill	30,749,427

The goodwill has been allocated to Nigerian breweries Plc as a whole and denominated in Naira. From the effective date of the merger - 31st December 2014 - the former activities of Consolidated Breweries Plc did not materially impact revenue and profit of the merged new entity. Had the merger occurred on 1st January 2014, pro-forma revenue and pro-forma results from operating activities would have amounted to N307.2 million and N69.8 million, respectively. This pro-forma information does not purport to represent what Nigerian Breweries Plc's actual results would have been had the merger actually occurred on 1st January 2014, nor are they necessarily indicative of future results of operations.

In accordance with IFRS 3, the amounts recorded for the acquired assets and liabilities are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date.

15. Investments

	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Progress Trust (CPFA)	150,000	150,000	150,000
Benue Bottling Company	-	679,625	-
Investments	150,000	829,625	150,000

(a) Progress Trust (CPFA)

Investment of N150,000 represents the cost of the Group/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 Group/Company has no exposure to variable returns arising from its involvement. The Group/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.

(b) Benue Bottling Company

Through the effected merger with Consolidated Breweries on 31st December 2014 the Company obtained an 89.3% shareholding in Benue Bottling Company, an entity with no business activities. The Investment of N679,625 represents the Company's 89.3% share in the equity of Benue Bottling Company as at 31st December 2014.

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 N91.6 million (2013: N85.7 million) was reclassified to current asset and included in trade and other receivables on the statement of financial position.

17. Prepayments

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

18. Inventories

	Group/ Company 2014 N'000	Company 2013 N'000
Raw materials	9,397,180	5,876,313
Products in process	3,474,714	2,508,735
Finished products	3,398,261	3,313,792
Non-returnable packaging materials	4,988,028	3,620,162
Spare parts	6,136,866	3,845,080
Goods in transit	1,083,410	1,479,071
	28,478,459	20,643,153

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 N79.4 billion (2013: N80.4 billion).

19. Trade and other receivables

	Company 2014 N'000	Company 2013 N'000
Trade receivables	11,293,928	8,035,165
Advances	2,812,087	2,532,415
Other receivables	1,816,632	1,659,441
Due from related parties	434,509	1,985,041
	16,357,156	14,212,062

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

	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Bank balances	5,682,037	5,680,859	7,958,359
Call deposits	4,814	4,814	1,561,960
Cash in hand	13,406	13,406	8,529
Cash and Cash Equivalents	5,700,257	5,699,079	9,528,848
Bank Overdraft for Cash Management Purpose	(230,380)	(230,380)	-
Cash and cash equivalents in the statement of cash flows	5,469,877	5,468,699	9,528,848

22. Share capital

(a) Authorised ordinary shares of 50k each

In number of shares

	2014	2013
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

	2014	2013
<i>In number of shares</i>		

At 1st January	7,562,704,432
7,562,704,432	

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.

(c) Equity contribution reserve

On 4th December 2014, the extra-ordinary meeting of shareholders resolved to issue new ordinary shares to the shareholders of Consolidated Breweries Plc. At the end of the election period, 19 shareholders holding 38,076,475 shares opted for cash while 1,818 shareholders holding 457,995,143 opted for Nigerian Breweries shares. Thus 366,396,456 new ordinary shares will be allocated to the shareholders of Consolidated Breweries Plc. The value assigned to the new shares equals the Company's closing price on the floor of The Nigerian Stock Exchange at the effective date of the merger (31st December 2014) being a price of 165.30 kobo per share. The total value of the shares that will be issued amounts to ₦60,565,334,177 of which the excess over 50 kobo nominal value will be added to the Company's share premium account.

The new shares were issued and allotted on January 29, 2015. The Company has presented the value as equity contribution as at 31st December 2014.

23. Dividends

(a) Declared dividends

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

	2014 N'000	2013 N'000
125k Interim dividend declared	9,453,380	-
450 kobo per qualifying ordinary share (2013: 300 kobo)	34,032,170	22,688,113
	43,485,550	22,688,113

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.

	2014 N'000	2013 N'000
350 kobo per qualifying ordinary share (2013: 450 kobo)	<u>27,751,853</u>	<u>34,032,170</u>

(b) Dividend payable

	Group/ Company 2014 N'000	Company 2013 N'000
At 1 st January	6,376,528	5,648,226
Declared dividend	43,485,550	22,688,113
Acquired through merger	111,949	-
Payments	(42,263,111)	(21,756,348)
Unclaimed dividend transferred to retained earnings	(147,625)	(203,463)
At 31st December	<u>7,563,291</u>	<u>6,376,528</u>

(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 2014, N1.4 billion (2013: N1.4 billion) of the total dividend payable is held with the Company's registrar, First Registrars Nigeria Limited. The remaining dividend payable of N6.2 billion (2013: N5.0 billion) represents unclaimed dividends, which have been returned to the Company by the Registrar

Arising from the merger with Consolidated Breweries, the Company has also taken over the remaining unclaimed dividend, which as at 31st December 2014 amounted to N112 million.

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

	Group/Company 2014 N'000	Company 2013 N'000
Opening balance	9,000,000	45,000,000
Bank loans obtained/(repaid)	9,000,000	(36,000,000)
Bank loans acquired through merger	6,670,000	-
	<u>24,670,000</u>	<u>9,000,000</u>

- (b) 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 N10 billion (total of N60 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 N9.0 billion (2013: N9billion). The facility is secured by a negative pledge on the assets of the Company.

Arising from the merger, the Company's borrowing increased to N25 billion. The facilities of N21 billion of the former Consolidated Breweries were obtained from three banks between 2011 and 2014 at interest rates ranging from 12% to 12.5% per annum. As at 31st December 2014 N6.7 billion of the total N21 billion was utilized.

25. Employee benefits

	Group/Company 2014 N'000	Company 2013 N'000
Recognized liability for defined benefit obligation (Note (a))	8,491,115	6,859,644
Recognized liability for other long term employee benefits (Note (b)(i))	2,244,481	2,415,089
Total employee benefit liabilities	10,735,596	9,274,733

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

	Group/Company 2014 N'000	Company 2013 N'000
Defined benefit obligations at 1 st January	6,859,644	4,766,837
Acquired through merger	867,829	-
Benefits paid by the plan	(881,716)	(842,525)
Current service costs and interest (see below)	1,051,673	675,350
Actuarial losses recognized in other comprehensive income (see note (f))	593,685	2,259,982
Defined benefit obligations at 31st December	8,491,115	6,859,644

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 N2.26 billion (2013:N2.135 billion).

The gratuity of the former Consolidated Breweries PLC is currently unfunded. It will be paid up in the beginning of 2015.

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

	Group/ Company 2014 N'000	Company 2013 N'000
Current service costs	132,205	53,225
Interest on obligation	919,468	622,125
	1,051,673	675,350

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

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

	Group/ Company 2014 N'000	Company 2013 N'000
Obligation at 1 st January	2,415,089	1,199,882
Acquired through merger	187,914	-
Charge for the year	8,423	1,531,758
Payments	(366,945)	(316,551))
<u>Obligation at 31st December</u>	<u>2,244,481</u>	<u>2,415,089</u>

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

	Group/ Company 2014 N'000	Company 2013 N'000
Current and past service costs	360,133	526,916
Interest on obligation	429,621	151,729
Actuarial (gains)/Losses	(781,331)	853,113
	<u>8,423</u>	<u>1,531,758</u>

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

	Group/ Company 2014 N'000	Company 2013 N'000
Obligation at 1 st January	151,040	-
Charge for the year	1,226,422	1,089,233
Payments	(1,377,462)	(938,193)
<u>Obligation at 31st December</u>	<u>-</u>	<u>151,040</u>

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:

	Group/ Company 2014 N'000	Company 2013 N'000
Obligation at 1 st January	142,854	-
Charge for the year	1,852,375	1,667,063
Payments	(1,995,229)	(1,524,209)
<u>Obligation at 31st December</u>	<u>-</u>	<u>142,854</u>

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

	Cost of sales		Administrative expenses		Total	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Defined benefit obligation expense	83,292	33,533	48,913	19,692	132,205	53,225
Pension expense	1,116,997	1,050,250	685,378	616,813	1,802,375	1,667,063
Defined contribution plan	772,646	686,217	453,776	403,016	1,226,422	1,089,233
Long Service awards expense	5,306	869,419	3,117	510,610	8,423	1,380,029
	1,978,241	2,639,419	1,191,184	1,550,131	3,169,434	4,189,550

The Company included N1.3 billion (2013: N774 million) of unwinding of discount relating to its employee benefits in finance costs (note 7b).

The Company expects to pay about N1.3billion in respect of its defined benefit obligation in 2015.

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

	2014 N'000	2013 N'000
Cumulative amount at 1st January	2,658,216	1,076,232
Recognized during the year	593,685	2,259,982
Deferred tax	(178,106)	(677,998)
Recognized during the year net of tax	415,579	1,581,984
Amount accumulated in retained earnings at 31st December	3,073,795	2,658,216

The Company recognized N594million (2013 N2.26 billion) of actuarial losses in other comprehensive income during the period in respect of its defined benefit obligations. 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 losses recognised during the year are analysed as follows:

	2014 N'000	2013 N'000
Demographic Assumptions - Losses	-	904,756
Financial Assumption – (gains)/Losses	(170,520)	917,056
Experience Assumption - Losses	764,205	438,170
Recognized during the year	593,685	2,259,982

(g) **Actuarial assumptions**

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

	2014	2013
Discount rate (p.a.)	15%	14%
Average pay increase (p.a.)	12%	12%
Average rate of inflation (p.a.)	9%	9%
Weighted average duration of the plan (years)	9	11
Average medical rate of inflation	6.75%	7.5%

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	2014 Number of deaths in year out of 10,000 lives	2013 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	
	2014	2013	2014	2013
65	250	210	119	96
70	386	325	204	165
75	591	499	346	281
80	896	760	582	474

Withdrawals/Turnover

It is assumed that all the employees covered by the defined end of service benefit scheme would retire at age 60 (2013: age 60).

(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:

		Long Service Awards N'000	Gratuity Post employment medical benefit N'000	
Discount rate	+1%	(111,306)	(318,327)	57,994
	-1%	122,976	353,327	(49,326)
Salary increase	+1%	100,555	43,209	N/A
	-1%	(92,171)	(40,526)	N/A
Benefit Inflation rate	+1%	31,106	331,467	276,241
	-1%	(28,579)	(300,884)	(234,547)
Mortality experience	+1year	70,858	149,304	(46,142)
	-1year	(82,663)	(241,626)	98,557

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

Since the 1st of 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.

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
Share rights granted to key management personnel in 2014	9,981	53.27	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) 2014	Number of share rights 2014	Weighted average share price (Euro) 2013	Number of share rights 2013
Outstanding at 1 st January	36.69	2,571	35.39	21,056
Granted during the year	53.27	14,191	50.47	10,336
Vested during the year	36.99	(16,892)	33.27	(2,241)
Performance adjustment		43,482		(26,580)
Outstanding at 31 st December	26.54	43,352	36.69	2,571

Employee expenses	2014 N'000	2013 N'000
Share rights granted in 2011	-	(38,385)
Share rights granted in 2012	87,605	(27,517)
Share rights granted in 2013	79,340	-
Share rights granted in 2014	47,293	-
<u>Total expense/(income) recognized as employee costs</u>	<u>214,238</u>	<u>(65,902)</u>

27. Deferred tax liabilities

Recognized deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

Group and Company	Assets		Liabilities		Net	
	31 st Dec. 2014 N'000	31 st Dec. 2013 N'000	31 st Dec. 2014 N'000	31 st Dec. 2013 N'000	31 st Dec. 2014 N'000	31 st Dec. 2013 N'000
Property, plant and equipment	848,395	-	(31,998,619)	(24,803,501)	(31,150,224)	(24,803,501)
Intangible assets	-	-	(177,307)	(215,254)	(177,307)	(215,254)
Inventories	149,781	142,479	(118,800)	-	30,981	142,479
Employee benefits	3,360,045	2,782,420	-	-	3,360,045	2,782,420
Other items	102,773	263,856	-	-	102,773	263,856
Net tax assets/(liabilities)	(4,460,994)	3,188,755	(32,294,726)	(25,018,755)	(27,833,732)	(21,830,000)

Movement in temporary differences during the year

	Balance 1 st Jan. 2013 N'000	Income Statement and OCI N'000	Balance 31 st Dec 2013 N'000	Acquired through merger N'000	Income Statement and OCI N'000	Balance 31 st Dec. 2014 N'000
Property, plant and equipment	(23,694,204)	(1,109,297)	(24,803,501)	(5,975,692)	(371,031)	(31,150,224)
Intangible assets	(30,160)	(185,094)	(215,254)	-	37,947	(177,307)
Inventories	138,900	3,579	142,479	(118,800)	7,302	30,981
Employee benefits	1,854,614	927,806	2,782,420	456,089	121,536	3,360,045
Other items	(653,700)	917,556	263,856	738	(161,821)	102,773
Net tax assets/(liabilities)	(22,384,550)	554,550	(21,830,000)	(5,637,665)	(366,067)	(27,833,732)

The net movement during the period ended 31st December 2014, includes a debit amount of N178million (2013: debit N678 million) recorded in other comprehensive income as deferred tax on employee benefits.

28. Trade and other payables

	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Trade payables and related expenses	51,162,452	51,695,706	47,821,328
Non-trade payables and accrued expenses	19,000,601	19,000,601	10,625,683
Liability from cash election (see note 14)	4,569,177	4,569,177	-
Amount due to related parties	8,550,842	8,550,842	11,385,638
	83,283,072	83,816,326	69,832,649

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

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	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Other receivables (non-current)		189,710	189,710	158,884
Trade and other receivables	19	16,357,156	16,357,156	14,212,062
Cash and cash equivalents	21	5,700,257	5,699,079	9,528,848
		22,247,123	22,245,945	23,899,794

Trade and other receivables

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

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

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

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

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

	2014 N'000	2013 N'000
Trade receivables		
- Major customers	12,646,018	8,697,581
- Other customers	1,080,839	966,398
- Impairment	<u>(2,432,929)</u>	<u>(1,628,814)</u>
	11,293,928	8,035,165
Non-trade receivables		
- Other receivables (non-current)	189,710	158,884
- Due from related parties	434,509	1,985,041
- Advances	2,812,087	2,532,415
- Others	<u>1,816,632</u>	<u>1,659,441</u>
	<u>16,546,866</u>	<u>14,370,946</u>

Impairment losses

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

	Gross 2014 N'000	Impairment 2014 N'000	Gross 2013 N'000	Impairment 2013 N'000
0-30 days	11,625,511	333,769	7,887,932	-
31-60 days	11,810	11,810	109,638	36,459
61-180 days	189,680	187,494	211,145	137,091
More than 180 days	<u>1,899,856</u>	<u>1,899,856</u>	<u>1,455,264</u>	<u>1,455,264</u>
	<u>13,726,857</u>	<u>2,432,929</u>	<u>9,663,979</u>	<u>1,628,814</u>

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

	2014 N'000	2013 N'000
Balance at 1 st January	(1,628,814)	(1,139,249)
Acquired through merger	(607,076)	
Impairment loss recognised	<u>(197,039)</u>	<u>(489,565)</u>
Balance at 31st December	<u>(2,432,929)</u>	<u>(1,628,814)</u>

The impairment loss as at 31st December 2014 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 Group/Company held cash and cash equivalents of N5.7 billion as at 31st December 2014 (2013: N9.5 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.

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

Group	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000
Non-derivative financial liabilities 31st December 2014						
Unsecured bank loans	24,670,000	25,834,336		25,834,336		-
Bank overdraft	230,380	230,380	230,380			
Dividend payable	7,563,291	7,563,291	7,563,291	-	-	-
Trade and other payables	83,283,072	83,283,072	83,283,072	-	-	-
	115,746,743	116,911,079	91,076,743	25,834,336		-
Company						
Company	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000
Non-derivative financial liabilities 31st December 2014						
Unsecured bank loans	24,670,000	25,834,336		25,834,336		-
Bank overdraft	230,380	230,380	230,380			
Dividend payable	7,563,291	7,563,291	7,563,291	-	-	-
Trade and other payables	83,816,326	83,816,326	83,816,326	-	-	-
	116,279,997	117,444,333	91,609,997	25,834,336		-
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	-

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 N3,172,566,694 (2013: N3,842,103,120), 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 and interest rates 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.

Exposure to currency risk

The Company's transactional exposure to British Pounds (GBP), US Dollar (USD) and Euro (EUR) is as follows:

In thousands	31 st December 2014			31 st December 2013		
	EUR	GBP	USD	EUR	GBP	USD
Financial asset						
Group receivables	321	(0.4)	(22)	557	-	-
Cash and cash equivalent	242	43	68	325	179	223
Deposit for imports	1,791	-	-	640	-	-
Financial liability						
Group payables	(15,325)	-	(7)	(28,901)	-	-
Net exposure	(12,971)	43	39	(27,379)	179	223

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 2013, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Increase/(decrease) in profit or loss N'000
31st December 2014	
EUR (5 percent weakening of the Naira)	(180,280)
GBP (5 percent weakening of the Naira)	554
USD (5 percent weakening of the Naira)	305

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

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:

	Reporting date spot rate		Average rate	
	2014 N	2013 N	2014 N	2013 N
Euro	203.67	206.18	207.90	213.73
GB Pounds	257.76	242.80	261.47	256.65
US Dollar	156.45	155.64	167.5	155.2

(d) **Interest rate risk profile**

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

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

Carrying amount

	Group/ Company 2014 N'000	Company 2013 N'000
Fixed rate instruments		
Unsecured bank loans	(24,670,000)	(9,000,000)
Bank overdraft	(230,380)	-
Financial liabilities	(24,900,380)	(9,000,000)

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.

(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 monitors capital using adjusted debt to equity ratio. At the end of the reporting period, adjusted net debt to capital ratio was as follows:

	Group 2014 N'000	Company 2014 N'000	Company 2013 N'000
Total liabilities	177,264,900	177,793,954	140,400,448
<u>Less: cash and cash equivalents</u>	<u>(5,700,257)</u>	<u>(5,699,079)</u>	<u>(9,528,848)</u>
<u>Adjusted net debt</u>	<u>171,564,643</u>	<u>172,094,875</u>	<u>130,871,600</u>
<u>Total equity</u>	<u>171,964,263</u>	<u>171,882,830</u>	<u>112,359,185</u>
Adjusted debt to capital ratio	1.00	1.00	1.16

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

(g) **Accounting classification and 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:

Group		31st December 2014	
	Note	Carrying amount N'000	Fair value N'000
Assets carried at amortised cost			
Other receivables (non-current)		189,710	189,710
Trade and other receivables	19	16,357,156	16,357,156
Cash and cash equivalents	21	5,700,257	5,700,257
		22,247,123	22,247,123
Liabilities carried at amortised cost			
Unsecured bank loans	24	24,670,000	24,604,672
Bank overdraft		230,380	230,380
Dividend payable		7,563,291	7,563,291
Trade and other payables	28	83,283,072	83,283,072
		115,746,743	115,681,415

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

Company	Note	31 st December 2014		31 st December 2013	
		Carrying amount N'000	Fair value N'000	Carrying amount N'000	Fair value N'000
Assets carried at amortised cost					
Other receivables (non-current)		189,710	189,710	158,884	158,777
Trade and other receivables	19	16,357,156	16,357,156	14,212,062	14,212,062
Cash and cash equivalents	21	5,699,079	5,699,079	9,528,848	9,528,848
		22,245,945	22,245,945	23,899,794	23,899,687
Liabilities carried at amortised cost					
Unsecured bank loans	24	24,670,000	24,604,672	9,000,000	8,999,123
Bank overdraft		230,380	230,380	-	-
Dividend payable		7,563,291	7,563,291	6,376,528	6,376,528
Trade and other payables	28	83,816,326	83,816,326	69,832,649	69,832,649
		116,279,997	116,214,669	85,209,177	85,208,300

Trade and other receivables, bank overdrafts 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:

	2014	2013
Other receivables (level 2)	14.0%	14.0%
Unsecured bank loans (level 2)	12.0%	11.7%

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 2014, an amount of N170 million was recognized as an expense in profit or loss in respect of operating leases (2013: N284 million). Lease rentals are paid upfront and included in prepayments, which are amortised to the profit or 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 N3,486,066,367 (2013: N3,842,103,120). This guarantee is backed by employees' gratuity. Accordingly, management believes that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Contingent liabilities in respect of guarantees provided to the Nigerian Customs in respect of customs duty on behalf of the Company amounted to N5.3 billion (2013: N4.3 billion) which represents its maximum liquidity exposure.

The Company is subject to ongoing audits by regulatory bodies. The audits are yet to be completed as at balance sheet date and any liability that may arise cannot be determined with sufficient reliability. The directors are of the opinion that the Company will not suffer any significant financial loss from these audits."

(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 N8,340,013,187 (2013: N7,686,764,045) as at 31st December 2014. In the opinion of the Directors and based on independent legal advice, the Company's liabilities are not likely to be material, but the amount cannot be determined with sufficient reliability 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 2014 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.

The Company has transactions with its parent, 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	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Purchases - other related parties	(30,949,034)	(19,572,067))	(2,277,216)	(6,111,527)
Contract brewing services				
- Other related parties	(2,382,520)	(1,634,967)	332,029	1,379,395
Technical Service fees & royalties				
- Parent	(1,036,462)	(1,023,096)	(256,965)	(542,060)
- Other related parties	(8,386,170)	(8,342,929)	(3,535,778)	(4,242,175)
Sales and others				
- Other related parties	(516,088)	148,773	(86,487)	115,770

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:

	2014 N'000	2013 N'000
Short term employee benefits	1,087,395	825,809
Long term employee benefits:		
Post-employment benefits	48,635	30,855
Share based payments	149,967	-
	<u>1,285,997</u>	<u>856,664</u>

(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 N100 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 was reimbursed at cost.

As at year end The Trust Fund held 34,293,968 (2013:34,293,968) number of shares in the Company.

33. Subsequent events

On the 29th of January 2015, the Securities and Exchange Commission registered the new shares which arose from the merger with Consolidated Breweries Plc. As a result, the enlarged share capital became 7,929,100,888 ordinary shares of 50 kobo each, which will qualify for the final dividend to be proposed to shareholders at the forthcoming Annual General Meeting.

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 2014 that have not been adequately provided for or disclosed in the financial statements.

34. Condensed financial data of consolidated entities

	Group	Elimination entries	Nigerian Breweries	Benue Bottling Company
	N'000	N'000	N'000	N'000
ASSETS				
Property, plant and equipment	193,800,450		193,569,624	230,826
Intangible assets and goodwill	97,969,253		97,969,253	-
Investments	150,000	(679,625)	829,625	
Other receivables	189,710		189,710	
Prepayments	187,889		187,889	
Non-current assets	292,297,302	(679,625)	292,746,101	230,826
Inventories	28,478,459		28,478,459	
Trade and other receivables	16,357,156	(533,254)	16,357,156	533,254
Prepayments	1,822,499		1,822,499	
Deposit for imports	364,674		364,674	
Cash and cash equivalents	5,700,257		5,699,079	1,178
Assets held for sale	4,208,816		4,208,816	
Current assets	56,931,861	(533,254)	56,930,683	534,432
Total assets	349,229,163	(1,212,879)	349,676,784	765,258
			-	-
EQUITY				
Share capital	3,781,353	(5,220)	3,781,353	5,220
Share premium	4,567,967	(743)	4,567,967	743
Share based payment reserve	241,676		241,676	-
Retained earnings	102,726,500	(755,095)	102,726,500	755,095
Equity contribution reserve	60,565,334		60,565,334	-
Equity attributable to owners of the Company	171,882,830	(761,058)	171,882,830	761,058
Non-controlling interest	81,433	81,433	-	-
Total equity	171,964,263	(679,625)	171,882,830	761,058
LIABILITIES				
Loans and borrowings	24,670,000		24,670,000	
Employee benefits	10,735,596		10,735,596	
Deferred tax liabilities	27,833,732		27,833,732	
Non-current liabilities	63,239,328	-	63,239,328	
Bank Overdraft	230,380		230,380	
Current tax liabilities	22,948,829		22,944,629	4,200
Dividend payable	7,563,291		7,563,291	
Trade and other payables	83,283,072	(533,254)	83,816,326	
Current liabilities	114,025,572	(533,254)	114,554,626	4,200
Total liabilities	177,264,900	(533,254)	177,793,954	4,200
Total equity and liabilities	349,229,163	(1,212,879)	349,676,784	765,258

Condensed cash flow statement

	<i>Group</i>	<i>Elimination entries</i>	Nigerian Breweries	Benue Bottling Company
	N'000	N'000	N'000	N'000
Cash flows from operating activities				
Net profit	42,520,253	-	42,520,253	-
Cash generated from operating activities	96,918,661	-	96,918,661	-
Net cash from operating activities	60,860,045	-	60,860,045	-
Cash flow from investing activities				
Finance income	697,320	-	697,320	-
Proceeds from sale of PP&E	939,405	-	939,405	-
Cash contribution through merger with Consolidated Breweries Plc	1,776,090	-	1,774,912	1,178
Acquisition of PP&E	(31,861,779)	-	(31,861,779)	-
Acquisition of intangible assets	(141,655)	-	(141,556)	-
Net cash (used)/from investing activities	(28,590,619)	-	(28,591,797)	1,178
Net cash used in financing activities	36,328,397		36,328,397	-
Net (decrease)/increase in cash and cash equivalents	(4,058,971)	-	(4,060,149)	1,178
Cash and cash equivalents at 1 st January	9,258,848		9,258,848	-
Cash and cash equivalents at 31 st December	5,469,877	-	5,468,699	1,178

Value Added Statement

FOR THE YEAR ENDED 31ST DECEMBER

	2014 N'000		2013 N'000
Revenue	266,372,475		268,613,518
Bought in materials and services			
- Imported	(19,546,378)		(19,572,067)
- Local	(130,810,372)		(135,158,790))
	116,015,725		113,882,661
Other income	1,717,491		2,075,411
Finance income	697,320		551,250
Value added by operating activities	118,430,536		116,509,322
Distribution of Value Added		%	%
To Government as:			
Taxes	18,941,568	16	19,159,968
To Employees:			
Salaries, wages, fringe and end of service benefits	28,817,068	24	27,645,906
To Providers of Finance:			
- Finance cost (interest expenses)	3,618,672	3	4,882,661
Retained in the Business			
To maintain and replace;			
- Property, plant and equipment	24,062,736	21	21,188,510
- Intangible assets	470,239	-	551,928
To augment reserves	42,520,253	36	43,080,349
Value added	118,430,536	100	116,509,322
Dividends to shareholders from reserves	43,485,550		22,688,113

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.

Company four-Year Financial Summary

	2014	2013	2012	2011
	N'000	N'000	N'000	N'000
Statement of comprehensive income				
Revenue	266,372,475	268,613,518	252,674,213	207,303,379
Results from operating activities	66,860,899	69,171,377	64,611,589	56,997,812
Profit before taxation	61,461,821	62,240,317	55,624,366	57,143,228
Profit for the year	42,520,253	43,080,349	38,042,714	38,434,033
<u>Comprehensive income for the year</u>	<u>42,104,674</u>	<u>41,498,365</u>	<u>38,062,067</u>	<u>38,408,847</u>

Ratios

Earnings per share	562	570	503	508
Share price at year end (Naira)	165.3	167.90	147.00	94.42
Declared dividend per share	575	300	300	125
Dividend coverage (times)	0.98	1.90	1.68	4.06
Net assets per share (kobo)	2,153	1,486	1,236	1,035

Statement of financial position

Employment of Funds

Property, plant and equipment	193,569,624	153,366,133	142,348,420	96,618,541
Intangible assets	97,969,253	53,563,357	53,987,573	1,125,307
Investments	829,625	150,000	150,000	65,385,106
Other receivables	189,710	158,884	148,700	64,429
Prepayments	187,889	235,790	132,309	110,721
Net current liabilities	(57,623,943)	(55,010,246)	(29,967,841)	(33,509,856)
Loans and borrowings	(24,670,000)	(9,000,000)	(45,000,000)	(30,000,000)
Employee benefits	(10,735,596)	(9,274,733)	(5,966,719)	(5,390,499)
Deferred tax liabilities	(27,833,732)	(21,830,000)	(22,384,550)	(16,099,008)

<u>Net assets</u>	<u>171,882,830</u>	<u>112,359,185</u>	<u>93,447,892</u>	<u>78,304,741</u>
--------------------------	---------------------------	---------------------------	--------------------------	--------------------------

Funds Employed

Share capital	3,781,353	3,781,353	3,781,353	3,781,282
Share premium	4,567,967	4,567,967	4,567,967	4,568,038
Share based payment reserve	234,340	50,114	152,536	94,534
Retained earnings	102,733,836	103,959,751	84,946,036	69,860,887
<u>Equity contribution reserve</u>	<u>60,565,334</u>			

	<u>171,882,830</u>	<u>112,359,185</u>	<u>93,447,892</u>	<u>78,304,741</u>
--	---------------------------	---------------------------	--------------------------	--------------------------

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.

The Group came into existence in 2014, accordingly historical financial information for the Group has not been presented.

Shareholders' Information

Substantial Interest in Shares:

According to the Register of Members, the following shareholders held more than 5% of the issued share capital of the Company on 31st December, 2014.

Shareholder	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	1,230,669,209	16.27
Total	5,321,930,061	70.36

Statistical Analysis of Shareholding

- (a) The issued and fully paid-up Share Capital of the Company as at 31st December, 2014 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, 2014. The remaining 2,204,774,371 shares (representing 29.64%) were held by other individuals and institutions.
- (b) The Registrars advised that the range of shareholding as at 31st December, 2014, was as follows:

Range	No. of Holders	Holders%	Units	Units%
1 - 1,000	44,264	39.16	20,876,834	0.28
1,001 - 5,000	31,632	27.99	80,176,189	1.06
5,001 - 10,000	10,039	8.88	74,120,011	0.98
10,001 - 50,000	19,368	17.14	479,117,531	6.34
50,001 - 100,000	5,170	4.57	370,758,964	4.90
100,001 - 500,000	2,164	1.92	420,771,753	5.56
500,001 - 1,000,000	200	0.18	140,407,388	1.86
1,000,001 - 5,000,000	157	0.14	303,412,240	4.01
5,000,001 - 10,000,000	14	0.01	92,154,313	1.22
10,000,001 - 50,000,000	13	0.01	284,539,275	3.76
50,000,001 - 100,000,000	5	0.00	330,109,080	4.36
100,000,001 - 500,000,000	3	0.00	875,000,000	11.57
500,000,001 - 7,562,704,430	2	0.00	4,091,260,852	54.10
	113,031	100.00	7,562,704,430	100.00

Shareholders' Information (Cont'd)

Scrip Issues

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

Dividend Overview

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

Financial Year	Dividend No.	Profit after Taxation (N'000)	Dividend (N'000)	Dividend per Share (kobo)	Date approved
2002	80	7,296,446	7,940,528	210	25 th June, 2003
2003	81	7,352,287	4,159,409	110	30 th June, 2004
2004	82	5,086,403	3,025,025	40	6 th July, 2005
2005	83 (Interim)		2,890,641	25	23 rd November, 2005
2005	84	8,254,557	6,050,050	80	3 rd May, 2006
2006	85 (Interim)		3,025,025	40	3 rd October, 2006
2006	86	10,900,524	7,865,064	104	23 rd May, 2007
2007	87 (Interim)		4,159,409	55	19 th September, 2007
2007	88	18,942,856	14,746,997	195	28 th May, 2008
2008	89 (interim)		7,562,752	100	16 th September, 2008
2008	90 (Interim)		14,368,868	190	4 th December, 2008
2008	91	25,700,593	3,781,281	50	20 th May 2009
2009	92 (Interim)		9,831,331	130	20 th May 2009
2009	93 (Interim)		11,343,844	150	13 th January, 2010
2009	94	27,910,091	6,730,680	89	19 th May, 2010
2010	95 (Interim)		8,696,497	115	19 th May, 2010
2010	96	30,332,118	9,453,203	125	18 th May, 2011
2011	97	38,408,846	22,687,687	300	16 th May, 2012
2012	98	38,042,714	22,668,113	300	15 th May, 2013
2013	99	43,080,349	34,032,170	450	14 th May, 2014
2014	100 (Interim)		9,453,381	125	22 nd October, 2014

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. Aladinbuli And Company | 32. Ezionye Enterprises Nigeria Ltd | 66. Muscle Group Of Company Nigeria |
| 2. A.O Amuta & Sons Trading Co.Ltd | 33. F. U. Aloma And Sons Ltd | 67. Nathan Ofoma And Sons Ltd |
| 3. A.S. Yakubu & Sons (Nigeria) | 34. Fagido Nigeria Ltd | 68. ND and NK Investment Ltd |
| 4. Abikka Trading Company Ltd | 35. G.A.Dike And Sons Ltd | 69. Ngozi Global Stores Ltd |
| 5. Achison Resources Ltd | 36. Ginika Store | 70. Nkob & Fnmgbab Stores Ltd |
| 6. Anaebo Global Services Ltd | 37. Hotels De James Nigeria Ltd | 71. O-Fage Enterprises Nigeria Ltd |
| 7. Anayo Ejike And Sons Nigeria Ltd | 38. Ifekwesi Ventures Ltd | 72. Oficon Nigeria Ltd |
| 8. Augustus A. Nwodo And Sons Nig Ltd | 39. Ifeoma Chukwuka Nigeria Ltd | 73. Ogedegbe Abunukeke And Sons Nigeria |
| 9. Avutu Trading And Transport Company | 40. Innovation Era Nigeria Ltd | 74. Omotayo Stores |
| 10. Bode Concern Ltd | 41. Isimemene Okoh Business Venture | 75. Onike Stores Ltd |
| 11. Bolaji Karounwi | 42. J. Egwumba & Sons Nig Ltd | 76. Oruche Stores Ltd |
| 12. Bufa Investment Company Ltd | 43. J. Jocac Company Nigeria Ltd | 77. Our Line Ltd |
| 13. Business Ventures Ltd | 44. J. Ogungbola & Sons Ltd | 78. P.N. Dibor And Company Ltd |
| 14. C. Nwaubani & Sons (Nigeria) | 45. J.C. Onoh And Company Ltd | 79. Pabikson Nigeria Ltd |
| 15. C.N. Anyoha And Sons Ltd | 46. J.O. Akushie & Sons Nig.Ltd | 80. Paddyman Nigeria Ltd |
| 16. Cas Marine Services Ltd | 47. J.O. Azubogu & Co Nig Ltd | 81. Pandib Nigeria Ltd |
| 17. Cele O Que Ent. Nig. Ltd | 48. Jekok Nigeria Ltd | 82. Patrick Telford And Company Ltd |
| 18. Chidi Ndupu Enterprises Ltd | 49. Jerry Alagbe & Sons Ltd | 83. Pauline-Chimex Nigeria Ltd |
| 19. Chrisemua And Sons Nigeria Ltd | 50. Jolly Cool Enterprises Ltd | 84. R N Okeke And Sons Ltd |
| 20. D - Dey Ltd | 51. K.C. Investment Nigeria Ltd | 85. R. Olabo Nigeria Ltd |
| 21. Dacamca Nigeria Ltd | 52. Ken Maduakor Group Ltd | 86. R.A.Olaiya Ltd |
| 22. De Chimax Enterprises Nigeria | 53. Lexican Investments Ltd | 87. Redemption Resources International |
| 23. Donrose-Rk Nig Ltd | 54. M. O.Nkala & Co | 88. Remcollins Ventures NigLtd |
| 24. Edla Stores Ltd | 55. Magulf Global Enterprises | 89. Senna Atlantic Ltd |
| 25. Ejas And Sons | 56. Marcellinus And Brothers Elite Ltd | 90. Shukuriyya Global Ventures Ltd |
| 26. Emma Star Enterprises(Nigeria) | 57. Martizon Integrated Concept Ltd | 91. Steve Imafidon & Sons Ltd |
| 27. Ensik Global Ventures | 58. Mathtrice Nigeria Ltd | 92. Sufaye Investments Ltd |
| 28. Ese And Ehis Ventures Ltd | 59. Mawlat Ventures Ltd | 93. Tabcod Nigeria Ltd |
| 29. Eso-Penco International Ltd | 60. Mekus Stores Nigeria Ltd | 94. Tasho Nigeria Ltd |
| 30. Esthersons Global Services Ltd | 61. MGB Integrated Ventures Nig Ltd | 95. Tendy Nigeria Ltd |
| 31. Eze Libra Ltd Ezionye Enterprises Nigeria Ltd | 62. Modafe Global Resources Nigeria | 96. Thames Aghedo Enterprises Ltd |
| | 63. Modupe Folarin Nigeria Ltd | 97. Uche Development Stores |
| | 64. Momoreoluwa Nig Ltd | 98. Valid Technical Services Ltd |
| | 65. Moses & Kossy Nig Enterprise | 99. Wilson Obioha And Sons Ltd |
| | | 100. Wisaku Services Ltd |